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Zacks Small-Cap Research

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LuxUrban Hotels (NASDAQ:LUXH)

LUXH: LuxUrban hosted an analyst day in New York City and confirms 2024 outlook. We maintain our price target of $11.00 while awaiting 4th quarter 2023 and full year financial results.

Utilizing a DCF valuation process containing conservative estimates combined with other valuation methodologies, we believe LUXH could be worth **$11.00** per share.

Current Price (2/12/24)	$3.48
Valuation	**$11.00**

OUTLOOK

LuxUrban Hotels (NASDAQ:LUXH) is a provider of short-term hotel rentals at select destination locations and currently operates 18 properties in five cities with 1,599 available rooms to rent. The company's business model is to enter into low-cost lease rights for dislocated hotel properties (including those impacted by COVID-19) through long-term Master Lease Agreements. The company operates an asset light business model and maintains a lean corporate structure. We believe there are substantial opportunities ahead to lease dislocated hotels which would create significant levels of free cash flow. We believe LUXH stock to be materially undervalued at this time.

SUMMARY DATA

52-Week High	**$6.88**
52-Week Low	**$2.22**
One-Year Return (%)	**88.1**
Beta	**N/A**
Average Daily Volume (sh)	**38,577**
Shares Outstanding (mil)	**45.4**
Market Capitalization ($mil)	**$159.5**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**72.0**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2023 Estimate	**18.3**
P/E using 2024 Estimate	**4.3**

Risk Level	**Medium**
Type of Stock	**Small Value**
Industry	**Lodging**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	**Q2** (Jun)	**Q3** (Sep)	**Q4** (Dec)	**Year** (Dec)
2021	$3.0 A	$4.0 A	$7.0 A	$7.0 A	$21.0 A
2022	$9.1 A	$10.2 A	$11.5 A	$12.9 A	$43.8 A
2023	$22.8 A	$31.9 A	$30.5 A	$32.3 E	$118.2 E
2024					$265.7 E

EPS / Loss Per Share

	Q1 (Mar)	**Q2** (Jun)	**Q3** (Sep)	**Q4** (Dec)	**Year** (Dec)
2021					
2022	$0.07 A	$0.04 A	-$0.13 A	-$0.38 A	-$0.40 A
2023	-$0.07 A	$0.08 A	$0.11 A	$0.06 E	$0.19 E
2024					$ 0.81 E

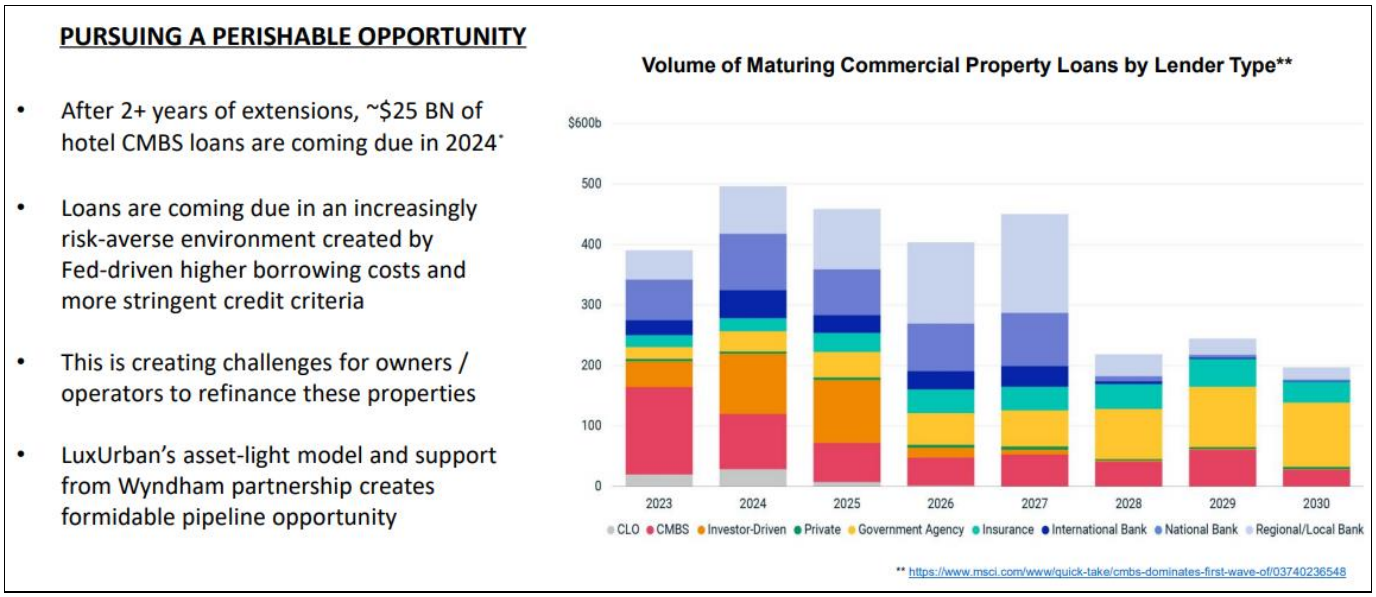
Quarterly revenues may not equal annual revenues due to rounding. Quarterly EPS may not equal annual EPS due to rounding, dilution or intangibles. Estimates may be non-GAAP.

WHAT'S NEW

Analyst Day Highlights

LuxUrban hosted a well attended investor event on February 6, 2024 in New York City.

- LuxUrban is playing an important role in the Commercial Real Estate ecosystem. Following over two years of extension on Commercial Mortgage Backed Security loans, approximately $25 billion of these loans are coming due in 2024. Due to substantially higher borrowing costs and tougher credit criteria, this is creating challenges for hotel owners to refinance their properties. The company's asset-light lease focused business model as well as its Wyndham partnership creates solutions for hotel owners and creates a significant pipeline of opportunities.



