

## CONSUMER: Lodging

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## Reasons for this report

✓ Our analysis of the most recent weekly US lodging results

## Lodging: US RevPAR +0.3% y/y last week. Another soft week heading into summer, possible Juneteenth y/y comp impact

Overall U.S. RevPAR was +0.3% y/y for the week ending 6/15/2024, per STR, below the prior week's result of +1.7% y/y and below the trailing 10-week average of +2.1%.

*As demand increasingly shifts to summer (leisure) and less to business travel, we see RevPAR growth progressing in a softer direction. The strongest performing hotels continue to be urban full-service with business orientation and markets with strong international inbound demand. We assume some impact from the Juneteenth holiday which was on the following Monday last year (long weekend) versus the following Wednesday this year. Weekend RevPAR y/y was -5% vs. the prior week of +1%.*

We anticipate weak business travel demand (especially group) in next week's data set (week ending 6/22/24), consistent to public REIT executive expectations discussed during the NAREIT conference in early June.

### Major RevPAR statistics presented below:

- Luxury RevPAR: -0.7% y/y
- Upper Upscale RevPAR: +2.6% y/y
- Upscale RevPAR: +1.2% y/y
- Upper Midscale RevPAR: -0.4% y/y
- Midscale RevPAR: -1.5% y/y
- Economy RevPAR: -3.6% y/y
- Independent hotels (~ 1/3rd of the data set) RevPAR: -2.0% y/y; and
- Within Upper Upscale & Luxury class hotels:
  - Group: +4.6% y/y vs. +4.4% prior week;
  - Transient: -0.4% y/y vs. +1.3% prior week;
- Las Vegas RevPAR: +1.7% y/y
  - **As a caveat, we note that many large Strip casino hotel operators do not participate in STR's survey.**

### Last week's RevPAR details and sequential trends (all comparable information on new STR methodology):

- **Headline RevPAR** was +0.3% y/y vs. the running 28-day average of +1.7% y/y.
- **Occupancy:** Absolute occupancy was 70.3% vs. 67.3% for the running 28-day average.
- **Absolute Group occupancy:** 23.5% last week vs. 21.2% for the running 28 days.

### The Lodging stocks:

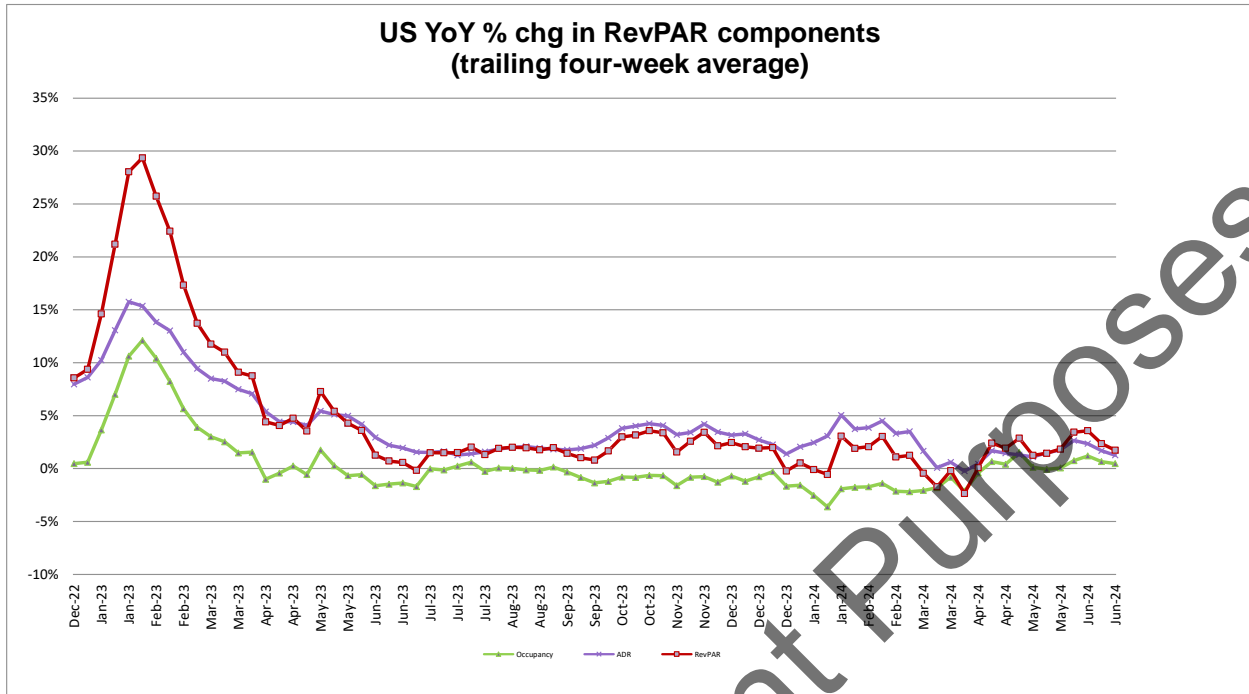
- **Of the lodging stocks our favorite name is Wyndham (WH, Buy).** WH has underperformed the hotel C-corps since the initial news about the proposed merger with Choice Hotels (CHH, Hold) last spring. While the proposed merger has ended and investors can once again value WH as a standalone entity going forward, we view WH stock as considerably undervalued. We can also point to an 8-K released by WH on 3/11 in advance of CHH's decision to stop the merger pursuit where WH provided "pillars for standalone growth" representative of \$26 stock price upside by the end of 2025 driven by: 1) continuing a 6% plus historical EBITDA growth, 2) expected \$650M of FCF generation over the next two years, and 3) ability to deploy \$400M of additional leverage capacity based on a net leverage target of 3.5x (substantial cash returns to shareholders as has been the case for years). Additionally and distinctly from the \$26 upside, WH also views an additional \$22 upside per share driven by EBITDA growth that is anticipated to be in the 7-10% range and a re-rating on the multiple (1.0x is worth \$10/share in WH's calculation).

