

CONSUMER: Lodging

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**Reasons for this report**

- ✓ Our analysis of the most recent weekly China and Europe lodging results

**International hotels' RevPAR last week: China -2.7% y/y, Europe +8.5% y/y.**

**China:** Per STR/CoStar for the week ending October 26th, hotel RevPAR in China in local currency was -2.7% y/y vs. -4.5% y/y in the prior week. Last week's RevPAR was up against a +88.7% y/y comparable result in 2023 vs. +102.9% y/y in the prior week.

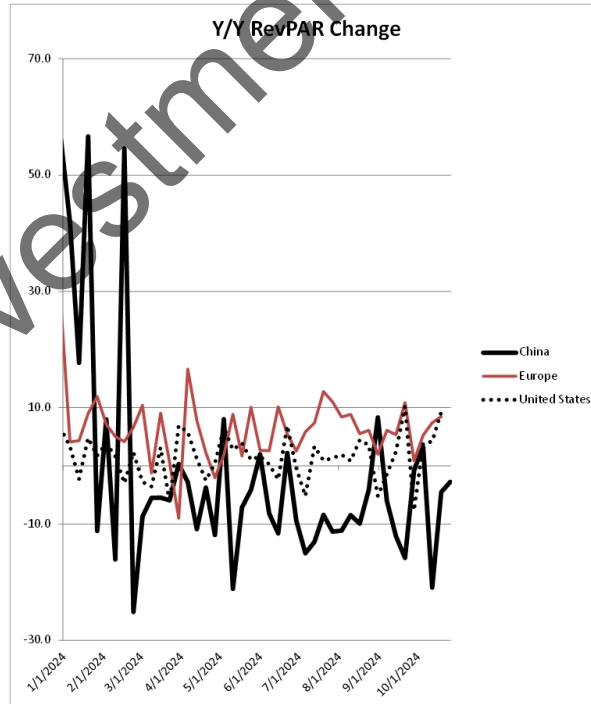
- China exhibited one of the "less bad" clean-comp performances in the past six months and the -2.7% result compares to the 10-week average of -5.5%. We suspect that better RevPAR performance could be a result of the economic stimulus plan announced in late September.

**Europe:** RevPAR in Europe in Euros was +8.5% y/y vs. +7.4% in the prior week. Last week's RevPAR was up against a -1.3% comparable result in 2023 and +5.4% in the prior week.

- Europe RevPAR continues to perform well during shoulder season.

Overall U.S. RevPAR was +9.3% y/y, above the prior week's result of +4.2% y/y and above the trailing 10-week average of +2.4%

Exhibit 1: Y/Y RevPAR Change for China, Europe, US



Source: STR, Truist Securities Research

RevPAR detail for week ending October 26th vs. trailing 28 days:

China (local currency):

- RevPAR was -2.7% y/y for the week ending October 26th, **higher than** the -5.1% for the trailing 28 days.
- ADR was -3.8% y/y for the week ending October 26th, **higher than** the -4.7% for the trailing 28 days.
- Occupancy was +1.1% y/y for the week ending October 26th, **higher than** the -0.4% y/y for the trailing 28 days.

Europe (in Euros):

- RevPAR was +8.5% y/y for the week ending October 26th, **higher than** +5.4% for the trailing 28 days.
- ADR was +5.1% y/y for the week ending October 26th, **higher than** +3.9% for the trailing 28 days.
- Occupancy was +3.2% y/y for the week ending October 26th, **higher than** with the +1.4% for the trailing 28 days.

