



China & Italy hotels: RevPAR down 66% & 95% y/y for week ending 5/2/20

China: Gaining approx. 100-200bps of absolute occupancy per week

What's Incremental To Our View

Quick take: Per STR for the week ending May 2nd, China hotel RevPAR in local currency was -65.9% y/y. Italy hotel RevPAR in local currency was -95.1% y/y. This compares to the US for the same week down 76.8% y/y. Please note there are many hotels that suspended operations/closed and they are not included in the comparisons. Implications are that the headline statistics overstate the actual performance of the overall industry.

High level observations from the latest results are that China absolutely occupancy continues to very gradually improve, now at 37.6% vs. 10.1% the first week of February. The bad news is that China is seven weeks ahead of the US from when RevPAR first fell off a cliff and RevPAR in China is still down 66% y/y.

From observations of what is happening with RevPAR and re-openings in China, we believe it will be a slower and longer recovery in the US than what the more optimistic/bullish management teams and investors expect. We do not think that the occupancy recovery in the US will be clearly apparent until there is a vaccine and/or significant testing. And even with an occupancy recovery, the important question of the virus's economic impact (and potential loss to rate integrity) remains outstanding for RevPAR to recover to pre-virus levels (we contend this recovery will likely take years). *Please see our note on the conference call we held with STR Asia-Pacific for additional thoughts and color.* While hotel stocks have been crushed, we are holding back on any stock upgrades at this time as we believe we will see more attractive entry points at a future date.

- **We look closely at how hotels in China are faring as we believe it not unreasonable to think that a similar pattern to what is happening in China is a preview of what might happen in the US, though exact recovery timing and trajectories in the US are still big unknowns.** China implemented far more stringent social distancing requirements than the US, and while we do not claim to be medical professionals, it may take longer (how much longer is a question no one can answer with certainty at this time) to begin to see a clear second-derivative turn in US hotel bookings, reopenings, and RevPAR, like we have seen in China.

C. Patrick Scholes
212-319-3915
patrick.scholes@suntrust.com

Gregory J. Miller
212-303-4198
gregory.j.miller@suntrust.com

Kevin Robinson
617-345-6544
kevin.robinson@suntrust.com

What's Inside

China and Italy data and analysis as of week ending 5/2/20

About our data set:

- **China:** Currently 663k hotel rooms in the survey, or 24.1% of the total number of rooms in China. Due to hotel closings, these figures are a decrease from the last week of December where 889k rooms were in the survey, or 31.8% of the total number of hotel rooms in China. **663k rooms is a sequential deceleration from the prior week where 768k rooms were reporting data (we suspect the large difference is not from hotels suddenly closing but rather for whatever reason some hotel chains did not report their data to STR this week).** We note that the STR data set is primarily branded hotels, which see a larger number of international (meaning fly-to) guests than does the average hotel in China. Implications are that with international inbound flights to China severely curtailed, RevPAR results and hotel reopenings in the STR data set could be weaker than the average hotel in China.
- **Italy:** Currently 7k hotel rooms in the survey, or 2.3% of the total number of rooms in Italy. Due to hotel closings, these figures are a decrease from the last week of December where 80k rooms were in the survey, or 21.6% of the total number of hotel rooms in Italy. **7k rooms is a similar count from the prior week where 8k rooms were reporting data.**

RevPAR detail for week ending May 2nd vs. trailing 28 days:China (local currency):

- RevPAR was -65.9% y/y for the week ending May 2nd, **an improvement** from the -70.2% for the trailing 28 days.
- ADR was -37.2% y/y for the week ending May 2nd, **essentially unchanged** from the -37.0% for the trailing 28 days.
- Occupancy was -45.7% y/y for the week ending May 2nd, **an improvement** vs. -52.6% for the trailing 28 days.

Italy (local currency):

- RevPAR was -95.1% y/y for the week ending May 2nd, **essentially unchanged** from -95.4% for the trailing 28 days.
- ADR was -60.4% y/y for the week ending May 2nd, **a small deceleration** vs. -59.4% for the trailing 28 days.
- Occupancy was -87.6% y/y for the week ending May 2nd, **a small improvement** vs. -88.7% for the trailing 28 days.