- **For the hotel REITS, our favorite name is RHP (Buy).** At 80% of its business coming from groups/conventions, RHP has the greatest exposure to this customer segment and has no hotels located in the especially tech-heavy San Francisco area. We add that RHP's hotels are likely benefiting from several "self-help" factors including having properties in better condition than some other big box comparables and convention centers as well as what has proven to be a smart strategy of maintaining their property-level salesforce during the heart of the pandemic.
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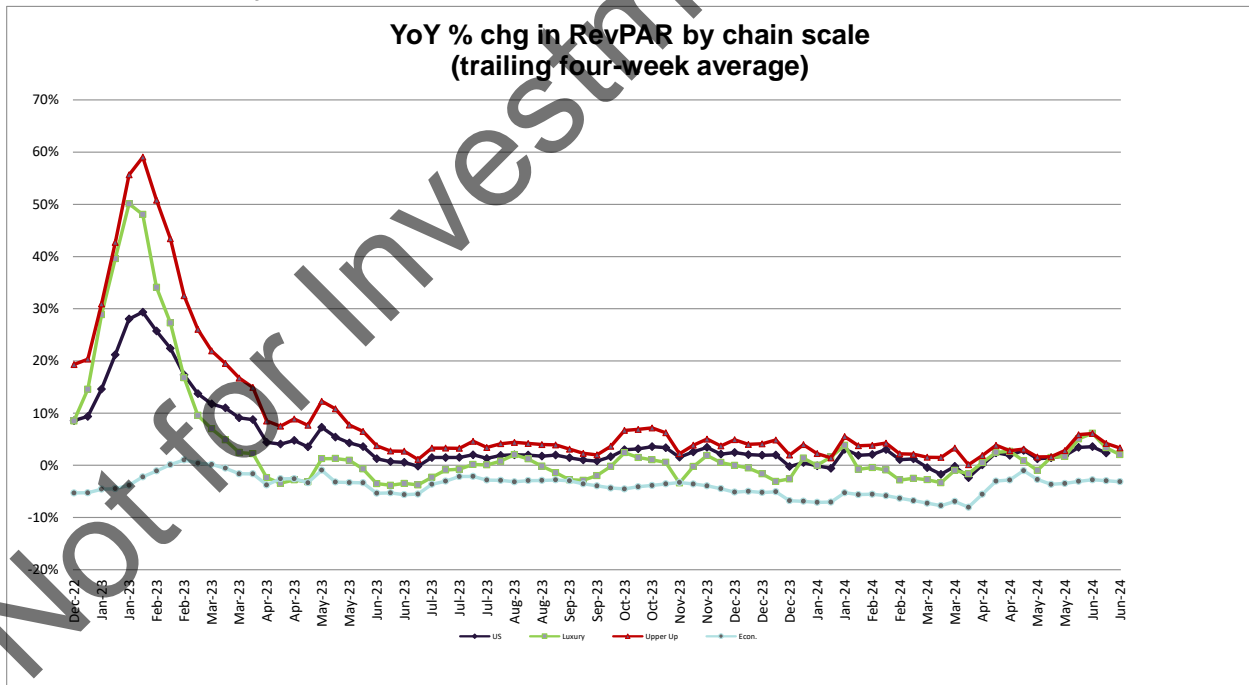


