

CONSUMER: Lodging

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**Reasons for this report**

- ✓ Our analysis of the most recent weekly US lodging results

**Lodging: US RevPAR +1.9% y/y; clean comp. Positive y/y Economy RevPAR growth for the first time in months**

Overall U.S. RevPAR was +1.9% y/y for the week ending 8/10/2024, per STR, above the prior week's result of +1.3% y/y and above the trailing 10-week average of +0.9%.

*Economy chain scale RevPAR was +0.9% y/y, the first positive RevPAR growth week for Economy since mid-April 2024 (holiday shift impact). Economy RevPAR largely started to trend negatively in late Fall 2022.*

**A couple other takeaways:**

- Last week represented a difficult y/y comp in LA due to Taylor Swift concerts last year. LA RevPAR was -12.2% y/y.
- Group continued to have an excellent headline result (RevPAR +10.1% y/y but we repeat that group demand is light in the summer (leisure-heavy period) and we view fall Group performance more relevant for both EBITDA and trends).
- Houston RevPAR continues to be strong at the headline (+47.2%) which we assume is the continuation of hurricane displacement impact.

**Major RevPAR statistics presented below:**

- Luxury RevPAR: -0.6% y/y
- Upper Upscale RevPAR: +4.6% y/y
- Upscale RevPAR: +2.1% y/y
- Upper Midscale RevPAR: +1.1% y/y
- Midscale RevPAR: +1.3% y/y
- Economy RevPAR: +0.9% y/y
- Independent hotels (~ 1/3rd of the data set) RevPAR: +0.1% y/y; and
- Within Upper Upscale & Luxury class hotels:
  - Group: +10.1% y/y vs. +5.7% prior week;
  - Transient: -0.4% y/y vs. -0.0% prior week;
- Las Vegas RevPAR: +3.4% 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 +1.9% y/y vs. the running 28-day average of +1.9% y/y.
- **Occupancy:** Absolute occupancy was 68.7% vs. 70.9% for the running 28-day average.
- **Absolute Group occupancy:** 18.8% last week vs. 20.6% 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

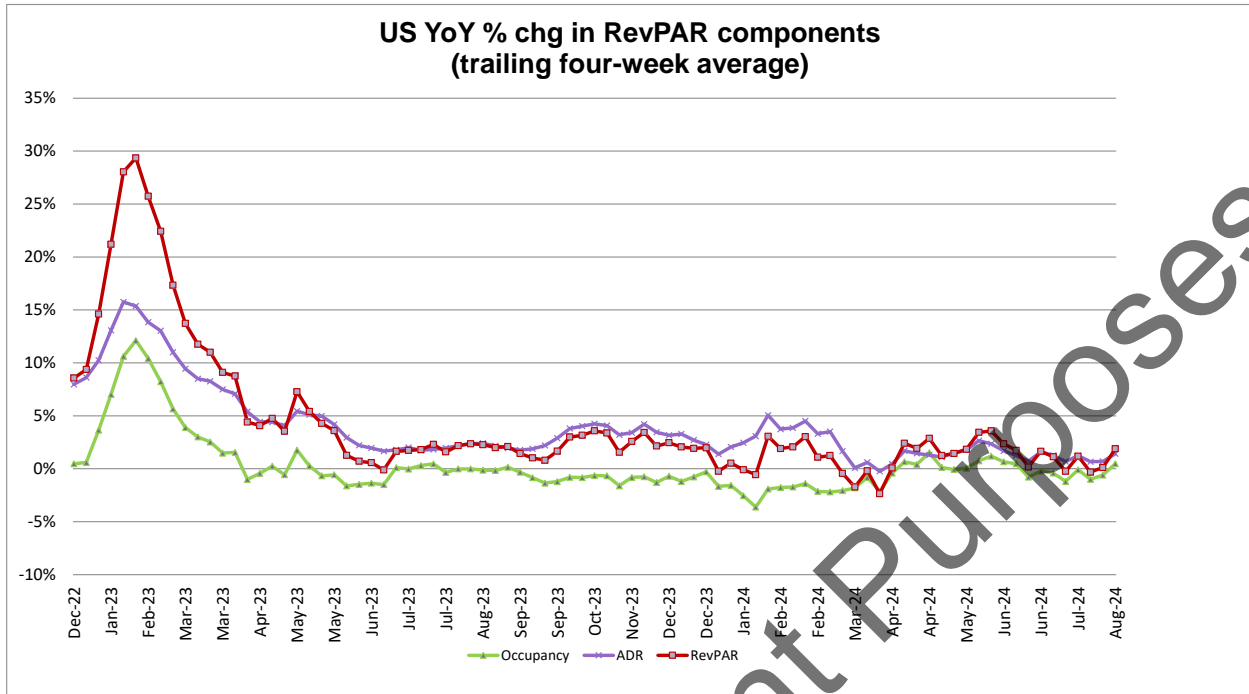
upside per share driven by EBITDA growth that is anticipated to be in the 7-10% range and a re-rating on the multiple (1.0x is worth \$10/share in WH's calculation).

