

Ashford Inc.
Form DEFA14A
May 04, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant X

Filed by a Party other than the Registrant O

Check the appropriate box:

- o Preliminary Proxy Statement
- o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- o Definitive Proxy Statement
- o Definitive Additional Materials
- x Soliciting Material under §240.14a-12

Ashford Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
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 - (4) Proposed maximum aggregate value of transaction:

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Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

This Schedule 14A filing consists of the press release of Ashford Inc. dated May 3, 2018 announcing its financial results for the first quarter ended March 31, 2018.

NEWS RELEASE

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ASHFORD REPORTS FIRST QUARTER RESULTS

Assets Under Management \$6.3 Billion at Quarter End

Total Revenue Increased 270% in the First Quarter

Announced Definitive Agreement to Acquire Remington's Project Management Business

Completed Strategic Investment in RED Hospitality & Leisure

Entered into a New \$35 Million Credit Facility

DALLAS, May 3, 2018 - Ashford Inc. (NYSE American: AINC) (the Company) today reported the following results and performance measures for the first quarter ended March 31, 2018. Unless otherwise stated, all reported results compare the first quarter ended March 31, 2018, with the first quarter ended March 31, 2017 (see discussion below). The reconciliation of non-GAAP financial measures is included in the financial tables accompanying this press release.

STRATEGIC OVERVIEW

- High-growth, fee-based business model
- Diversified platform of multiple fee generators
- Seeks to grow in three primary areas:
 - Expanding the existing platforms accretively and accelerating performance to earn incentive fees
 - Starting new platforms for additional base and incentive fees
 - Investing in or incubating strategic businesses that can achieve accelerated growth through doing business with our existing platforms and by leveraging our deep knowledge and extensive relationships within the hospitality sector
- Highly-aligned management team with superior long-term track record
- Leader in asset and investment management for the real estate & hospitality sectors

FINANCIAL AND OPERATING HIGHLIGHTS

- Net loss attributable to the Company for the quarter totaled \$5.7 million, or \$2.84 per diluted share, compared with a net loss of \$2.4 million, or \$1.34 per diluted share, in the prior year quarter. Adjusted net income for the quarter was \$4.6 million, or \$1.71 per diluted share, compared with \$4.4 million, or \$1.92 per diluted share, in the prior year quarter.
 - Total revenue for the quarter was \$48.2 million, reflecting a growth rate of 270% over the prior year quarter
 - Debt placement fee revenue was \$632,000 in the quarter
 - Adjusted EBITDA for the first quarter was \$5.4 million, reflecting a growth rate of 6% over the
-

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prior year quarter

- At the end of the first quarter, the Company had approximately \$6.3 billion of assets under management
- As of March 31, 2018, the Company had corporate cash of \$30.8 million

ACQUISITION OF REMINGTON'S PROJECT MANAGEMENT BUSINESS

On April 9, 2018 the Company announced that it had signed a definitive agreement to acquire the Project Management business of privately-held Remington Holdings, L.P. (Remington). The transaction, which is expected to close during the third quarter of 2018, is subject to approval by the Company's stockholders and customary closing conditions.

Remington's Project Management business provides comprehensive and cost-effective design, development, and project management services for both Remington managed hotels as well as external partners. It provides project oversight, coordination, planning, and execution of renovation, capital expenditure or ground-up development projects. Its operations are responsible for managing and implementing substantially all capital improvements at Ashford Hospitality Trust, Inc. (NYSE: AHT) (Ashford Trust or Trust) and Braemar Hotels & Resorts Inc. (NYSE: BHR) (Braemar). Additionally, it has extensive experience working with many of the major hotel brands in areas of renovating, converting, developing or repositioning hotels. In 2017, Remington Project Management had revenues of approximately \$29.0 million and adjusted EBITDA of approximately \$16.3 million.

Under the terms of the agreement, the Company will acquire Remington's Project Management business for a total transaction value of \$203 million. The purchase price will be paid by issuing convertible preferred stock to the sellers. The newly created convertible preferred stock will have a conversion price of \$140 per share (a 45% premium to the trading level at the time of the announcement) and, if converted immediately after the consummation of the transaction, would convert into 1,450,000 shares of common stock. Dividends on the convertible preferred stock are payable at an annual rate of 5.5% in the first year, 6.0% in the second year, and 6.5% in the third year and each year thereafter. Voting rights of the convertible preferred stock will be on an as-converted basis and the holders of the convertible preferred stock will have a voting limit of 25% of the Company's voting securities for five years. Upon closing of the transaction, the sellers will have the right to nominate two directors to the Company's Board of Directors. The transaction does not require a private letter ruling from the Internal Revenue Service.