RevPAR Component Trends



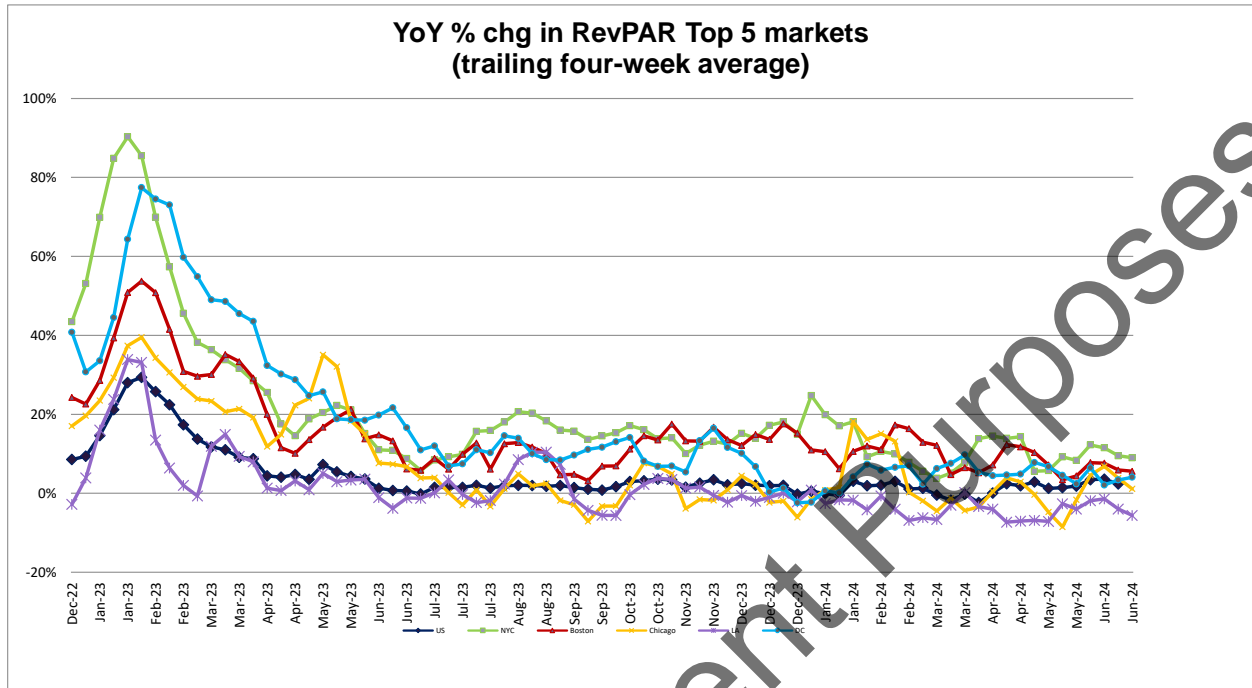
Source: STR data, Truist Securities research