EBITDA and rooms exposure by region:

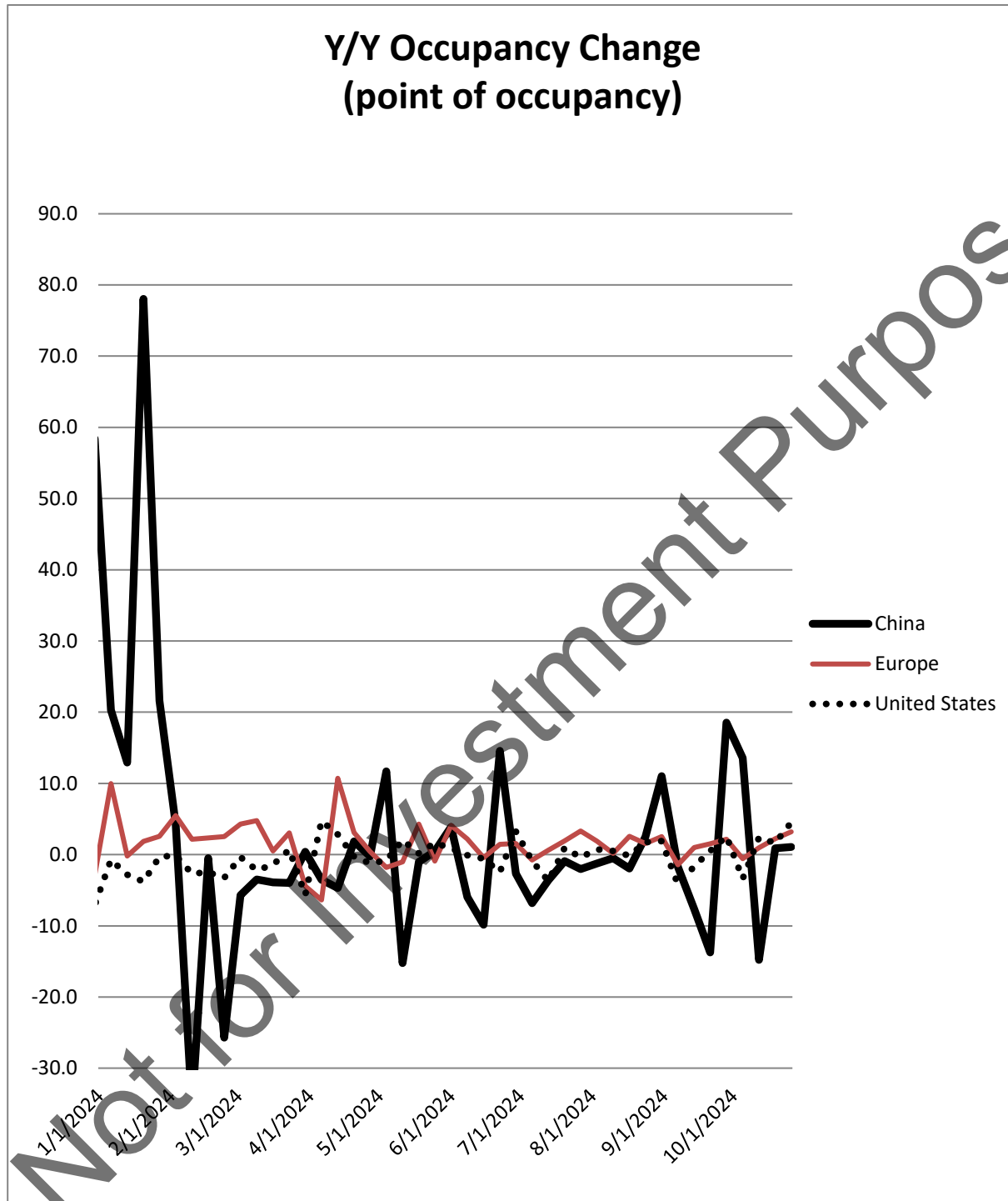
**EBITDA: Hyatt (H, Buy), InterContinental (IHG, NR), and Marriott (MAR, Hold) are among the Lodging C-corps that have the greatest exposure to Europe and Asia.** From Europe, MAR generates approximately 15% of EBITDA, IHG 15%, Wyndham (WH, Buy) less than 5%, H roughly 5%, and Hilton (HLT, Hold) 10% each. Of these companies, H and MAR have the greatest exposure to Asia (~10-20% of EBITDA). HLT is approximately 10%. Each of the other companies generates 5% to 10% of EBITDA from the Asia-Pacific region. Following the Apple Leisure Group acquisition, H has a relatively high ~25% exposure to the Americas ex-US/Canada.