INVESTMENT IN RED HOSPITALITY & LEISURE

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During the quarter, the Company acquired an approximate 80% controlling interest in RED Hospitality & Leisure for approximately \$1 million in cash. RED Hospitality & Leisure is a leading provider of watersports activities and other travel & transportation services in the U.S. Virgin Islands. RED Hospitality has already begun limited ferry operations between St. Thomas and St. John and expects to capitalize on new contracts and charter business as the Virgin Islands resorts begin to reopen in the second half of this year and into early 2019. RED Hospitality generated \$256,000 of revenue and \$86,000 of Adjusted EBITDA in the first quarter during the Company's period of ownership.

J&S AUDIO VISUAL UPDATE

The Company currently owns an 85% controlling interest in a privately held company that conducts the business of J&S Audio Visual in the United States, Mexico, and the Dominican Republic (J&S). J&S provides an integrated suite of audio visual services, including show & event services, hospitality services, creative services, and design & integration, making J&S a leading single-source solution for their clients

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meeting and event needs. In the first full quarter since the Company's investment, revenue growth was 21% and Adjusted EBITDA growth was 29% as compared to the prior year period. First quarter growth was largely supported by third-party business which saw 17% growth in revenue highlighted by one of the best months in the company's history. Since Ashford's investment in November 2017 through the end of the first quarter, revenues increased \$5.7 million, or 21%, and Adjusted EBITDA increased \$1.6 million, or 60%, over the prior year period. Additionally, J&S executed three new hotel contracts during the first quarter. As of the end of the first quarter, J&S had multi-year contracts in place with 67 hotels and convention centers in addition to regular business representing over 2,500 annual events and productions, 500 venue locations, and 650 clients.

OPENKEY UPDATE

Ashford currently owns a 46% interest in OpenKey. OpenKey is the universal, industry-standard smartphone App for keyless entry in hotel guestrooms. There have been several recent developments regarding OpenKey's growth. The company continues to expand the platform with growth from OpenKey China as well as securing an additional asset level contract with yet another hotel brand, Yotel, increasing the company's access to 15 hotel brands and portfolios. OpenKey remains the industry leader in interfaces with major lock manufacturers and has access to thousands of hotels worldwide through its exclusive deal offerings with Preferred Hotels, World Hotels and its integration with InnDependent Boutique Collection, a hotel technology platform used worldwide. The company also continues to be supported by its office in Guadalajara, Mexico which has been instrumental for growth in Mexico, Costa Rica, and Colombia as well as independent resellers currently working in 14 different countries. In the first quarter, revenue growth was 1,176% compared to the prior year period and 71% relative to the fourth quarter of 2017. The company has now achieved five consecutive quarters of revenue growth dating back to the first quarter of 2017 with the first quarter of 2018 at an all-time high of 1,176% growth over the prior year.

FINANCIAL RESULTS

Net loss attributable to the Company for the quarter totaled \$5.7 million, or \$2.84 per diluted share, compared with a net loss of \$2.4 million, or \$1.34 per diluted share, in the prior year quarter. Adjusted net income for the quarter was \$4.6 million, or \$1.71 per diluted share, compared with \$4.4 million, or \$1.92 per diluted share, in the prior year quarter.

For the quarter ended March 31, 2018, base advisory fee revenue was \$10.7 million, including \$8.6 million from Ashford Trust and \$2.1 million from Braemar.

Adjusted EBITDA for the quarter was \$5.4 million, compared with \$5.1 million for prior year quarter, reflecting a growth rate of 6%.

CAPITAL STRUCTURE

At the end of the first quarter, the Company had approximately \$6.3 billion of assets under management from its managed companies, corporate cash of \$30.8 million, and 2.7 million fully diluted shares. The Company has a current fully diluted equity market capitalization of approximately \$250 million.

QUARTERLY HIGHLIGHTS FOR ADVISED PLATFORMS

ASHFORD TRUST HIGHLIGHTS

- Trust refinanced a mortgage loan on 8 hotels with an existing outstanding balance of \$377 million. The new loan totals \$395 million and is expected to result in annual interest savings of approximately \$6.8 million compared to the previous loan terms.
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- Trust sold the SpringHill Suites Glen Allen in Glen Allen, VA for \$10.9 million.
- Subsequent to quarter end, Trust refinanced a mortgage loan on 22 hotels with an existing outstanding balance totaling approximately \$972 million. The new loan totals \$985 million and is expected to result in annual interest savings of approximately \$11 million compared to the previous loan terms.

