



Lodging - US RevPAR +3.0% Y/Y Last Week; Relatively Clean Comp

Another relatively strong week for corporate demand

What's Incremental To Our View

Overall U.S. RevPAR was +3.0% Y/Y for the week ending 6/23/2018, per STR, up from the prior week's result of 1.8%. (2-year stacked RevPAR was +2.8% vs. +3.1% in the prior week.) Independent hotels (about 1/3rd of the data set) were +2.8% y/y. Luxury (+5.1%) was the strongest chain scale for branded hotels; Midscale was the weakest at +1.6%. Upper Midscale (+1.7%) also underperformed the overall US hotel industry average. Within Upper Upscale & Luxury class hotels, Group (+3.0% vs. +2.4% prior week) was slightly stronger than Transient (+2.8% vs. +0.5% prior week).

Last week was another generally clean comp (ex-2017 hurricane impact).

- Luxury was once again the top performing chain scale (we believe from the wealth effect).
- The strongest days of the week were once again likely driven by mid-week Corporate (Monday-Thursday RevPAR averaging ~ +3.5%), likely reflective of a continued small uptick in business travel for both individual and group business.
- We do not believe last week was measurably impacted by the July 4th calendar shift (see below for our detailed analysis on the rest of the month). For last week, Group occupancy was flat and ADR was +3.0%, similar to the Running 28 days (-0.4% and +2.4%, respectively). The limited spread suggests that there was not much of a shift impact (if any) but simply a relatively good overall Group week.
- As we have seen in many recent weeks, Contract remains very strong with RevPAR +11.9% last week and +11.1% Running 28 days (mostly occupancy driven).
- Hurricane-impacted markets had positive performance (see below for detail).

For the month of June, we estimate that full-service branded domestic hotels (the typical Hilton [HLT, \$79.19, Buy], Hyatt [H, \$78.36, Hold], or Marriott [MAR, \$129.43, Hold] hotel) will finish at approximately +3.5-4.0%. We estimate that the overall industry will finish approximately +3.5-4.0%. Please note that reported monthly results include hotels that are not in the weekly data set.

For the quarter, we estimate that full-service branded domestic hotels will finish at approximately +3.5-4.5%. We estimate that the overall industry will finish approximately +3.5-4.0%.

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

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

Jeffrey Stantial
212-590-0993
jeffrey.stantial@suntrust.com

What's Inside

Weekly STR results and analysis

- **We have received numerous investor questions on how the July 4th calendar shift may impact RevPAR in the final week of June and thus the quarter results as well. Our thoughts:** In 2018, Independence Day shifts to a Wednesday from a Tuesday. In our view, a Wednesday holiday can shift some corporate business (particularly group) out of the week entirely. Unlike a 1-2 day business trip that could theoretically occur Monday-Tuesday or Thursday-Friday (the latter generally considered less ideal as evidenced by longstanding weekday trends in corporate demand), some group demand may simply shift to other weeks as 2+ day events are harder to schedule with a Wednesday holiday. Some group demand will be permanently lost. We believe that the calendar impact will shift some corporate demand into the week ending June 30th, 2018. This would in theory create a tailwind of demand at the end of June. We believe some markets, particularly ones with conventions/citywides occurring towards the end of June/early July in 2017 or 2018 could have more measurable swings in next week's data. That being said, the Tuesday to Wednesday shift is unlikely to be as measurable to RevPAR as compared to last year's holiday shift from Monday to Tuesday (Group was +16.5% for the week prior to Independence Day). Further, we anticipate a Wednesday holiday will limit the number of extended weekend vacations relative to a Tuesday holiday. **For longer-term investors, we would not pay significant attention to the noise of these holiday weeks. Luxury and leisure demand remain relatively strong.**

RevPAR details:

- **Luxury was the strongest chain scale.** Upper Midscale and Midscale underperformed by 340 bps and 350 bps, respectively: Luxury RevPAR (+5.1%), Upper Upscale (+3.7%), Upscale (+2.5%), Upper Midscale (+1.7%), Midscale (+1.6%), and Economy (+1.7%). Independent hotels (+2.8%) slightly underperformed headline U.S. RevPAR.
- **Within Upper Upscale & Luxury class hotels, Group was slightly stronger than Transient:** Transient segment (individual business and leisure travelers) RevPAR was +2.8% (vs. +0.5% last week) and Group segment RevPAR was +3.0% (vs. +2.4% last week).
- **NYC (+11.5%) was the strongest of the top five markets:** Boston (+5.3%), Chicago (+6.6%), LA (+2.4%), and DC (+7.2%).
- **Other relevant markets:**
 - **San Francisco was moderately positive:** RevPAR was +2.4% vs. +3.6% last week. We anticipate y/y comps will be relatively easy in 2Q and 3Q as the Moscone Convention Center's North and South halls were closed from April to August 2017.
 - **Texas results were positive:** Dallas RevPAR was +6.0% (vs. +2.7% last week). Houston RevPAR was +14.2% (vs. +4.3% last week). [Note that FEMA has extended the financial assistance for some Texans in Houston hotels through July 1st.](#)
 - **Hurricane-impacted markets in FL had positive results:** Miami (+5.1% vs. +4.2% last week); Orlando (+15.3% vs. +13.7% last week).
 - **Oahu results were strong last week but we do not have enough evidence to suggest the performance was due to the recent volcano eruption on the Big Island.** Oahu was +8.4% vs. +2.8% running 28 days. Comparatively, U.S. Resort RevPAR was +5.7% last week vs. +4.2% running 28 days. [As we previously noted](#), we believe some of the Big Island hotel demand that chooses to stay on another island may be more likely to stay on Maui or Kauai due to the comparable destination appeal and less likely to stay in/near Waikiki (where the majority of Oahu hotel supply is based).
 - In part due to the general strength of the Oahu market (particularly in terms of occupancy), it is difficult for us to determine the measurability of impact from demand that is choosing to stay on Oahu from the Big Island. [STR noted similarly in an article on HotelNewsNow published on June 18th.](#) That being said, we do not have granular data on the Maui and Kauai markets where we believe the greatest demand shift (on a relative basis) is most likely to occur.
 - On a positive note, [Norwegian Cruise Line \(NCLH, \\$49.48, Buy\)](#) resumed calls to the Big Island in mid-June. Additionally, [some tour operators appear to be adjusting itineraries in light of the volcano disruption](#), which might alleviate some travelers concerns about staying on the island.

