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Service properties trust investor relations

Image source: Motley Fool. Service Properties Trust (NASDAQ:SVC)Q3 2020 Revenues CallNov 9, 2020, 10:00 a.m. ETContents: Prepared notes QUESTIONS and answers Call participants prepared remarks: OperatorGood morning and welcome to Maintenance Properties Trust Third Quarter 2020 Financial Results Conference call. [Operator Instructions]. After today's presentation, it will be possible to ask questions. [Operator Instructions]. Now I would like to turn the conference into Christine Brown, director of investor relations. Please go ahead. Christine Brown - director, investor relationsLeng in the morning. Joining me at today's call is John Murray, the President; Brian Donley, Chief Financial Officer; and Todd Hargraves, Chief Investment Officer.Today's call includes a management presentation followed by a Q&A session with analysts. Please note that recording, relaying and transcription of today's conference call are prohibited without the prior written consent of SVC. I would like to assure that today's conference call contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other securities laws. These forward-looking statements are based on SVC's present convictions and expectations as of today, November 9, 2020. The Company undertakes no obligation to review or publicly oint the results of any review of forward-looking statements made on today's conference call, other than through submissions to the Securities and Exchange Commission or the SEC. In addition, this challenge may contain financial measures not related to GAAP, including normalized funds from operations or normalized FFO, as well as adjusted EBITDAre. Reconciliation of normalized FFO and adjusted EBITDAre to net income, as well as components to calculate AFFO are available in our additional package found in the Investor Relations section of the Company's website. Actual results may differ materially from those predicted in these forward-looking statements. Additional information about the factors that may cause these differences is contained in our Form 10-Q, which will be filed later today with the SEC and in our additional operational and financial data found on our website in www.svcreit.com. Investors are cautioned not to rely on any forward-looking statement. And with that, I'll turn the call to John G. Murray - the president and chief executive that you, Christine and good morning. The COVID-19 pandemic and its associated lockdown of most of the United States have had a dramatic negative impact on our economy, and it has hit hotels, restaurants and other retail businesses such as theaters and fitness centers particularly hard. We are confident that the gravest consequences are that we are seeing improvements, albeit gradually, across our portfolio starting in April, when the impact was its sharpest. Against the background of difficult circumstances and gradual recovery, we continue to take the necessary measures to preserve capital and solidify our liquidity. As we announced last week, we have amended our $1 billion revolving line of credit to provide further access to the unrelenting amounts and have received waivers from all financial covenants since mid-July 2022, which Brian will discuss in more detail. As a reminder, in June we were interested in new debt capital and largely considered our debt terms of 2021. Other steps we have taken to further strengthen our financial position include reducing our quarterly dividend, postponing non-significant capital costs and moving forward with certain of our previously planned hotel sales, which Todd will discuss. Since we failed to reach a mutually beneficial resolution with IHG or Marriott, we have made the decision to terminate these agreements and brand the transition management of these hotels to Sonesta.As reminders, SVC owns 34% of Sonesta and will benefit from Sonesta's growth as well as a stake in more upside from the reopening of these hotels. We believe that some of the new normals as we come out of the pandemic will focus more on safety, service and travel experience. We also believe that the video conferencing technologies that people and businesses used during the pandemic are allaying a longer negative impact on business travel, which in our view will translate to less impact and value from core brand rewards programs. The rebranding of these hotels from Sonesta will also create more flexibility in managing these hotels through these challenging market conditions, give us improved control over disposiance decision-making for alternative use and will have a positive impact on the performance of this portfolio in the future. We first expect to enter into one year of management agreements with Sonesta by December 31, 2021 to allow for a thorough review of the highest and best use of each hotel. The results of our hotel still continue to compare profitably with the previous quarter of the year. The year-over-year decline moderates the decline seen in the second quarter and consistent improvement is encouraging. The average fill of our comparable hotels in the third quarter is 46% compared to 30.1% in the second quarter. The daily average rate was $89.50 compared to $84.15 in the second quarter and RevPAR was $41.17 compared to $25.33 in the second quarter. Importantly, we have seen improvements in most markets since mid-April, and our extended-stay commuter hotels and choices of service hotels continue