

CONSUMER: Lodging

C. Patrick Scholes

212-319-3915
Patrick.Scholes@truist.com

Gregory J. Miller

212-303-4198
Gregory.J.Miller@truist.com

Alexander Barenklau

212-303-4166
Alexander.Barenklau@truist.com

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Reasons for this report

✓ Our analysis of the most recent weekly US lodging results

Lodging: US RevPAR +30.3% Y/Y Last Week, aided by holiday timing. +13.9% vs. 2019, clean comp.

Overall U.S. RevPAR was +30.3% y/y for the week ending 9/24/2022, per STR, flattish vs. the prior week's result of +30.6% y/y. Last week's RevPAR was up against a +78.4% comparable result in 2021 vs. +75.8% in the prior week. **On a 3-year run-rate (vs. 2019), RevPAR was +13.9% vs. +12.9% in the prior week's 3-year run-rate.**

We see the y/y strength driven by the timing of the Jewish Holidays. This was most evident in the abnormally strong result for the Group segment, up 61% y/y. For the results vs. 2019, we see this as a clean comp and a result about 300bps higher than the average of the prior 10 weeks.

Major RevPAR statistics presented below:

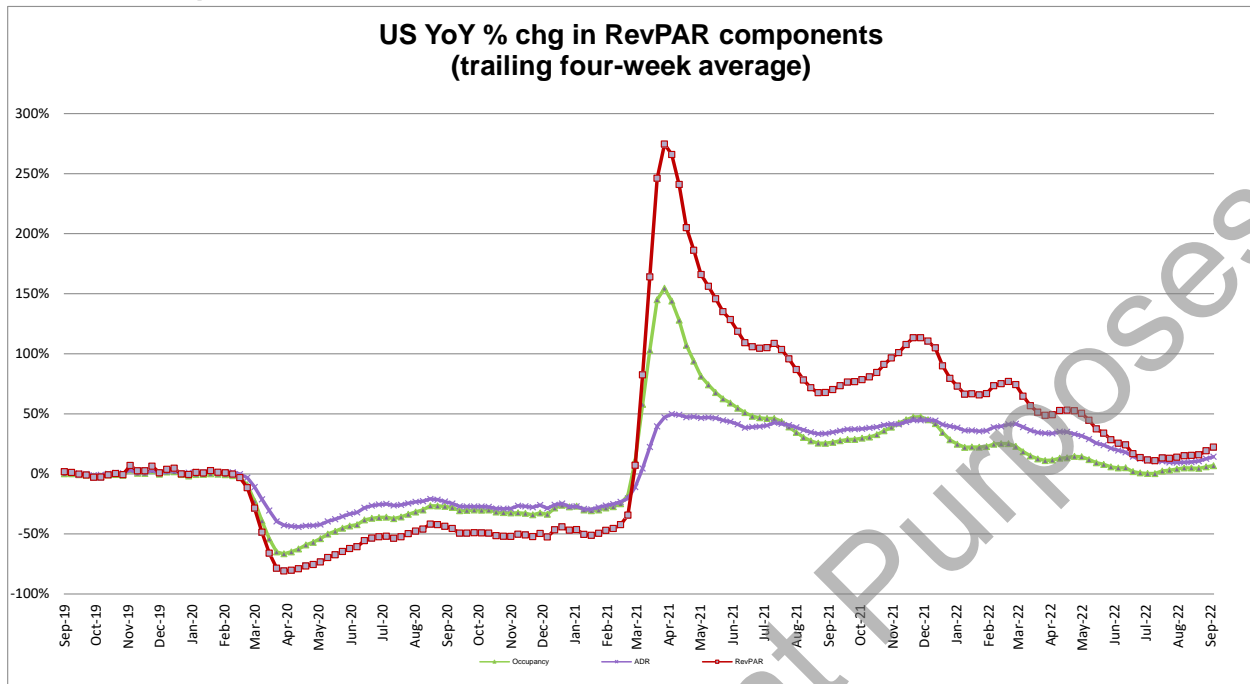
- Luxury RevPAR: +50.0% y/y and +10.7% over 3 years;
- Upper Upscale RevPAR: +59.3% y/y and +5.9% over 3 years;
- Upscale RevPAR: +35.5% y/y and +7.5% over 3 years;
- Upper Midscale RevPAR: +18.2% y/y and +13.5% over 3 years;
- Midscale RevPAR: +9.4% y/y and +17.6% over 3 years;
- Economy RevPAR: +4.7% y/y and +17.8% over 3 years;
- Independent hotels (~ 1/3rd of the data set) RevPAR: +24.8% y/y and +20.4% over 3 years; and
- Within Upper Upscale & Luxury class hotels:
 - Group: +87.3% y/y vs. +97.6% prior week; over 3 years: +7.8% vs -2.6% prior week.
 - Transient: +32.9% y/y vs. +35.7% prior week; over 3 years: +13.4% vs +14.0% prior week.

