



## Lodging - US RevPAR -2.0% Y/Y Last Week; Easter Shift Headwind on Corp Demand

The rest of April should get much better from here

### What's Incremental To Our View

Overall U.S. RevPAR was -2.0% Y/Y for the week ending 4/7/2018, per STR, down from the prior week's result of +0.7%. (2-year stacked RevPAR was +4.8% vs. +6.0% in the prior week.) Independent hotels (about 1/3rd of the data set) were +3.2% y/y. Luxury (+5.5%) was the strongest chain scale for branded hotels; Upper Upscale was the weakest at -11.0%. Midscale (+1.2%) outperformed and Upper Midscale (-2.9%) underperformed the overall US hotel industry average. Within Upper Upscale & Luxury class hotels, Group (-29.8% vs. -30.9% prior week) was softer than Transient (+8.5% vs. +16.6% prior week).

### As expected, the Easter calendar shift made for a very noisy y/y comparison in last week's STR data.

Due to Easter falling on Sunday last week, corporate demand was low at the start of the week (as expected), making for a tough y/y comp. As is common for weeks starting with Easter, corporate demand recovered towards the end of the week.

- Day of week RevPAR was largely within expectations, with Easter Sunday at -10.7%, Monday at -7.5% and Tuesday at -2.8%. Wednesday to Friday RevPAR averaged +2.0%.
- Corporate-focused chain scales (Upper Midscale, Upscale, and Upper Upscale) were negative as expected due to the holiday week.
- Hurricane markets continued to outperform considering the tough comp (see below for details), although Houston RevPAR was only slightly positive.

Over the next several weeks, the weekly STR data will continue to be impacted by various calendar shifts. [Please see our Calendar Shift RevPAR Roadmap for week-to-week expectations.](#) **We expect the next two weeks to be easier comps due to the y/y Easter calendar shift comparison.**

### RevPAR details:

- **Luxury was the strongest chain scale. Midscale and Upper Midscale underperformed by 430 bps and 840 bps, respectively:** Luxury RevPAR (+5.5%), Upper Upscale (-11.0%), Upscale (-5.6%), Upper Midscale (-2.9%), Midscale (+1.2%), and Economy (+1.7%). Independent hotels (+3.2%) outperformed headline U.S. RevPAR.

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### What's Inside

Weekly STR results and analysis

- **Within Upper Upscale & Luxury class hotels, Group was softer than Transient as expected due to the holiday:** Transient segment (individual business and leisure travelers) RevPAR was +8.5% (vs. +16.6% last week) and Group segment RevPAR was -29.8% (vs. -30.9% last week).
- **LA (-0.4%) was the "strongest" of the top five markets:** Boston (-7.7%), Chicago (-29.9%), LA (-0.4%), NYC (-5.8%), and D.C. (-19.4%).
- **Other relevant markets:**
  - **San Francisco was down:** RevPAR was -9.3% vs. +5.6% 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 mixed:** Dallas RevPAR was -19.5% (vs. -13.2% last week). Houston RevPAR was +1.0% (vs. +2.0% last week).
  - **Hurricane-impacted markets in FL had strong results:** Miami (+34.0% vs. +33.0% last week); Orlando (+7.9% vs. +23.8% last week).