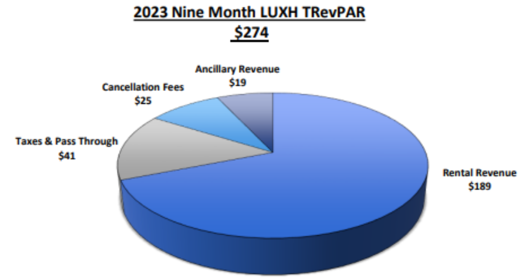
Source: LuxUrban investor presentation

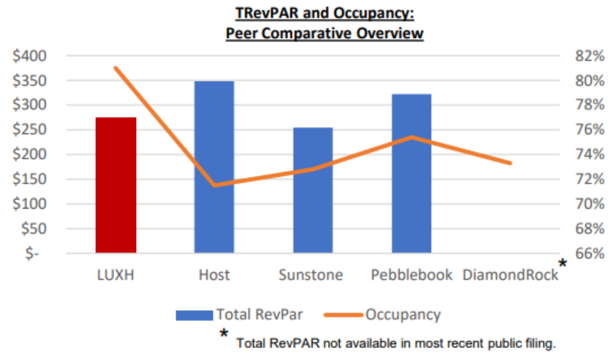
- The typical property acquisition math works out to a 6-month payback on average. If they acquire (lease) a room at $13,465 and use 2023 TRevPar YTD of $274 and a 24% EBITDA margin, the initial investment payback could be approximately 6 months.

- The company provided additional details and benefits from the Wyndham partnership. The Property Improvement Plan (PIP) investments provided by Wyndham are expected to drive higher TRevPAR, elevate customer experience, and preserve or enhance asset value for both the LuxUrban and hotel owners. Under this arrangement, the company is now able to pursue larger hotel properties, including those with over 200 rooms. The agreement also gives them access to over 100 million members of the Wyndham Rewards Program which accounts for a significant number of domestic hotel bookings. In addition, when hotels are onboarded to Wyndham's booking channels, it is expected to reduce Online Travel Agency costs by up to 33% from prior costs incurred by LuxUrban. Secondary benefits related to staffing and operations are expected to materialize beginning in 2024.

- The company emphasized the importance of a TRevPar calculation when discussing growth metrics and financial outlooks. TRevPar (as compared to traditional RevPar) includes ancillary revenue sources on top of actual room rates which can include items such as baggage fees, parking, cancellation fees, and pass through tax charges. A typical ADR does not include these ancillary revenue sources.

- We calculate TRevPAR inclusive of all other revenues, as well as pass through charges for which we are responsible.
- Other revenues are related to room rentals such as baggage fees, parking, valet, cancelations for non-refundable, etc.
- ADR does not include pass through charges and other revenues / fees typical in the hotel model.
- We use TRevPAR, as it is an all-inclusive, transparent, and reconcilable to our financials as we operate only one segment





Source: LuxUrban investor presentation

➢ Long-term TRevPar growth drivers include greater occupancy, higher ADRs, quality of hotels under lease, and the development of ancillary revenues. In addition, according to industry sources, leisure travel in 2024 is expected to exceed non-covid years such as 2019 and 2023 levels. In 2023, international tourism was at approximately 88% of pre-pandemic levels. The remaining pent-up demand, increased air connectivity, and a stronger recovery of Asian markets and destinations are expected to drive a full recovery at some point in 2024.

➢ The company provided two TRevPar breakeven scenarios for two hotels in New York, one being a 3-star and the other being a 4-star property. This is used to show that in the event of a period of reduced ADRs, the company would be able to drive down the breakeven level with reduced staffing, reduced utility usage, and other cost savings measures.

	Property A	*Property B*
Units:	~200	~110
Rent/Month	$375,000	$176,817
Insurance & WC	$29,795	$17,947
Liability	--	--
Property Taxes	$112,000	$68,563
Utilities	$48,000	$35,000
Payroll	$520,000	$125,000
Maintenance & Repair	$20,000	$15,000
Other Taxes, OTA, Credit Card	$127,051	$50,408
Monthly	**$1,231,846**	**$488,735**
Annual	**$14,782,152**	**$5,864,820**
	4-Star Hotel	*3-Star Hotel*
Daily Breakeven / All In	$187	$137

Source: LuxUrban investor presentation

- LuxUrban provided additional details on its Accounts Receivable balances as of the 3rd quarter of 2023. Approximately 52% of the $12.9 million A/R balance was from Online Travel Agencies which was related to the diversification away from their largest OTA and the associated changes in payment terms. 40% was due from the city of New York, which was related to Hotel 46 and Hotel 27, that were part of the migrant program and subsequently canceled after the execution of lease agreements on the hotel. The company expects the city to release these funds in 2024 at some point. The other 8% is due from landlords because of a lease audit in which the company determined that certain expenses incurred were for the benefit of common spaces and re-billed to the landlord in accordance with the lease agreement. LuxUrban expects that receivables will normalize over time to no more than 10% of quarterly revenues as the business continues to mature.

- The company slightly revised its 2023 revenue outlook from $120-$125 million to $115-$122 million which was primarily due to onboarding issues of their properties to the Wyndham platform. 2023 EBITDA outlook was also lowered from $27-$32 million to $25-$30 million for the same reasons. 2024 estimates remained unchanged from prior guidance and calls for revenues in the $265-$270 million range and EBITDA in the $60-$70 million range.

- The company provided a list of operational items in which they can show improvement in 2024 and subsequent years. These include:

    - Develop greater operating efficiencies by leveraging scale
    - Maximize daily room rates, especially during tight booking windows
    - Provide more services and drive more revenues per room outside of the initial "rental rate"
    - Better leverage landlord relationships
    - Improve working capital
    - Deepen bench strength (industry experience) to reflect its growth and maturation
    - Continue to evolve shareholder base to long-term institutions
    - Refine shareholder communications - the Company will only announce acquisitions when they are opened for hosting guests and have completed the entire MLA process.

<u>The J Hotel by LuxUrban</u>

On January 30, 2024, the company announced that it had signed and funded a 15-year Master Lease Agreement (MLA), plus two five-year options, to operate The James NoMad Hotel in New York City. LuxUrban expects that The James will be rebranded as The J Hotel by LuxUrban, a Wyndham Grand® Hotel. The Company expects to take possession of the property and begin welcoming guests on or before March 1, 2024.

This 353-room property, which carries a rating of 4.5 on Tripadvisor, is located in midtown Manhattan and just a short walk from the Empire State Building, Madison Square Garden and Grand Central Station. Eclectic, post-modern touches define the lobby and works by local artists adorn the walls. The hotel, which was designed by renowned architect Thomas Juul-Hansen, has been described as an "urban sanctuary." Guests can enjoy indoor/outdoor Italian dining at Scarpetta, which has received a James Beard nomination for 'Best New Restaurant in America' as well as a coveted three-star review from the New York Times. The hotel also has a throwback, speak-easy style cocktail lounge called The Seville.