The lodging and leisure stocks:

Overall for the stocks, we think **the continuation of improving trends** signals an opportunity to grind higher and favor hotel owners (REITs) over the managers/franchisors as the hotel owners have the greatest sensitivity to changes in RevPAR. The rule of thumb for earnings sensitivity to a 1 point change in RevPAR is a 5 point change in EBIT for an owned hotel versus a 1 point change in EBIT for a hotel franchisor (a hotel manager falls somewhere between, depending on the degree of incentive management fees in the contract).

Not For Investment Purposes

Weekly RevPAR Summary

YoY % change in RevPAR													
U.S.	Luxury	Upper Upscale	Upscale	Upper Midscale	Midscale	Economy	Independent	New York	Boston	LA	Chicago	DC	
3/24/2018	5.4%	8.8%	5.2%	4.1%	5.1%	5.1%	5.1%	4.6%	5.3%	-4.0%	-7.4%	-0.2%	6.8%
3/31/2018	0.7%	17.1%	-6.7%	-2.5%	-3.7%	-0.6%	1.8%	5.6%	20.9%	-7.3%	6.2%	-4.9%	-25.9%
4/7/2018	-2.0%	5.5%	-11.0%	-5.6%	-2.9%	1.2%	1.7%	3.2%	-5.8%	-7.7%	-0.4%	-29.9%	-19.4%
4/14/2018	12.2%	8.2%	21.8%	12.1%	15.0%	11.5%	6.8%	5.3%	-11.5%	9.2%	1.1%	47.3%	30.8%
4/21/2018	8.7%	12.2%	14.4%	8.0%	7.3%	5.9%	4.0%	5.1%	6.7%	-0.7%	4.3%	23.7%	19.5%
4/28/2018	1.7%	5.2%	-0.2%	0.2%	1.4%	2.7%	1.1%	1.8%	7.3%	-10.0%	6.6%	1.7%	1.8%
5/5/2018	3.3%	3.3%	1.8%	1.9%	2.9%	4.4%	2.6%	4.2%	6.6%	-9.4%	-4.0%	-7.9%	-2.2%
5/12/2018	4.4%	4.4%	2.4%	3.5%	3.3%	4.6%	3.0%	6.2%	15.9%	-5.8%	0.4%	2.6%	0.4%
5/19/2018	3.0%	3.1%	2.2%	1.0%	1.6%	2.6%	1.7%	4.9%	8.1%	-0.5%	-5.6%	-1.4%	0.5%
5/26/2018	2.7%	3.4%	1.8%	1.6%	2.3%	3.4%	1.7%	3.2%	0.9%	-4.6%	-1.6%	5.4%	-1.9%
6/2/2018	2.3%	4.0%	3.1%	1.0%	1.1%	1.8%	0.7%	2.6%	2.2%	-3.6%	-6.5%	1.6%	13.7%
6/9/2018	2.3%	2.3%	1.8%	1.5%	0.8%	1.8%	1.4%	3.2%	0.9%	11.3%	-2.2%	-0.8%	4.8%
6/16/2018	1.8%	2.6%	1.5%	1.2%	0.9%	1.7%	1.5%	1.6%	5.0%	-7.7%	1.5%	5.0%	-1.2%
6/23/2018	3.0%	5.1%	3.7%	2.5%	1.7%	1.6%	1.7%	2.8%	11.5%	5.3%	2.4%	6.6%	7.2%