#### The lodging and leisure stocks:

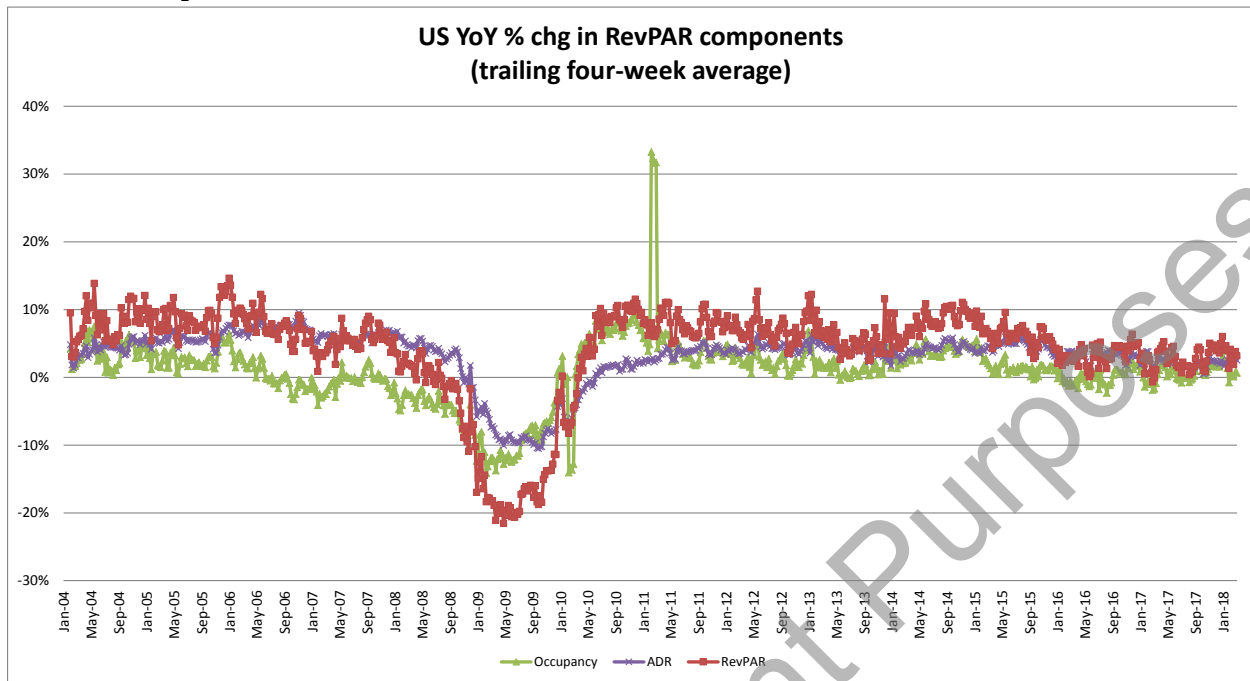
- **Based on our last several months of RevPAR data analytics observations, we are less cautious on the hotel REITs than we were at the same time last year, though to be clear not overly bullish (however, due to some unique self-help drivers, we have a Buy rating on PK).** Given recent forward-looking demand and pricing trends, we continue to have higher confidence that numbers will not need to be cut in 2018 and that dividends will be paid (though we're not expecting dividend raises of any size this year). [LHO is the exception here as they saw a demand shock due to renovations and issues with their Kimpton hotels.](#) We see the major issue/challenge for the hotel owners in 2018 as cost containment. [In an environment of property-level operating costs of 3%+ vs. flat to 2% RevPAR growth,](#) this does not bode well for margin expansion for hotel owners (outside of PK, which has some unique self-help drivers). A second strike against the hotel REITs at this moment is that the growth in RevPAR is primarily driven by the leisure segment as opposed to the corporate segment, the latter being the bread and butter customer for the hotel REITs. Within the hotel REITs, PK is one of our favorite names.
- **For the C-Corps, it's all good until it isn't.** While most C-corps trade at expensive multiples by historical standards (not the case for the hotel REITs as the gap between hotel REITs and C-Corps is as wide as it has ever been), we note that historically asset-light C-Corp multiples can potentially get "wacky" (we note Four Seasons and Choice Hotels in the prior cycle, for example) and can stay expensive up to the point where a management team potentially delivers unexpected bad news (then look out below!). Based on our data research and industry conversations (private hotel owners), we are not anticipating such unexpected bad news (the "all good until it isn't" part) in April/May earnings releases as it relates to 1Q results and forward expectations.