This is the company's largest acquisition to date, and they worked with hotel owner GFI Hospitality to consummate the transaction. This deal is indicative of the size and quality of hotels the company is now able to target due to Wyndham's support.

Allen Gross, CEO of GFI, stated, *"GFI looks forward to collaborating with LuxUrban on additional transactions. In our view, LuxUrban's unique MLA model coupled with its' partnership with Wyndham*

Hotels & Resorts, which boasts the largest rewards program in the world, has positioned the Company for great success. As a developer and owner of over $4 billion of hospitality assets, we are very excited to be working with LuxUrban."

Series A Preferred Stock

Subsequent to the end of the 3rd quarter on October 26th, the company closed on a public offering of 13.0% Series A Preferred Stock. The company sold an initial 280,000 shares of Series A Preferred Stock with a liquidation preference of $25.00 per share for gross proceeds of $7.0 million. The company expects to use the net proceeds of this offering for lease acquisitions and general working capital purposes. In addition, the company granted the underwriter a 45-day option to purchase up to an additional 15% of Series A Preferred Stock to cover over-allotments. The Series A Preferred Stock started trading on the Nasdaq under the symbol "LUXHP" on October 27, 2023.

Valuation and Estimates

We adjust our 2023 revenue and EPS estimates based on recent management commentary. Our 2023 revenue estimate is $118.2 million, and our 2023 EPS estimate is $0.19. Our 2024 revenue estimate is $265.3 million and EPS estimate is $0.81. Our 2023 EBITDA estimate is $25.4 million.

Our primary valuation tool utilizes a Discounted Cash Flow process which assumes high levels of growth in additional rooms available to rent in the near-to-mid term as the company continues to add a steady flow of Master Leases on dislocated properties. Over the next 3-5 years, we expect Adjusted EBITDA margins to reach the high end of the company's objectives, which is approximately 25%.

We maintain our price target of **$11.00** pending the release of the company's 4th quarter and full year 2023 financial results.

KEY INVESTMENT POINTS

Source: LuxUrban investor presentation

- LuxUrban Hotels (NASDAQ:LUXH) is a provider of short-term hotel rentals at select destination locations and currently operates 18 properties in five popular destination cities.

- The company operates by acquiring low-cost lease rights for dislocated hotel properties (including those impacted by COVID-19) through long-term Master Lease Agreements.

- The company operates an asset-light business model and maintains a lean corporate structure. The employee count currently stands at 431 with 194 being unionized at the hotel property level.

- LuxUrban provides a win-win solution for both owners and travelers by providing relief to dislocated hotel properties while offering affordable room rates through the company's advanced pricing technologies.

- As of September 30, 2023, the company had 16 short-term stay hotels under Master Lease Agreement which consists of 1,466 rooms that will be hosting guests in 2023. The company's guidance calls for 2,500-3,000 rooms to be available to rent by the end of 2023.

- Cities in which the company currently operates hotel properties include New York City, Miami Beach, Washington D.C., New Orleans, and Los Angeles.

- The company has seen meaningful revenue and EBITDA growth over the past five years.

- Cash and equivalents as of September 30, 2023, totaled $4.8 million and restricted cash was $1.1 million. Total outstanding debt at the end of the quarter was $5.2 million. In April 2023, the company reduced debt by $5.0 million through conversion of its outstanding convertible notes.

- The company is led by a seasoned management team with extensive experience in lodging, vacation rentals, technology, and operations.

- LuxUrban went public in August 2022 raising gross proceeds of approximately $13.5 million.

- We believe LUXH stock is worth **$11.00** based on a conservative discounted cash flow (DCF) calculation and peer multiple comparisons.

OVERVIEW

Source: LuxUrban investor presentation

LuxUrban Hotels (LUXH) operates a growing portfolio of lodging properties by utilizing a long-term lease, asset-light business model to acquire and manage short-term rental properties in major metropolitan cities. The company's future growth focuses primarily on seeking to create "win-win" opportunities for owners of dislocated hotels while providing favorable economic returns. Dislocated hotels typically include those impacted by the Covid-19 pandemic and related travel restrictions as well as those facing refinancing issues.

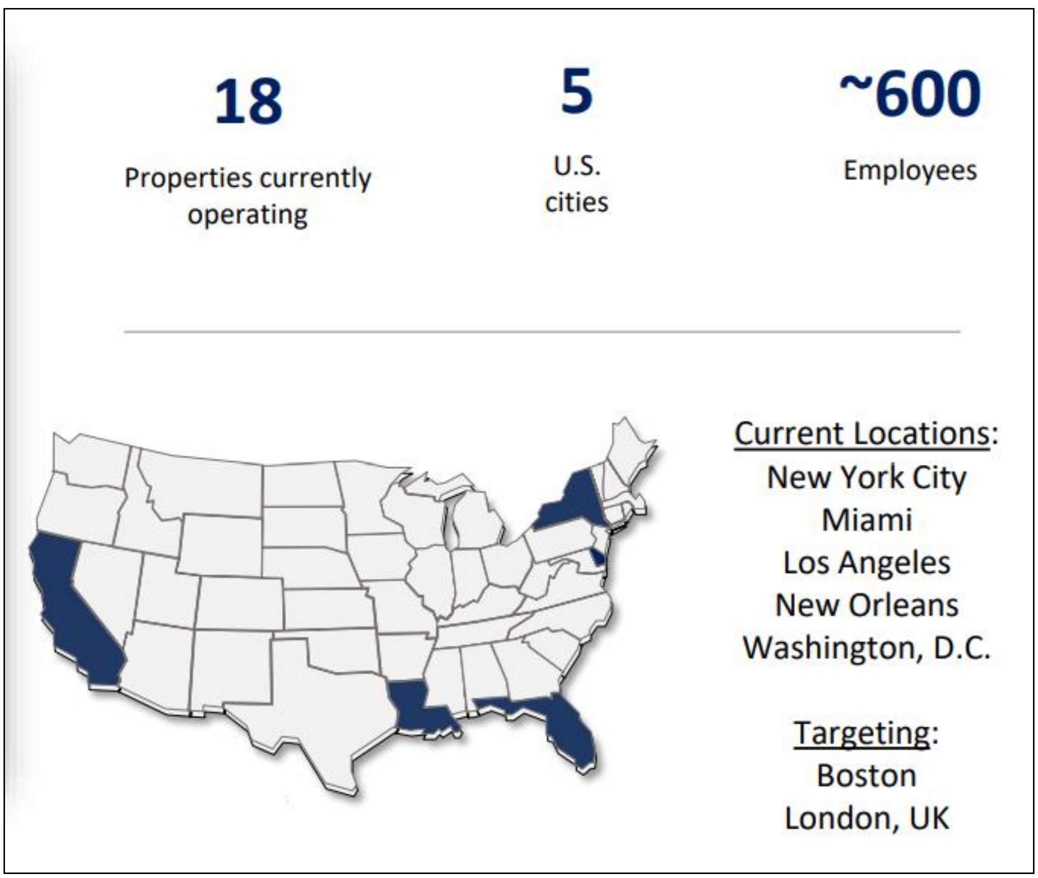
LuxUrban operates these properties in a cost-effective manner by leveraging technology to identify, acquire, manage, and market them globally to business and vacation travelers through dozens of third-party sales and distribution channels including Online-Travel-Agencies (OTAs) and the company's own online travel portal. The company targets both business and vacation travelers under the LuxUrban brand.