Braemar Hotels & Resorts HIGHLIGHTS

- Ashford Hospitality Prime rebranded to Braemar Hotels & Resorts on April 24, 2018, further enhancing their strategy to focus on the luxury segment.
- Subsequent to quarter end, Braemar completed the acquisition of the 266-room Ritz-Carlton Sarasota in Sarasota, FL for \$171 million. Concurrent with the completion of the acquisition, Braemar financed the hotel with a \$100 million non-recourse loan.

We are pleased with our operating results for the first quarter and the continued execution on our growth strategy, commented Monty J. Bennett, Ashford's Chairman and Chief Executive Officer. During the quarter, we were pleased to have entered in to an agreement to acquire the high-margin project management division of Remington. With deep industry experience and long-term contracts in place, we believe this transaction represents a compelling opportunity for Ashford to diversify its earnings stream and, moving forward, the potential to expand business to other third-party clients. Additionally, the RED Hospitality investment will give us a foothold in the watersports and travel & hospitality services sector that we believe has enormous potential. Looking ahead, we remain committed to maximizing value for our shareholders and are well positioned to opportunistically grow our business by accretively expanding our existing REIT platforms, adding additional investment platforms and investing in other hospitality-related businesses through which we can accelerate meaningful, profitable growth.

INVESTOR CONFERENCE CALL AND SIMULCAST

The Company will conduct a conference call on Friday, May 4, 2018, at 12:00 p.m. ET. The number for this interactive teleconference is (719) 325-4857. A replay of the conference call will be available through Friday, May 11, 2018, by dialing (719) 457-0820 and entering the confirmation number 1067560.

The Company will also provide an online simulcast and rebroadcast of its first quarter 2018 earnings release conference call. The live broadcast of the Company's quarterly conference call will be available online at the Company's web site, www.ashfordinc.com on Friday, May 4, 2018, beginning at 12:00 p.m. ET. The online replay will follow shortly after the call and continue for approximately one year.

Included in this press release are certain supplemental measures of performance which are not measures of operating performance under GAAP, to assist investors in evaluating the Company's historical or future financial performance. These supplemental measures include adjusted earnings

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before interest, tax, depreciation and amortization (Adjusted EBITDA) and Adjusted Net Income. We believe that Adjusted EBITDA and Adjusted Net Income provide investors and management with a meaningful indicator of operating performance. Management also uses Adjusted EBITDA and Adjusted Net Income, among other measures, to evaluate profitability and our board of directors includes these measures in reviews to determine quarterly distributions to stockholders. We calculate Adjusted EBITDA by subtracting or adding to net income (loss): interest expense, income taxes, depreciation, amortization, net income (loss) to noncontrolling interests, transaction costs, and other expenses. We calculate Adjusted Net Income by subtracting or adding to net income (loss): net income (loss) to noncontrolling interests, transaction costs, and other expenses. Our methodology for calculating Adjusted EBITDA and Adjusted Net Income may differ from the methodologies used by other comparable companies, when calculating the same or similar supplemental financial measures and may not be comparable with these companies. Neither Adjusted EBITDA nor Adjusted Net Income

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represents cash generated from operating activities as determined by GAAP and should not be considered as an alternative to a) GAAP net income (loss) as an indication of our financial performance or b) GAAP cash flows from operating activities as a measure of our liquidity nor are such measures indicative of funds available to satisfy our cash needs. The Company urges investors to carefully review the U.S. GAAP financial information as shown in our periodic reports on Form 10-Q and Form 10-K, as amended.

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Ashford provides global asset management, investment management and related services to the real estate and hospitality sectors.

Follow Chairman and CEO Monty Bennett on Twitter at www.twitter.com/MBennettAshford or @MBennettAshford.

Ashford has created an Ashford App for the hospitality REIT investor community. The Ashford App is available for free download at Apple's App Store and the Google Play Store by searching Ashford.

Forward Looking Statements

Certain statements and assumptions in this press release contain or are based upon forward-looking information and are being made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to risks and uncertainties. When we use the words will likely result, may, can, anticipate, estimate, should, expect, believe, intend, or similar expressions, we intend to identify forward-looking statements. Such statements are subject to numerous assumptions and uncertainties, many of which are outside Ashford's control.

These forward-looking statements are subject to known and unknown risks and uncertainties, which could cause actual results to differ materially from those anticipated, including, without limitation: the occurrence of any event, change or other circumstances that could give rise to the termination of the transaction to acquire the Project Management business of Remington; the failure to satisfy conditions to completion of the transaction, including receipt of regulatory approvals and stockholder approval; changes in the business or operating prospects of the Project Management business of Remington; adverse litigation or regulatory developments; general volatility of the capital markets and the market price of our common stock; changes in our business or investment strategy; availability, terms and deployment of capital; availability of qualified personnel; changes in our industry and the market in which we operate, interest rates or the general economy; the degree and nature of our competition; risks associated with business combination transactions, such as the risk that the businesses will not be integrated successfully, that such integration may be more difficult, time-consuming or costly than expected or that the expected benefits of the acquisition will not be realized. These and other risk factors are more fully discussed in Ashford's filings with the Securities and Exchange Commission.