Relatively clean comp

Luxury and Upper Upscale led the industry

NYC and DC led the Top 5 markets

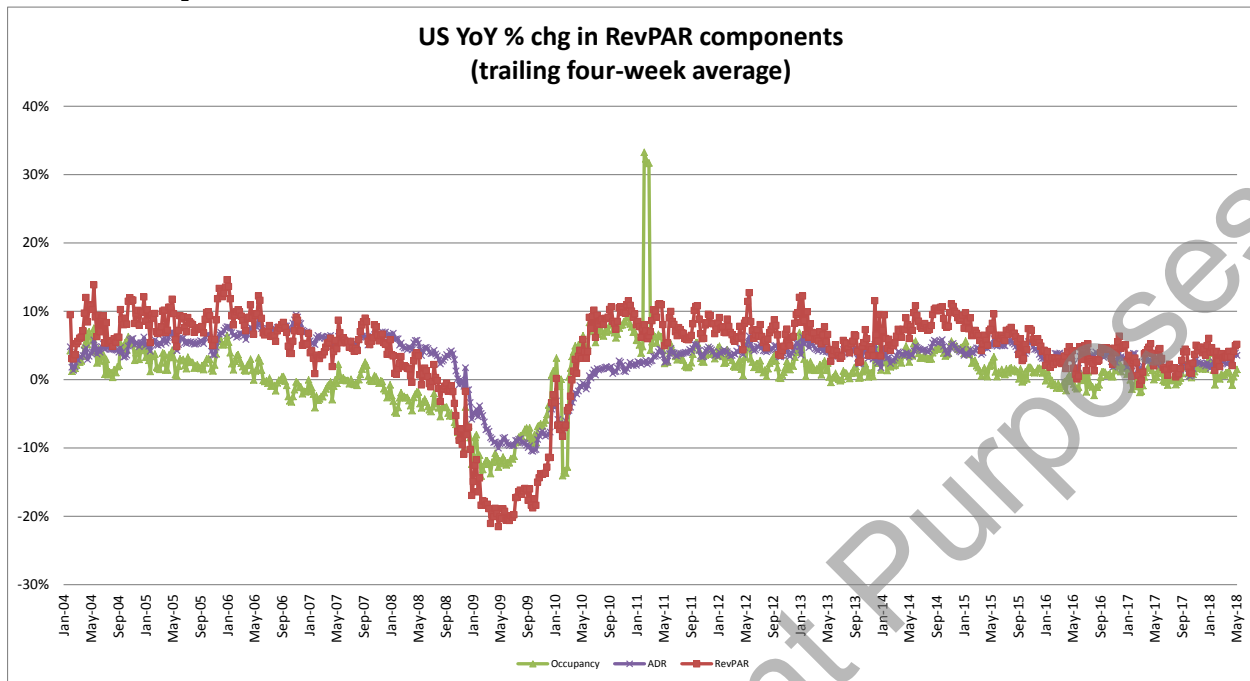
1Q15	8.0%	6.3%	6.0%	7.0%	8.5%	8.8%	9.2%	8.9%	-4.3%	13.8%	7.7%	11.4%	6.3%
2Q15	6.5%	5.5%	5.4%	5.9%	6.3%	6.6%	6.7%	7.1%	-1.8%	7.1%	7.4%	11.0%	11.7%
3Q15	5.9%	4.4%	4.0%	5.7%	5.7%	6.4%	6.1%	6.8%	0.6%	7.1%	11.1%	5.1%	0.3%
4Q15	4.8%	2.7%	3.8%	4.2%	4.9%	3.7%	4.4%	5.9%	-2.0%	5.3%	8.3%	1.4%	2.1%
1Q16	2.7%	1.6%	1.9%	2.2%	2.0%	0.0%	1.8%	4.0%	-1.2%	-3.0%	16.6%	-4.8%	3.1%
2Q16	3.5%	0.8%	2.9%	3.1%	3.2%	3.2%	3.0%	4.2%	-4.5%	1.5%	11.1%	-1.0%	3.5%
3Q16	3.3%	1.5%	2.5%	2.0%	1.8%	2.5%	3.0%	5.1%	-2.5%	-0.5%	9.3%	1.2%	5.5%
4Q16	3.2%	1.9%	0.6%	1.2%	2.2%	3.9%	4.4%	5.1%	0.9%	-1.6%	6.9%	3.3%	8.0%
1Q17	3.4%	2.1%	3.0%	1.0%	2.4%	3.5%	2.6%	5.2%	-1.3%	-1.1%	-2.5%	1.5%	16.1%
2Q17	2.7%	2.3%	0.6%	0.6%	1.2%	2.4%	3.7%	5.1%	0.2%	4.4%	3.6%	0.8%	0.8%
3Q17	1.9%	0.5%	-0.7%	0.7%	1.8%	3.5%	2.9%	3.1%	-0.9%	-0.2%	-1.2%	-5.0%	-0.6%
4Q17	4.2%	4.5%	3.2%	3.8%	3.9%	3.7%	3.7%	4.1%	0.8%	3.7%	4.2%	-2.5%	2.2%
1Q18	3.5%	6.6%	0.9%	2.2%	3.0%	3.8%	5.3%	3.8%	7.1%	2.6%	2.7%	5.8%	-11.0%

YoY % change in ADR													
	U.S.	Luxury	Upper Upscale	Upscale	Upper Midscale	Midscale	Economy	Inde- pendent	New York	Boston	LA	Chicago	DC
3/24/2018	4.4%	7.8%	3.9%	3.2%	3.1%	3.5%	4.2%	4.7%	5.1%	-0.7%	-0.1%	-1.2%	4.3%
3/31/2018	3.6%	14.9%	-1.8%	1.5%	1.3%	3.0%	3.2%	6.5%	15.6%	-5.2%	4.9%	-4.3%	-19.2%
4/7/2018	0.7%	7.7%	-3.3%	-0.8%	0.1%	2.1%	2.6%	3.6%	-2.7%	-4.4%	2.8%	-17.0%	-12.6%
4/14/2018	5.8%	0.8%	10.8%	4.5%	5.6%	4.5%	4.0%	2.8%	-4.9%	4.6%	5.9%	23.8%	20.9%
4/21/2018	5.4%	3.7%	8.1%	4.3%	3.6%	3.1%	3.5%	3.5%	3.3%	-1.2%	4.8%	12.7%	11.7%
4/28/2018	2.3%	5.1%	1.6%	1.8%	1.7%	2.6%	2.7%	2.0%	5.7%	-5.8%	7.4%	2.6%	3.0%
5/5/2018	2.7%	3.8%	1.6%	2.2%	2.1%	3.1%	3.4%	3.1%	3.7%	-4.0%	0.7%	-4.4%	-2.2%
5/12/2018	3.5%	4.7%	2.2%	3.5%	2.4%	3.1%	3.5%	4.5%	8.5%	-1.2%	1.4%	2.6%	1.2%
5/19/2018	3.5%	4.3%	2.8%	2.2%	2.0%	2.8%	3.1%	5.1%	6.7%	0.1%	0.3%	1.3%	1.1%
5/26/2018	2.4%	3.0%	2.7%	2.0%	1.7%	2.4%	1.5%	2.6%	3.2%	-1.6%	1.8%	3.8%	-1.6%
6/2/2018	2.1%	3.2%	1.6%	1.1%	1.0%	1.5%	2.1%	2.5%	2.2%	-3.3%	-0.9%	-0.1%	9.2%
6/9/2018	2.5%	2.3%	2.4%	2.1%	1.2%	1.6%	2.3%	3.1%	2.4%	9.8%	-0.4%	2.1%	3.0%
6/16/2018	2.0%	3.7%	2.3%	1.8%	1.1%	1.6%	2.4%	1.7%	4.5%	-2.4%	1.7%	5.7%	-0.7%
6/23/2018	2.9%	3.5%	3.4%	2.4%	1.7%	1.7%	2.2%	3.0%	9.8%	3.7%	2.3%	6.4%	4.5%
1Q15	4.7%	5.8%	4.7%	5.2%	4.7%	4.7%	5.5%	4.7%	-4.1%	7.3%	6.5%	7.1%	1.7%
2Q15	4.8%	4.9%	4.8%	5.3%	4.6%	4.3%	5.4%	4.6%	-1.5%	6.8%	7.1%	9.2%	7.9%
3Q15	4.5%	3.7%	3.6%	5.2%	4.4%	4.6%	5.0%	4.6%	0.3%	7.4%	9.6%	5.3%	-0.1%
4Q15	3.6%	2.3%	3.0%	3.9%	3.5%	3.0%	4.2%	3.8%	-2.3%	3.9%	6.1%	2.3%	1.0%
1Q16	3.2%	1.9%	2.7%	3.2%	2.6%	1.7%	3.3%	3.7%	-3.1%	1.4%	11.3%	-1.9%	1.1%
2Q16	2.9%	1.5%	2.2%	2.9%	2.8%	2.7%	3.4%	3.0%	-3.1%	3.3%	9.4%	0.3%	2.1%
3Q16	3.4%	1.5%	2.5%	2.7%	2.4%	3.1%	3.6%	4.4%	-2.7%	2.3%	7.5%	1.9%	3.5%
4Q16	2.6%	2.1%	1.4%	2.2%	2.0%	2.2%	3.2%	3.8%	-1.2%	1.3%	5.8%	3.9%	4.1%
1Q17	2.5%	2.3%	2.4%	1.3%	1.6%	1.8%	2.4%	3.5%	-2.2%	0.0%	-0.2%	1.7%	13.6%
2Q17	2.2%	2.2%	1.2%	1.7%	1.5%	2.1%	2.3%	3.5%	-1.5%	4.1%	2.8%	1.5%	2.0%
3Q17	1.4%	1.4%	0.2%	0.8%	1.2%	1.9%	2.4%	2.2%	-2.0%	0.8%	1.8%	-2.4%	0.0%
4Q17	2.4%	2.2%	1.9%	1.8%	1.8%	2.5%	3.4%	2.1%	-0.2%	0.8%	4.6%	-2.0%	2.4%
1Q18	2.5%	4.5%	1.0%	1.7%	2.0%	3.0%	4.0%	3.1%	3.5%	-1.0%	4.0%	1.4%	-9.4%