- In a normalized environment, Greater China inclusive of Macau and Hong Kong generally represents half of the Asia-Pacific EBITDA from the C-corps.

Rooms (as of 4Q23; figures may not round to 100%):

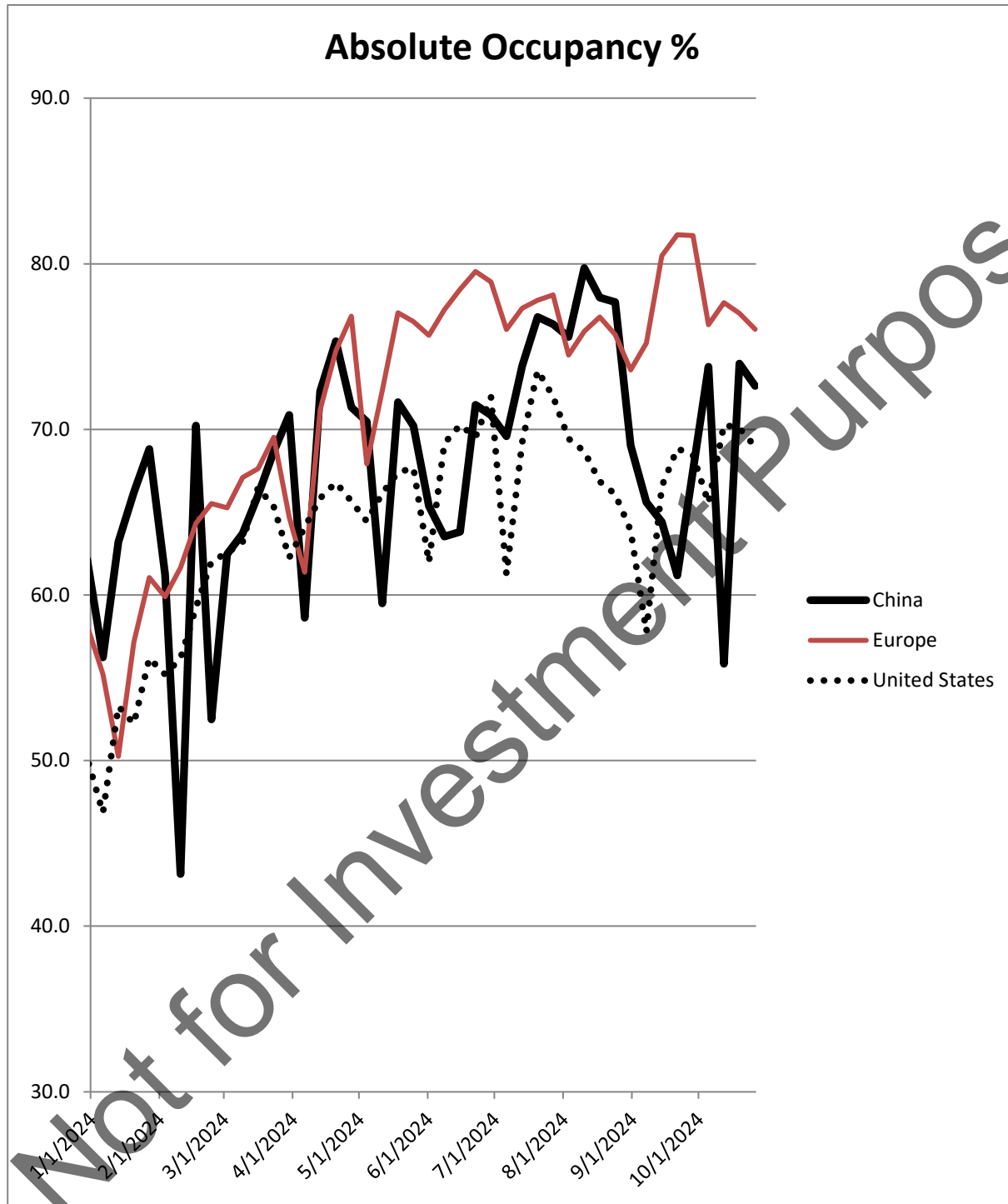
- Choice Hotels (CHH, Hold):
  - Domestic: 79%
  - Asia-Pacific: 4%
  - Europe/Middle East: 9%
  - Latin America & Canada: 9%
- H (includes owned/leased hotels):
  - United States: 49%
  - Americas (ex U.S.): 14%
  - Greater China: 13%
  - Asia Pacific (ex Greater China): 10%
  - Europe: 11%
  - Middle East/Africa: 3%
- HLT:
  - US: 67%
  - Americas: 6%
  - Europe: 9%
  - Middle East/Africa: 3%
  - Asia Pacific: 14%
  - Other hotels, likely to be converted to a brand, with no geography noted: 0.4%
- IHG:
  - Americas: 55%
  - EMEAA: 26%
  - Greater China: 19%
- MAR (ex-timeshare):
  - North America: 62%
  - Europe: 9%
  - Middle East/Africa: 5%
  - Asia Pacific: 18%
  - Caribbean/Latin America ("CALA"): 6%
- WH:
  - US: 57%
  - Canada: 5%
  - Greater China: 20%
  - Rest of Asia: 4%
  - Europe/Middle East/Africa: 10%
  - Latin America: 5%

