

CONSUMER: Lodging

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Reasons for this report

✓ Our analysis of the most recent weekly US lodging results

Lodging: US RevPAR -2.9% y/y last week. Holiday week mix drives negative y/y RevPAR growth

Overall U.S. RevPAR was -2.9% y/y for the week ending 2/24/2024, per STR, below the prior week's result of +1.6 y/y% and below the trailing 10-week average of +0.7%.

Last week's results reflected an unfavorable customer mix that was heavily weighted to the relatively underperforming leisure customer and far less to the outperforming group/convention segment due to Presidents' Day weekend. Notably, Sunday and Monday RevPAR were down 6% and 4% y/y.

Major RevPAR statistics presented below:

- Luxury RevPAR: -6.6% y/y
- Upper Upscale RevPAR: -1.7% y/y
- Upscale RevPAR: -2.6% y/y
- Upper Midscale RevPAR: -3.5% y/y
- Midscale RevPAR: -6.0% y/y
- Economy RevPAR: -7.6% y/y
- Independent hotels (~ 1/3rd of the data set) RevPAR: -2.8% y/y; and
- Within Upper Upscale & Luxury class hotels:
 - Group: +4.8% y/y vs. +11.3% prior week;
 - Transient: -4.9% y/y vs. +3.0% prior week;
- Las Vegas RevPAR: +6.0% y/y
 - **As a caveat, we note that many large Strip casino hotel operators do not participate in STR's survey.**

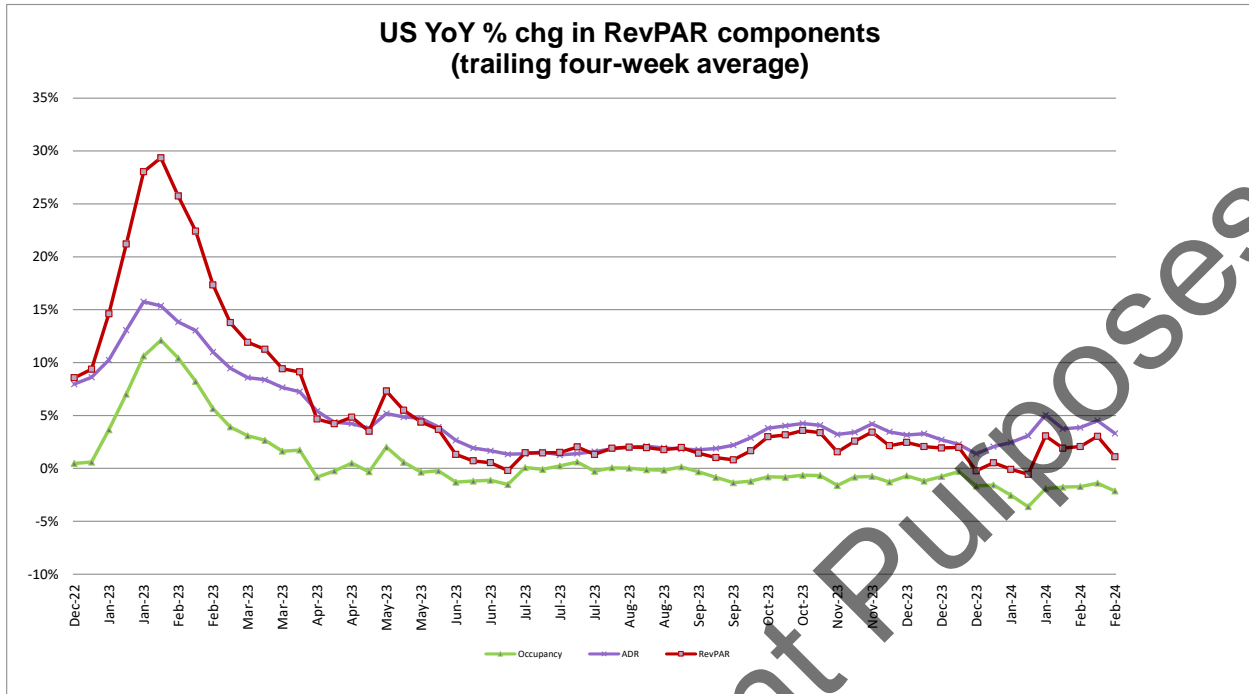
Last week's RevPAR details and sequential trends (all comparable information on new STR methodology):

- **Headline RevPAR** was -2.9% y/y vs. the running 28-day average of +0.9% y/y.
- **Occupancy:** Absolute occupancy was 62.0% vs. 58.1% for the running 28-day average.
- **Absolute Group occupancy:** 20.7% last week vs. 20.8% for the running 28 days.