YoY % change in Occupancy													
U.S.	Upper		Upper		Economy	Inde- pendent	New						
	Luxury	Upscale	Upscale	Midscale			Midscale	York	Boston	LA	Chicago	DC	
3/24/2018	1.0%	0.9%	1.3%	0.9%	1.9%	1.5%	0.8%	-0.1%	0.2%	-3.3%	-7.3%	1.0%	2.4%
3/31/2018	-2.8%	1.9%	-5.0%	-4.0%	-4.9%	-3.4%	-1.3%	-0.9%	4.6%	-2.2%	1.2%	-0.6%	-8.3%
4/7/2018	-2.7%	-2.1%	-8.0%	-4.9%	-3.0%	-0.9%	-0.9%	-0.5%	-3.2%	-3.4%	-3.1%	-15.6%	-7.8%
4/14/2018	6.1%	7.3%	10.0%	7.3%	8.9%	6.7%	2.7%	2.4%	-7.0%	4.4%	-2.7%	19.0%	8.2%
4/21/2018	3.1%	8.2%	5.8%	3.5%	3.6%	2.7%	0.5%	1.6%	3.3%	0.5%	-0.5%	9.8%	7.0%
4/28/2018	-0.6%	0.0%	-1.8%	-1.6%	-0.3%	0.0%	-1.6%	-0.2%	1.5%	-4.4%	-0.8%	-0.9%	-1.1%
5/5/2018	0.5%	-0.5%	0.2%	-0.3%	0.8%	1.2%	-0.7%	1.1%	2.8%	-5.6%	-4.6%	-3.6%	0.0%
5/12/2018	0.8%	-0.3%	0.2%	0.0%	0.9%	1.4%	-0.4%	1.6%	6.8%	-4.6%	-1.0%	0.0%	-0.8%
5/19/2018	-0.5%	-1.2%	-0.6%	-1.2%	-0.5%	-0.3%	-1.4%	-0.3%	1.3%	-0.6%	-5.9%	-2.7%	-0.6%
5/26/2018	0.3%	0.3%	-0.9%	-0.4%	0.5%	1.0%	0.3%	0.6%	-2.2%	-3.1%	-3.3%	1.5%	-0.2%
6/2/2018	0.1%	0.8%	1.4%	-0.1%	0.1%	0.4%	-1.3%	0.1%	0.0%	-0.3%	-5.7%	1.7%	4.1%
6/9/2018	-0.2%	0.0%	-0.6%	-0.5%	-0.4%	0.3%	-0.9%	0.1%	-1.4%	1.4%	-1.8%	-2.9%	1.7%
6/16/2018	-0.3%	-1.0%	-0.7%	-0.6%	-0.1%	0.1%	-0.8%	-0.1%	0.5%	-5.4%	-0.2%	-0.8%	-0.5%
6/23/2018	0.1%	1.6%	0.3%	0.1%	0.0%	-0.1%	-0.6%	-0.2%	1.6%	1.6%	0.1%	0.1%	2.6%
1Q15	3.1%	0.5%	1.3%	1.7%	3.6%	3.9%	3.5%	4.0%	-0.2%	6.1%	1.1%	4.0%	4.6%
2Q15	1.6%	0.6%	0.5%	0.6%	1.7%	2.2%	1.3%	2.3%	-0.3%	0.3%	0.3%	1.7%	3.5%
3Q15	1.4%	0.6%	0.4%	0.5%	1.3%	1.8%	1.0%	2.1%	0.2%	-0.3%	1.3%	-0.1%	0.4%
4Q15	1.2%	0.4%	0.8%	0.2%	1.3%	0.6%	0.2%	2.1%	0.3%	1.4%	2.0%	-0.9%	1.1%
1Q16	-0.5%	-0.3%	-0.8%	-0.9%	-0.6%	-1.7%	-1.5%	0.3%	2.0%	-4.3%	4.7%	-3.0%	2.0%
2Q16	0.6%	-0.7%	0.7%	0.2%	0.4%	0.5%	-0.4%	1.2%	-1.4%	-1.7%	1.5%	-1.4%	1.3%
3Q16	0.0%	0.0%	-0.1%	-0.6%	-0.6%	-0.6%	-0.6%	0.7%	0.3%	-2.8%	1.7%	-0.7%	1.9%
4Q16	0.6%	-0.2%	-0.8%	-1.0%	0.2%	1.7%	1.2%	1.2%	2.2%	-2.8%	1.0%	-0.5%	3.7%
1Q17	0.9%	-0.2%	0.6%	-0.3%	0.7%	1.6%	0.2%	1.6%	1.0%	-1.1%	-2.4%	-0.2%	2.2%
2Q17	0.5%	0.1%	-0.6%	-1.1%	-0.3%	0.4%	1.4%	1.6%	1.7%	0.3%	0.8%	-0.7%	-1.2%
3Q17	0.5%	-0.9%	-0.9%	-0.1%	0.6%	1.6%	0.5%	0.9%	1.1%	-1.0%	-2.9%	-2.7%	-0.5%
4Q17	1.8%	2.2%	1.3%	2.0%	2.1%	1.2%	0.3%	2.0%	1.0%	2.8%	-0.3%	-0.5%	-0.2%
1Q18	0.9%	2.1%	0.0%	0.5%	1.1%	0.9%	1.3%	0.7%	3.5%	3.7%	-1.3%	4.4%	-1.8%