The company believes that it has discovered a niche business model as a result of Covid-19 related hotel closures and challenging financial requirements for hotel owners, largely due to significantly higher prevailing interest rates and a difficult refinancing environment. LuxUrban has a multi-year pipeline of potential properties to lease which are believed to be financially advantageous to the company. Although many of the hotels that the company leases were shuttered or underutilized as a result of the global pandemic, other properties were poorly managed properties where the landlord was looking for a more stable tenant. Other opportunities are where owners are looking at a refinancing opportunity and LuxUrban is able to provide a landlord with a more desirable lender-friendly, long-term lease agreement.

Based on the various lodging market dislocations mentioned above, the pipeline of quality leasing opportunities in the North American market should remain strong. The company's opportunities are focused on turnkey properties that require low levels of incremental capital to make the hotels ready for guests that meet their standards. As the low hanging fruit of economically favorable and low capital requirement opportunities become leased by the company or competitors, there are still believed to be many attractive opportunities where the economics will still be favorable even with higher levels of incremental capital.

The company's goal is to improve operational efficiencies by leveraging proprietary technology to identify, lease, manage, and market globally the available hotel units. Business and vacation travelers are targets through their own online portal as well third party sales and distribution channels such as OTAs. As of the 1st quarter of 2023, the top sales channels represent over 90% of revenues through websites such as Booking.com, Expedia and VRBO.

In addition, the company has a strategic plan to improve operating margins by lowering processing fees with the addition of the Wyndham agreement, lease more luxury hotels with above average room rates, and adding new hotel amenities to create an additional high margin revenue stream.



Source: LuxUrban investor presentation

PROPERTY DESCRIPTIONS

PROPERTY	CITY	UNITS	LEASE TERM	DATE COMMENCED	DEPOSIT or LOC
1200 O	Miami Beach	24	10-Year	12/31/2016	$250,000
Blakely	New York City	117	15-Year	11/21/2001	$1,000,000
Herald	New York City	168	15-Year	6/22/2022	$1,500,000
Variety	Miami Beach	68	5.5-Year	3/26/2021	$550,000
Impala / Flora	Miami Beach	48	5-Year	10/1/2021	$515,000
Astor	Miami Beach	42	5-Year	4/15/2022	$350,000
Georgetown	Washington D.C.	79	10-Year	8/1/2022	$500,000
Lafayette	New Orleans	60	19.4-Year	11/1/2022	$300,000
O-Hotel	Los Angeles	68	15-Year	4/1/2023	$103,000
Washington	New York City	217	15.2-Year	9/20/2022	$5,500,000
Townhouse	Miami Beach	70	11.2-Year	3/1/2023	$1,250,000
Tuscany	New York City	125	15.0-Year	1/1/2023	$2,250,000
Hotel 57	New York City	216	15.0-Year	7/1/2023	$2,865,822
Condor	Brooklyn	35	15.0-Year	9/1/2023	$0
Bogart	Brooklyn	65	10.0-Year	7/1/2023	$750,000
Be Home	New York City	44	25.0-Year	7/1/2023	$100,000
Units at end of 2nd qtr		**1,466**			
RECENT ADDITIONS AFTER QUARTER END					
Hotel 46	New York City	79			
Hotel 27	New York City	74			
Units as of November 8, 2023		**1,599**			
RECENT ADDITIONS NOT YET OPERATING					
Trinity	Los Angeles	179			
Royalton	New York City	168			
3 Star	New York City	86			

TOTAL UNITS		**2,032**			

Source: LuxUrban SEC filings

Location	Miami Beach	New York	NOLA	DC	LA	Total
Units	252	987	60	79	68	1,446
Deposit / Letter of Credit	$ 3,150,000	$ 15,217,214	$ 300,000	$ 500,000	$ 303,000	$ 19,470,214
Per Unit	$ 12,500	$ 15,418	$ 5,000	$ 6,329	$ 4,456	$ 13,465
Properties at September 30, 2023	5	8	1	1	1	16
Properties to be added after September 30, 2023						
Units	-	407	-	-	179	586
Properties	-	4	-	-	1	5
Total						
Units	252	1,394	60	79	247	2,032
Properties	5	12	1	1	2	21

Source: LuxUrban SEC filings

ASSET LIGHT BUSINESS MODEL

LuxUrban's primary business model is to find low-cost, long-term leasing opportunities at dislocated hotel properties. This dislocation typically occurred as a result of the Covid-19 pandemic travel restrictions but can also include poorly managed hotels from previous owners or operators. The company then applies proprietary technology to determine potential profit and cash flow potential. The company uses this technology to dynamically set room prices and market reservations on multiple partner sales channels. This includes Online Travel Agencies (OTAs) such as Expedia, Hotels.com, Booking.com, KAYAK, and AirBNB.

The company typically co-brands its hotel properties with the original hotel name in conjunction with the growingly popular LuxUrban brand. Examples include The Herald 8 by LuxUrban Hotels, The Blakely Powered by LuxUrban, and The Lafayette by LuxUrban.