Last week's RevPAR details and sequential trends:

- Headline RevPAR was +30.3% y/y vs. the running 28-day average of +22.6% y/y.
- **Occupancy:** Absolute occupancy was 70.0% y/y vs. 66.0% for the running 28-day average.
- **Absolute Group occupancy:** 27.3% last week vs. 21.3% for the running 28 days.

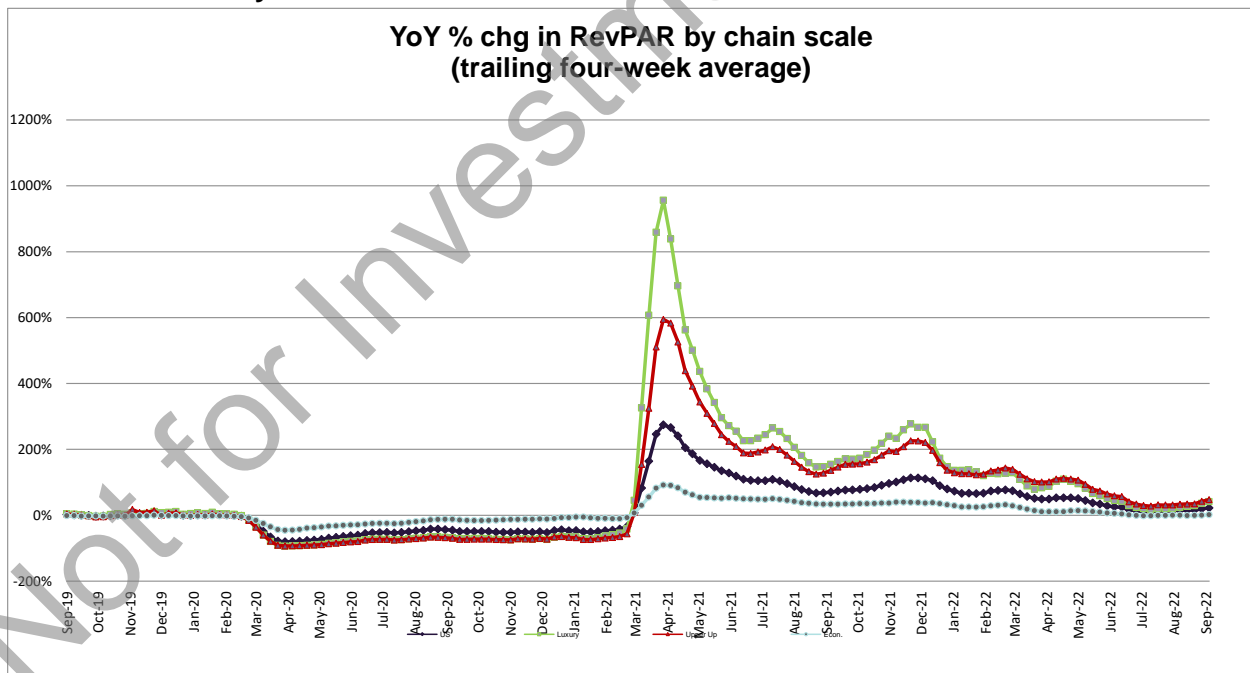
We summarize our view on the lodging sector at the moment as one of "relative optimism," a view markedly more favorable than the bear case of "relative pessimism". Of the lodging stocks our favorite name is [Hyatt \(H, Buy\)](#) which we see in the "sweet spot" of both the group recovery and strength in international markets, most notably the Caribbean. Hyatt generates approx. 30% of earnings from the group segment and 30% from its Caribbean-centric [Apple Leisure Group](#) segment. To this we note an EV/EBITDA valuation multiple approx. 350 bps. below that of [HLT \(Hold\)](#) and [MAR \(Hold\)](#). **Additionally, we raised our rating on [RHP \(Buy\)](#) to Buy from Hold on 9/7/22 and raised our price target to \$103 from \$95.** At 75% of its business coming from groups/conventions, RHP has the greatest exposure to this customer segment. *For the lodging sector as a whole, we see the biggest potential drivers of earnings upside coming from corporate group business and associated outside of room spend (aka "Total RevPAR") and secondarily from the recovery in international markets.*