## Weekly RevPAR Summary

YoY % change in RevPAR													
U.S.	Upper		Upper		Inde-		New	York	Boston	LA	Chicago	DC	
	Luxury	Upscale	Upscale	Midscale	Midscale	Economy							
1/6/2018	9.6%	25.0%	11.8%	11.7%	10.1%	9.9%	2.5%	34.0%	24.4%	14.5%	13.8%	1.9%	
1/13/2018	5.5%	6.2%	0.8%	0.2%	0.8%	1.0%	4.4%	-1.6%	-4.2%	-2.4%	-10.6%	-3.6%	
1/20/2018	-3.2%	-7.2%	-7.1%	-2.3%	-0.1%	1.2%	2.9%	4.8%	0.7%	4.3%	6.2%	-64.1%	
1/27/2018	4.5%	6.1%	3.3%	1.2%	1.2%	2.8%	5.4%	10.1%	0.6%	2.5%	44.7%	-13.4%	
2/3/2018	3.6%	5.3%	2.2%	2.5%	4.4%	3.7%	4.5%	7.2%	3.8%	-1.3%	11.1%	-0.7%	
2/10/2018	2.6%	5.0%	0.7%	0.9%	2.3%	3.5%	4.9%	1.6%	0.2%	-5.4%	-1.2%	-7.4%	
2/17/2018	4.4%	9.5%	1.8%	2.5%	1.9%	3.7%	5.8%	4.2%	-4.0%	17.6%	10.0%	2.9%	
2/24/2018	2.0%	5.9%	-0.2%	0.7%	1.6%	2.5%	3.6%	1.9%	-0.3%	4.7%	6.2%	-3.0%	
3/3/2018	4.1%	4.1%	2.3%	3.0%	4.7%	4.8%	4.0%	0.4%	8.8%	6.5%	-1.4%	3.2%	
3/10/2018	3.1%	4.8%	3.7%	3.9%	4.9%	4.8%	5.2%	-1.5%	5.1%	4.0%	6.9%	8.4%	-2.0%
3/17/2018	3.9%	5.3%	3.2%	4.7%	4.1%	2.1%	2.4%	2.8%	11.6%	-0.3%	9.4%	1.7%	
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%
Easter calendar shift headwind													
Luxury and Economy led the industry													
LA and NYC 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%
YoY % change in ADR													
U.S.	Upper		Upper		Inde-		New	York	Boston	LA	Chicago	DC	
	Luxury	Upscale	Upscale	Midscale	Midscale	Economy							
1/6/2018	5.8%	15.9%	6.9%	6.8%	4.8%	5.7%	5.9%	1.5%	23.8%	7.4%	10.6%	5.1%	-1.3%
1/13/2018	5.4%	7.0%	2.5%	1.5%	1.4%	2.2%	3.8%	13.8%	-2.1%	-2.7%	2.8%	-3.8%	-2.5%
1/20/2018	-1.7%	-6.1%	-3.7%	-0.9%	0.1%	1.6%	2.2%	-1.5%	-0.1%	0.0%	5.9%	3.0%	-54.4%
1/27/2018	3.9%	2.3%	2.5%	2.3%	2.3%	3.3%	4.6%	6.3%	4.2%	-0.9%	3.4%	17.1%	-2.9%
2/3/2018	2.2%	2.7%	0.6%	1.1%	2.2%	3.0%	4.1%	2.1%	1.8%	-0.9%	2.5%	2.1%	-1.7%
2/10/2018	2.8%	3.7%	2.4%	1.8%	2.2%	3.4%	4.1%	3.3%	-0.1%	-1.6%	-1.6%	-0.9%	-3.4%