- **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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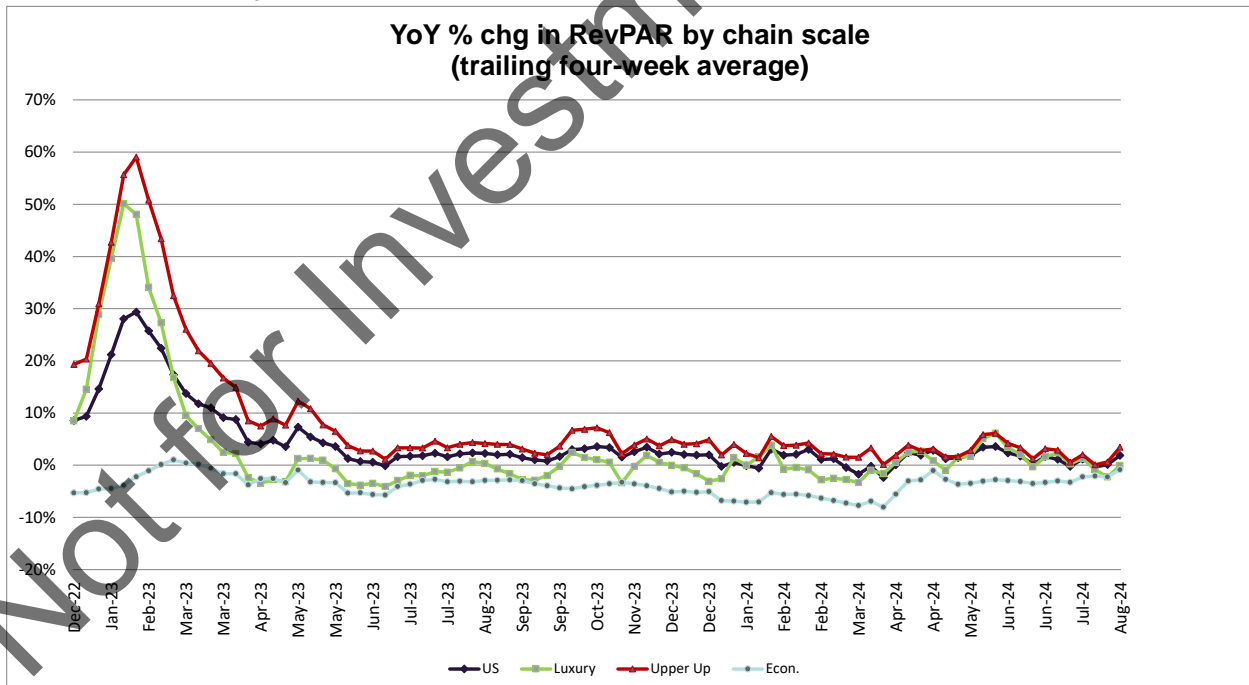