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The forward-looking statements included in this press release are only made as of the date of this press release. Investors should not place undue reliance on these forward-looking statements. We are not obligated to publicly update or revise any forward-looking statements, whether as a result of new information, future events or circumstances, changes in expectations or otherwise.

In connection with the proposed transaction with Remington, Ashford will file with the Securities and Exchange Commission a definitive proxy statement on Schedule 14A. Additionally, Ashford files annual, quarterly and current reports, proxy and information statements and other information with the Securities and Exchange Commission. INVESTORS AND SECURITY HOLDERS OF ASHFORD ARE URGED TO READ THESE MATERIALS (INCLUDING ANY AMENDMENTS OR SUPPLEMENTS THERETO) AND ANY OTHER RELEVANT DOCUMENTS IN CONNECTION WITH THE TRANSACTION THAT ASHFORD WILL FILE WITH THE SECURITIES AND EXCHANGE COMMISSION WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT ASHFORD AND THE TRANSACTION. The definitive proxy statement and other relevant materials in connection with the transaction (when they become available), and any other documents filed by Ashford with the Securities and Exchange Commission, may be obtained free of charge at the Securities and Exchange Commission's website at www.sec.gov. In addition, investors and security holders may obtain free copies of the documents filed with the Securities and Exchange Commission at the Ashford's website, www.ashfordinc.com, under the Investors link, or by requesting them in writing or by telephone from us at 14185 Dallas Parkway, Suite 1100, Dallas, Texas 75254, Attn: Investor Relations or (972) 490-9600.

Ashford and its directors and executive officers may be deemed to be participants in the solicitation of proxies from Ashford's stockholders with respect to the transaction. Information about Ashford's directors and executive officers and their ownership of

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its common stock is set forth in Amendment No. 1 to the Annual Report on Form 10-K/A, which was filed with the Securities and Exchange Commission on April 30, 2018. Information regarding the identity of the potential participants, and their direct or indirect interests in the transaction, by security holdings or otherwise, will be set forth in the definitive proxy statement and other materials filed with Securities and Exchange Commission in connection with the transaction.

ASHFORD INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(unaudited, in thousands, except share and per share amounts)

| | March 31, 2018 | December 31, 2017 |
|--|----------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 34,910 | \$ 36,480 |
| Restricted cash | 15,045 | 9,076 |
| Accounts receivable, net | 7,141 | 5,127 |
| Due from Ashford Trust OP | 11,376 | 13,346 |
| Due from Braemar OP | 96 | 1,738 |
| Inventories | 1,137 | 1,066 |
| Prepaid expenses and other | 2,971 | 2,913 |
| Total current assets | 72,676 | 69,746 |
| Investments in unconsolidated entities | 500 | 500 |
| Furniture, fixtures and equipment, net | 23,259 | 21,154 |
| Goodwill | 13,103 | 12,947 |
| Intangible assets, net | 9,472 | 9,713 |
| Other assets | 587 | 750 |
| Total assets | \$ 119,597 | \$ 114,810 |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 18,648 | \$ 20,451 |
| Due to affiliates | 3,999 | 4,272 |
| Deferred income | 342 | 459 |
| Deferred compensation plan | 320 | 311 |
| Notes payable, net | 1,736 | 1,751 |
| Other liabilities | 13,979 | 9,076 |
| Total current liabilities | 39,024 | 36,320 |
| Accrued expenses | | 78 |
| Deferred income | 12,852 | 13,440 |
| Deferred compensation plan | 19,420 | 18,948 |
| Notes payable, net | 11,534 | 9,956 |
| Total liabilities | 82,830 | 78,742 |
| MEZZANINE EQUITY | | |
| Redeemable noncontrolling interests | 4,662 | 5,111 |
| EQUITY | | |
| Preferred stock, \$0.01 par value, 50,000,000 shares authorized: | | |
| Series A cumulative preferred stock, no shares issued and outstanding at March 31, 2018 and December 31, 2017 | | |
| Common stock, \$0.01 par value, 100,000,000 shares authorized, 2,103,353 and 2,093,556 shares issued and outstanding at March 31, 2018 and December 31, 2017, respectively | 21 | 21 |
| Additional paid-in capital | 255,037 | 249,695 |
| Accumulated deficit | (224,281) | (219,396) |
| Accumulated other comprehensive income (loss) | (232) | (135) |
| Total stockholders' equity of the Company | 30,545 | 30,185 |
| Noncontrolling interests in consolidated entities | 1,560 | 772 |
| Total equity | 32,105 | 30,957 |
| Total liabilities and equity | \$ 119,597 | \$ 114,810 |