2/17/2018	3.2%	4.7%	0.8%	1.7%	1.7%	3.8%	4.8%	4.5%	0.6%	-2.5%	15.0%	2.3%	1.0%
2/24/2018	1.9%	3.6%	0.7%	0.8%	1.2%	2.4%	3.4%	2.5%	0.7%	-1.6%	2.8%	1.8%	-2.5%
3/3/2018	2.3%	2.4%	0.8%	1.3%	1.8%	3.0%	3.8%	3.1%	0.0%	0.5%	5.4%	1.6%	-3.2%
3/10/2018	2.0%	3.2%	2.0%	2.4%	2.7%	3.2%	5.5%	-1.4%	2.9%	-4.1%	4.4%	3.2%	-2.7%
3/17/2018	2.8%	1.9%	1.0%	2.2%	2.3%	2.4%	3.4%	2.9%	4.8%	3.0%	2.5%	3.2%	-2.3%
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%
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%	3.6%	-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%
YoY % change in Occupancy													
U.S.	Upper		Upper		Inde-		New	York	Boston	LA	Chicago	DC	
	Luxury	Upscale	Upscale	Midscale	Midscale	Economy							
1/6/2018	3.6%	7.8%	4.6%	-4.6%	5.0%	4.0%	3.7%	1.0%	8.2%	15.8%	3.6%	8.3%	3.9%
1/13/2018	0.2%	-0.7%	-1.7%	-1.3%	-0.6%	-1.2%	0.6%	2.3%	0.5%	-1.5%	-5.0%	-7.1%	-1.1%
1/20/2018	-1.5%	-1.1%	-3.6%	-1.4%	-0.2%	-0.4%	0.7%	-3.5%	4.8%	0.7%	-1.5%	3.1%	-21.2%
1/27/2018	0.6%	3.8%	0.8%	-1.1%	-1.1%	-0.5%	0.8%	2.1%	5.7%	1.6%	-0.9%	23.6%	-10.8%
2/3/2018	1.4%	2.5%	1.6%	1.4%	2.2%	0.6%	0.4%	0.9%	5.3%	4.7%	-3.7%	8.8%	1.0%
2/10/2018	-0.2%	1.2%	-1.7%	-0.9%	0.0%	0.0%	0.7%	-0.3%	1.8%	1.9%	-3.9%	-0.3%	-4.2%
2/17/2018	1.2%	4.6%	1.0%	0.8%	0.2%	-0.1%	0.9%	1.9%	3.6%	-1.5%	2.3%	7.5%	1.9%
2/24/2018	0.0%	2.3%	-0.8%	-0.1%	0.4%	0.2%	0.2%	-0.6%	2.2%	1.3%	1.8%	4.3%	-0.5%
3/3/2018	1.7%	1.7%	1.5%	1.7%	2.9%	1.7%	0.1%	1.2%	0.4%	8.3%	1.1%	0.4%	6.7%
3/10/2018	1.1%	1.5%	1.7%	1.5%	2.1%	1.6%	-0.3%	-0.2%	2.2%	8.5%	2.4%	5.1%	0.8%
3/17/2018	1.0%	3.3%	2.1%	2.4%	1.8%	-0.3%	-0.9%	-0.1%	6.5%	12.7%	-2.7%	6.0%	4.1%
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%
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	0.8%	-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%	-0.5%	-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%