RevPAR Component Trends



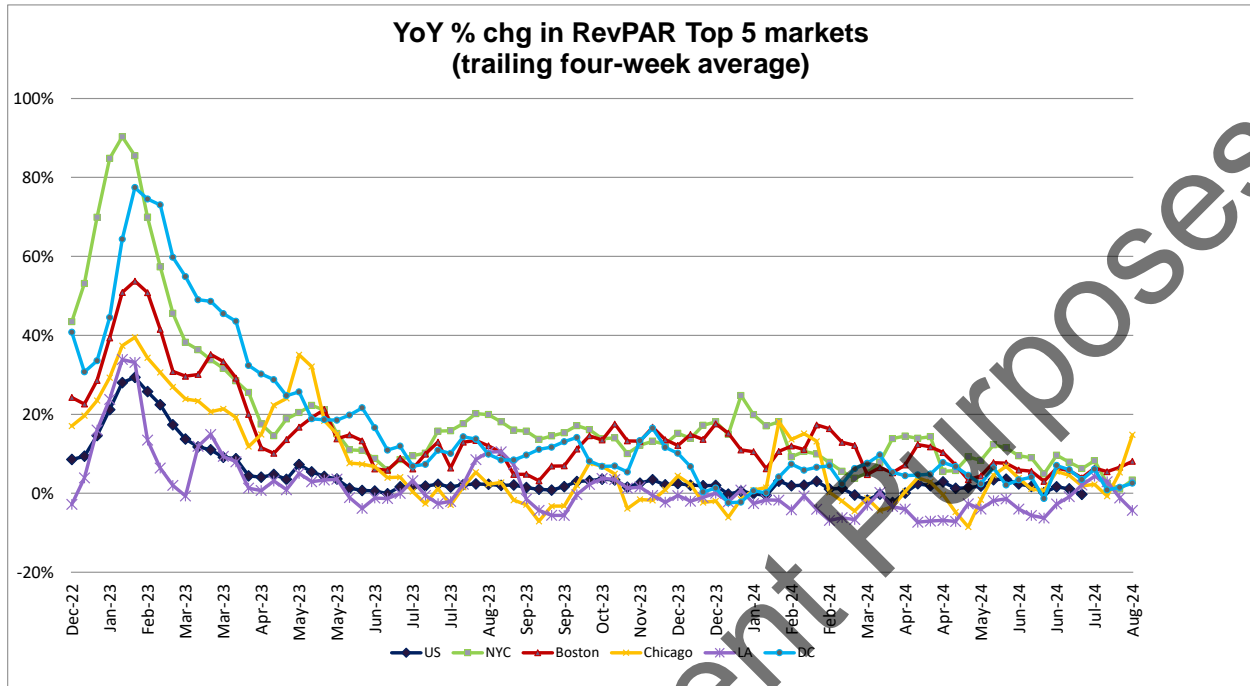
Source: STR data, Truist Securities research