ASHFORD INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited, in thousands, except per share amounts)

| | Three Months Ended March 31, | |
|---|---------------------------------|-------------------|
| | 2018 | 2017 |
| REVENUE | | |
| Advisory services: | | |
| Base advisory fee | \$ 10,711 | \$ 10,827 |
| Incentive advisory fee | 452 | 771 |
| Reimbursable expenses | 1,949 | 2,116 |
| Non-cash stock/unit-based compensation | 9,292 | (1,283) |
| Other advisory revenue | 128 | |
| Audio visual | 23,310 | |
| Other | 2,326 | 582 |
| Total revenue | 48,168 | 13,013 |
| EXPENSES | | |
| Salaries and benefits | 13,468 | 10,043 |
| Non-cash stock/unit-based compensation | 13,089 | 989 |
| Cost of audio visual revenues | 16,587 | |
| Depreciation and amortization | 1,040 | 468 |
| General and administrative | 6,255 | 3,649 |
| Impairment | 1,919 | |
| Other | 846 | |
| Total operating expenses | 53,204 | 15,149 |
| OPERATING INCOME (LOSS) | (5,036) | (2,136) |
| Interest expense | (143) | |
| Amortization of loan costs | (23) | |
| Interest income | 112 | 33 |
| Dividend income | | 93 |
| Unrealized gain (loss) on investments | | 125 |
| Realized gain (loss) on investments | | (200) |
| Other income (expense) | (39) | (8) |
| INCOME (LOSS) BEFORE INCOME TAXES | (5,129) | (2,093) |
| Income tax (expense) benefit | (706) | (630) |
| NET INCOME (LOSS) | (5,835) | (2,723) |
| (Income) loss from consolidated entities attributable to noncontrolling interests | 173 | (25) |
| Net (income) loss attributable to redeemable noncontrolling interests | (61) | 363 |
| NET INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY | \$ (5,723) | \$ (2,385) |
| INCOME (LOSS) PER SHARE - BASIC AND DILUTED | | |
| Basic: | | |
| Net income (loss) attributable to common stockholders | \$ (2.73) | \$ (1.18) |
| Weighted average common shares outstanding - basic | 2,094 | 2,015 |
| Diluted: | | |
| Net income (loss) attributable to common stockholders | \$ (2.84) | \$ (1.34) |
| Weighted average common shares outstanding - diluted | 2,115 | 2,046 |

ASHFORD INC. AND SUBSIDIARIES

RECONCILIATION OF NET INCOME (LOSS) TO EBITDA AND ADJUSTED EBITDA

(unaudited, in thousands)

| | Three Months Ended March 31, | |
|---|---------------------------------|-----------------|
| | 2018 | 2017 |
| Net income (loss) | \$ (5,835) | \$ (2,723) |
| (Income) loss from consolidated entities attributable to noncontrolling interests | 173 | (25) |
| Net (income) loss attributable to redeemable noncontrolling interests | (61) | 363 |
| Net income (loss) attributable to the company | (5,723) | (2,385) |
| Interest expense | 121 | |
| Amortization of loan costs | 16 | |
| Depreciation and amortization | 1,503 | 465 |
| Income tax expense (benefit) | 632 | 630 |
| Net income (loss) attributable to redeemable noncontrolling interests (1) | (12) | (4) |
| EBITDA | (3,463) | (1,294) |
| Equity-based compensation | 3,793 | 2,268 |
| Market change in deferred compensation plan | 561 | 3,340 |
| Change in contingent consideration fair value | 213 | |
| Transaction costs | 1,156 | 661 |
| Software implementation costs | 27 | 59 |
| Reimbursed software costs | (237) | (55) |
| Impairment | 1,919 | |
| Realized and unrealized (gain) loss on derivatives | | 25 |
| Severance costs | 1,301 | 49 |
| Amortization of hotel signing fees and lock subsidies | 139 | |
| Foreign currency transactions (gain) loss | (36) | |
| Adjusted EBITDA | \$ 5,373 | \$ 5,053 |

(1) Represents the 0.2% interest in Ashford Hospitality Advisors, LLC prior to our legal entity restructuring on April 6, 2017 and 0.2% interest in Ashford Hospitality Holdings, LLC thereafter.