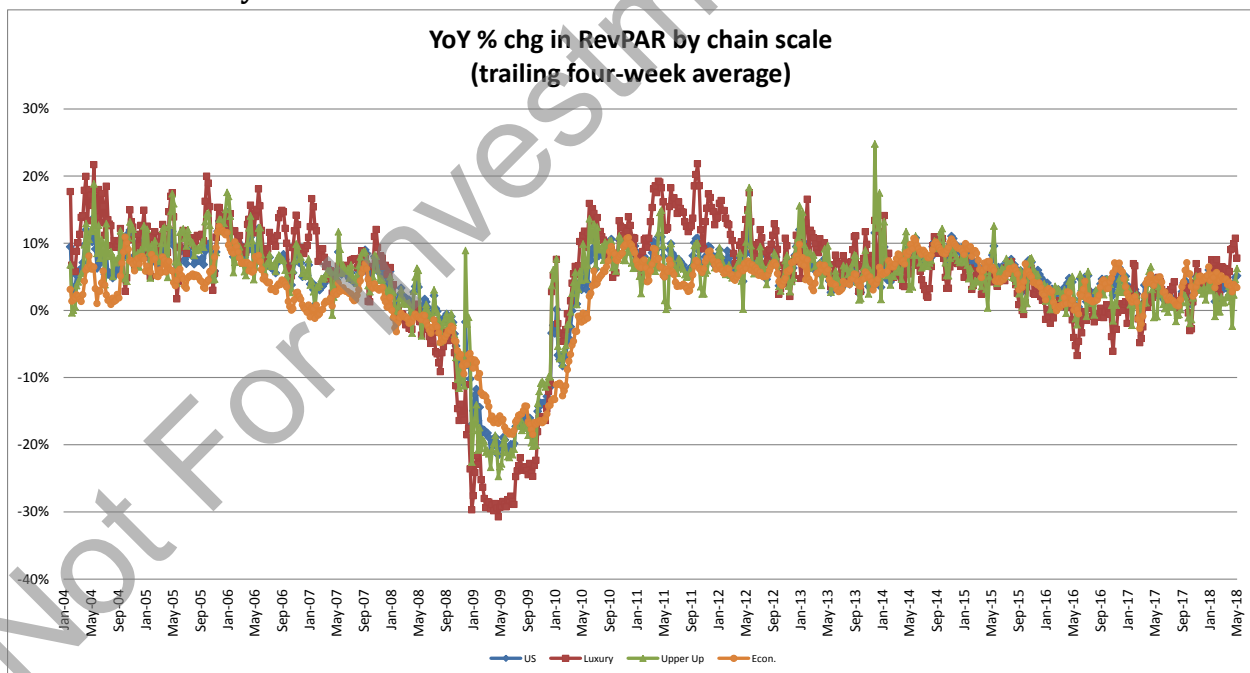
Source: STR data, STRH research

RevPAR Component Trends



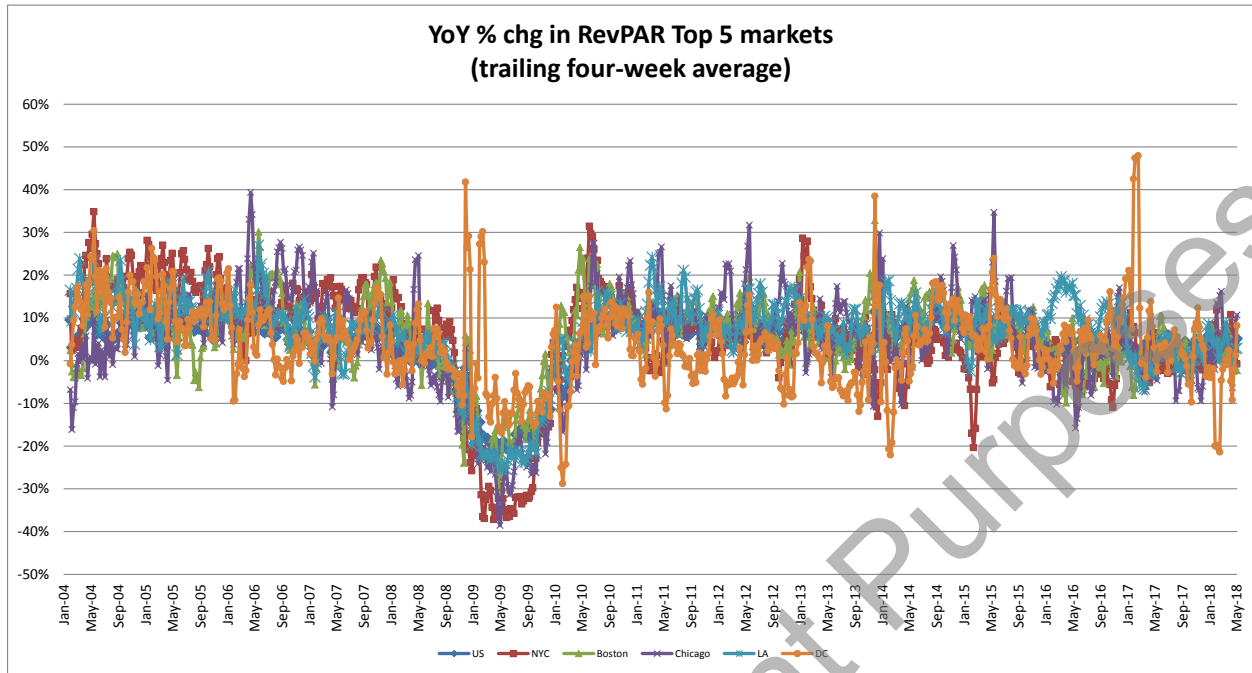
Source: STR data, STRH research

RevPAR Trends by Chain Scale



Source: STR data, STRH research

RevPAR Trends by Market



Source: STR data, STRH research

Price Target/Risks Summary

Lodging	TKR	Price 6/26/18	Rating	PT*	% upside down- side	2019E EBITDA (\$M)	Target EV/EBITDA Multiple	Risks
Chesapeake Lodging Trust	CHSP	\$32.14	Hold	\$27	-16%	\$192	12.0X	Upside risk: improvement in NY and Chicago markets Downside risk: softening of RevPAR trends in Boston or SF. Slowdown in real estate lending.
Choice Hotels	CHH	\$76.65	Hold	\$85	11%	\$359	15.0X	Upside risk: conservative guidance. Downside risk: slowdown in development opportunities.
DiamondRock Hospitality	DRH	\$12.15	Hold	\$11	-9%	\$267	11.5X	Upside risk: specific markets (esp. NYC) perform better than expected. Downside risk: company unable to locate properties to buy.
Host Hotels & Resorts	HST	\$20.95	Hold	\$21	0%	\$1,557	12.5X	Upside risk: the company increases dividends by more than expected; NYC outperforms or is sold down at attractive multiples. Downside risk: Group underperforms. NYC hotels underperform and asset sales do not happen.
Hyatt Hotels	H	\$78.36	Hold	\$86	10%	\$802	14.1X	Upside risk: Transient and group trends outperform expectations Downside risk: ongoing misexecution and volatility.
Bluegreen Vacations Corporation	BXG	\$23.30	Buy	\$24	3%	\$184	9.2X	Downside risk: 3rd party induced defaults worsen. Middle market customers underperform.
Hilton Grand Vacations	HGV	\$35.95	Buy	\$50	39%	\$470	12.0X	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
Hilton	HLT	\$79.19	Buy	\$95	20%	\$2,279	15.8X	Downside risk: overhang from remaining big sponsor ownership, slowing pipeline
ILG	ILG	\$33.00	Buy	\$34	3%	\$436	11.1X	Downside risk: membership base erosion as churn outstrips new timeshare sales
LaSalle Hotel Properties	LHO	\$34.69	Hold	\$32	-8%	\$320	12.5X	Upside risk: ability to increase dividend. Downside risk: heavy D.C. exposure.