to outperstage our city full-service hotels, reflecting demand from airline crews, health professionals, special projects or extended guest stays who use the hotel as temporary accommodation. SVC hotels continue to have a roughly 30 percent premium for staying in non-extended hotel stays. With our 183 extended accommodation hotels, 62.1% accommodation reported 32.6% and 26% respectively for our 95 limited services and 51 full service hotels. The results also the portfolio as leisure, first responder, social groups, project and government demand outweighed business and group travel. The results preferred hotels with competitive price offers in non-local locations that could accommodate long stays. For our comparable hotels, our Sonesta and Wyndham portfolios performed best in terms of both the nominal RevPAR and the percentage decline from last year's quarter. Conversely, our Radisson and Marriott portfolios saw the largest percentage decline in RevPAR compared to last year and the weakest revpar nominal results. At the end of the quarter, the hotel's performance continues to improve. All but two of our 329 hotels are now open and overall capacity has risen steadily to 46.7% in the four weeks ended October 24 from a low of 21% in April. We expect our diverse portfolio of suburban extended stays and choice of service hotels to continue to outperve our city full-service hotels until at least 2021.It's important to note that our approximately 69% room waiting and extended stay at some service hotels positions us well and has helped us mitigate the pace of cash burning. In addition, full-kitchen hotels provide maximum flexibility for guests in markets with limited access to the restaurant, especially with outdoor dining options becoming a bigger challenge in the northern [phonetic] market. Addressing our net retail rental portfolio TravelCenters of America, which accounts for about 25.6% of our minimum rental yield, continues to operate throughout the pandemic to support an effective supply chain. While negatively impacted by the closure of its full-service restaurants and reduced gasoline sales, TA's core services for the freight industry, including diesel sales, quick restaurant service offerings and truck repair services, have shown resilience and allowed it to navigate the pandemic better than most of our tenants. TA is relevant on their rental obligations for us. Coverage of property levels in our TA locations has been doubled this quarter. Among our other retail rent tenants, rent collections in October were rising to 87.4% from a low of 45% in April as businesses that were temporarily closed due to government mandates or guidelines largely reopened. Our retail asset management team continues to work with our retail net rent tenants affected by the opening restrictions. Deferral requests have slowed considerably, with the exception of some tenants in the toughest industries, such as cinemas, whose recovery prospects have changed. Tenants who requested deferrals at the height of the pandemic began paying out in September. Todd will discuss it in more detail. We believe we have passed the worst of this crisis supported by steady cash flow from TA and our retail portfolio Rental. We are well capitalized with broad liquidity and are well positioned with a diverse portfolio of assets to successfully navigate the gradual recovery of the hotel portfolio. At the same time, flip it over to Todd to discuss our net rental portfolio in detail as well as our recent transaction activity. Todd Hargraves is vice president and chief investment officer ofThanks, John. As of September 30, 2020, we owned 804 net rental properties, including our tourist centers with 13.7 million square feet, requiring an annual minimum rent of $369.8 million, representing 38% of our total annual minimum return and rent. The portfolio was 98% leased by 183 tenants with a weighted average lease term of 11.0 years working under 129 brands in 22 different industries. The combined coverage of the minimum rent of our net rental portfolio as of September 30, 2020 is 2.12 times. Rental coverage for our largest travelCenters of America tenants was 1.81 times in the next 12 months ended September 30, 2020 versus 1.97 times over the previous year due to lower gross margins as a result of the pandemic and lower fuel prices. Representing 25.6% of our minimum rent and income, TA is relevant on all of its lease obligations at SVC's expense. For our other net rent tenants, who make up 12.9% of our total minimum rent and income, we collected 87.2% of rents during the third quarter, up from 59.3% during the second quarter. We collected 87.4% of our total rents from these tenants. The most troubled industry in its net rental portfolio continues to be cinemas, which account for 42% of the hopeless October rents. To date, we have entered into lease deferral agreements with 51 net retail rental tenants with leases requiring a combined $53.4 million or 5.6% of SVC's total annual minimum rent and income. We have set aside a combined $13.4 million lease to date. Typically, these deferred rents are one to four months of rent and will be repaid by tenants within 12 months to a 24-month period. Repayment of a portion of these deferred payments began in September 2020 and so far we have collected 82% of deferred rents in September and October.Applying to leasing activities during the third quarter, we entered rental renewals on a combined 497,000 leased square feet on average rents