Equity Research Report

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CONSUMER: Lodging

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Reasons for this report

✓ Our analysis of the most recent weekly US lodging results

Lodging: U.S. RevPAR +18.2% y/y last week; Hanukkah shift tailwind.

Overall U.S. RevPAR was +18.2% y/y for the week ending 12/14/2024, per STR/ CoStar, above the prior week's result of +4.3% y/y and above the trailing 10-week average of +6.0% y/y.

The timing of Hanukkah this year vs. last year was the driver of y/y strength. Last year, the eight nights of the holiday began on December 8th whereas this year they begin on December 25th. The timing shift was most evident in Group segment results, which were up 55.9% y/y. As we always note when there are exceptionally strong (or weak) Group segment results, a holiday shift is usually the cause.

Additionally, we continue to observe outsized strength in hurricane-impacted markets, notably Houston, up 26.5% y/y, and Tampa, +60% y/y.

Major RevPAR statistics presented below:

- Luxury RevPAR: +26.2% y/y
- Upper Upscale RevPAR: +22.4% y/y
- Upscale RevPAR: +18.4% y/y
- Upper Midscale RevPAR: +14.9% y/y
- Midscale RevPAR: +11.5% y/y
- Economy RevPAR: +10.1% y/y
- Independent hotels (~ 1/3rd of the data set) RevPAR: +14.2% y/y; and
- Within Upper Upscale & Luxury class hotels:
  - Group: +55.9% y/y vs. +6.2% prior week;
  - Transient: +13.4% y/y vs. +3.7% prior week;
- Las Vegas RevPAR: +12.7% 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 +18.2% y/y vs. the running 28-day average of +9.6% y/y.
- **Occupancy:** Absolute occupancy was 59.5% vs. 57.0% for the running 28-day average.
- **Absolute Group occupancy:** 19.5% last week vs. 16.6% for the running 28 days.

The Lodging stocks:

- **Bottom line for the hotel companies/stocks: we continue to believe that for 4Q there will be modest upside to hotel RevPAR vs. both company and consensus expectations.** That said, we do not see RevPAR growth itself as a catalyst for the lodging sector though results for most of the C-Corps should reaffirm the compounding earnings drivers of modest RevPAR growth + mid-single digit net rooms growth (a very high margin business) + share repurchases combined with margin growth. Any outsized earnings growth for the C-Corps and any earnings growth for the hotel REITS (Ryman Hospitality Properties (RHP, Buy)) excluded) will need to come from other sources such as net rooms growth (C-Corps) and share repurchases. We look generally favorably on the hotel C-Corp sub-sector given their multiple drivers of earnings growth, and **we see shares of Wyndham Hotels (WH, Buy) as the stand-out value name in the group.**
- Hotel REITS, with the notable exception of RHP, will, in our view, continue to be challenged by cost increases slightly higher than revenue growth. Hotel REITS could have opportunity for earnings growth if they were to sell assets, which for the most part are valued higher on a stand-alone basis than as a part of the REIT (parts greater than the sum), and subsequently repurchase shares - though we do not envision this happening. Rather for the hotel REITS, we continue to see the primary

SEE PAGE 3 FOR REQUIRED DISCLOSURE INFORMATION

opportunity for stock upside driven by investor sentiment around interest rate cuts happening sooner than expected (Source: Skift). While we are generally lethargic-to-unfavorable on the hotel REIT sector, we are positive on Ryman Hospitality (RHP) given its heavy exposure to Group (~70% of RHP's Hospitality segment EBITDA) and differentiated and proven business model. Additionally, recent news around expansion at the Rockies property (Source: Denver Business Journal) and what we see as a high ROIC investment initially sound encouraging.

RHP: Valuation and Risks

Our price target of $136 for RHP is derived by applying a 13.0x target EV/EBITDA multiple to our estimate for 2026 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. General macroeconomic downturn.