RevPAR Component Trends



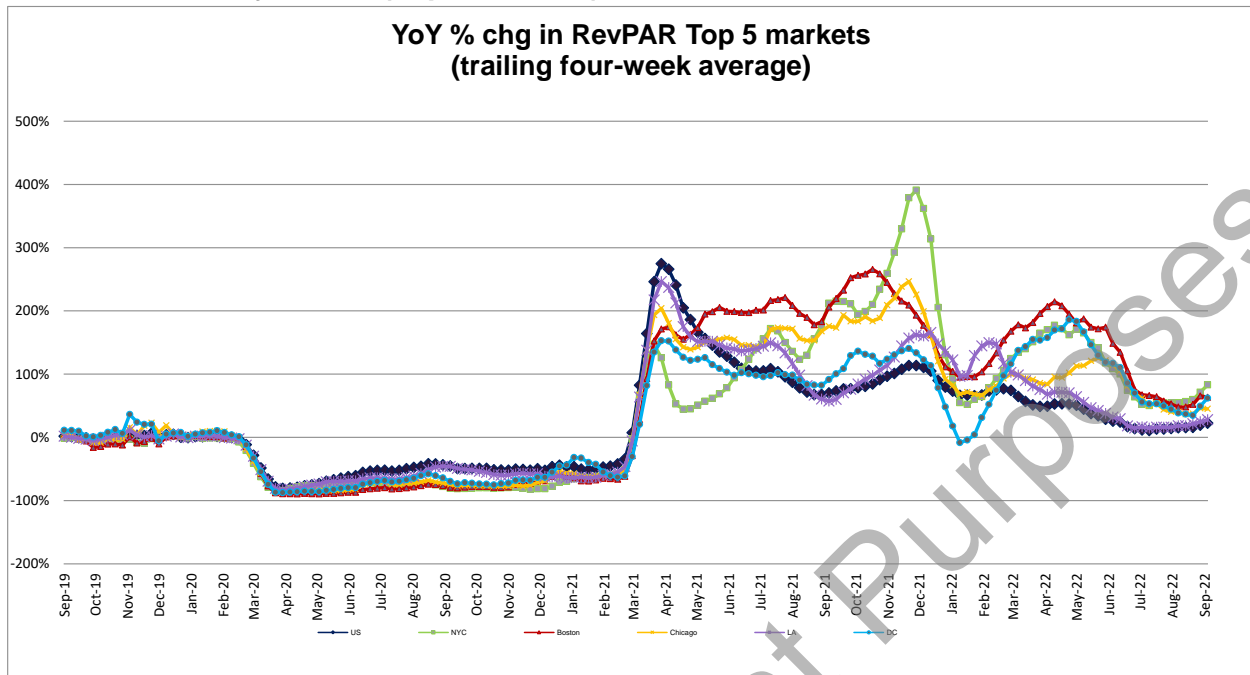
Source: STR data, Truist Securities research