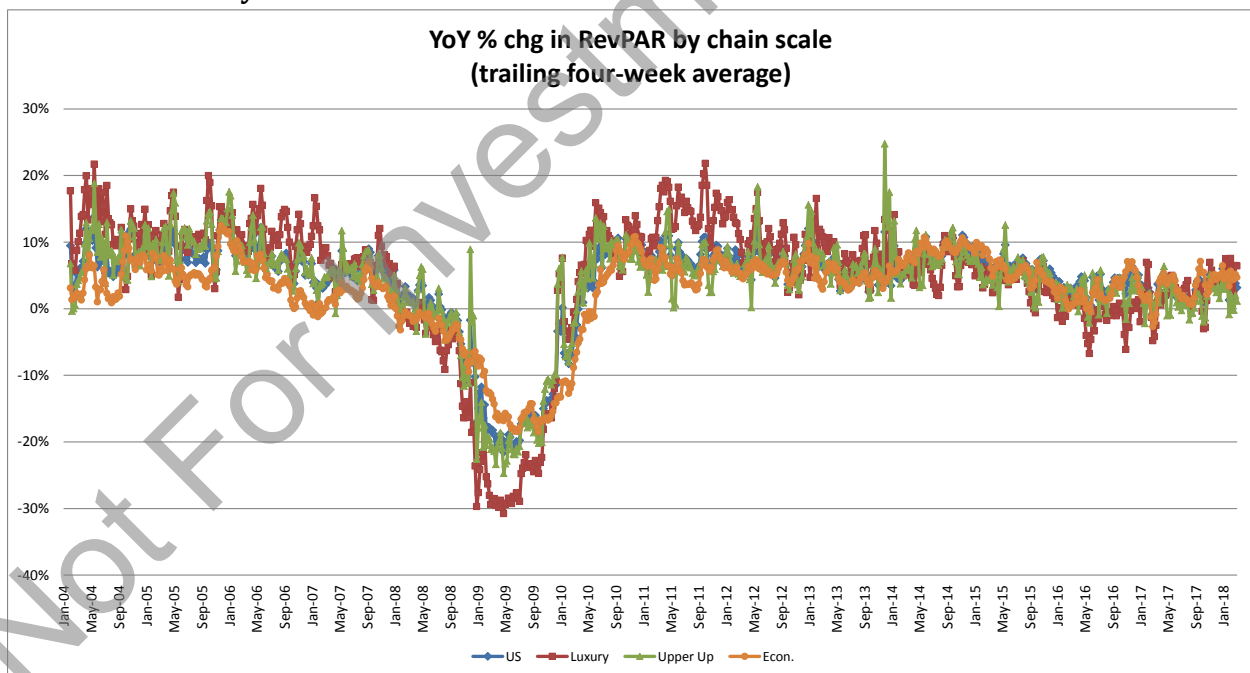
Source: STR data, STRH research

## RevPAR Component Trends

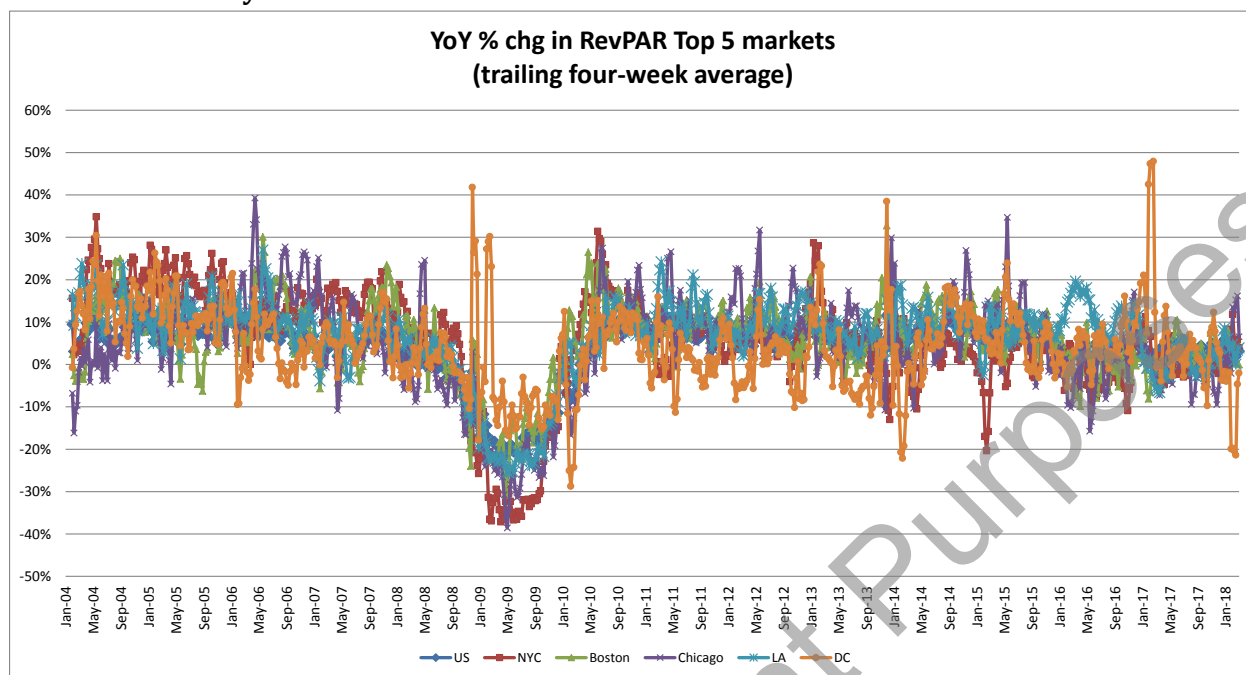


Source: STR data, STRH research

## 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 4/10/18	Rating	PT*	% upside down- side	2019E EBITDA (\$M)	Target EV/EBITDA Multiple	Risks
Chesapeake Lodging Trust	CHSP	\$27.85	Hold	\$26	-7%	\$191	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	\$79.10	Hold	\$82	4%	\$333	15.0X	Upside risk: conservative guidance. Downside risk: big catalyst of special dividend already baked into the stock.
DiamondRock Hospitality	DRH	\$10.20	Hold	\$11	8%	\$260	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	\$18.25	Hold	\$20	10%	\$1,520	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	\$74.06	Hold	\$80	8%	\$825	13.9X	Upside risk: Transient and group trends outperform expectations Downside risk: ongoing misexecution and volatility.
Bluegreen Vacations Corporation	BXG	\$22.28	Buy	\$21	-6%	\$184	7.9X	Downside risk: 3rd party induced defaults, worsen. Middle market customers underperform.
Hilton Grand Vacations	HGV	\$42.71	Buy	\$50	17%	\$465	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	\$75.01	Buy	\$92	23%	\$2,267	15.6X	Downside risk: overhang from remaining big sponsor ownership, slowing pipeline
InterContinental Hotels	IHG	\$60.93	Hold	\$66	8%	\$991	14.5X	Upside risk: further acceleration in returning capital to shareholders. Downside risk: trends continue to worsen in Greater China
ILG	ILG	\$30.99	Buy	\$34	10%	\$436	11.1X	Downside risk: membership base erosion as chum outstrips new timeshare sales
LaSalle Hotel Properties	LHO	\$28.28	Hold	\$24	-15%	\$313	12.5X	Upside risk: ability to increase dividend. Downside risk: heavy D.C. exposure.
Marriott International	MAR	\$129.84	Hold	\$128	-1%	\$3,731	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 U.S. Geopolitical and policy risks negatively impact lodging demand.
Marriott Vacations	VAC	\$129.19	Hold	\$149	15%	\$355	11.1X	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	\$26.18	Buy	\$32	22%	\$745	12.6X	Downside risk: Significant supply growth and macroeconomic challenges/shocks.