weighted by rental square feet, which were 11.6% below the previous rent for the same area. The weighted average lease term was 13.6 years, and leasing concessions and capital obligations were about $4.9 million, or $9.86 per square foot. We also entered into new lease agreements for a combined 2,535 leased square feet at weighted average rents that were 34.7% above previous rents from the same space. The weighted average lease term for these leases was nine years, and leasing concessions and capital obligations are approximately $189,000 or $74.64 per square foot. prior to recent transactional activity, during the quarter ended September 30, 2020, we sold five net lease properties totaling 46,000 square feet at a combined sale price of $5.9 million. After the quarter ended, we sold three additional net rentals totaling about 83,000 square feet at a combined sale price of $4.8 million excluding closing costs. We have entered into agreements to sell 39 hotels, including 24 branded Marriott hotels and 15 branded Wyndham hotels with 4,601 rooms with a net carrying value of $204 million at a combined sale price of $218 million. We expect these sales to be completed in the fourth quarter of 2020 and the first quarter of 2021 and use the proceeds to pay down outstanding amounts of debt. We have amended our management agreement with Wyndham so that they will continue to manage 15 Wyndham hotels under contract, until they are sold and we have already switched management and brands of four of the five remaining Wyndham to Sonesta.We initially targeted 53 hotels for sale, but in addition to the four Wyndhams who were moving to Sonesta, we were unable to come to acceptable terms at nine Marriott-branded hotels and one Wyndham full Hotel service. The management of nine Marriott hotels will move to Sonesta on December 15, 2020 until [Phonetic] Wyndham remains available for sale. In relation to discount operations for the sale of full-fledged service of city hotels, which recently took place on the market, pricing for hotels where under the contract of sale is at or near the previous year level. Typically, we found that the hotels we sold for sale retained their values as a result of strong demand from investors interested in continuing to operate properties, as well as from groups that would convert to multi-family. Now I'll turn the call over Brian Donley - Treasurer and CFO, Todd. Starting with our consolidated financial results, the normalized FFO was $23.2 million in the third quarter of 2020 compared to $155.6 million in the prior quarter of the year, a decrease of $0.81 per share. The decline was primarily driven by lower revenues recognised under our IHG and Marriott agreements. As discussed last quarter, we fully used the Marriott guarantee and security deposit in the second quarter and used the remaining $9 million in deposits as part of the IHG transaction in the third quarter of 2020.Minimum earnings recognized under the IHG and Marriott transactions decreased by $42 million and $35 million respectively compared to the prior quarter of the year. Third-quarter operating losses under our Sonesta and Wyndham portfolios resulted in annual declines of $22 million and $10.7 million, respectively, a decline in FF&A's reserve revenue. E by $19 million and an increase in interest expense of $28 million were partially offset by a positive impact of $25 million from the SMTA deal, which we closed at the end of the third quarter of 2019.G&A expenses; A for the third quarter of 2020 is $12.4 million roughly flat compared to the previous quarter of the year. The decline in business management fees through RMR in the quarter of 2020 was offset by increased legal and other public spending during the period of 2019. Year. EBITDAre was $103.6 million in the third quarter of 2020, or a 50.5% decline from the third quarter of 2019. Addressing operating results in our 314 comparable hotels this quarter, RevPAR declined 56.6%. The percentage of gross operating profit decreased by 18.2 bpd to 21.2%, and gross operating profit decreased by about $144 million over the previous year. Below the GOP line, the value of our comparable hotels has dropped by $28 million from the previous year as a result of lower reserve contributions by FF&; E, which have been terminated for some of our hotel deals and reduced system and other fees paid by the hotel brand. Hotel EBITDA, which we historically call cash flow available to pay for our minimum income and rents for our comparable hotels, declined by $116 million or 94.2% to $7.1 million compared to the previous quarter of the year. On a consistent basis, Hotel EBITDA for our 314 comparable hotels increased by $41.5 million compared to a loss of $34.4 million in the second quarter of 2020. Fillability improved by 15.9 points, while RevPAR increased by 63% in the second quarter of 2020. I would like it now - we are now presenting details of our hotel operations and calculating hotel EBITDA in our revenue release and the additional information package that is available on our website. Our 15 non-comparable hotels, which are full of hotel service that either remain closed or only recently reopened from the closing pandemic, generated losses of $13.4 million during the quarter. Our consolidated portfolio of 329 hotels for the quarter generated a net loss of $6.3 million. Addressing our liquidity balance sheet as of the end of the quarter, the debt represents 51.9% of the total gross asset and we had $86 million