The hotel properties leased by LuxUrban maintain very high standards of cleanliness, maintenance, and repairs. If newly leased properties are well below these standards and require excess capital improvements, the landlords (owners), often share in these sometimes costly upgrades.

In order to improve economies of scale in certain markets, the company seeks geographic density in certain cities. LuxUrban currently leases 10 hotels in New York City, 5 hotels in Miami Beach, 2 hotels in Los Angeles, 2 hotels in Washington D.C., and 1 hotel in New Orleans.

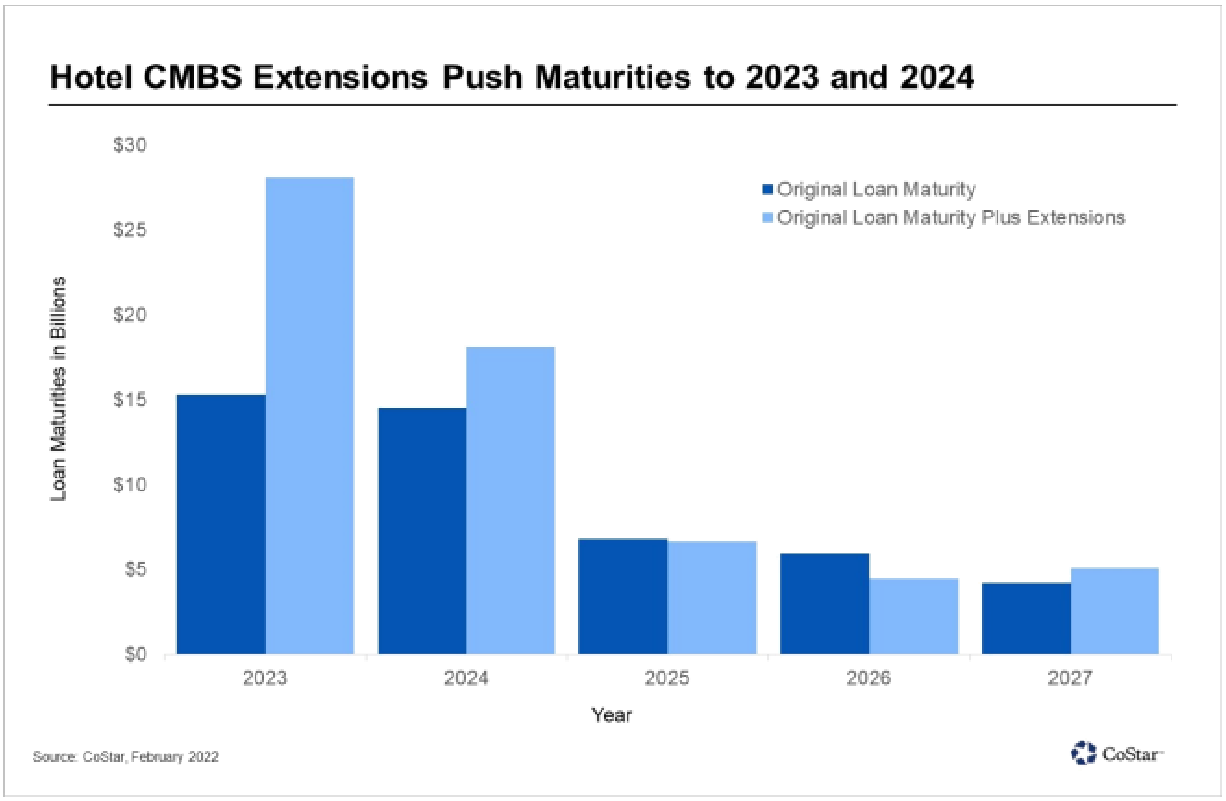
Taken as a whole, the company's leasing model and overall asset light strategy should create a constantly improving financial profile, increase RevPAR to drive margin expansion, generate cash flow, and reduce total debt. The high margin and growing levels of EBITDA are what allow the company to reinvest that cash flow back into deposits at new lease opportunities.

HOTEL INDUSTRY CHALLENGES

There are still residual issues from the Covid-19 pandemic which created many dislocated hotel properties due to lengthy periods of travel restrictions and lockdown controls around the world. Although the pool of these Covid-19 dislocation opportunities has diminished somewhat recently, there are still opportunities in this area that can potentially create positive economics under the company's asset light business model.

However, new hotel challenges have arisen due to rising global interest rates as a result of the U.S. Federal Reserve's efforts to fight global inflation. It's estimated that over $10 billion in hotel related Commercial Mortgage-Backed Security (CMBS) loans have had their maturities extend to 2023 from prior years. In addition, approximately $31 billion in CMBS loans are set to mature in 2024. The substantial majority of these loans were made at interest rates that are well below the prevailing interest rate environment today. Lenders are now requiring hotel owners to put up more capital before refinancing to offset the risk of higher rate mortgages. Urban hotel operators that cater to short-stay business guests are especially challenged, as revenues at many of these properties have not recovered to pre-pandemic levels.

LuxUrban has a viable and beneficial solution for these potentially stressed hotel owners with the company's multi-year, triple net master lease agreements and asset light business model. By partnering with LuxUrban, hotel property owners can avoid a potential default situation, generate stable cash flow from the lease payments, increase occupancy rates from LuxUrban's advanced booking and reservation technologies, and create a more secure environment to restructure debt with its lenders.



Source: LuxUrban investor presentation

TYPICAL TRANSACTION PROCESS

Property Lease Acquisition – The process typically involves leasing a property with a refundable security deposit or line of credit. These deposits are often large and can range from $250,000 to $5,500,000. The company usually receives a period of free rent to improve the property up to the company's strict standards of quality and cleanliness. If a dislocated hotel happens to be in severe disarray, the hotel landlord (owner) often contributes to the capital improvements as well. The company typically leases the entire property, not just the rooms, which can include restaurants, gyms, or retail storefronts. However, those ancillary services are often subleased to other operators in order to generate additional income and not be burdened with retail and food service management.

Revenue Cycle Management – The company uses proprietary data science and algorithms to manage revenue and create dynamic pricing for room rates. The goal is to maximize occupancy rates and increase property level cash flow. Starting in 2023, the company plans to pursue previously untapped, higher margin revenue streams at each of their leased properties. These include resort fees, late checkout fees, and lease income from restaurant and retail operations.