RevPAR Trends by Chain Scale



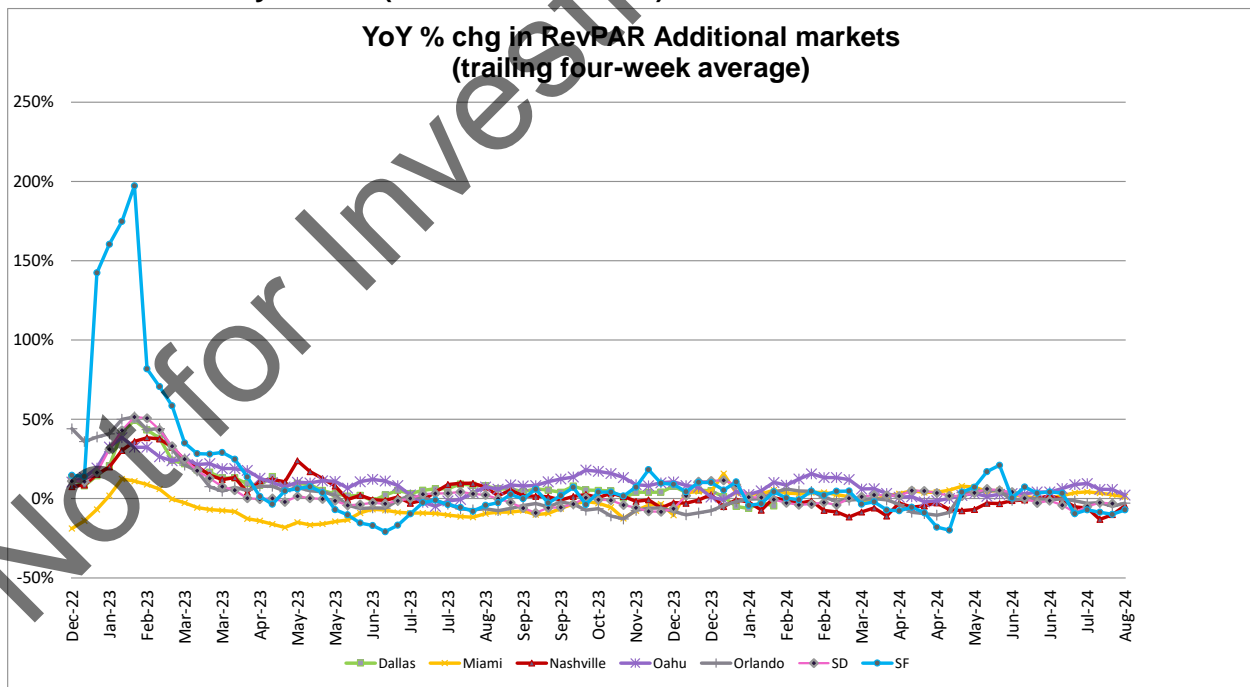
Source: STR data, Truist Securities research

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 \$104 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, \$118.17, Hold, C. Patrick Scholes)
- Ryman Hospitality Properties, Inc.** (RHP, \$99.58, Buy, C. Patrick Scholes)
- Wyndham Hotels & Resorts, Inc.** (WH, \$73.03, Buy, C. Patrick Scholes)