The lodging stocks: Overall, we continue to summarize our view on the lodging sector at the moment as one of "relative optimism," *though more so for the global C-Corps and less so for the hotel REITS.*

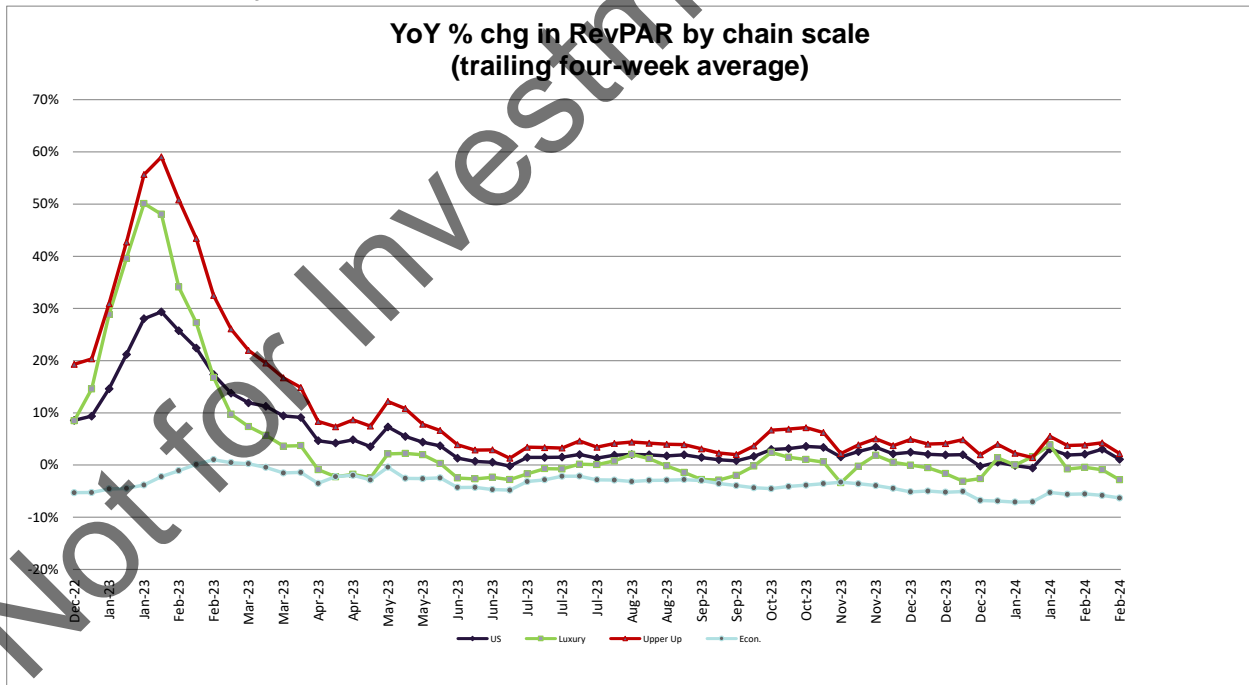
- **Of the lodging stocks our favorite name continues to be Hyatt Hotels Corp. (H, Buy), which we see having several idiosyncratic catalysts.** Hyatt is a beneficiary of group strength primarily through its legacy portfolio but also to an extent due to the acquired Apple Leisure Group, the recovery of international higher-rated travel, and particular strength in leisure demand to the Caribbean and Europe, a continued push to asset-light, a leading global rooms pipeline, and improved FCF story. Hyatt generates approx. 30% of earnings from the group segment and 30% from its Caribbean-centric Apple Leisure Group business.
- **For the hotel REITS, our favorite name is RHP (Buy).** With 75% of its business coming from groups/conventions, Ryman Hospitality Properties 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 peak of the pandemic.