RevPAR Trends by Chain Scale



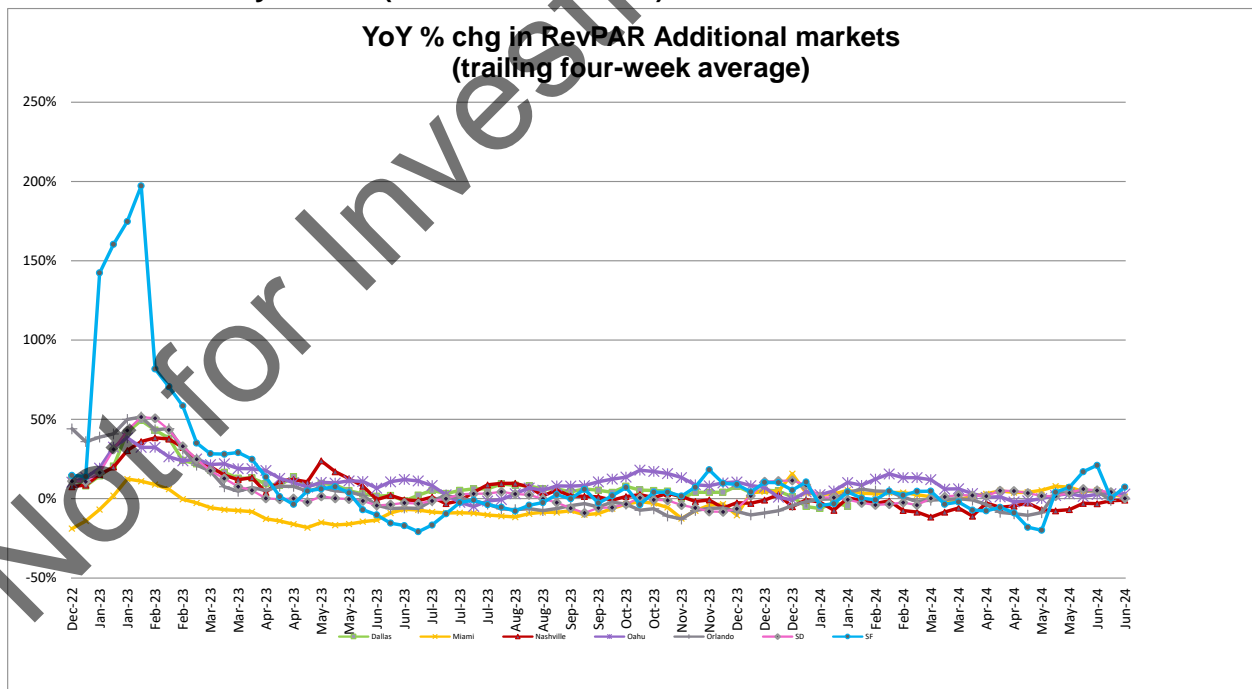
Source: STR data, Truist Securities research

RevPAR Trends by Market (Top 5 markets)



Source: STR data, Truist Securities research

RevPAR Trends by Market (Additional markets)



Source: STR data, Truist Securities research

**WH: Valuation and Risks**

Our price target of \$105 for WH is based on a 15.0x target EV/EBITDA multiple (in line with portfolio quality/RevPAR relative to peers) of our 2025 EBITDA estimate.

Risks to our rating and price target: Slowdown in development opportunities. Macro demand/pipeline headwinds.

**RHP: Valuation and Risks**

Our price target of \$130 for RHP is derived by applying a 13.0x target EV/EBITDA multiple to our estimate for 2025 lodging EBITDA and a 16.0x multiple to our Opry/attractions estimate. We view the multiple assignments as appropriate for the quality and unique nature of the portfolios (slight premium to REIT peer average of ~12.0-12.5x on Hospitality).

Risks to our rating and price target include: Group demand returns slower than expected. Property-specific risks given a small portfolio.

**CHH: Valuation and Risks**

Our price target of \$144 for CHH is derived by applying a 14.0x target EV/EBITDA multiple (slightly above industry average and in the midpoint of CHH's historical trading multiple range) to our estimate for 2025 EBITDA.

Risks to our rating and price target include: Upside risks: conservative guidance, if the economy performs better than expected, outperformance by Radisson. Downside risks: slowdown in development opportunities, high construction costs, newly created brands grow slower than expectations, and underperformance by Radisson.

**Companies Mentioned in This Note**

- Choice Hotels International, Inc.** (CHH, \$117.36, Hold, C. Patrick Scholes)
- Ryman Hospitality Properties, Inc.** (RHP, \$99.04, Buy, C. Patrick Scholes)
- Wyndham Hotels & Resorts, Inc.** (WH, \$72.42, Buy, C. Patrick Scholes)