Additional thoughts and observations:**Hotel occupancy observations from the latest weekly STR results from China, Italy, and US:**

- **China: Absolute occupancy in China was 37.6%.** Absolute occupancy levels for hotels *that were still open* in China bottomed out at approx. 10% the week of February 8th. This was approx. 21 days after occupancy first started to see rapid deceleration in China or 7 weeks ahead of when this happened in the US. By comparison, peak weekly absolute occupancy in China in early January was 65%.
- **Italy: Absolute occupancy levels for hotels that were still open in Italy for the week ending May 2nd was 8.1%.** So far it has been approx. 70 days after occupancy first started to see rapid deceleration in Italy. By comparison, peak weekly absolute occupancy in Italy in early mid-February was 63%.
- **US: Absolute occupancy levels for hotels that were still open in the US for the week ending May 2nd was 28.6%.** So far it has been approx. 56 days after occupancy first started to see rapid deceleration in early-mid March in the US. By comparison, peak weekly absolute occupancy in the US in early mid-February was 64%.

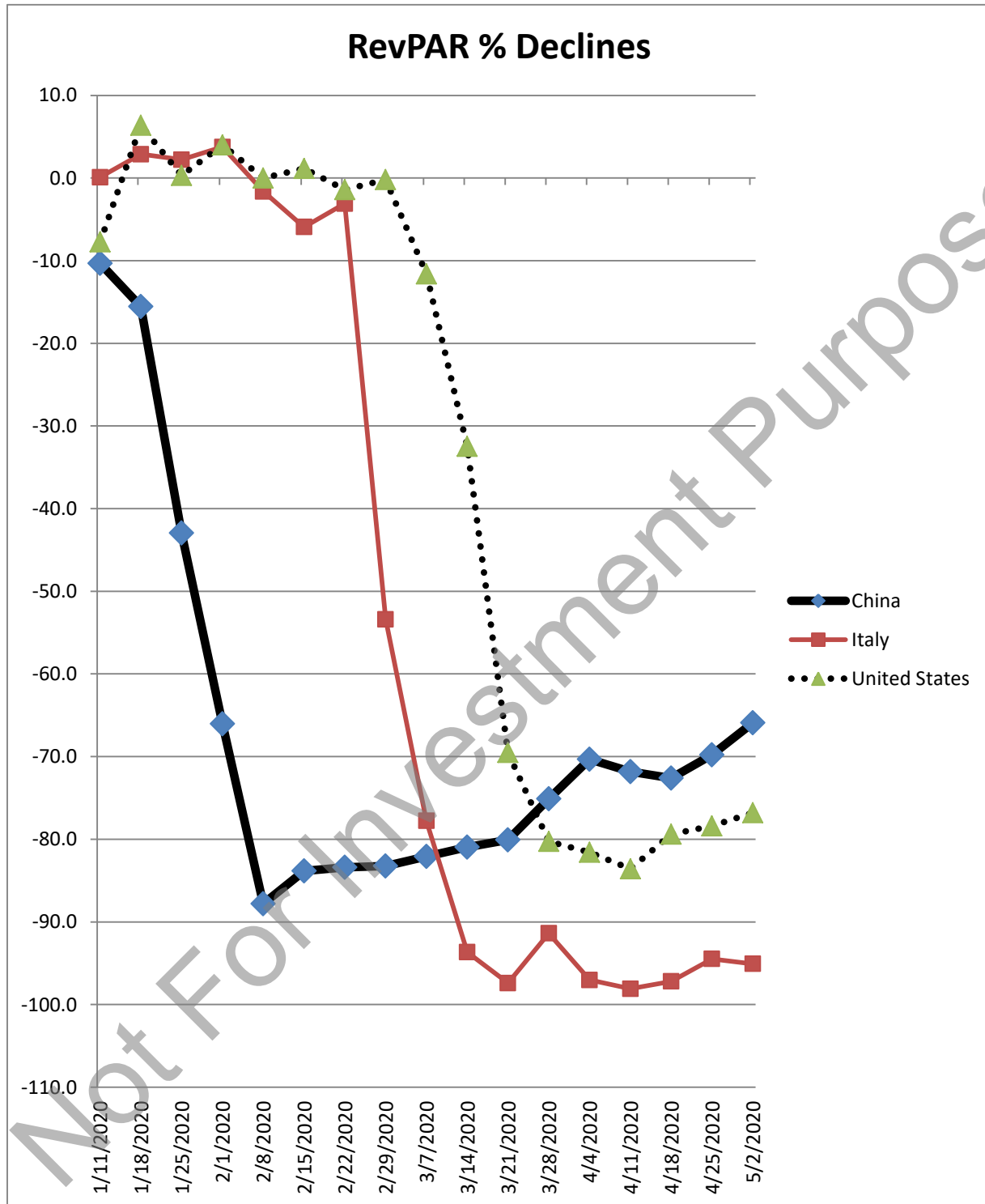
Hotel closure observations from the latest weekly STR results from China, Italy, and US:

