

CONSUMER: Lodging

C. Patrick Scholes

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

Gregory J. Miller

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

Barry Jonas

212-590-0998
Barry.Jonas@truist.com

Vishaal Shekara

212-319-5834
Vishaal.Shekara@truist.com

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Reasons for this report

✓ Our analysis of the most recent weekly US lodging results

Lodging: US RevPAR +1.2% y/y last week, +13.6% vs. 2019. Clean comp. Tough summer leisure, LA strength.

Overall U.S. RevPAR was +2.0% y/y for the week ending 8/12/2023, per STR, above the prior week's result of +1.2%, and above the trailing 10-week average of +1.4%. Versus 2019, RevPAR was +13.6%, above the prior week's result of +9.6%, and above the trailing 10-week average of +12.1%.

Last week was a clean comp. Supporting our view of domestic hotel leisure trends as overall lethargic on y/y, leisure-heavy Economy and Midscale segments continue to lag other group and business transient-supported chain scales. As anticipated, last week's results show a boost to (big market) LA and overall U.S. RevPAR from Taylor Swift's Era's Tour.

On the y/y comparison, RevPAR was down for Midscale (-1.0%) and Economy segments (-2.9%), driven by declining occupancies (-1.1% and -3.3% respectively) and close to flat ADR growth (0.1% and 0.3% respectively) for these properties.

LA RevPAR was up 13.5% y/y vs. the running 28-day average of 5.5% due to Taylor Swift's last six sold out shows being held in the city early last week. RevPAR declines in St. Louis (-22.1% y/y vs. the running 28-day average of +3.2%) driven by occupancy declines (-17.2% vs. the running 28-day average of -1.7%) partially offset the benefit to overall US numbers.

Major RevPAR statistics presented below:

- Luxury RevPAR: +3.1% y/y and +16.4% versus 2019;
- Upper Upscale RevPAR: +4.2% y/y and +4.6% versus 2019;
- Upscale RevPAR: +4.2% y/y and +7.5% versus 2019;
- Upper Midscale RevPAR: +1.5% y/y and +12.3% versus 2019;
- Midscale RevPAR: -1.0% y/y and +13.0% versus 2019;
- Economy RevPAR: -2.9% y/y and +9.6% versus 2019;
- Independent hotels (~ 1/3rd of the data set) RevPAR: +0.5% y/y and +20.1% versus 2019; and
- Within Upper Upscale & Luxury class hotels:
 - Group: +3.8% y/y vs. +4.8% prior week; versus 2019: +5.5% vs -2.4% prior week.
 - Transient: +1.6% y/y vs. +0.4% prior week; versus 2019: +15.7% vs +10.1% prior week.
- Las Vegas RevPAR: +8.5% y/y and +54.2% versus 2019.
 - **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 +2.0% y/y vs. the running 28-day average of +2.0% y/y.
- **Occupancy:** Absolute occupancy was 68.3% vs. 70.6% for the running 28-day average.
- **Absolute Group occupancy:** 17.7% last week vs. 19.6% for the running 28 days.

The lodging stocks: Overall, we continue to summarize our view on the lodging sector at the moment as one of “relative optimism,” though more so for the global C-Corps and less so for the hotel REITS.