Exhibit 2: Y/Y Occupancy change for China, Europe, US



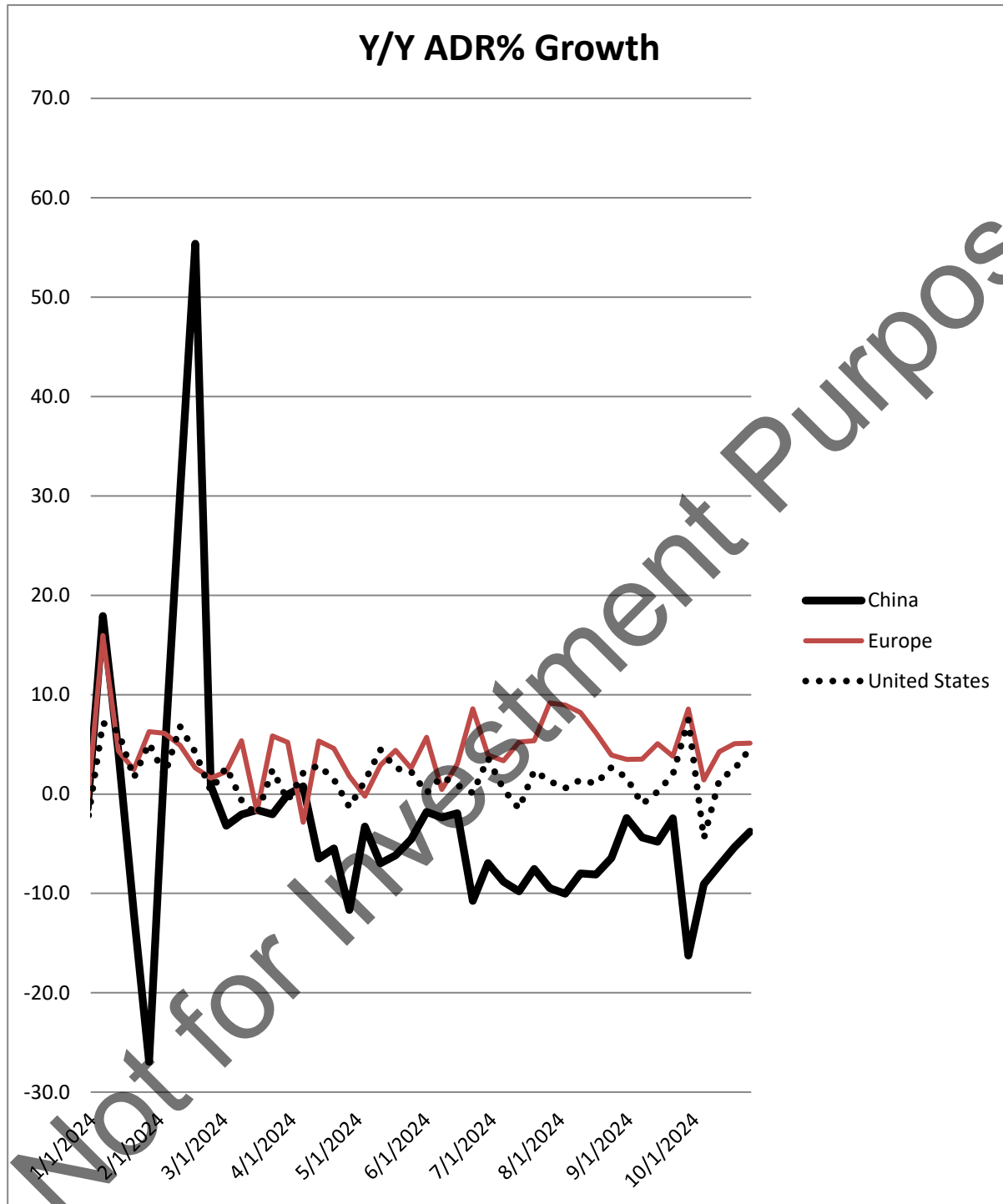
Source: STR, Truist Securities research

Exhibit 3: Absolute Occupancy % for China, Europe, US



Source: STR, Truist Securities research

Exhibit 4: Y/Y ADR % change for China, Europe, US



Source: STR, Truist Securities research

**H: Valuation and Risks**

Our price target of \$169 is derived by applying a 15.0x target EV/EBITDA multiple (a blended average of the industry multiples for each business segment) to our estimate for 2025 EBITDA. Our sum-of-the-parts analysis on our 2025 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: 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.

**MAR: Valuation and Risks**

Our \$254 price target is based on a 16.7x blended multiple on our 2025E EBITDA. In the parts, we assign a 12.0x multiple of EBITDA to the Owned segment and 17.0x fees EBITDA (the fees EBITDA also includes credit card branding fees, a 10x multiple business) to the managed/franchised business. The multiple is towards the higher end of the historical range of 9-18x.

Risks to our rating and price target:

Upside Risks: Significant U.S macroeconomic improvement results in large recovery in transient corporate and group/convention demand. Owned assets sell for premium prices relative to MAR expectations. Supply growth is stronger than expectations. Consolidation in the lodging industry benefits MAR.

Downside Risks: Deep macroeconomic recession. Geopolitical, inflation, and policy risks negatively impact lodging demand. Inability to grow pipeline in line with Street expectations.

**HLT: Valuation and Risks**

We apply a blended multiple of 17.6x (11.5x for Owned/leased and 18.0x for Managed/franchised) to our 2025 adjusted EBITDA estimate to derive a price target of \$220. This multiple is above the high end of the historical range of 10x-16x which we view as appropriate based on current trading fundamentals/flight to quality consumer stocks and HLT's improved EBITDA margins since 2019.

Risks to our rating and price target:

Upside risks include: Higher than expected pipeline growth, material RevPAR growth, (macroeconomic improvement beyond expectations), material market share gains.

Downside risks include: Growth trajectory could disappoint. Pipeline growth could either slow down or projects scheduled for construction could be canceled, which would diminish system growth for the firm and disappoint investors.