For this we look at the week-to-week changes in the sample size of hotel rooms in STR's data set. While we cannot say with certainty that material decreases in sample size are from hotels closing, we note that hotels that are closed no longer are included in the STR data sent; ergo this is our best approximation of hotel closures.

- **China:** Based on the STR sample, peak room count declines troughed at down 35% in mid-February from early January's levels. Today, room count is down approx. 25%. **As previously noted there was a large decrease in the sequential room count this week and we suspect the large difference is not from hotels suddenly closing but rather for whatever reason some hotel chains did not report their data to STR this week.**
- **Italy:** Based on the STR sample as of May 2nd, room count declines are running at down 91% from early January levels.
- **US:** Based on the STR sample as of May 2nd, room count declines are running at down 21% from early January levels.

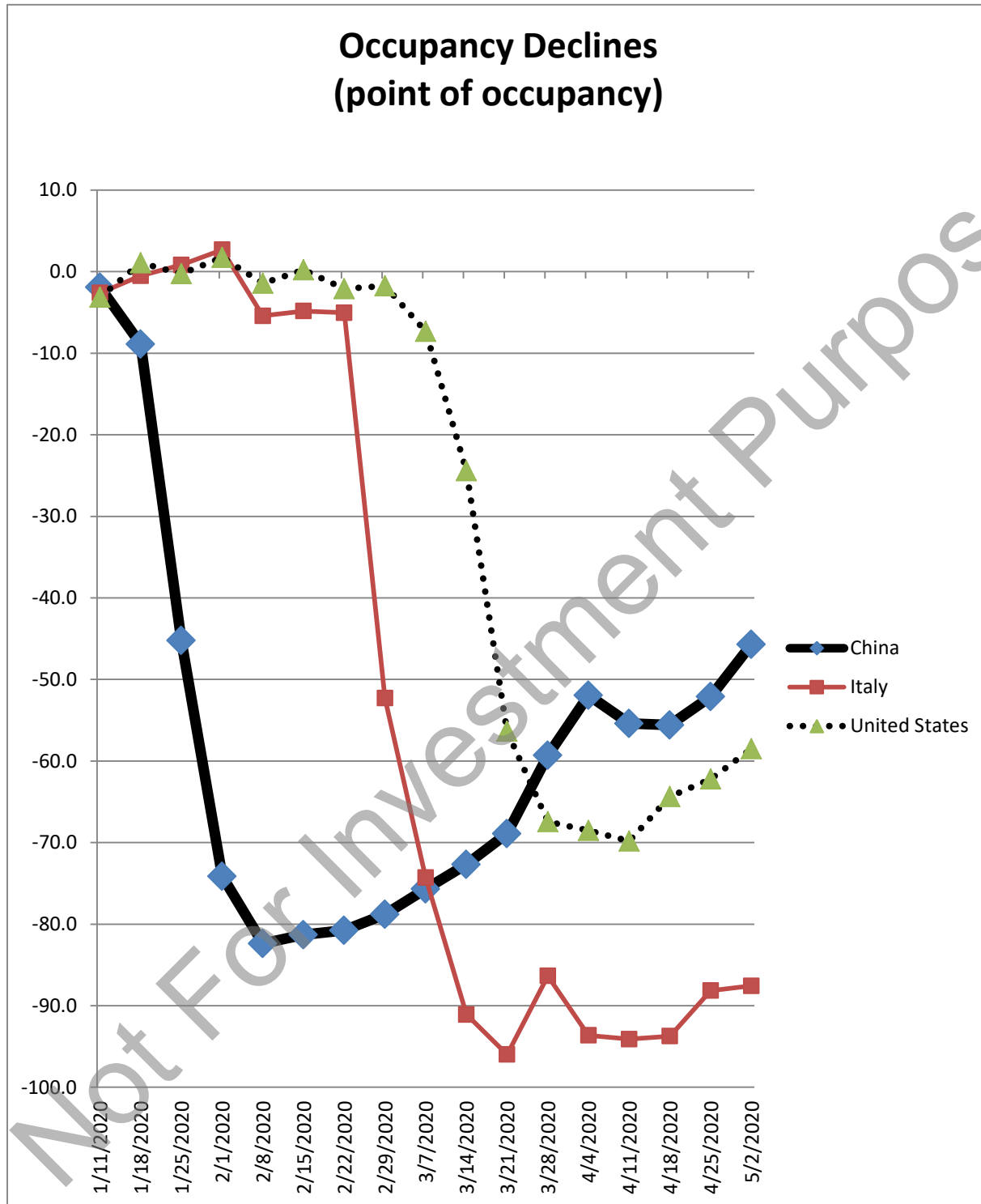
Not For Investment Purposes

Exhibit 1: RevPAR for China, Italy, US

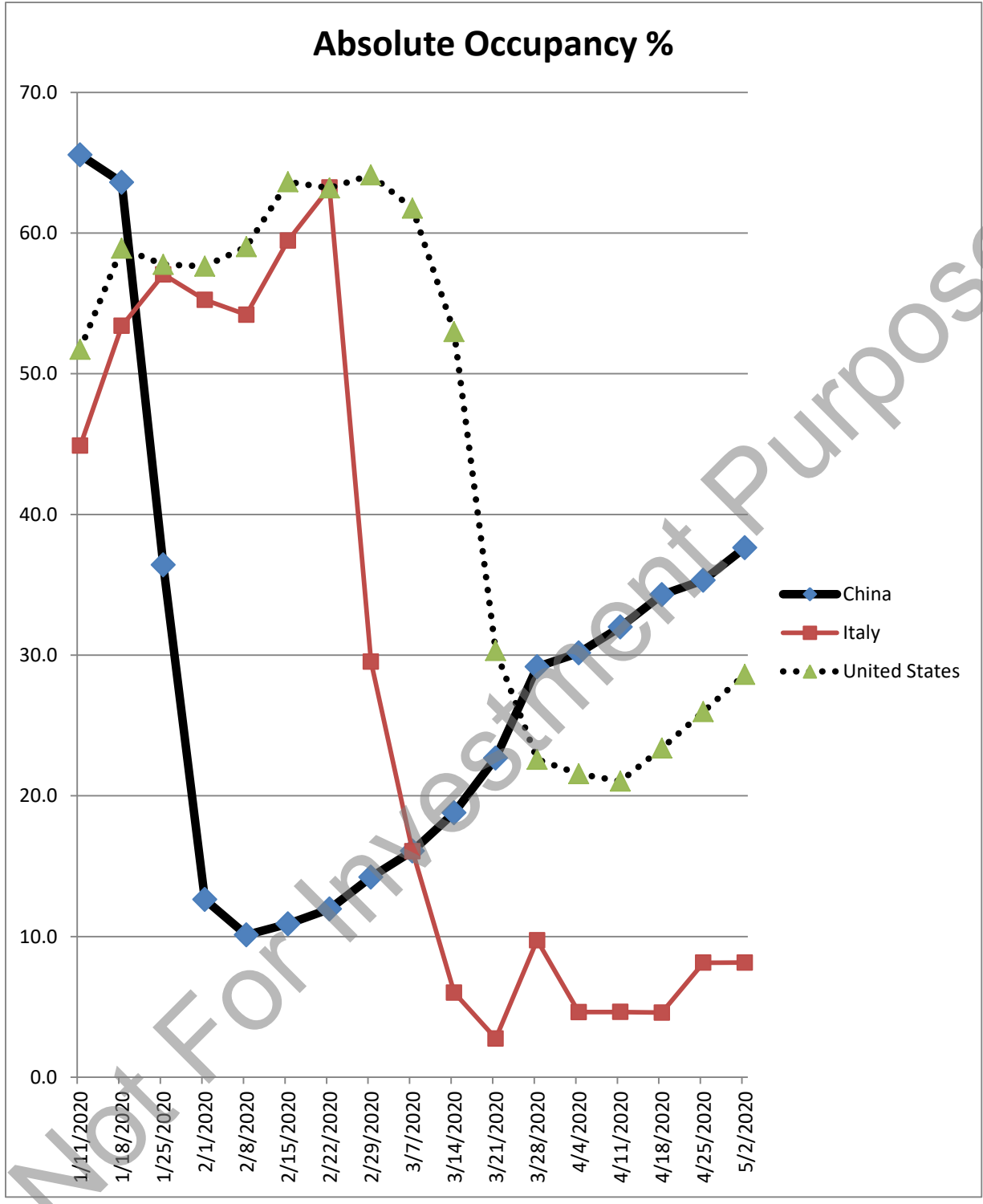


Source: STR, STRH research

Exhibit 2: Occupancy for China, Italy, US

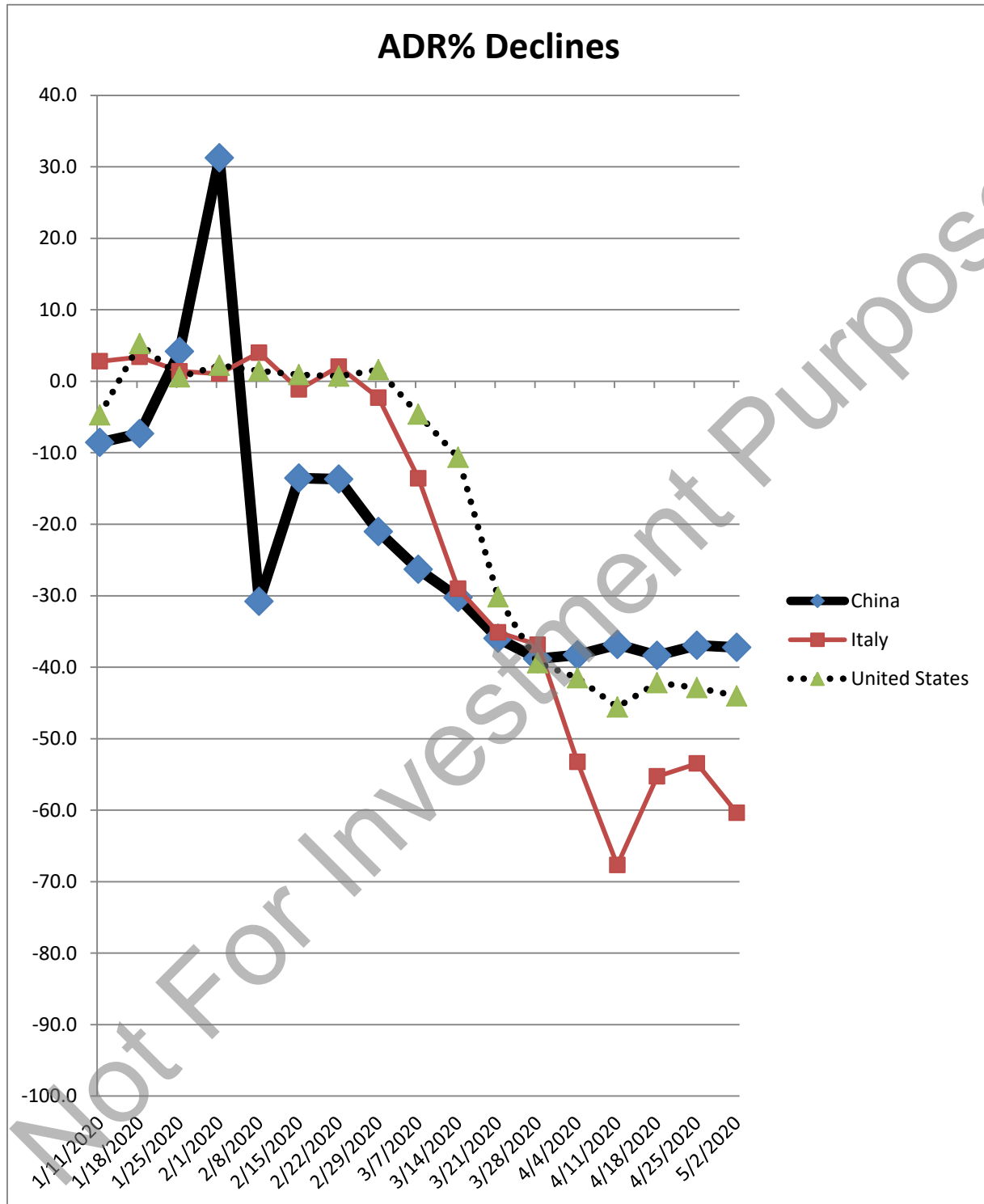


Source: STR, STRH research



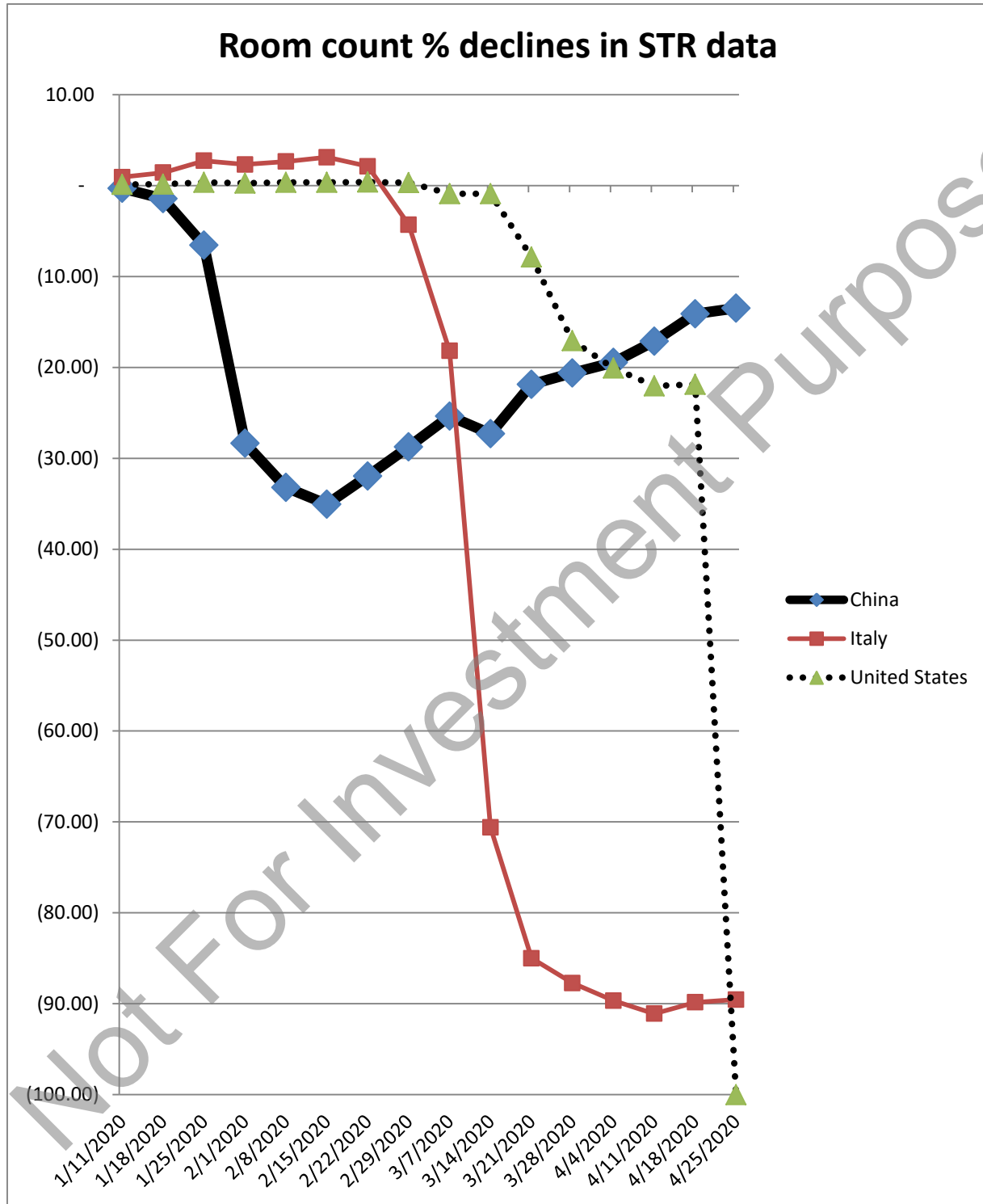
Source: STR, STRH research

Exhibit 3: ADR for China, Italy, US



Source: STR, STRH research

Exhibit 4: Room count in survey for China, Italy, US. Room count for US for most recent week not yet available.



Analyst Certification

I, C. Patrick Scholes , hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

I, Gregory J. Miller , hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

Required Disclosures