- **Of the lodging stocks our favorite name continues to be Hyatt Hotels Corp. (H, Buy), which we see having several idiosyncratic catalysts.** Hyatt is a beneficiary of group strength primarily through its legacy portfolio but also to an extent due to the acquired Apple Leisure Group, the recovery of international higher-rated travel, and particular strength in leisure demand to the Caribbean and Europe, a continued push to asset-light, a leading global rooms pipeline, and improved FCF story. Hyatt generates approx. 30% of earnings from the group segment and 30% from its Caribbean-centric Apple Leisure Group business. **Our conviction on H was strengthened after Hyatt’s Investor Day and our tours** of three Apple Leisure Group properties in Mexico ([see our post-Investor Day/tours wrap-up note](#)).
 - **We view Playa Hotels & Resorts (PLYA, Buy) as a continued beneficiary of global leisure trends and excellent cash flow generation** in a time when operating leverage works to the favor of all-inclusive Caribbean/Mexico hotel owners.
- **For the hotel REITS, our favorite name is RHP.** With 75% of its business coming from groups/conventions, Ryman Hospitality Properties (RHP, Buy) has the greatest exposure to this customer segment and has no hotels located in the especially tech-heavy San Francisco area. We add that RHP’s hotels are likely benefiting from several “self-help” factors including having properties in better condition than some other big box comparables and convention centers as well as what has proven to be a smart strategy of maintaining their property-level salesforce during the peak of the pandemic. [RHP’s 1Q23 earnings results and forward commentary further bolster our enthusiasm for our Buy-rating.](#)
 - **We are cautious on U.S. resort hotel profitability especially at the full-service level given pressure on demand and increasing headwinds in higher-end leisure room rates.** While group strength may bridge some of the gaps, we remain cautious on the net impact to profitability. Names with high luxury leisure exposure especially following post-COVID acquisitions are Host Hotels & Resorts (HST, Hold), and Sunstone Hotel Investors (SHO, Hold). [For greater detail on operating revenue/expense trends and labor considerations, please see our latest Hotel P&L Analyzer note.](#)