ASHFORD INC. AND SUBSIDIARIES

RECONCILIATION OF NET INCOME (LOSS) TO ADJUSTED NET INCOME (LOSS)

(unaudited, in thousands, except per share amounts)

| | Three Months Ended | |
|---|--------------------|--------------|
| | March 31, | |
| | 2018 | 2017 |
| Net income (loss) | \$ (5,835) | \$ (2,723) |
| (Income) loss from consolidated entities attributable to noncontrolling interests | 173 | (25) |
| Net (income) loss attributable to redeemable noncontrolling interests | (61) | 363 |
| Net income (loss) attributable to the company | (5,723) | (2,385) |
| Depreciation and amortization | 1,503 | 465 |
| Net income (loss) attributable to redeemable noncontrolling interests (1) | (12) | (4) |
| Equity-based compensation | 3,793 | 2,268 |
| Market change in deferred compensation plan | 561 | 3,340 |
| Change in contingent consideration fair value | 213 | |
| Transaction costs | 1,156 | 661 |
| Software implementation costs | 27 | 59 |
| Reimbursed software costs | (237) | (55) |
| Impairment | 1,919 | |
| Realized and unrealized (gain) loss on derivatives | | 25 |
| Severance costs | 1,301 | 49 |
| Amortization of hotel signing fees and lock subsidies | 139 | |
| Foreign currency transactions (gain) loss | (36) | |
| Adjusted net income | \$ 4,604 | \$ 4,423 |
| Adjusted net income per diluted share available to common stockholders | \$ 1.71 | \$ 1.92 |
| Weighted average diluted shares | 2,688 | 2,309 |
| Components of weighted average diluted shares | | |
| Common shares | 2,097 | 2,019 |
| Deferred compensation plan | 207 | 210 |
| Stock options | 331 | 49 |
| OpenKey put option | 17 | 31 |
| J&S put option | 27 | |
| Restricted shares | 9 | |
| Weighted average diluted shares | 2,688 | 2,309 |

(1) Represents the 0.2% interest in Ashford Hospitality Advisors, LLC prior to the legal restructuring of our organizational structure on April 6, 2017 and 0.2% interest in Ashford Hospitality Holdings, LLC thereafter.

ASHFORD INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND

RECONCILIATION OF NET INCOME (LOSS) TO EBITDA, ADJUSTED EBITDA AND ADJUSTED NET INCOME (LOSS) BY SEGMENT

(unaudited, in thousands, except per share amounts)

| | Three Months Ended March 31, 2018 | | | | Three Months Ended March 31, 2017 | | | |
|---|-----------------------------------|---------------------------------------|---------------------|---------------------------------|-----------------------------------|---------------------------------------|---------------------|---------------------------------|
| | REIT Advisory | Hospitality Products & Services | Corporate/ Other | Ashford Inc. Consolidated | REIT Advisory | Hospitality Products & Services | Corporate/ Other | Ashford Inc. Consolidated |
| REVENUE | | | | | | | | |
| Advisory services: | | | | | | | | |
| Base advisory fee - Trust | \$ 8,604 | \$ | \$ | \$ 8,604 | \$ 8,824 | \$ | \$ | \$ 8,824 |
| Incentive advisory fee - Trust | 452 | | | 452 | 452 | | | 452 |
| Reimbursable expenses - Trust | 1,529 | | | 1,529 | 1,567 | | | 1,567 |
| Non-cash stock/unit-based compensation - Trust | 6,745 | | | 6,745 | 402 | | | 402 |
| Base advisory fee - Braemar | 2,107 | | | 2,107 | 2,003 | | | 2,003 |
| Incentive advisory fee - Braemar | | | | | 319 | | | 319 |
| Reimbursable expenses - Braemar | 420 | | | 420 | 549 | | | 549 |
| Non-cash stock/unit-based compensation - Braemar | 2,547 | | | 2,547 | (1,685) | | | (1,685) |
| Other advisory revenue - Braemar | 128 | | | 128 | | | | |
| Audio visual | | 23,310 | | 23,310 | | | | |
| Other | 1,121 | 1,205 | | 2,326 | 557 | 25 | | 582 |
| Total revenue | 23,653 | 24,515 | | 48,168 | 12,988 | 25 | | 13,013 |
| EXPENSES | | | | | | | | |
| Salaries and benefits | | 2,149 | 10,426 | 12,575 | | 420 | 5,961 | 6,381 |
| Market change in deferred compensation plan | | | 561 | 561 | | | 3,340 | 3,340 |
| REIT non-cash stock/unit-based compensation expense | 9,292 | | | 9,292 | (1,283) | | | (1,283) |
| AINC non-cash stock/unit-based compensation expense | | 8 | 3,789 | 3,797 | | 4 | 2,268 | 2,272 |
| Reimbursable expenses | 1,949 | | | 1,949 | 2,116 | | | 2,116 |
| Cost of audio visual revenues | | 16,587 | | 16,587 | | | | |
| General and administrative | | 2,494 | 2,144 | 4,638 | | 401 | 1,454 | 1,855 |
| Depreciation and amortization | 390 | 492 | 158 | 1,040 | 259 | 5 | 204 | 468 |
| Impairment | 1,919 | | | 1,919 | | | | |
| Other | | 634 | 212 | 846 | | | | |
| Total operating expenses | 13,550 | 22,364 | 17,290 | 53,204 | 1,092 | 830 | 13,227 | 15,149 |
| OPERATING INCOME (LOSS) | 10,103 | 2,151 | (17,290) | (5,036) | 11,896 | (805) | (13,227) | (2,136) |
| Other | 19 | (224) | 112 | (93) | (8) | 51 | | 43 |
| INCOME (LOSS) BEFORE INCOME TAXES | 10,122 | 1,927 | (17,178) | (5,129) | 11,896 | (813) | (13,176) | (2,093) |
| Income tax (expense) benefit | (2,263) | (734) | 2,291 | (706) | (4,298) | | 3,668 | (630) |
| NET INCOME (LOSS) | 7,859 | 1,193 | (14,887) | (5,835) | 7,598 | (813) | (9,508) | (2,723) |
| (Income) loss from consolidated entities attributable to noncontrolling interests | | 173 | | 173 | | 121 | (146) | (25) |
| Net (income) loss attributable to redeemable noncontrolling interests | | (73) | 12 | (61) | | 359 | 4 | 363 |
| NET INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY | \$ 7,859 | \$ 1,293 | \$ (14,875) | \$ (5,723) | \$ 7,598 | \$ (333) | \$ (9,650) | \$ (2,385) |
| Interest expense | | 121 | | 121 | | | | |
| Amortization of loan costs | | 16 | | 16 | | | | |
| Depreciation and amortization | 390 | 955 | 158 | 1,503 | 259 | 2 | 204 | 465 |
| Income tax expense (benefit) | 2,263 | 660 | (2,291) | 632 | 4,298 | | (3,668) | 630 |
| | | | (12) | (12) | | | (4) | (4) |