**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.

**Companies Mentioned in This Note**

**Choice Hotels International, Inc.** (CHH, \$141.00, Hold, C. Patrick Scholes)

**Hyatt Hotels Corporation** (H, \$156.55, Buy, C. Patrick Scholes)

**Hilton Worldwide Holdings Inc.** (HLT, \$239.15, Hold, C. Patrick Scholes)

**Marriott International, Inc.** (MAR, \$263.89, Hold, C. Patrick Scholes)

**Wyndham Hotels & Resorts, Inc.** (WH, \$89.27, Buy, C. Patrick Scholes)

InterContinental (IHG, Not Rated)

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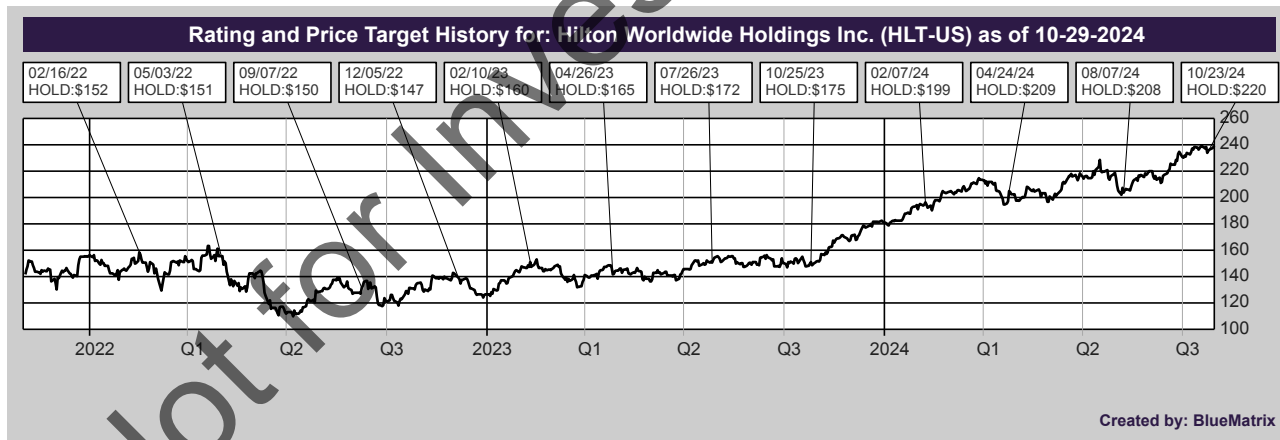
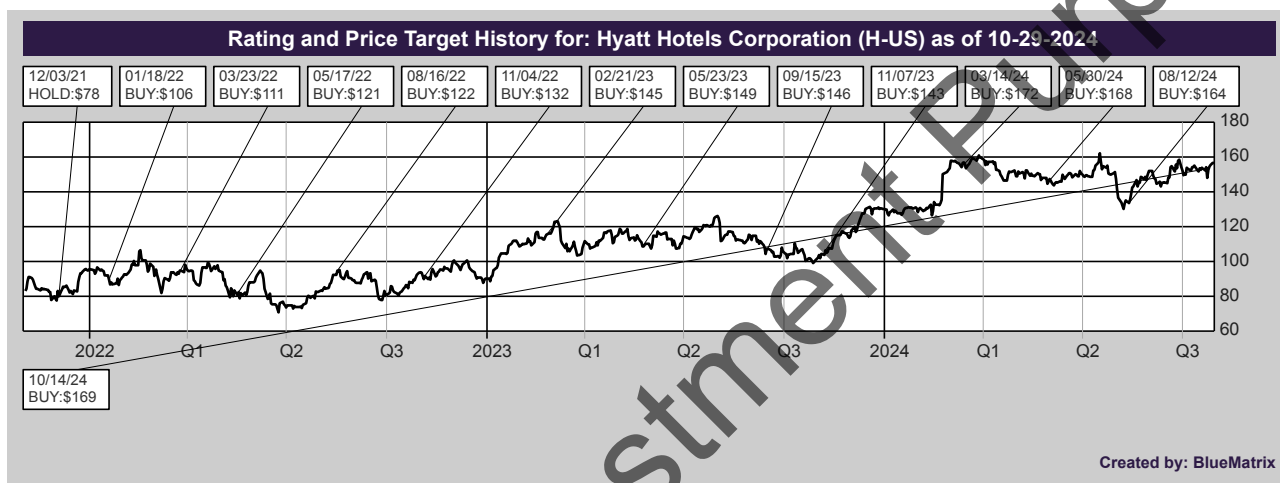
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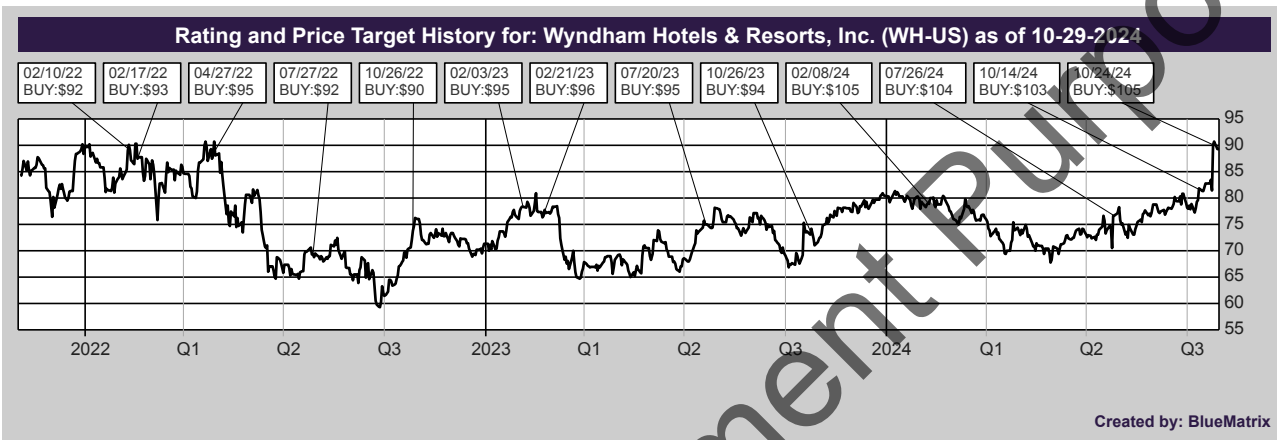
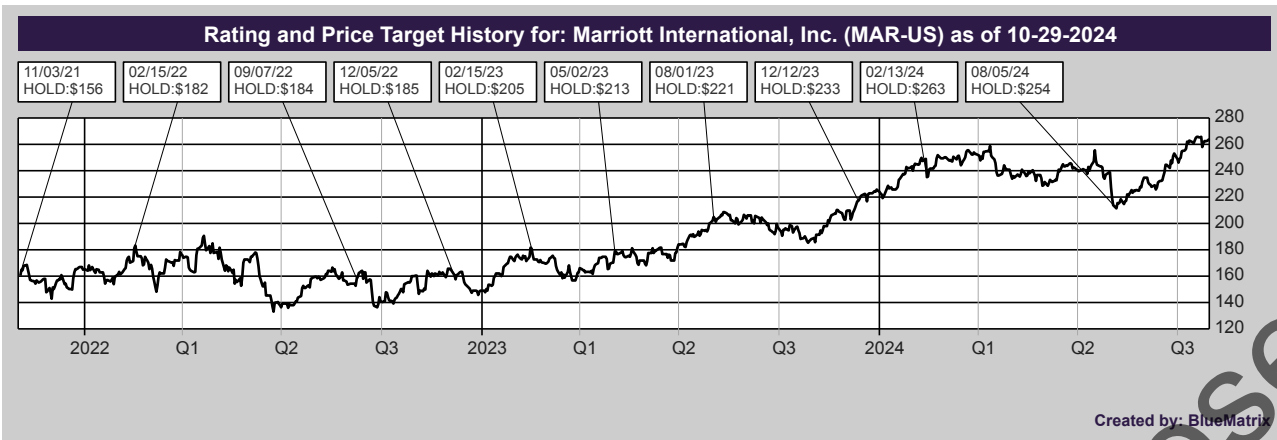
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