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

Pebblebrook Hotel Trust (PEB, $14.49, Hold, Gregory Miller)
Ryman Hospitality Properties, Inc. (RHP, $110.81, Buy, C. Patrick Scholes)
Wyndham Hotels & Resorts, Inc. (WH, $103.30, Buy, C. Patrick Scholes)

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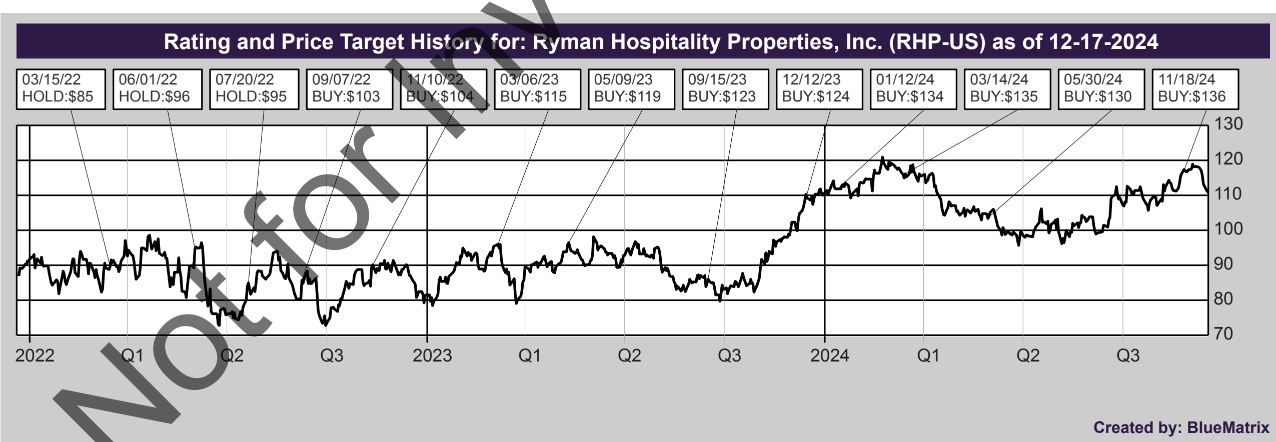

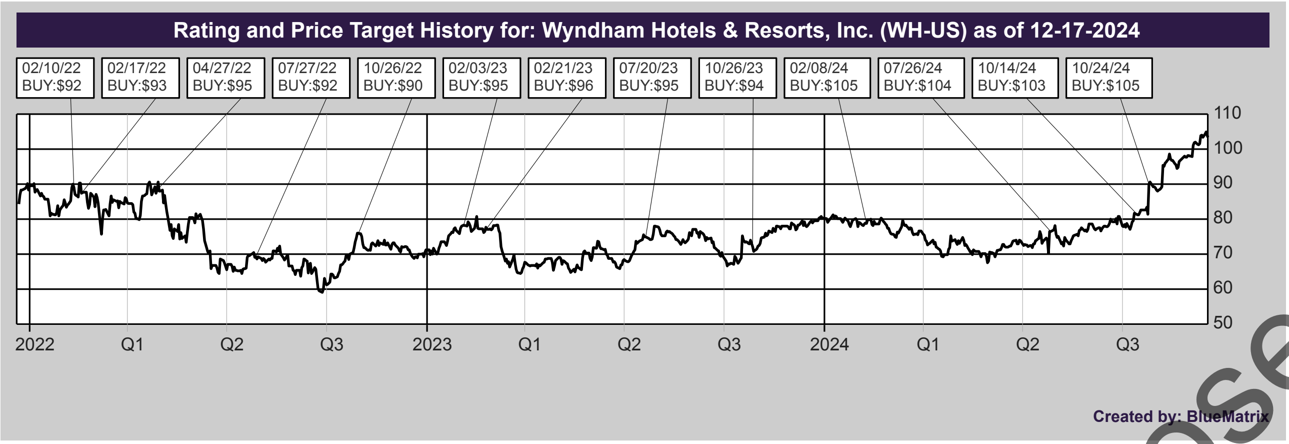

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