RevPAR Component Trends



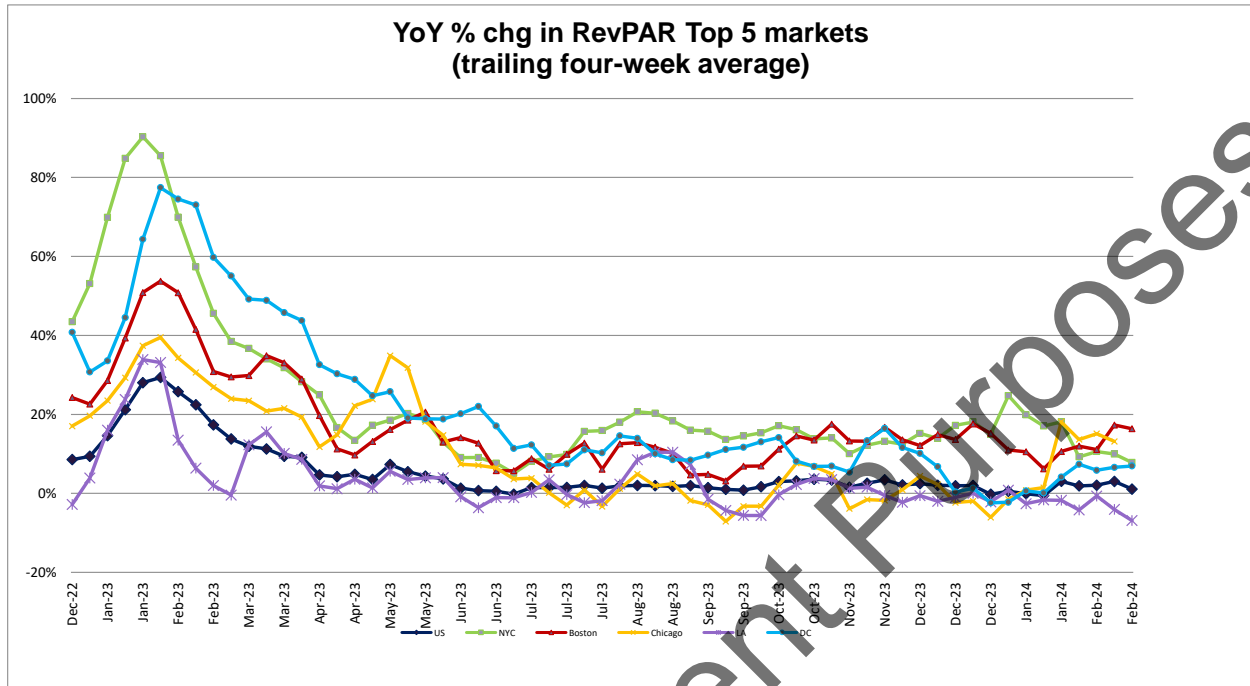
Source: STR data, Truist Securities research

RevPAR Trends by Chain Scale



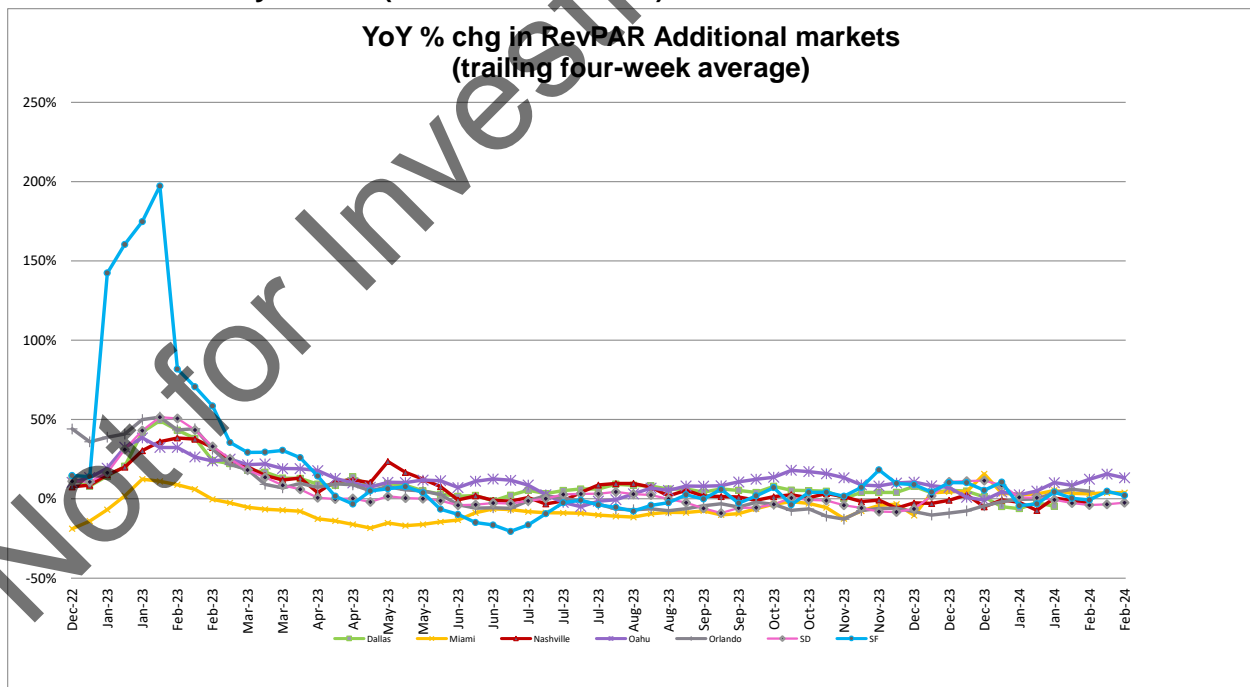
Source: STR data, Truist Securities research

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

H: Valuation and Risks

Our price target of \$143 is derived by applying a 14.2x target EV/EBITDA multiple (a blended average of the industry multiples for each business segment) to our estimate for 2024 EBITDA. Our sum-of-the-parts analysis on our 2024 segment multiple assumptions include (12.5x owned EBITDA u/c, 16x fees EBITDA u/c) and other segments/ALG (10-12x, u/c).