RevPAR Trends by Chain Scale



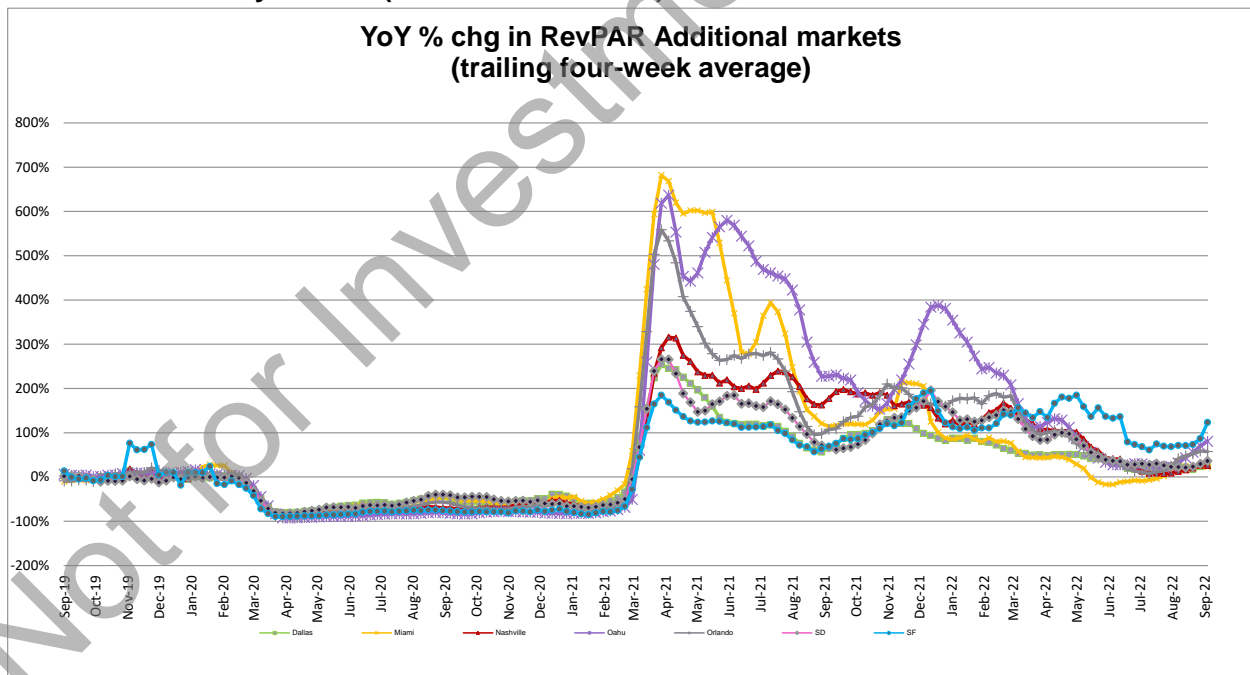
Source: STR data, Truist Securities research

RevPAR Trends by Market (Top 5 markets)



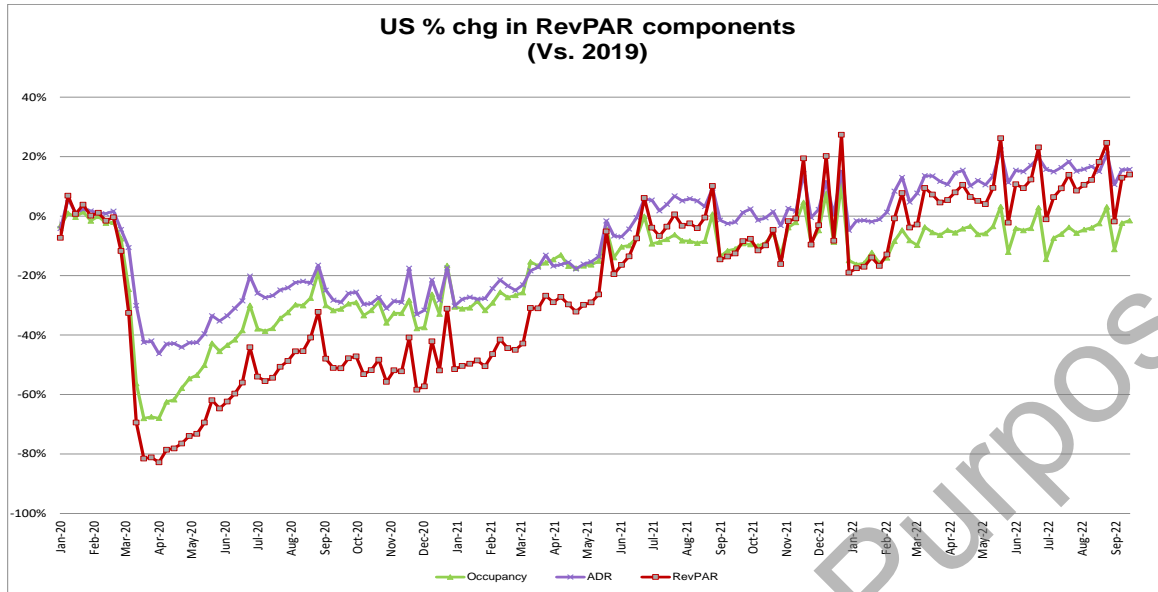
Source: STR data, Truist Securities research