in cash, including $38.1 million in cash aimed primarily at future improvements to our hotels. As I mentioned earlier, we exhausted the credit support we had under both IHG and Marriott agreements. As at 30 September 2020, guaranty available to cover shortfalls in our cash flow available to pay for our minimum income and rent under our Hyatt agreement for 22 hotels was $3.1 million and we project to be exhausted during the fourth quarter of 2020.Balance rangualy as part of our Radisson deal for nine hotels was $19.5 million as of September 30 , 2020. Based on current projections, Radisson's guarantium could be exhausted by the third quarter of 2021. During the third quarter of 2020, we advanced a combined $10.7 [phonetic] million of working capital for some of our hotel operators to cover projected operating losses. We are currently forecasting an additional $20 million in advances from capital could be financed in the fourth quarter or a total of about $110 million for the full year 2020. As Todd discussed, we have set aside $13.4 million in rent to date for some retail tenants. third quarter, we recorded reserves for bad revenue of $2.4 million for some of our net rent tenants. We recognize all changes in the estimation of operating lease collectibles as an adjustment in rental income. We financed a $29.9 million capital improvement during the third quarter, primarily for capital servicing and ongoing renovations at some Marriott and Sonesta hotels. To date, SVC has financed a $108.4 million capital improvement and we currently expect to fund approximately $50 million of capital improvements in the fourth quarter of 2020 primarily for maintenance, ongoing renovations, and the costs of shifting management and branding certain hotels to Sonesta. We have not yet finalized our budget for 2021 capital expenditure and we expect to have more clarity on expected spending during our fourth quarter earnings call. As John pointed out, we have amended the loan agreement governing our $1 billion revolving credit line and $400 million loan term and secured waivers in all of these existing financial covenants in the agreement through July 15, 2022. Following the closure of the amendment, SVC will provide first mortgage collateral for 74 properties owned by subsidiaries we have secured in equity and secure our revolver liabilities. These properties include 62 tourist centers in 26 states with gross book value of $1.2 billion and 12 hotels and 9 states with a gross book value of $641 million as of September 30, 2020. Other key terms of the transaction include repayment of our term loan of $400 million using outstanding amounts within our revolving line of credit and a 30 basis point increase in the interest rate premium over LIBOR we pay on outstanding amounts. In addition to fully facilitating covenants, we have also provided the flexibility we need as we want to change the hotel portfolio in the future. We have the ability to fund up to $250 million in capital expenditure per year, as well as up to $50 million of some other investments per year. Other restrictions we agreed on in the amendment we signed back in May, including the minimum liquidity requirement, will remain in place. As for our liquidity position, our cash burn from the hotel portfolio at Q3 was relatively small at about $2 million to $3 million per month. Despite currently expecting our cash burn for our hotel portfolio to accelerate modestly in Q4 and Q1 relative to Q3 given some seasonality and rebranding of a significant number of hotels starting in December. Our strong base of triple net leasehold assets, which assume current foreclosure rates, covers our corporate overheads and debt servicing costs. Assuming the trends we are currently seeing continue, we believe we have great liquidity by 2022. Our next big debt maturity is in August 2022 and we will continue to evaluate and explore all of our options to improve our liquidity position in these extraordinary times. operator who our prepared remarks. We are ready to open the line for questions. Q&A:OperatorDested by you. Now we begin to start Session. [Operator Instructions]. The first question comes from Brian Maher of B Riley, FBR. Please go ahead. Brian Mayer - B. Riley Securities, Inc. -- AnalystGood morning, guys and thanks for all this information, super helpful. John as it comes to this vaccine news this morning and all rallying. Is it - first of all, you got a call from Marriott or InterContinental wanting to reverse their decisions? And second, will it slow down the process of reflection on disposition when the sector recovers? John G. Murray - President and CEO, Brian. So far I haven't received any calls from IHG or Marriott this morning. I think this morning's news, if it continues to pan out very favorably to the industry, and if everyone can get vaccines and accelerators by the end of next year, the recovery should - in the hotel space should accelerate in 2022, which I think is really good news and sooner than many people expect. So that's good. In terms of our disposiage activity, the hotels we identified for sale - either were in weaker markets or for various reasons were not working well in many cases and the pricing we achieved was in line with thoughts of the value we received from brokers to the impact of the pandemic. So we feel that the prices we've got as part of the deals we've concluded are pretty reasonable, whether there's a vaccine or not. As such, we will continue to go ahead