Property Operations – LuxUrban operates all aspects of the hotel including staffing. Currently, the company has 237 unionized employees. The company is responsible for hiring an experienced General Manager for the property. The company attempts to streamline all aspects of the operation and continually align staffing levels to current operating requirements and demand levels. Each hotel's lead operational staff have been trained to continuously calculate cost benefit in overall operations. Specifically, company staff are constantly reviewing the return on requested investment capital and the related payback. This is done at both the corporate level as well as the operational level.

Unit Economics – The company has one of the lowest per night property-level break-even costs in the markets in which it operates as a result of leasing the hotel properties at often generational low points. The company estimates that the property-level break-even rate for Revenue per Available Room (RevPAR) as of the end of 2022 was between $135 to $145 a night. RevPAR provides an informative reflection of the hotel business as it combines Average Daily Rates (ADRs) along with occupancy rates. RevPAR for the full year 2022 was $247 well above the property-level break-even level.

MANAGEMENT

Brian Ferdinand
Co-Founder, Co-Chief Executive Officer and Chairman of the Board of Directors

Mr. Ferdinand founded the company in 2017 and has served as Chairman and Chief Executive since that time. He has more than 22 years of business and industry experience, including serving as Chief Operating Officer and a partner at VacationRentals LLC, a provider of loyalty-branded, hotel-alternative accommodations from 2015 to 2017.

Jimmie Chatmon
Chief Operating Officer and Director

Mr. Chatmon was named Chief Operating Officer in November 2022. He has served as Executive Vice President since November 2017 and as a director of the company since November 2021. In this role he has helped the company grow in the short-term rental marketplace, drawing upon his prior experience and analytical expertise in designing daily pricing and distribution strategies, while overseeing the revenue management team. Before joining the company, from July 2016 to November 2017, Mr. Chatmon worked in sales and revenue management at Vacation Rentals LLC, a provider of loyalty-branded, hotel-alternative accommodations. Mr. Chatmon earned his B.S. in Business Administration from the University of Miami in 2015.

Shanoop Kothari
Co-Chief Executive Officer and Chief Financial Officer

Mr. Kothari has been Chief Financial Officer since January 2022 and assumed the added responsibility of President in November 2022. From January 2019 until September 2021, Mr. Kothari was the Chief Financial Officer of NuZee Inc (Nasdaq: NUZE), an environmentally friendly coffee co-packing services company where he also served in a dual capacity as the company's Chief Operating Officer from July

2020 until May 2021 and as director from October 2019 to March 2021. Prior to joining NuZee, Mr. Kothari was a Managing Director at B. Riley FBR, Inc. ("FBR") from June 2014 until September 2018, where he oversaw the provision of a wide range of financial services to FBR's oil and gas clients. From September 2012 to June 2014, Mr. Kothari was the Chief Financial Officer of a private oil and gas refinery joint venture with HollyFrontier. Mr. Kothari was an investment banker at Credit Suisse working in the energy industry investment segment from June 2005 until September 2012. From May 1998 until April 2003, Mr. Kothari served in a variety of capacities for BindView Development, a publicly traded software company, including as Chief Financial Officer (from January 2001 to May 2001). Mr. Kothari was senior auditor at Price Waterhouse, an international accounting and consulting firm, from June 1995 to May 1998. Mr. Kothari has more than 25 years of accounting, finance and capital markets experience. Mr. Kothari holds a BA in Accounting from Southern Methodist University and an MBA from Rice University. Mr. Kothari is also a licensed CPA and CIA and possesses Series 7 / 24 / 63 licenses.

Kevin Mikolashek
<u>Chief Compliance Officer</u>

Mr. Mikolashek has been Chief Compliance Officer since September 2021. Prior to joining the company, from April 2018 until September 2021, he served as Managing Director for Misbah-Maher Consultancy, a consulting firm focused on Federal Government contracts in Afghanistan, and for Maher Legal Services, a law firm. From November 2015 to March 2018, Mr. Mikolashek was Senior Counsel at the Enforcement Division of the Federal Reserve Board of Governors, investigating large financial institutions. From November 2005 to November 2015, he served in the U.S. Department of Justice as an Assistant United States Attorney in the Eastern District of Virginia, where he led complex procurement fraud investigations into some of the nation's largest defense contractors and represented the United States in civil litigation. From January 1997 to November 2005, Mr. Mikolashek served as an Army Judge Advocate Officer, prosecuting felonies, providing legal advice to combat commanders, and representing the Army in civil litigation. Since May 2016, Mr. Mikolashek has been on the Board of Directors of, a non-profit organization that provides relief to the hungry as homeless and has served as Treasurer for that organization since May 2017. Mr. Mikolashek served in the United States Army from 1997 to 2005. Mr. Mikolashek holds an M.B.A from the University of Virginia Darden Graduate School of Business, a J.D. from the Dickinson School of Law of Pennsylvania State University, and a B.A. from the Shippensburg University of Pennsylvania.

RISKS

- Inflation and price volatility in the global economy could negatively impact the lodging industry and the company's operating results. The company's financial performance is subject to macro-economic conditions and its impact on discretionary consumer spending. General inflation in the U.S. has risen to levels not experienced in recent decades which includes high energy prices, elevated prices for consumer goods, higher interest rates which increases borrowing costs, and high labor costs.

- The COVID-19 pandemic and the impact of actions to mitigate the pandemic have materially adversely impacted and may continue to materially adversely impact the travel industry and the hotel business. Future global pandemics may have similar adverse effects on the industry.

- The company may be unable to negotiate satisfactory leases or other arrangements for proposed new properties or renew or replace existing properties on economically satisfactory terms. The business model depends substantially on property owners and managers leasing to the company properties that meet specific brand criteria on lease terms that work within the company's business model. Competition for quality properties in desirable, over-booked, locations can be intense.

- The company expends resources relating to the preparation and repair of its newly leased properties, which may be higher than anticipated due to unforeseen circumstances. The preparation includes furnishing and redesigning a newly leased property and bringing it onto the company's remote management platforms. Although the company tries to have the landlord or developer bear the out of pocket opening costs, the company is sometimes responsible for a portion of these costs.