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| | | | | | | | | | |
|--|----------|----------|------------|----------|----------|-----------|------------|----------|-------|
| Net income (loss) attributable to redeemable noncontrolling interests | | | | | | | | | |
| (1) | | | | | | | | | |
| EBITDA | 10,512 | 3,045 | (17,020) | (3,463) | 12,155 | (331) | (13,118) | (1,294) | |
| Equity-based compensation | | 4 | 3,789 | 3,793 | | | 2,268 | 2,268 | |
| Market change in deferred compensation plan | | | 561 | 561 | | | 3,340 | 3,340 | |
| Change in contingent consideration fair value | | | 213 | 213 | | | | | |
| Transaction costs | | 70 | 1,086 | 1,156 | | | 661 | 661 | |
| Software implementation costs | 27 | | | 27 | 57 | | 2 | 59 | |
| Reimbursed software costs, net | (237) | | | (237) | (55) | | | (55) | |
| Impairment | 1,863 | | 56 | 1,919 | | | | | |
| Realized and unrealized (gain) loss on derivatives | | | | | | | 25 | 25 | |
| Severance costs | | | 1,301 | 1,301 | | | 49 | 49 | |
| Amortization of hotel signing fees and lock subsidies | | 139 | | 139 | | | | | |
| Foreign currency transactions (gain) loss | | (36) | | (36) | | | | | |
| Adjusted EBITDA | 12,165 | 3,222 | (10,014) | 5,373 | 12,157 | (331) | (6,773) | 5,053 | |
| Interest expense | | (121) | | (121) | | | | | |
| Amortization of loan costs | | (16) | | (16) | | | | | |
| Income tax (expense) benefit | (2,263) | (660) | 2,291 | (632) | (4,298) | | 3,668 | (630) | |
| Adjusted net income (loss) | \$ 9,902 | \$ 2,425 | \$ (7,723) | \$ 4,604 | \$ 7,859 | \$ (331) | \$ (3,105) | \$ 4,423 | |
| Adjusted net income (loss) per diluted share available to common stockholders (2) | | | | | | | | | |
| | \$ 3.68 | \$ 0.90 | \$ (2.87) | \$ 1.71 | \$ 3.40 | \$ (0.14) | \$ (1.34) | \$ 1.92 | |
| Weighted average diluted shares | 2,688 | 2,688 | 2,688 | 2,688 | 2,309 | 2,309 | 2,309 | 2,309 | 2,309 |

(1) Represents the 0.2% interest in Ashford Hospitality Advisors, LLC prior to our legal entity restructuring on April 6, 2017 and 0.2% interest in Ashford Hospitality Holdings, LLC thereafter.