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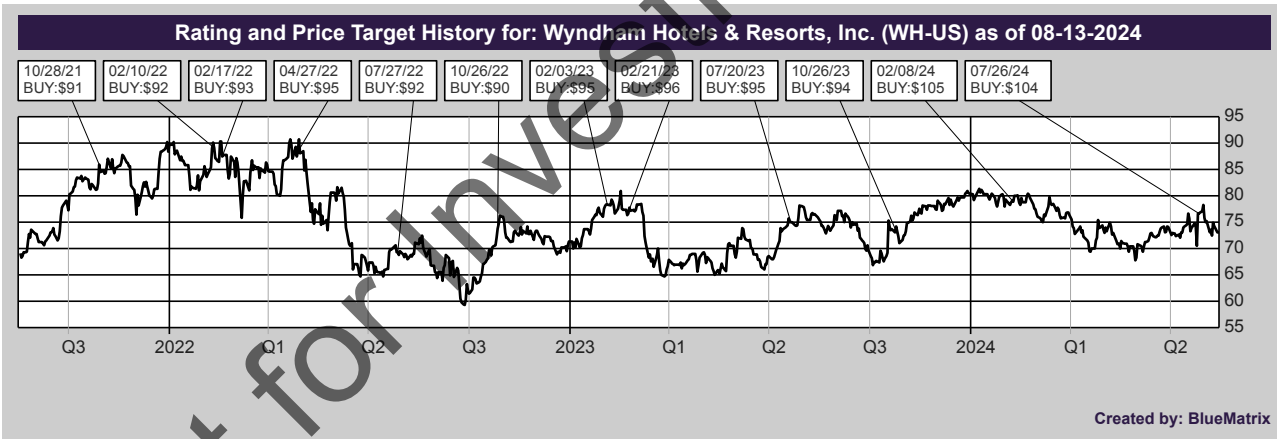
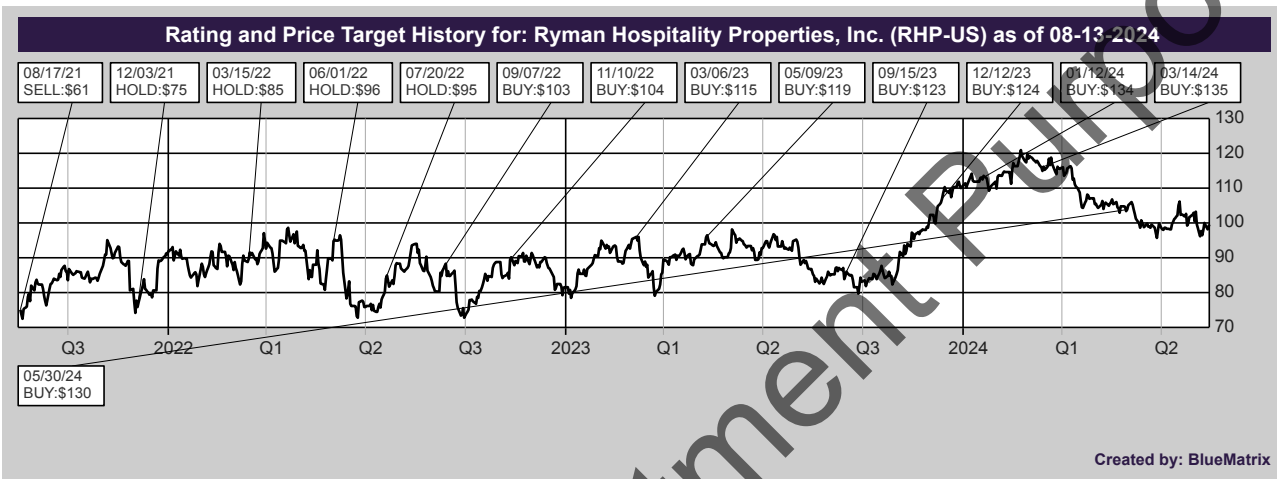
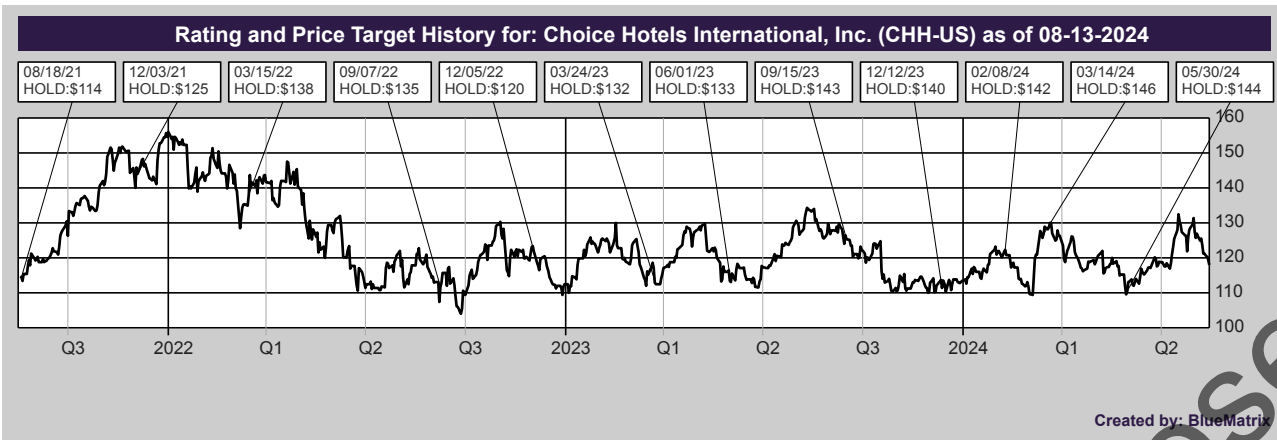
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