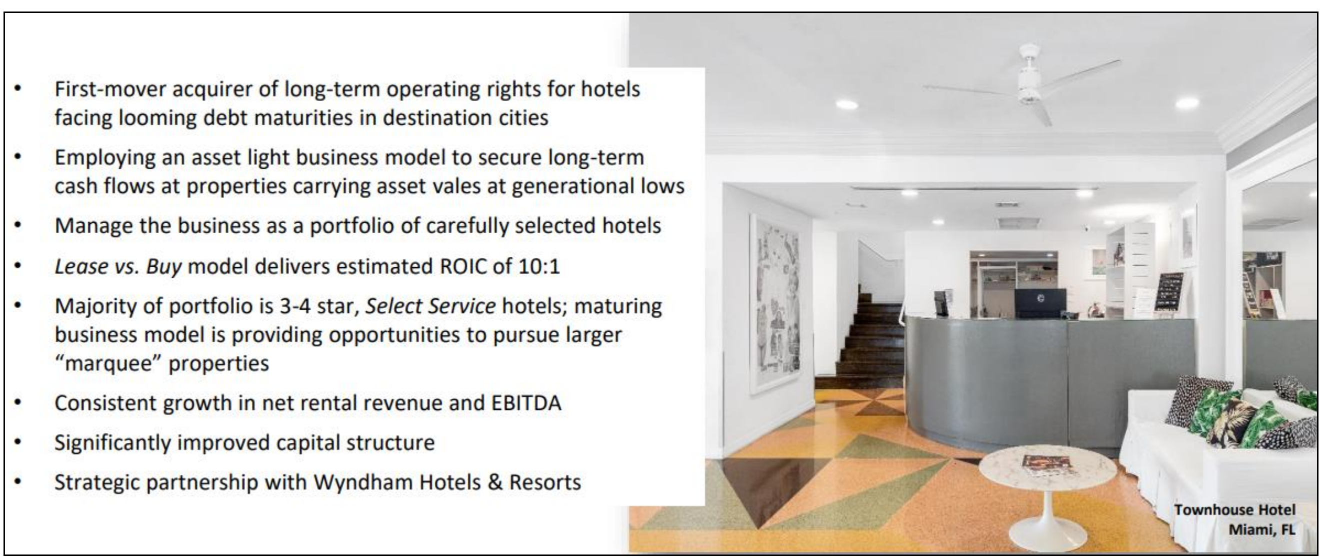
- The long-term and fixed-cost nature of the company's leases may limit operating flexibility and could adversely affect its liquidity and operating results. The leases typically provide for fixed monthly payments that are not tied to occupancy rates or room rates and usually contain minimum rental payment obligations. The obligations to landlords under these agreements typically extend for many years and the company does not have a corresponding source of guaranteed revenue because guests typically stay for less than a week at these hotels. If the company cannot maintain sufficient occupancy rates and pricing, the lease expenses may exceed lodging revenue which would cause property level operating losses.

SUMMARY

We believe LuxUrban Hotels is entering a robust new growth phase based on its ability to sign new hotel leases as a result of higher levels of EBITDA being generated. The company has the potential to grow both revenues and EBITDA at double-digit growth rates for the foreseeable future if they are able to execute on their lease based, asset light strategy. The company's current stock price does not likely reflect that potential level of profitable growth going forward and we believe the stock to be significantly undervalued at this time, particularly when compared to competitors.

A recession or troubled economic times is not necessarily a bad thing for the company based on their business model. In an economic downturn, the company's operating properties may experience declining occupancy levels and average daily rates. However, this would also create a much higher level of dislocated hotels for them to take advantage of with the lease driven, asset light business model.

Investors may be getting the rare opportunity to get in on the ground floor of a dynamic travel and leisure company that is poised for rapid growth. With the company trading at such a large discount to intrinsic value, a margin of safety appears to exist at this time.