RLJ Lodging Trust	RLJ	\$19.27	Hold	\$21	9%	\$549	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	\$76.42	Hold	\$70	-8%	\$444	12.3X	Upside risk: recovering group demand better than expected, better margin recovery. Downside risk: booking issues stickier than expected.
Sunstone Hotel Investors	SHO	\$14.42	Hold	\$15	4%	\$331	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 Worldwide Corp	WYN	\$109.36	Buy	\$131	20%	\$1,436	10.6X	Downside risk: the timeshare business is especially vulnerable to economic softness.

\* 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

**PK: Valuation and Risks**

Our \$32 price target is based on an 12.5x multiple on our 2019 EBITDA estimate. This multiple is in-line with portfolio quality.

Downside risk: Significant supply growth and macroeconomic challenges/shocks. Press reports (FT, Bloomberg, others) have indicated possible financial difficulties at HNA, a 25% holder of PK shares. If HNA should have to liquidate PK we believe this would create near-term pressure on the shares.

**HLT: Valuation and Risks**

We apply a blended multiple of 15.6x (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 \$92. This multiple is towards the higher end of the historical range of 10x-16x.

Risks include:

**Press reports** (FT, Bloomberg, etc.) **have indicated possible financial difficulties at HNA, a 25% holder of HLT shares.** If HNA should have to liquidate HLT we believe this would create near-term pressure on the shares. Separately, HNA interests (as a travel industry conglomerate) could conflict with other shareholders.

**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.

**H: Valuation and Risks**

Our price target of \$80 for H is derived by applying a 13.9x 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.

**MAR: Valuation and Risks**

Our price target of \$128 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.

**LHO: Valuation and Risks**

Our price target of \$24 for LHO is derived by applying a 12.5X target EV/EBITDA multiple (a premium to the industry given most of the portfolio is unbranded and therefore unencumbered by franchise/management contracts) to our estimate for 2019 EBITDA.

Upside risk: ability to increase dividend. Downside risk: heavy D.C. exposure.