Marriott International	MAR	\$129.43	Hold	\$135	4%	\$3,762	15.8X	Upside Risk: Significant U.S macroeconomic improvement results in large recovery in transient corporate demand (and consequential >400 bps RevPAR improvement). Owned assets sell for premium prices relative to MAR expectations. Downside Risk: 2018 is a recession year in the US. Geopolitical and policy risks negatively impact lodging demand.
Marriott Vacations	VAC	\$112.77	Buy	\$143	27%	\$372	11.2X	Upside risk: continued share repurchases, continued strong execution and M&A drive continued outperformance. Downside risk: M&A story fades and multiples revert to historical levels
Park Hotels & Resorts	PK	\$30.63	Buy	\$32	4%	\$753	12.5X	Downside risk: Significant supply growth and macroeconomic challenges/shocks.
RLJ Lodging Trust	RLJ	\$22.30	Hold	\$21	-6%	\$550	11.5X	Upside risk: RevPAR reaccelerates due to macroeconomic improvements, leading to estimate revisions and multiple expansion. Downside risk: Significant supply growth, struggle to source deals/lower leverage, macroeconomic challenges/demand shocks.
Ryman Hospitality Properties	RHP	\$81.55	Hold	\$70	-14%	\$440	12.3X	Upside risk: recovering group demand better than expected, better margin recovery. Downside risk: booking issues stickier than expected.
Sunstone Hotel Investors	SHO	\$16.80	Hold	\$15	-11%	\$333	12.0X	Upside risk: Recovery of corporate demand in SHO's markets. Above average group bookings in Orlando and Boston Park Plaza post-meeting space expansions. Downside risk: Weaker than expected demand trends following capital investment projects.
Wyndham Destinations	WYND	\$45.63	Buy	\$69	51%	\$1,006	9.8X	Downside risk: The timeshare business is especially vulnerable to economic softness. There are potential execution risks post the spin off.
Wyndham Hotels & Resorts	WH	\$61.16	Buy	\$71	16%	\$632	14.0X	Downside risk: Slowdown in development opportunities. La Quinta synergies below expectations.
* All of our Lodging price targets are derived by applying a target EV/EBITDA multiple to our estimate for 2019 EBITDA								

Source: FactSet, STRH research

H: Valuation and Risks

Our price target of \$86 for H is derived by applying a 14.1x target EV/EBITDA multiple (a blended average of the industry multiples for each business segment) to our estimate for 2019 EBITDA. Our valuation model for Hyatt assumes an owned-hotel 2019 EBITDA multiple of 13.0x and a franchise/management fee EBITDA multiple of 15.0x.