RevPAR Trends by Market (Additional markets)



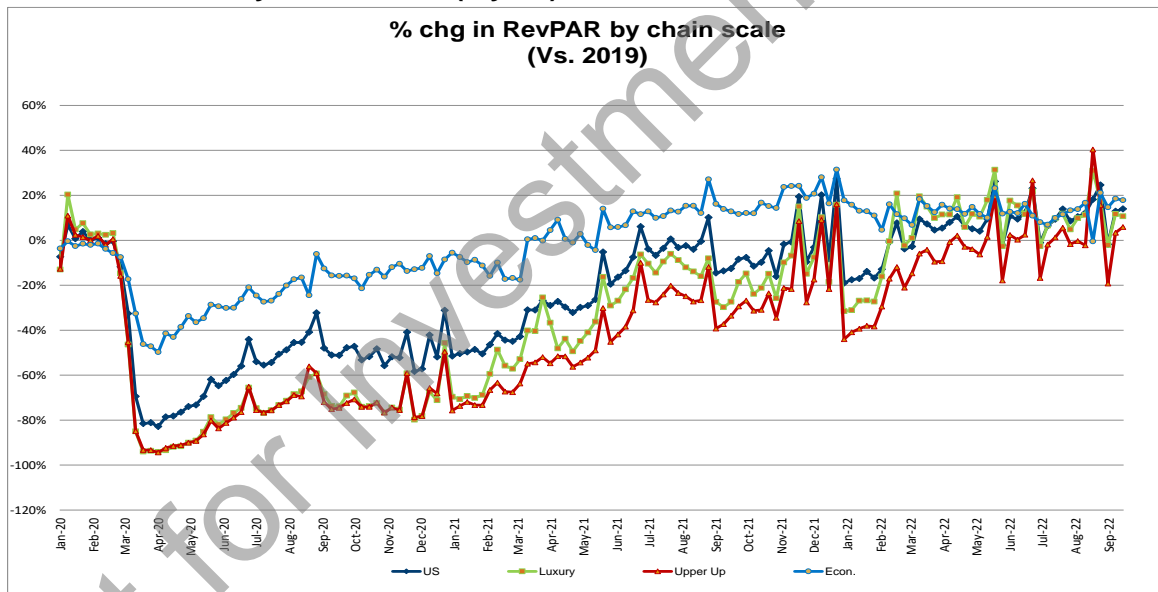
Source: STR data, Truist Securities research

RevPAR Component Trends (3-year)



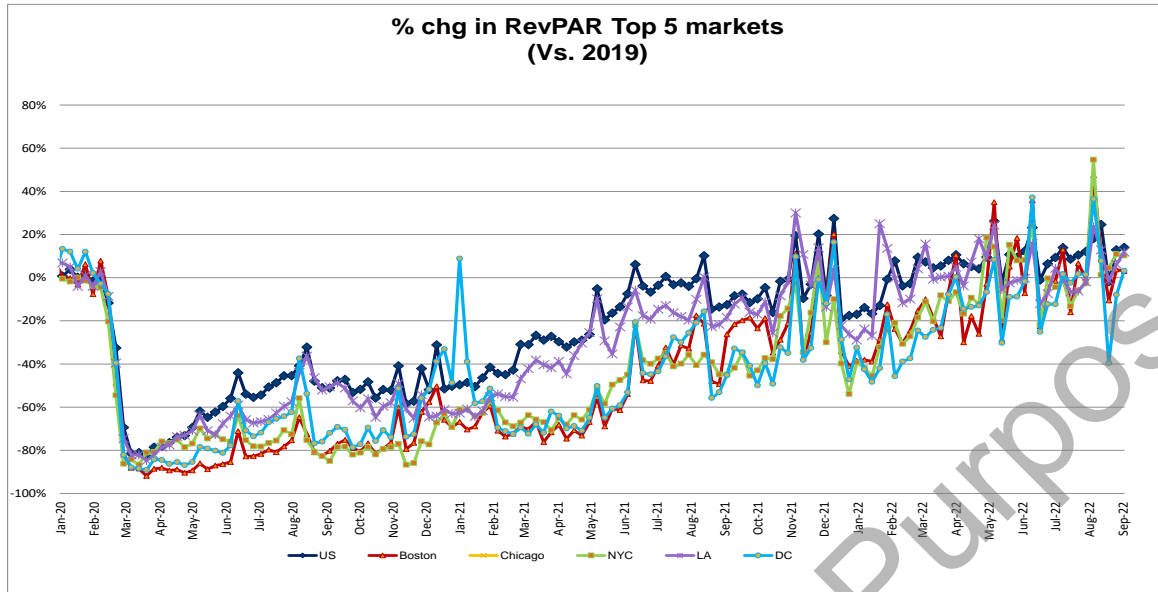
Source: STR data, Truist Securities research