### Companies Mentioned in This Note

**Bluegreen Vacations Corporation** (BXG, \$22.28, Buy, C. Patrick Scholes)  
**Choice Hotels International, Inc.** (CHH, \$79.10, Hold, C. Patrick Scholes)  
**Chesapeake Lodging Trust** (CHSP, \$27.85, Hold, C. Patrick Scholes)  
**DiamondRock Hospitality Company** (DRH, \$10.20, Hold, C. Patrick Scholes)  
**Hyatt Hotels Corporation** (H, \$74.06, Hold, C. Patrick Scholes)  
**Hilton Grand Vacations Inc.** (HGV, \$42.71, Buy, Bradford Dalinka)  
**Hilton Worldwide Holdings Inc.** (HLT, \$75.01, Buy, C. Patrick Scholes)  
**Host Hotels & Resorts, Inc.** (HST, \$18.25, Hold, C. Patrick Scholes)  
**InterContinental Hotels Group PLC** (IHG, \$60.93, Hold, C. Patrick Scholes)  
**ILG, Inc.** (ILG, \$30.99, Buy, C. Patrick Scholes)  
**LaSalle Hotel Properties** (LHO, \$28.28, Hold, C. Patrick Scholes)  
**Marriott International, Inc.** (MAR, \$129.84, Hold, C. Patrick Scholes)  
**Park Hotels & Resorts Inc.** (PK, \$26.18, Buy, C. Patrick Scholes)  
**Ryman Hospitality Properties, Inc.** (RHP, \$76.42, Hold, C. Patrick Scholes)  
**RLJ Lodging Trust** (RLJ, \$19.27, Hold, C. Patrick Scholes)  
**Sunstone Hotel Investors, Inc.** (SHO, \$14.42, Hold, C. Patrick Scholes)  
**Marriott Vacations Worldwide Corporation** (VAC, \$129.19, Hold, C. Patrick Scholes)  
**Wyndham Worldwide Corporation** (WYN, \$109.36, Buy, C. Patrick Scholes)  
Four Seasons (private)

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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, Bradford Dalinka, 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.

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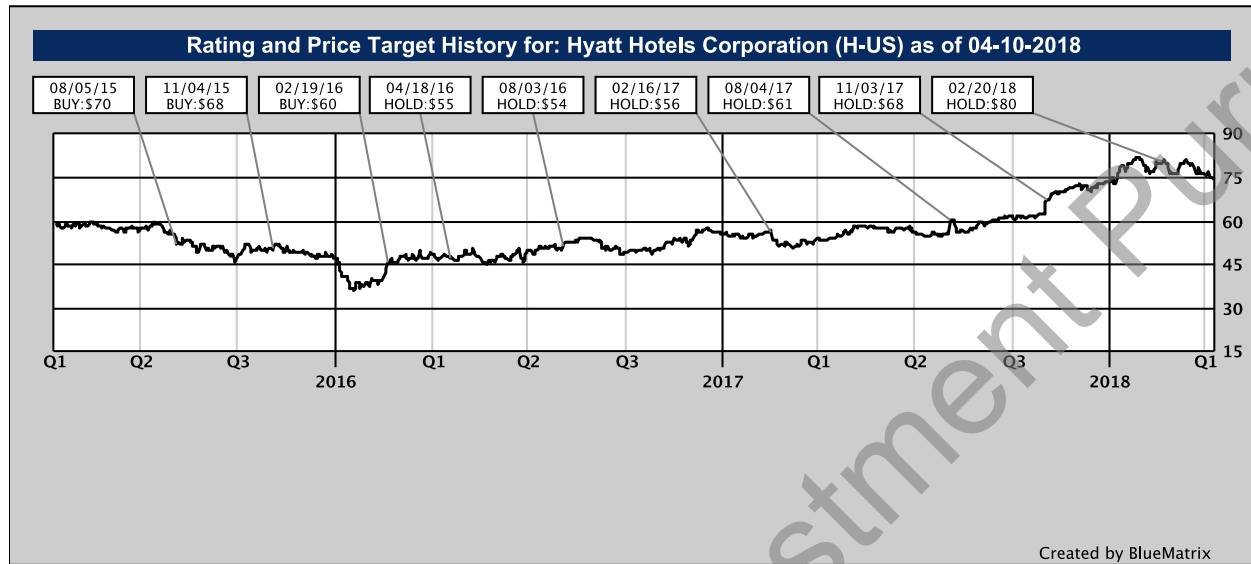
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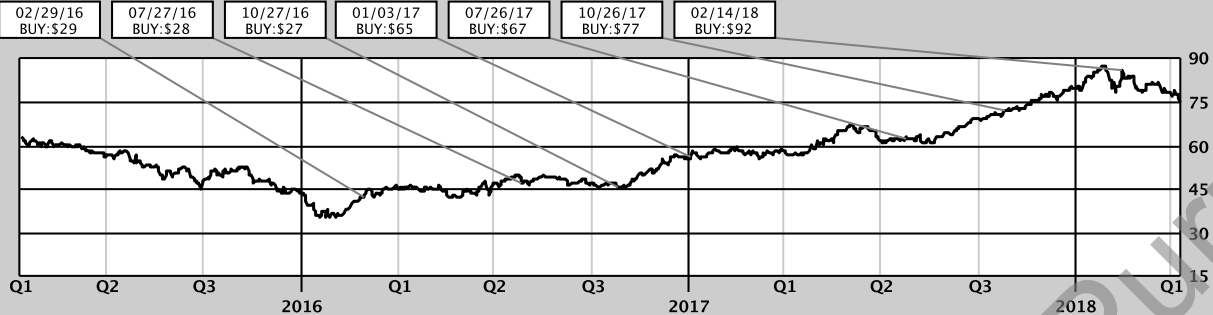