with these agreements. This may affect what we do with the remaining hotel portfolio as we consider the highest and best use once we move some hotels to Sonesta.Bryan Maher - B. Riley Securities, Inc. - AnalystGreat. And we get a lot of questions about the transition of hotels in Sonesta. Can you give us some background on what's happening out there with Sonesta getting ready to take on so many hotels and become a much, much bigger brand. Does he work kind of ahead of schedule, behind schedule? We noticed that Wyndham will continue to run some hotels for a while. Can you give us any color about how this transition process happens? John G. Murray is president and chief executive ofSwies. Above all, the Wyndham extension really has nothing to do with Sonesta. This is a reflection of the timing when our buyer will be ready for closure. So it's simple - there's no point moving hotels from Wyndham to Sonesta to a buyer's management company. So, Windham was ready to continue there. In terms of the situation at Sonesta, they are taking on a significant amount of growth with the transition of these hotels, and they are lengthening all the action to increase their full-time employee, they are - they are well on the way to creating a shared service platform of a much larger scale that can accommodate selected service hotels in the IHG portfolio and then in marriott's portfolio. I think there - they are very close to agreeing to add that opportunities are most likely in the state of Florida. They have significantly strengthened their management team both on the financial side and on the side of the transaction. They recently hired a new chief operating officer. So they do a lot - a lot of positive steps and I would say they're not behind, they're not ahead, they're thinking about where we expected them to be. And we expect them to be ready to host these hotels - basically 99 hotels are going to move from IHG management by November 30 and Sonesta taking on December 1. Hotels in Toronto, two hotels there and one hotel in San Juan will go during December, so there's a little more complexity in those. Then there will be nine hotels that are from Marriott, which turn into the 15th, followed by the rest of Marriott's portfolio later next year. But I think Sénestas will be ready. Brian Mayer - B. Riley Securities, Inc. - AnalystBig, thanks for that. And good luck to everything. John G. Murray - President and CEO, What Are You. Operator The next question is from Jim Sullivan from BTIG. Please go ahead. James Sullivan - BTIG - AnalystAiea. Thank. John, I wonder if you could update us to the extent that any decisions were made, but at a time when the Marriott deal was changed earlier this year, the Company has pledged to invest more than $400 million in assets in the portfolio. And of course get an increase in the [Hesitant] base respectively. And I think the number I seem to mention is that something above $80 million will be invested this year. And to the extent that you can give us any updates on this issue assumed in conversations about Capex and cash flow for '22 regarding the $400 million balance sheet that weren't invested? Is there a plan? I know there are costs to move every asset from Marriott to - from Marriott brands to the Sonesta brand, but most of the money, of course, $400 million was - had nothing to do with that. So maybe if you could just give us an update as to what capex number do you know – should we be assuming in cash flow analysis through '22 to manage Sonesta these assets? John G. Murray - President and CEOYeah. So we had -- let Brian tell you the exact amounts we spent in a moment, but you know when the pandemic hit, we were well on our way with planning a number of renovations not only in marriott's portfolio, but we have renovations that are ongoing in the IHG and Radisson and Hyatt portfolios. And when the pandemic hit, we limited our capex and focused on liquidity and maintaining the quality of our balance sheet. So we finished and kept spending on projects that were well underway. But we haven't pushed away pretty much too many new projects. And I would say that, or remind you that $400 million was not it wasn't the $400 million we expected to spend in 2020, it was $400 million roughly what we plan to spend more than two years to three years. And so we didn't expect it all to happen. We continued planning as part of this - the amounts mentioned in the reconstruction. We're doing design work for the Kauai Marriott, which will move to Sonesta and the renovation that was planned, the design there will be a good wok for the hotel, regardless of branding, in fact, it's just a well-executed design concept, and so we -- I think last Friday gave the go-ahead to order FF & E for this repair. So it will take some time for this between chinese New Year and just normal - normal time it takes - for furniture. But we will renovate this hotel in the second half of next year. And the rest of the portfolio, we'll be watching closely as we decide that some of the extended stay hotels may be repositioned or re-profiled for multiplayer use in some markets that seem to be higher and better used than hotels at the moment. And so we won't repair them to our hotel standards if they become apartments. Booking.com will stay in 2010 if you're not already sure? So there are a number of areas of flexibility that - that we have as we move forward that we might not otherwise. Brian Donley - Treasurer and Chief Financial OfficerYeah, as I