RevPAR Trends by Chain Scale (3-year)



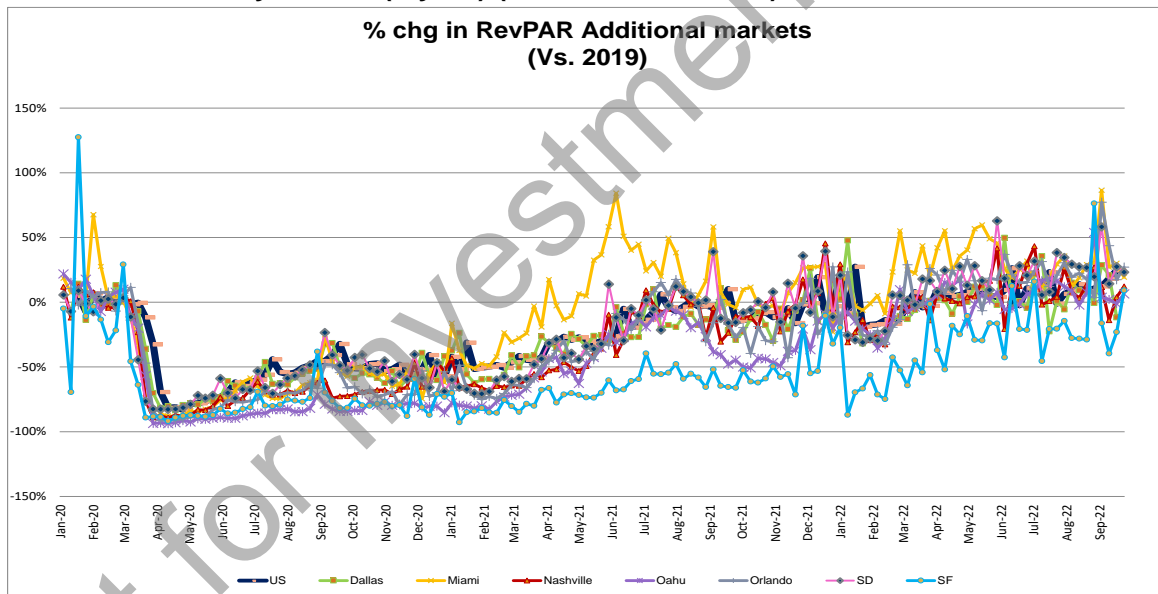
Source: STR data, Truist Securities research

RevPAR Trends by Market (3-year) (Top 5 markets)



Source: STR data, Truist Securities research

RevPAR Trends by Market (3-year) (Additional markets)