(2) The sum of the adjusted net income (loss) per diluted share available to common stockholders as calculated for the segments may differ from the consolidated total due to rounding.

ASHFORD INC. AND SUBSIDIARIES

HOSPITALITY PRODUCTS & SERVICES

CONSOLIDATED STATEMENTS OF OPERATIONS AND

RECONCILIATION OF NET INCOME (LOSS) TO EBITDA, ADJUSTED EBITDA AND ADJUSTED NET INCOME (LOSS)

(unaudited, in thousands, except per share amounts)

| | Three Months Ended March 31, 2018 | | | | Three Months Ended March 31, 2017 | | | |
|--|-----------------------------------|------------------|----------------|---------------------------------------|-----------------------------------|-----------|-----------|---------------------------------------|
| | J&S | OpenKey | Other (1) | Hospitality Products & Services | J&S | OpenKey | Other (1) | Hospitality Products & Services |
| REVENUE | | | | | | | | |
| Audio visual | \$ 23,310 | \$ | \$ | \$ 23,310 | \$ | \$ | \$ | \$ |
| Other | | 319 | 886 | 1,205 | | 25 | | 25 |
| Total revenue | 23,310 | 319 | 886 | 24,515 | 25 | | | 25 |
| EXPENSES | | | | | | | | |
| Salaries and benefits | 1,315 | 527 | 307 | 2,149 | | 420 | | 420 |
| Equity based compensation | | 8 | | 8 | | 4 | | 4 |
| Cost of revenues for audio visual | 16,587 | | | 16,587 | | | | |
| General and administrative | 1,901 | 341 | 252 | 2,494 | | 401 | | 401 |
| Depreciation and amortization | 454 | 6 | 32 | 492 | | 5 | | 5 |
| Other | | 295 | 339 | 634 | | | | |
| Total operating expenses | 20,257 | 1,177 | 930 | 22,364 | 830 | | | 830 |
| OPERATING INCOME (LOSS) | 3,053 | (858) | (44) | 2,151 | (805) | | | (805) |
| Other | (209) | (7) | (8) | (224) | (8) | | | (8) |
| INCOME (LOSS) BEFORE INCOME TAXES | 2,844 | (865) | (52) | 1,927 | (813) | | | (813) |
| Income tax (expense) benefit | (746) | | 12 | (734) | | | | |
| NET INCOME (LOSS) | 2,098 | (865) | (40) | 1,193 | (813) | | | (813) |
| (Income) loss from consolidated entities attributable to noncontrolling interests | (11) | 156 | 28 | 173 | | 121 | | 121 |
| Net (income) loss attributable to redeemable noncontrolling interests | (355) | 282 | | (73) | | 359 | | 359 |
| NET INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY | 1,732 | (427) | (12) | 1,293 | (333) | | | (333) |
| Interest expense | 118 | | 3 | 121 | | | | |
| Amortization of loan costs | 10 | 3 | 3 | 16 | | | | |
| Depreciation and amortization | 924 | 3 | 28 | 955 | | 2 | | 2 |
| Income tax expense (benefit) | 672 | | (12) | 660 | | | | |
| EBITDA | 3,456 | (421) | 10 | 3,045 | (331) | | | (331) |
| Equity-based compensation | | 4 | | 4 | | | | |
| Transaction costs | 64 | | 6 | 70 | | | | |
| Amortization of hotel signing fees and lock subsidies | 128 | 11 | | 139 | | | | |
| Foreign currency transactions (gain) loss | (36) | | | (36) | | | | |
| Adjusted EBITDA | 3,612 | (406) | 16 | 3,222 | (331) | | | (331) |
| Interest expense | (118) | | (3) | (121) | | | | |
| Amortization of loan costs | (10) | (3) | (3) | (16) | | | | |
| Income tax (expense) benefit | (672) | | 12 | (660) | | | | |
| Adjusted net income (loss) | \$ 2,812 | \$ (409) | \$ 22 | \$ 2,425 | \$ (331) | \$ | \$ | \$ (331) |
| Adjusted net income (loss) per diluted share available to common stockholders | \$ 1.05 | \$ (0.15) | \$ 0.01 | \$ 0.90 | \$ (0.14) | \$ | \$ | \$ (0.14) |
| Weighted average diluted shares | 2,688 | 2,688 | 2,688 | 2,688 | 2,309 | 2,309 | 2,309 | 2,309 |

(1) Represents Pure Rooms and RED Hospitality & Leisure LLC.