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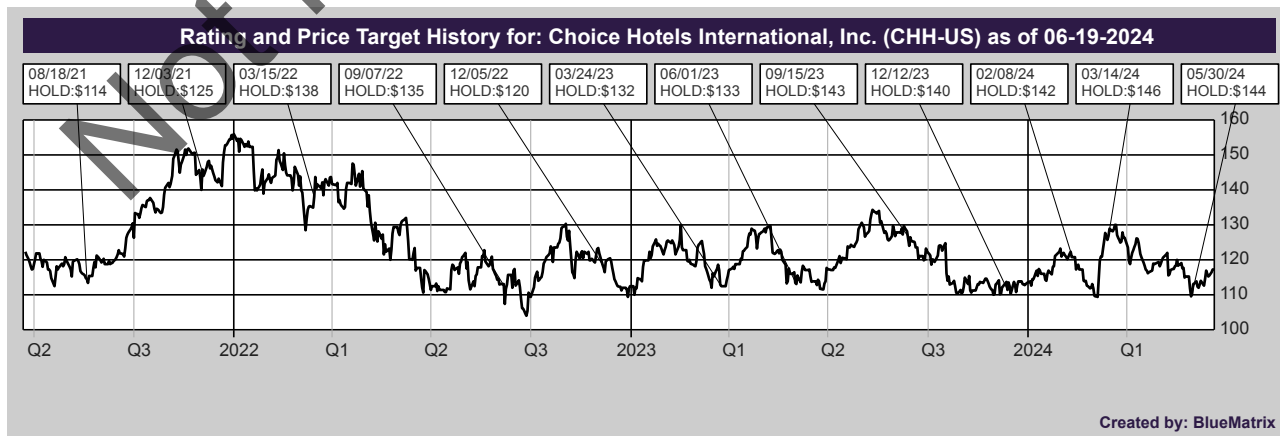
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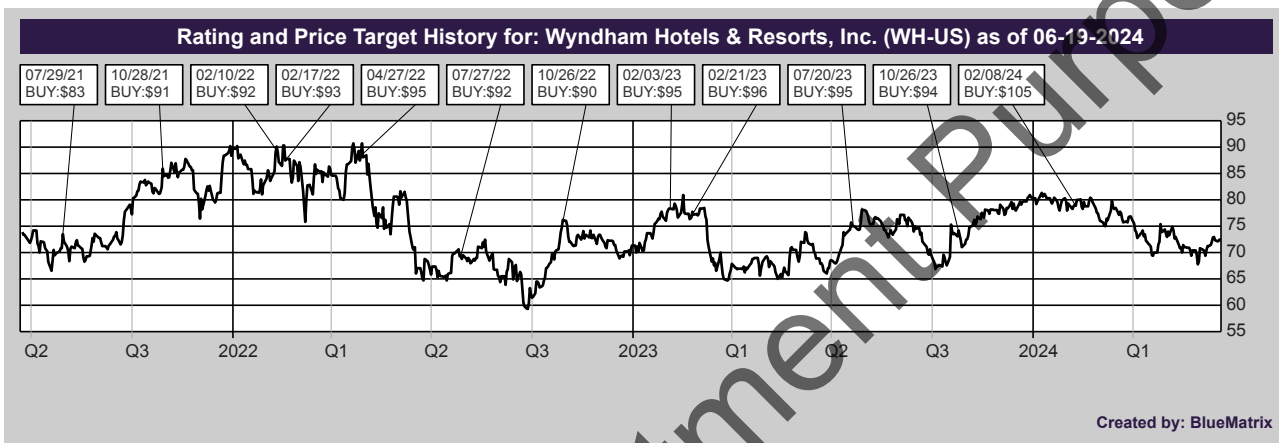
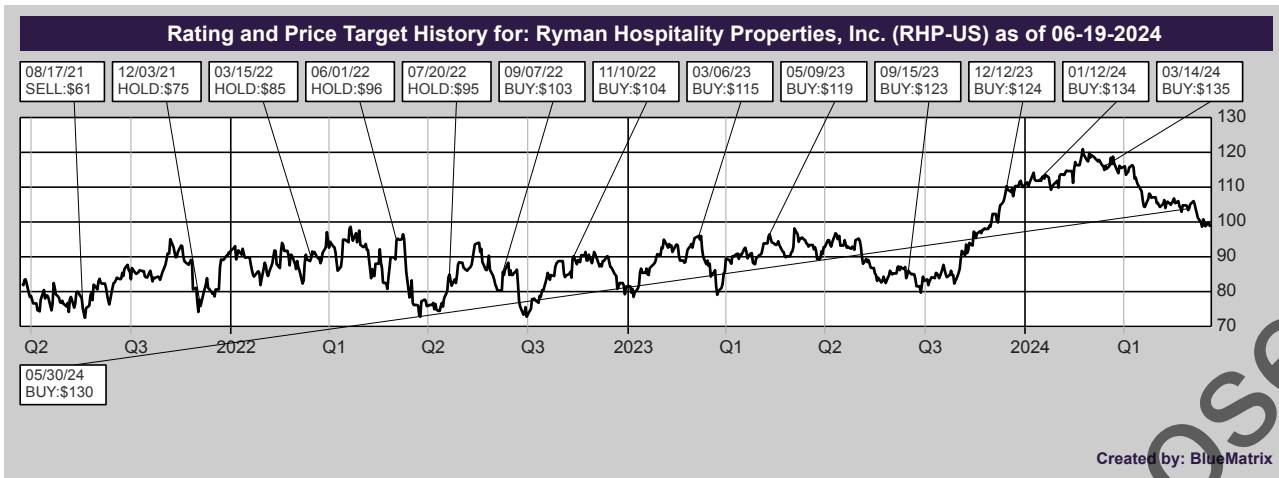
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