Upside risk: transient and group trends outperform expectations.

Downside risk: ongoing misexecution and volatility.

HLT: Valuation and Risks

We apply a blended multiple of 15.8x (10.5x for Owned/leased and 16.0x for Managed/franchised) to our 2019 adjusted EBITDA estimate to derive a 12-month price target of \$95. This multiple is towards the higher end of the historical range of 10x-16x.

Risks include:

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

MAR: Valuation and Risks

Our price target of \$135 for MAR is derived by applying a 15.8x target EV/EBITDA multiple (a blended average of the industry average multiples for each business segment) to our estimate for 2019 EBITDA.

Upside Risk: Significant U.S macroeconomic improvement results in large recovery in transient corporate demand (and consequential >400 bps RevPAR improvement). Owned assets sell for premium prices relative to MAR expectations.

Downside Risk: 2018 is a recession year in the US. Geopolitical and policy risks negatively impact lodging demand.

NCLH: Valuation and Risks

Our price target of \$69 is derived by applying a 13.5x P/E multiple, below our target multiple for peers, to our 2019 EPS estimate.

Risks to our rating and price target: The largest company-specific risk to our rating and price target, in our view, is incident risk. Because Norwegian generates much of its earnings from one brand, an adverse event with a ship (like the Costa Concordia or Carnival Triumph) would likely have a widespread negative impact across much of the entire fleet.

Companies Mentioned in This Note

Bluegreen Vacations Corporation (BXG, \$23.30, Buy, C. Patrick Scholes)

Choice Hotels International, Inc. (CHH, \$76.65, Hold, C. Patrick Scholes)

Chesapeake Lodging Trust (CHSP, \$32.14, Hold, C. Patrick Scholes)

DiamondRock Hospitality Company (DRH, \$12.15, Hold, C. Patrick Scholes)

Hyatt Hotels Corporation (H, \$78.36, Hold, C. Patrick Scholes)

Hilton Grand Vacations Inc. (HGV, \$35.95, Buy, C. Patrick Scholes)

Hilton Worldwide Holdings Inc. (HLT, \$79.19, Buy, C. Patrick Scholes)

Host Hotels & Resorts, Inc. (HST, \$20.95, Hold, C. Patrick Scholes)

ILG, Inc. (ILG, \$33.00, Buy, C. Patrick Scholes)

LaSalle Hotel Properties (LHO, \$34.69, Hold, C. Patrick Scholes)
Marriott International, Inc. (MAR, \$129.43, Hold, C. Patrick Scholes)
Norwegian Cruise Line Holdings Ltd. (NCLH, \$49.48, Buy, C. Patrick Scholes)
Park Hotels & Resorts Inc. (PK, \$30.63, Buy, C. Patrick Scholes)
Ryman Hospitality Properties, Inc. (RHP, \$81.55, Hold, C. Patrick Scholes)
RLJ Lodging Trust (RLJ, \$22.30, Hold, C. Patrick Scholes)
Sunstone Hotel Investors, Inc. (SHO, \$16.80, Hold, C. Patrick Scholes)
Marriott Vacations Worldwide Corporation (VAC, \$112.77, Buy, C. Patrick Scholes)
Wyndham Hotels & Resorts, Inc. (WH, \$61.16, Buy, C. Patrick Scholes)
Wyndham Destinations, Inc. (WYND, \$45.63, Buy, C. Patrick Scholes)

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.

Required Disclosures

The following companies are clients of SunTrust Robinson Humphrey, Inc. for non-investment banking securities-related services within the last 12 months: H-US, MAR-US and NCLH-US

SunTrust Robinson Humphrey, Inc. or an affiliate has received compensation for non-investment banking services within the last 12 months: H-US, MAR-US and NCLH-US

The following company is a client of SunTrust Robinson Humphrey, Inc. for non-securities-related services within the last 12 months: H-US

SunTrust Robinson Humphrey, Inc. or an affiliate has received compensation for non-securities related services within the last 12 months: H-US

SunTrust Robinson Humphrey, Inc. or an affiliate managed or co-managed a securities offering for the following company within the last 12 months: HLT-US

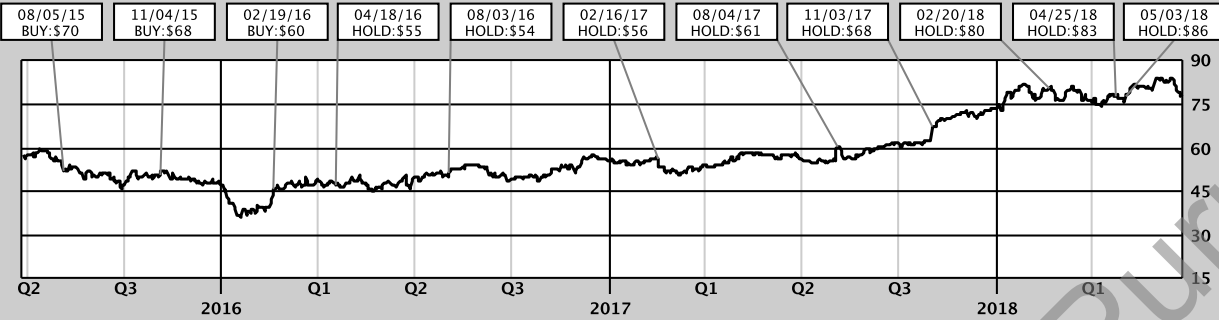
The following companies are clients of SunTrust Robinson Humphrey, Inc. for investment banking services within the last 12 months: HLT-US and MAR-US