Analyst compensation is based upon stock price performance, quality of analysis, communication skills, and the overall revenue and profitability of the firm, including investment banking revenue.

As a matter of policy and practice, the firm prohibits the offering of favorable research, a specific research rating or a specific target price as consideration or inducement for the receipt of business or compensation. In addition, associated persons preparing research reports are prohibited from owning securities in the subject companies.

Charts indicating changes in ratings can be found in recent notes and/or reports at our website or by contacting SunTrust Robinson Humphrey. Please see our disclosures page for more complete information at <https://suntrust.bluematrix.com/sellside/Disclosures.action>.

STRH Ratings System for Equity Securities

Dissemination of Research

SunTrust Robinson Humphrey (STRH) seeks to make all reasonable efforts to provide research reports simultaneously to all eligible clients. Reports are available as published in the restricted access area of our website to all eligible clients who have requested a password. Institutional investors, corporates, and members of the Press may also receive our research via third party vendors including: Thomson Reuters, Bloomberg, FactSet, and S&P Capital IQ. Additional distribution may be done by sales personnel via email, fax, or other electronic means, or regular mail.

For access to third party vendors or our Research website: <https://suntrustlibrary.bluematrix.com/client/library.jsp>.

Please email the Research Department at <mailto:STRHEquityResearchDepartment@suntrust.com> or contact your STRH sales representative.

STRH Rating System for Equity Securities

SunTrust Robinson Humphrey (STRH) rates individual equities using a three-tiered system. Each stock is rated relative to the broader market (generally the S&P 500) over the next 12-18 months (unless otherwise indicated).

Buy (B) – the stock's total return is expected to outperform the S&P 500 or relevant benchmark over the next 12-18 months (unless otherwise indicated)

Hold (H) – the stock's total return is expected to perform in line with the S&P 500 or relevant benchmark over the next 12-18 months (unless otherwise indicated)

Sell (S) – the stock's total return is expected to underperform the S&P 500 or relevant benchmark over the next 12-18 months (unless otherwise indicated)

Not Rated (NR) – STRH does not have an investment rating or opinion on the stock

Coverage Suspended (CS) – indicates that STRH's rating and/or target price have been temporarily suspended due to applicable regulations and/or STRH Management discretion. The previously published rating and target price should not be relied upon.