said [Phonetic], in opening remarks, I said approximately $50 million capex for Q4, $30 million, which is roughly expected to rebrand costs as we look to move 100-plus hotels in December. We used about $300,000 per hotel is kind of the benchmark for changing signage and systems in each of these hotels as we move to Sonesta, you know Marriott rooms year-to-date was about $70 million, which I think you mentioned, and another $15 million to $20 million expected in the fourth quarter. So we continue to act in accordance with the agreements we signed with Marriott and then at some point in '21 when we move [Phonetic] these over what we're going to overestimate as John mentioned what projects are going to move forward and how we look at hotels. James Sullivan - BTIG - AnalyticsI another question from me on Sonesta - you made reference to your shared services platform and under the agreement, management agreements with Marriott - Marriott, of course, is entitled to a significant amount of what people call higher real estate costs, some of them fixed and others possibly driven by the services that the Marriott brand provides. And I'm just amazed, given the difference in popularity of brands, whether there's any space for material or any decline is actually in this - on this side of the cost, the operating cost of hotels, if they switch to Sonesta.John G. Murray - president and CHIEF EXECUTIVEYeah. I think that, you know, initially, it's going to be a bit of a hack as more than 200 hotels have moved on, and yes, but hopefully once we have a stable state and the shared services platform works that it will be less expensive in terms of operating costs than what we're going through today. I can't give you exact predictions, at this point, it's too early. James Sullivan - BTIG - Analytics Then in the prepared comments there was a discussion about the amounts of deposits and security guarantees that were used in the third quarter, and I just want to make sure that I am clear about this if you could confirm that the total amount between Hyatt, Radisson and any other deposits or transactions that you still have. How much total for deposits and guarantees at the end of the 3rd quarter? John G. Murray is president and chief executive officer ofQ3, a Hyatt deal that guarantees about $3 million and Radisson $19.5 million. So things are roughly $22 million in just those two contracts. James Sullivan - BTIG - Okey Analyst. And I think you said you expect Radisson to be used based on current industry trends in the third quarter of next year - third quarter 21, right. John G. Murray - President and CEO, What's Right. James Sullivan - BTIG - Okey analyst, great. Thank you guys. Operator Condition you. The next question comes from Dori Kesten of Wells Fargo. Please go ahead. Dory Kesten - Wells Fargo Securities - AnalystTanx Guys, good morning. Marriott had some comments about their call regarding asset profitability as Sonesta vs. Marriott. Can you just give us a little detail on how you've sewn up a portfolio under two brand families? John G. Murray - President and CEOYeah. I mean, I think I've seen these comments and I don't want to get caught in a mud sling. But Marriott's portfolio is a stable portfolio, a large portfolio. Sonesta's portfolio had several key assets under renovation. And so, the reverse calculations really that were - which were discussed weren't really apples to apples. So when we think about turning into these hotels in Sonesta, first of all, we think it's in the best interests of our shareholders not to - do what's good for IHG and Marriott and let them not pay us and just sit here and say, oh, well, shucks [Phonetic] we think it's much better to try to take control of the situation and be proactive. And this is a very well diversified portfolio of hotels and well-groomed. If we take hotels and convert them to Sonesta, then as we move forward through recovery, none of the cash flow that is otherwise in the waterfall go to top up guarantees and security deposits will return to Marriott or IHG, instead and we won't share in upside down 50-50 with two of them instead cash flow as recovery takes will go 80% to us. So we think there is - it will be a much better result for SVC earnings. And then, as I mentioned, I think that, I've heard it from the finance team here, how much savings have happened at RMR as a result of less travel and entertainment and more video conferencing, and I think that probably every finance and accounting team in corporate America and around the world is looking for some silver bowing in what's going on and I think there's going to be a lot of pressure to save G& A to -- from increasing dramatically once vaccines are out and available and people are trying to get back to normal. So we don't think business travel will recover as quickly as some people can project, and we think that's the kind of business traveler that's historically been after reward program scores, and it's driven value in those programs. And we think these programs will be less valuable and less important after the pandemic than they have been historically. And so that and the scale increase that Sonesta will get as a result of these rebrandings, we believe, will position them to be much more competitive as they become a much better known brand. So we've made different models, we've made different predictions, but we really won't know until it plays out. So we'll have to look. But we are sure that Sonesta will be the same for us as