Source: STR data, Truist Securities research

Price Target/Risks Summary

Lodging	TKR	Price 9/27/22	Rating	PT*	% upside/ down- side	Truist Securities Valuation EBITDA excluding Stock Based Comp/Other			As Reported/Consensus/Data Aggregator "Headline" EBITDA			Target EV/EBITDA Multiple	Risks Note: COVID-19 represents a material risk to our entire coverage especially related to the length/severity of the demand shock
						2021A EBITDA (\$M) **	2022E EBITDA (\$M) **	2023E EBITDA (\$M) **	2021A EBITDA (\$M)	2022E EBITDA (\$M)	2023E EBITDA (\$M)		
Bluegreen Vacations	BVH	\$16.96	Buy	\$56	227%	\$122	\$141	\$156	\$122	\$141	\$157	7.6X	Downside risk: controlled company issues, limited cap/float, loan defaults, and macroeconomic risk. Upside risk: conservative growth of new brands; market share gains.
Choice Hotels	CHH	\$105.64	Hold	\$135	28%	\$392	\$446	\$487	\$404	\$459	\$503	16.0X	Downside risk: slowdown in development opportunities; market share losses. Upside risk: faster demand improvement in corporate travel than expected. Brand changes (e.g. Vail) lead to material EBITDA improvement. Leisure hotels hold/improve on RevPAR and margins despite the challenging macro. Downside risk: lodging recovery takes longer than expected, weaker results from ROI projects than forecasted, poor performance of recently acquired assets.
DiamondRock Hospitality	DRH	\$7.35	Hold	\$11	50%	\$83	\$257	\$289	\$84	\$257	\$289	12.0X	Upside risk: Macro lodging trends improve beyond expectations. Faster than expected net unit growth. Downside risk: slowing pipeline. Deep recession.
Hilton	HLT	\$118.17	Hold	\$150	27%	\$1,470	\$2,217	\$2,881	\$1,629	\$2,338	\$2,996	17.0X	Downside risk: Disruption in a major market (HGV more concentrated than peers), issues with Japanese customer (HGV more exposed than peers), difficulty sourcing additional fee-for-service inventory deals. Upside risk: faster demand improvement in corporate/convention travel than expected. Dispositions at higher multiple than expected, stronger than expected performance by luxury leisure resorts on both top-line and margins through the valuation year. Downside risk: extended industry downturn with particular impact to large big box hotels, weak recovery of international travel during the valuation period, macro demand shock to acquired resort assets, labor issues.
Hilton Grand Vacations	HGV	\$34.45	Buy	\$63	81%	\$585	\$865	\$982	\$743	\$987	\$1,081	9.4X	Upside risk: faster demand improvement in corporate/convention travel than expected. Dispositions at higher multiple than expected, stronger than expected performance by luxury leisure resorts on both top-line and margins through the valuation year. Downside risk: extended industry downturn with particular impact to large big box hotels, weak recovery of international travel during the valuation period, macro demand shock to acquired resort assets, labor issues.
Host Hotels & Resorts	HST	\$15.76	Hold	\$21	33%	\$532	\$1,514	\$1,507	\$532	\$1,514	\$1,507	12.5X	Downside risk: lodging recovery takes longer than expected. Planned dispositional takes longer than expected. Material labor issues to owned hotels. Pipeline growth slower than expected. Apple Leisure Group underperforms.
Hyatt Hotels	H	\$80.57	Buy	\$122	51%	\$234	\$881	\$1,073	\$284	\$937	\$1,134	13.8X	Upside risk: Macro lodging trends improve beyond expectations. Faster than expected net unit growth. Downside risk: slowing pipeline. Deep 2022 recession.
Marriott International	MAR	\$138.68	Hold	\$184	33%	\$1,977	\$3,351	\$3,899	\$2,278	\$3,640	\$4,200	16.8X	Downside risk: M&A story fades and multiples revert to historical levels. Downside risk: extended industry downturn with particular impact to large big box hotels, weak recovery of international travel during the valuation period especially Oahu, macro demand shock impact to major resort assets, labor issues.
Marriott Vacations	VAC	\$122.58	Buy	\$202	65%	\$524	\$342	\$1,380	\$657	\$928	\$1,035	10.0X	Upside Risks: Material near-term incremental EBITDA from Legacy LHO assets. Faster than expected San Francisco recovery. Downside Risks: Incremental EBITDA from major CapEx investments take longer than anticipated, contributing to multiple contraction. Very slow recovery in San Francisco.
Park Hotels & Resorts	PK	\$11.25	Buy	\$22	96%	\$123	\$567	\$752	\$142	\$585	\$776	12.0X	Downside risk: demand shocks, hurricanes, reduced airlift, new supply; country-specific risks (emerging market portfolio)
Pebblebrook Hotel Trust***	PEB	\$14.78	Hold	\$24	62%	\$88	\$388	\$431	\$88	\$399	\$444	14.5X	Downside risk: Slower than expected recovery of corporate business travel post-COVID; scope/timing and/or upside from repositionings underwhelms investor expectations; labor costs are not materially reduced either due to increased wages/benefits or inability to cut costs post-tech improvements
Playa Hotels & Resorts	PLYA	\$5.89	Buy	\$11	87%	\$86	\$223	\$245	\$99	\$235	\$256	10.5X	Downside risk: Group demand returns slower than expected. Property-specific risks given a small portfolio.
RLJ Lodging Trust***	RLJ	\$10.23	Buy	\$17	66%	\$145	\$344	\$405	\$162	\$366	\$428	12.0X	Upside risk: faster demand improvement in corporate travel than expected. Renovations lead to faster than expected EBITDA improvements. SHO buys hotels at accretive terms and quickly adds incremental EBITDA during the valuation period. Downside risk: Lodging recovery takes longer than expected, labor issues, weak recovery of international travel to gateway markets, natural disaster risk. Montage EBITDA stabilizes well lower than expected.
Ryman Hospitality Properties	RHP	\$73.94	Buy	\$103	39%	\$162	\$509	\$613	\$177	\$522	\$611	13.0X	Downside risks: MTN is subject to prolonged weakness in general economic conditions, including adverse effects on the overall travel and leisure related industries. Upside risks include a faster economic recovery and investors continuing to apply higher target valuation multiples.
Sunstone Hotel Investors	SHO	\$9.62	Hold	\$12	25%	\$54	\$186	\$254	\$67	\$199	\$266	12.5X	Downside risk: The timeshare business is especially vulnerable to economic softness. There are potential execution risks post the spin off. Downside risk: Slowdown in development opportunities. Weaker than expected transient trends.
Vail Resorts, Inc.	MTN	\$203.87	Hold	\$281	38%	\$540	\$837	\$893	\$540	\$837	\$893	16.0X	
Travel + Leisure Co.	TNL	\$35.68	Buy	\$72	100%	\$748	\$835	\$971	\$778	\$869	\$1,014	8.6X	
Wyndham Hotels & Resorts	WH	\$60.22	Buy	\$92	53%	\$562	\$886	\$653	\$590	\$621	\$695	15.0X	