Risks to our rating and price target: Lodging recovery takes longer than expected. Planned dispositions take longer than expected. Material labor issues to owned hotels. Regional risks to the Caribbean including material new competitive supply growth. H pipeline growth slower than expected. Apple Leisure Group underperforms Hyatt's guidance.

RHP: Valuation and Risks

Our price target of \$134 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.

Companies Mentioned in This Note

Hyatt Hotels Corporation (H, \$151.47, Buy, C. Patrick Scholes)
Ryman Hospitality Properties, Inc. (RHP, \$117.44, Buy, C. Patrick Scholes)

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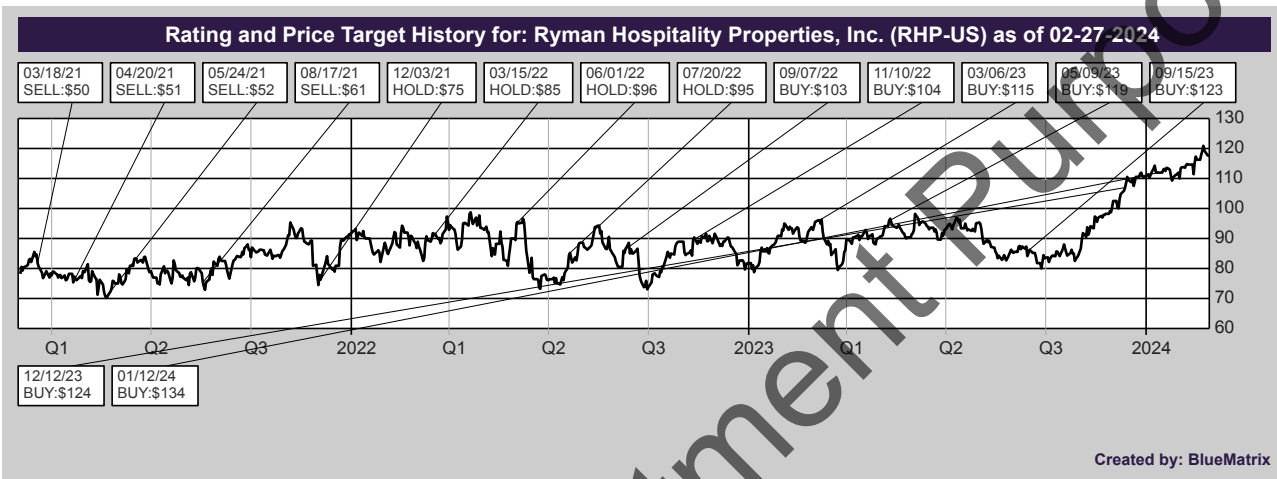
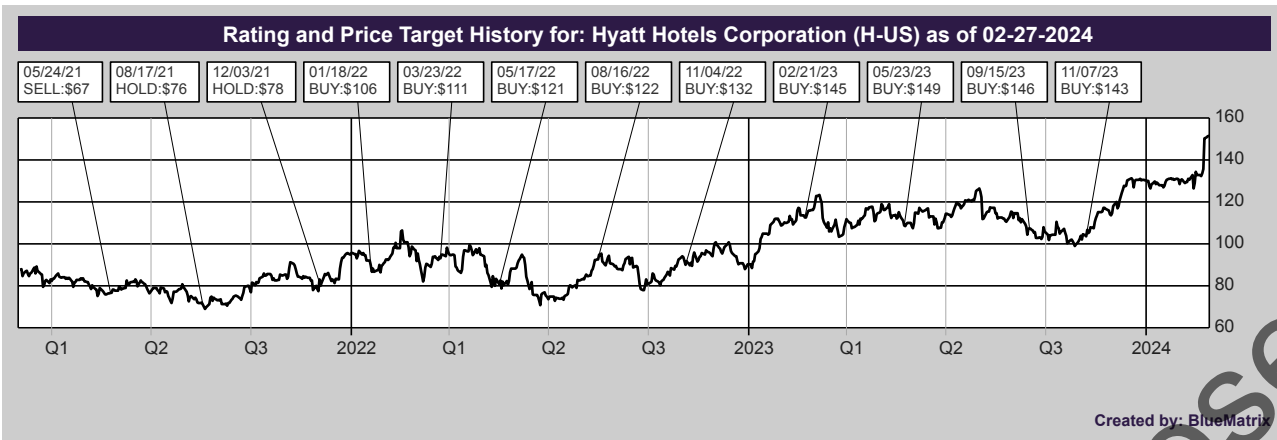
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