Marriott and IHG, who have decided not to pay us at all, so... Dory Kesten - Wells Fargo Securities - Analyst Right. You have - in the last few questions you kind of got into this, but do you have any initial thoughts on how - the costs of a busy room or - I mean, we can all make assumptions on the top line of how we think Sonesta can do against Marriott, but I think there's anything you can point to sonesta's cost structure versus Marriott's cost structure? John G. Murray - President and CEOYo know, I think because of the number of hotels they add, and because of the new platform they're creating that it's too early to tell, but I think we'll be able to give you a lot more color on our next call. Dory Kesten - Wells Fargo Securities - Okey Analyst. And whether you can go through how you think about equity release at the moment, keeping '08 or '09 aside, historically you've largely matched funded equity releases with acquisitions. So I'm just wondering if there's a change in strategy or just something you're thinking about at the moment. John G. Murray - President and CEOYeah. I mean, at this point, Dory, I mean, we still think the stock is undervalued and we're not really thinking about fairness at those levels. We think we have a good run rate with liquidity and we save save save balance as we have been until things improve and we will continue to evaluate and keep all our options open. But stocks even despite today's pop in the market and in the industry, that's not something that's going to shake us up at the moment. Dory Kesten - Wells Fargo Securities - Okey Analyst. And just one last question when you -- when you talked about keeping Marriott Hotels in a separate management deal, how do you reassess what's going on there for potential sales. Is there a new number we should have in our heads or is it - or is it too early for some initial sales expectations? I think the last number we had kind of floating around is about $300 million, but among portfolios. Todd Hargraves is vice president and chief investment officer of TheUre. Hey Dory, it's Todd. So, the hotels that were under the agreement to sell is $200 million. We talked about $300 million early on, but we've since decided not to sell about 14 of them, so I think $200 million plus that's a good number to use at the moment. As John mentioned earlier, as we aim to move all of IHG and Marriott to Sonesta, there are likely to be some other hotels that we've identified for sale over the next year or so, there's going to be overlap in the markets we already have sonesta, and there will be some markets that have Sonesta and IHG and Marriott. So we're more likely to identify a number of hotels out of 200 that we're moving on over the next year or so. So there are likely to be some sales coming out in the next 12 months that we have identified. Dory Kesten - Wells Fargo Securities - Okey Analyst, thanks. John G. Murray - President and CEOSure.Operator We have a follow-up question from Jim Sullivan of BTIG. Please go ahead. James Sullivan - BTIG - AnalystJohn, only on the topic or topic of potential liquidity sources other than obviously raising equity at current market prices, I'm just wondering to what extent the Company will consider selling any of TravelCenters' assets. Obviously, part of the portfolio performed best here, cap rates on the kind of free-standing or net leasehold assets were quite strong, some huge amounts of activity in both government buyers and private equity. And just wondered to what extent the Company would consider selling more travelCenters assets. John G. Murray - President and CEO - is a good question, Jim. I am the short answer is that we are not currently thinking about selling more TravelCenters. We sold some of it – and as part of a kind of restructuring, we sold some of the less well-performing TravelCenters back to TA last year. But we don't - we don't currently view transactions like this. But we keep all our options open. And a year ago we actually tried to raise some debt capital and the pledge for the transaction would be and in fact there was no interest in such an agreement. And last week we announced that we were providing security for our rotating line of credit and the only assets that were interested in banks were TA assets. So, the world - and a year later, as everyone knows, seems to have been turned on its head. As such, we closely monitor all assets in our portfolio and evaluate emerging markets and opportunities without crossing anything off the list. But we're not working at the moment, we're not working and not thinking about any TA sales. James Sullivan - BTIG - Okey analyst, great. Thank you.OperatorE no longer have questions in the queue. This concludes our Q&A session. I would like to return the conference to John Murray, CEO for any closing remarks. John G. Murray - President and CEO, you very much joined us today. We look forward to possibly catching up with some of you on Virtual Nareit. Take care of yourself. Operator[Operator closing remarks]. Duration: 41 minutesWeak participants:Christine Brown -- Director, Investor RelationsJon G. Murray - President and CEO Todd Hargraves - Vice President and Chief Investment Officer Brian Dolly - Treasurer and Chief Financial OfficerBryan Maher - B. Riley Securities, Inc. - Analyst Yames Sullivan - BTIG - AnalystDora Kesten - Wells Fargo Securities - Analyst More SVC Analysis All Revenues Call Transcript transcript

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