Source: LuxUrban investor presentation

PROJECTED INCOME STATEMENT & BALANCE SHEET

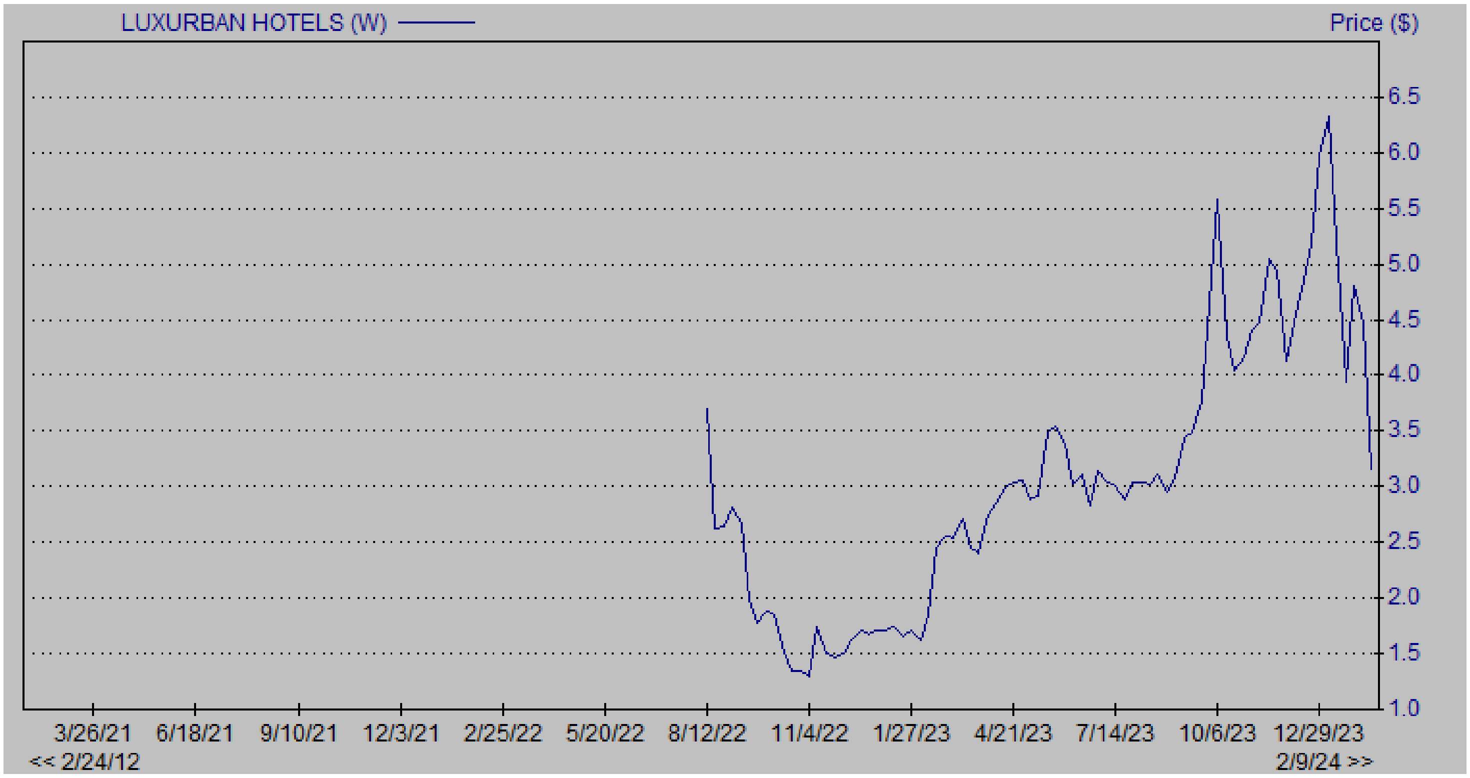
Income Statement	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25
Net Sales	**21,379,913**	**43,825,424**	**118,202,521**	**265,355,000**	**414,540,720**
Growth	*#DIV/0!*	*105.0%*	*169.7%*	*124.5%*	*56.2%*
Cost of Goods Sold	**18,944,039**	**29,555,344**	**78,284,643**	**175,477,271**	**273,096,317**
%	*88.6%*	*67.4%*	*66.2%*	*66.1%*	*65.9%*
Depreciation & Amort	**325,114**	**1,894,731**	**8,151,178**	**8,966,296**	**8,966,296**
Gross Profit	**2,110,760**	**12,375,349**	**31,766,700**	**80,911,433**	**132,478,107**
Margin	*9.9%*	*28.2%*	*26.9%*	*30.5%*	*32.0%*
SG&A Expenses	**2,844,637**	**6,794,111**	**11,420,637**	**25,696,433**	**29,550,898**
% of sales	*13.3%*	*15.5%*	*9.7%*	*9.7%*	*7.1%*
Stock Compensation	**0**	**2,547,536**	**3,069,965**	**2,916,467**	**2,916,467**
% of sales	*0.0%*	*5.8%*	*2.6%*	*1.1%*	*0.7%*
Research & Development	**0**	**0**	**0**	**0**	**0**
% of sales	*14`%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Non-Cash Items	**0**	**0**	**884,816**	**1,000,000**	**750,000**
% of sales	*0.0%*	*0.0%*	*0.7%*	*0.4%*	*0.2%*
Operating Income	**(733,877)**	**3,033,702**	**16,391,282**	**51,298,533**	**99,260,742**
Margin	*-3.4%*	*6.9%*	*13.9%*	*19.3%*	*23.9%*
EBITDA	**(408,763)**	**7,475,969**	**25,427,276**	**61,264,828**	**108,977,037**
Margin	*-1.9%*	*17.1%*	*21.5%*	*23.1%*	*26.3%*
Other Expenses/(Income)	**(127,058)**	**(1,584,105)**	**(161,818)**	**(86,308)**	**(215,289)**
%	*-0.6%*	*-3.6%*	*-0.1%*	*0.0%*	*-0.1%*
EBIT	**(606,819)**	**4,617,807**	**16,553,100**	**51,384,840**	**99,476,031**
%	*-2.8%*	*10.5%*	*14.0%*	*19.4%*	*24.0%*
Total Interest Exp (net)	**1,626,565**	**7,518,267**	**9,176,139**	**4,588,069**	**4,588,069**
%	*7.6%*	*17.2%*	*7.8%*	*1.7%*	*1.1%*
Net Profit Before Tax	**(2,233,384)**	**(2,900,460)**	**7,376,961**	**46,796,771**	**94,887,961**
%	*-10.4%*	*-6.6%*	*6.2%*	*17.6%*	*22.9%*
Income Tax	**0**	**0**	**(448,140)**	**9,359,354**	**28,466,388**
% Effective Rate	*0.0%*	*0.0%*	*-6.1%*	*20.0%*	*30.0%*
Minority Interests or Preferred Stock	**0**	**0**	**0**	**0**	**0**
Net Profit	**(2,233,384)**	**(2,900,460)**	**7,825,102**	**37,437,417**	**66,421,573**
%	*-10.4%*	*-6.6%*	*6.6%*	*14.1%*	*16.0%*
Non-recurring income (expense)		(6,489,893)			
Average Diluted Shares Outstanding		23,432,870	42,000,000	46,000,000	49,000,000
Reported FD EPS		(0.40)			
Zacks EPS	**0.00**	**(0.12)**	**0.19**	**0.81**	**1.36**
Zacks EPS	**0.00**	**(0.12)**	**0.19**	**0.81**	**1.36**

Source: Zacks analyst

	Dec-22	*Q1 2023*	*Q2 2023*	*Q3 2023*	*Q4 2023*	Dec-23	Dec-24	Dec-25
REVENUES								
Net Rental Revenues	**$43,825,424**	***$22,814,175***	***$31,861,098***	***$31,208,248***	***$32,319,000***	**$118,202,521**	**$265,355,000**	**$414,540,720**
% Change								
Number of Hotels	**10**	***12***	***12***	***16***	***20***	**20**	**35**	**40**
Number of Rooms - Ending	**844**	***1,034***	***1,086***	***1,466***	***2,500***	**2,500**	**6,000**	**7,500**
Number of Rooms - Average		***939***	***1,060***	***1,276***	***1,900***	**1,294**	**4,000**	**6,600**
RevPAR	**$247**	***$257***	***$322***	***$244***	***$189***	**$253**	**$182**	**$172**
Occupancy	**77.0%**	***75.5%***	***85.0%***	***82.5%***	***70.0%***	**78.3%**	**72.7%**	**71.7%**
ADR	**$321**	***$341***	***$379***	***$296***	***$270***	**$321**	**$250**	**$240**

Source: Zacks analyst

HISTORICAL STOCK PRICE



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