* All of our Lodging price targets are derived by applying a target EV/EBITDA multiple to our estimate for 2023 EBITDA
 ** Valuation EBITDA excludes select items for specific companies including stock-based compensation.
 *** Covered by Gregory J. Miller - gregory.j.miller@truist.com

Source: FactSet, Truist Securities research

Companies Mentioned in This Note

Bluegreen Vacations Holding Corporation (BVH, \$17.26, Buy, C. Patrick Scholes)
Choice Hotels International, Inc. (CHH, \$110.83, Hold, C. Patrick Scholes)
DiamondRock Hospitality Company (DRH, \$7.70, Hold, C. Patrick Scholes)
Hyatt Hotels Corporation (H, \$83.43, Buy, C. Patrick Scholes)
Hilton Grand Vacations Inc. (HGV, \$35.17, Buy, C. Patrick Scholes)
Hilton Worldwide Holdings Inc. (HLT, \$123.67, Hold, C. Patrick Scholes)
Host Hotels & Resorts, Inc. (HST, \$16.55, Hold, C. Patrick Scholes)
Marriott International, Inc. (MAR, \$143.82, Hold, C. Patrick Scholes)
Vail Resorts, Inc. (MTN, \$210.29, Hold, C. Patrick Scholes)
Pebblebrook Hotel Trust (PEB, \$15.39, Hold, Gregory Miller)
Park Hotels & Resorts Inc. (PK, \$11.80, Buy, C. Patrick Scholes)
Playa Hotels & Resorts N.V. (PLYA, \$5.96, Buy, C. Patrick Scholes)
Ryman Hospitality Properties, Inc. (RHP, \$75.79, Buy, C. Patrick Scholes)
RLJ Lodging Trust (RLJ, \$10.69, Buy, Gregory Miller)
Sunstone Hotel Investors, Inc. (SHO, \$9.96, Hold, C. Patrick Scholes)
Travel + Leisure Co. (TNL, \$36.68, Buy, C. Patrick Scholes)
Marriott Vacations Worldwide Corporation (VAC, \$125.71, Buy, C. Patrick Scholes)
Wyndham Hotels & Resorts, Inc. (WH, \$63.21, Buy, C. Patrick Scholes)

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Sell	3	0.40%	Sell	0	0.00%

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