SunTrust Robinson Humphrey, Inc. or an affiliate has received compensation for investment banking services within the last 12 months: HLT-US

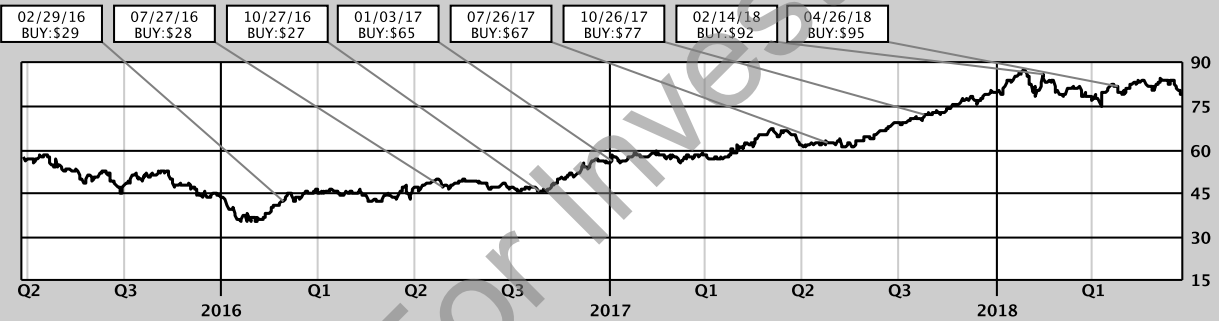
SunTrust Robinson Humphrey, Inc. makes a market in the following companies: MAR-US and NCLH-US

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.

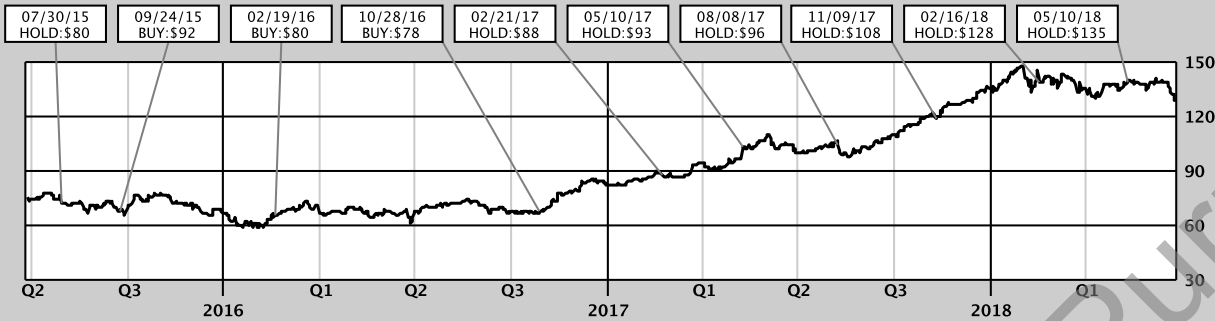
As a matter of policy and practice, the firm prohibits the offering of favorable research, a specific research rating or a specific target price as consideration or inducement for the receipt of business or compensation. In addition, associated persons preparing research reports are prohibited from owning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

Rating and Price Target History for: Hyatt Hotels Corporation (H-US) as of 06-26-2018


Created by BlueMatrix

Rating and Price Target History for: Hilton Worldwide Holdings Inc. (HLT-US) as of 06-26-2018


Created by BlueMatrix

Rating and Price Target History for: Marriott International, Inc. (MAR-US) as of 06-26-2018


Created by BlueMatrix

Rating and Price Target History for: Norwegian Cruise Line Holdings Ltd. (NCLH-US) as of 06-26-2018


Created by BlueMatrix

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 STRHEquityResearchDepartment@SunTrust.com or contact your STRH sales representative.

The rating system effective as of Oct. 7, 2016:

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

The prior rating system until Oct. 7, 2016:

3 designations based on total returns* within a 12-month period**

· Buy – total return \geq 15% (10% for low-Beta securities)***

- Reduce – total return \leq negative 10% (5% for low Beta securities)
- Neutral – total return is within the bounds above
- NR – NOT RATED, STRH does not provide equity research coverage
- CS – Coverage Suspended

*Total return (price appreciation + dividends); **Price targets are within a 12-month period, unless otherwise noted; ***Low Beta defined as securities with an average Beta of 0.8 or less, using Bloomberg's 5-year average

SunTrust Robinson Humphrey ratings distribution (as of 06/27/2018):

Coverage Universe			Investment Banking Clients Past 12 Months		
Rating	Count	Percent	Rating	Count	Percent
Buy	482	65.76%	Buy	132	27.39%
Hold/Neutral	248	33.83%	Hold/Neutral	33	13.31%
Sell/Reduce	3	0.41%	Sell/Reduce	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. The information herein is for persons residing in the United States only and is not intended for any person in any other jurisdiction.

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 SunTrust Banks, Inc. SunTrust Robinson Humphrey, Inc. is owned by SunTrust Banks, Inc. ("SunTrust") and affiliated with SunTrust Investment Services, Inc. Despite this affiliation, securities recommended, offered, sold by, or held at SunTrust Robinson Humphrey, Inc. and at SunTrust Investment Services, Inc. (i) are not insured by the Federal Deposit Insurance Corporation; (ii) are not deposits or other obligations of any insured depository institution (including SunTrust Bank); and (iii) are subject to investment risks, including the possible loss of the principal amount invested. SunTrust 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 risks to the price targets, 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. SunTrust and SunTrust Robinson Humphrey are service marks of SunTrust Banks, Inc.

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. 2018 . 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