STRH analysts have a price target on the stocks that they cover, unless otherwise indicated. The price target represents that analyst's expectation of where the stock will trade in the next 12-18 months (unless otherwise indicated). If an analyst believes that there are insufficient valuation drivers and/or investment catalysts to derive a positive or negative investment view, they may elect with the approval of STRH Research Management not to assign a target price; likewise certain stocks that trade under \$5 may exhibit volatility whereby assigning a price target would be unhelpful to making an investment decision. As such, with Research Management's approval, an analyst may refrain from assigning a target to a sub-\$5 stock.

Legend for Rating and Price Target History Charts:

B = Buy

H = Hold

S = Sell

D = Drop Coverage

CS = Coverage Suspended

NR = Not Rated

I = Initiate Coverage

T = Transfer Coverage

SunTrust Robinson Humphrey ratings distribution (as of 05/06/2020):

Coverage Universe			Investment Banking Clients Past 12 Months		
Rating	Count	Percent	Rating	Count	Percent
Buy	416	60.82%	Buy	122	29.33%
Hold	259	37.87%	Hold	55	21.24%
Sell	9	1.32%	Sell	0	0.00%

Other Disclosures

Information contained herein has been derived from sources believed to be reliable but is not guaranteed as to accuracy and does not purport to be a complete analysis of the security, company or industry involved. This report is not to be construed as an offer to sell or a solicitation of an offer to buy any security. SunTrust Robinson Humphrey, Inc. and/or its officers or employees may have positions in any securities, options, rights or warrants. The firm and/or associated persons may sell to or buy from customers on a principal basis. Investors may be prohibited in certain states from purchasing some over-the-counter securities mentioned herein. Opinions expressed are subject to change without notice.

SunTrust Robinson Humphrey, Inc.'s research is provided to and intended for use by Institutional Accounts as defined in FINRA Rule 4512(c). The term "Institutional Account" shall mean the account of: (1) a bank, savings and loan association, insurance company or registered investment company; (2) an investment adviser registered either with the SEC under Section 203 of the Investment Advisers Act or with a state securities commission (or any agency or office performing like functions); or (3) any other person (whether a natural person, corporation, partnership, trust or otherwise) with total assets of at least \$50 million.

SunTrust Robinson Humphrey, Inc. is a registered broker-dealer and a member of FINRA and SIPC. It is a service mark of Truist Financial Corporation. SunTrust Robinson Humphrey, Inc. is owned by Truist Financial Corporation and affiliated with SunTrust Investment Services,

Inc. and BB&T Securities, LLC. Despite this affiliation, securities recommended, offered, sold by, or held at SunTrust Robinson Humphrey, Inc., SunTrust Investment Services, Inc. or BB&T Securities, LLC (i) are not insured by the Federal Deposit Insurance Corporation, (ii) are not deposits or other obligations of any insured depository institution (including Truist Bank); and (iii) are subject to investment risks, including the possible loss of the principal amount invested. Truist Bank may have a lending relationship with companies mentioned herein.

Please see our Disclosure Database to search by ticker or company name for the current required disclosures, including valuation and risks, Link: <https://suntrust.bluematrix.com/sellside/Disclosures.action>

Please visit the STRH equity research library for current reports and the analyst roster with contact information, Link (password protected): [STRH RESEARCH LIBRARY](#)

SunTrust Robinson Humphrey, Inc., member FINRA and SIPC. Truist and SunTrust Robinson Humphrey are service marks of Truist Financial Corporation.

If you no longer wish to receive this type of communication, please request removal by sending an email to STRHEquityResearchDepartment@SunTrust.com

© SunTrust Robinson Humphrey, Inc. 2020. All rights reserved. Reproduction or quotation in whole or part without permission is forbidden.

ADDITIONAL INFORMATION IS AVAILABLE at our website, www.suntrustrh.com, or by writing to: SunTrust Robinson Humphrey, Research Department, 3333 Peachtree Road N.E., Atlanta, GA 30326-1070

Not For Investment Purposes