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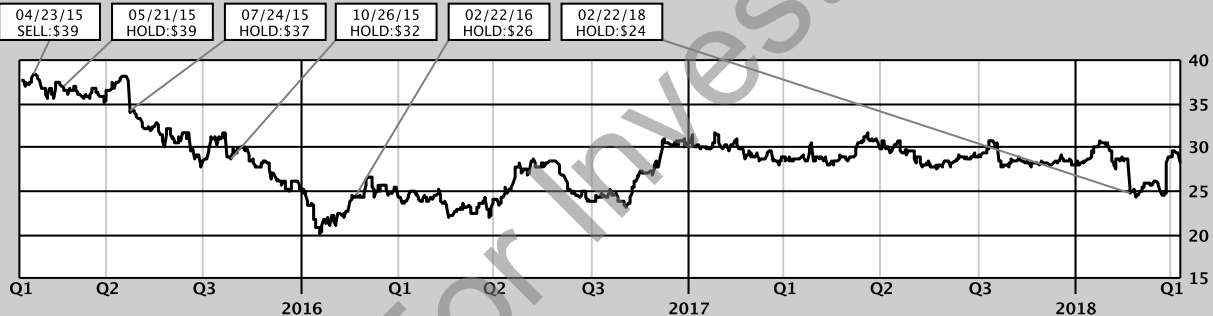


Rating and Price Target History for: Hilton Worldwide Holdings Inc. (HLT-US) as of 04-10-2018

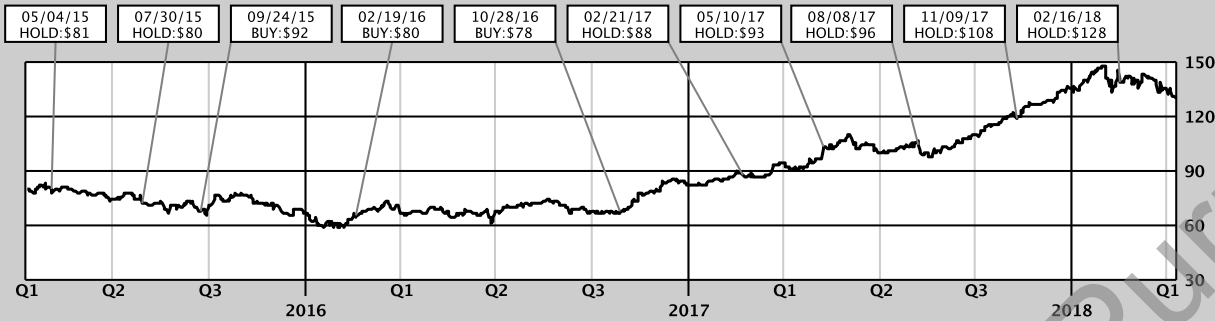


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Rating and Price Target History for: LaSalle Hotel Properties (LHO-US) as of 04-10-2018



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**Rating and Price Target History for: Marriott International, Inc. (MAR-US) as of 04-10-2018**


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**Rating and Price Target History for: Park Hotels & Resorts Inc. (PK-US) as of 04-10-2018**


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- Neutral – total return is within the bounds above
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