Not for Investment Purposes

Weekly RevPAR Summary

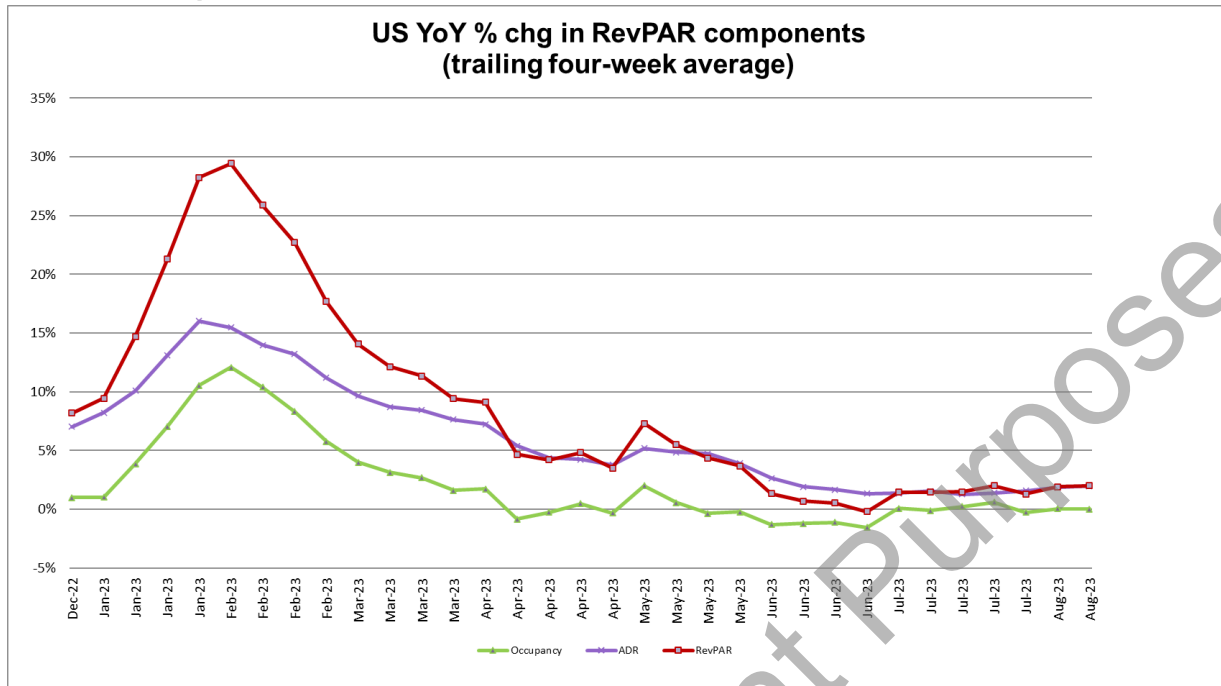
| YoY % change in RevPAR | | | | | | | | | | | | | |
|--------------------------------------------|-------|--------|---------|---------|----------|----------|---------|------------------|--------|--------|--------|---------|--------|
| | U.S. | Upper | | | Upper | | | Inde- pendent | New | | | | |
| | | Luxury | Upscale | Upscale | Midscale | Midscale | Economy | | York | Boston | LA | Chicago | DC |
| 6/17/2023 | 1.5% | -1.6% | 3.4% | 3.4% | 1.6% | -2.3% | -4.5% | 0.4% | 3.3% | -10.9% | 13.3% | 3.5% | 7.2% |
| 6/24/2023 | -0.1% | -3.3% | -0.1% | 2.2% | 1.5% | -2.3% | -3.6% | -1.9% | -2.2% | 4.8% | 3.5% | -6.5% | 4.6% |
| 7/1/2023 | 5.7% | 1.8% | 9.5% | 9.4% | 7.7% | 3.0% | 0.2% | 1.2% | 21.1% | 30.9% | -1.6% | 7.8% | 18.6% |
| 7/8/2023 | -1.2% | 0.3% | 0.6% | -2.6% | -3.2% | -4.5% | -3.5% | 0.2% | 14.7% | -0.4% | -1.3% | -4.3% | -2.0% |
| 7/15/2023 | 1.6% | -1.8% | 3.1% | 3.9% | 2.1% | -1.0% | -1.8% | 0.1% | 5.7% | 4.2% | -1.7% | -8.9% | 8.6% |
| 7/22/2023 | 2.0% | 0.3% | 5.3% | 4.5% | 3.0% | -0.7% | -3.5% | -1.2% | 21.2% | 16.2% | -4.8% | 8.8% | 18.9% |
| 7/29/2023 | 2.9% | 1.5% | 4.8% | 5.7% | 3.0% | 0.1% | -2.6% | 0.9% | 22.0% | 4.4% | 0.4% | -8.8% | 15.5% |
| 8/5/2023 | 1.2% | 3.2% | 3.4% | 3.2% | 0.8% | -1.7% | -3.7% | -0.8% | 23.3% | 25.4% | 15.5% | 13.5% | 15.2% |
| 8/12/2023 | 2.0% | 3.1% | 4.2% | 4.2% | 1.5% | -1.0% | -2.9% | 0.5% | 16.3% | 5.4% | 23.0% | 6.1% | 6.1% |
| Clean comp, soft summer leisure | | | | | | | | | | | | | |
| Upper Upscale and Upscale led the industry | | | | | | | | | | | | | |
| LA and New York led the Top 5 markets | | | | | | | | | | | | | |
| 1Q19 | 1.5% | -0.7% | 1.2% | -0.5% | 0.4% | -0.1% | 1.9% | 3.1% | -7.1% | -2.1% | -1.7% | -4.5% | -2.4% |
| 2Q19 | 1.1% | 1.1% | 0.5% | -0.4% | 0.0% | -0.7% | 1.7% | 2.4% | -1.8% | 4.5% | 1.6% | -0.1% | -1.5% |
| 3Q19 | 0.7% | 1.3% | 1.1% | -0.5% | -0.1% | -1.0% | -0.9% | 1.6% | -2.2% | -0.4% | -0.2% | -2.2% | 4.5% |
| 4Q19 | 0.7% | 3.6% | 1.0% | -0.6% | -1.0% | -2.7% | -1.5% | 2.3% | -4.1% | -11.6% | -1.1% | -0.7% | 5.2% |
| 1Q22 | 67.2% | 112.3% | 127.2% | 69.7% | 51.0% | 38.2% | 24.3% | 58.3% | 97.1% | 137.1% | 115.2% | 85.1% | 58.1% |
| 2Q22 | 38.8% | 70.2% | 82.9% | 46.8% | 26.2% | 15.4% | 8.8% | 27.7% | 141.2% | 172.1% | 51.0% | 109.5% | 145.7% |
| 3Q22 | 16.6% | 27.7% | 36.6% | 22.5% | 10.8% | 3.5% | 0.0% | 11.3% | 67.4% | 59.9% | 21.4% | 48.1% | 54.6% |
| 4Q22 | 16.3% | 19.7% | 30.1% | 20.5% | 11.7% | 5.1% | 1.4% | 12.3% | 50.8% | 35.8% | 11.4% | 37.3% | 53.2% |
| 1Q23 | 16.7% | 16.0% | 29.8% | 20.4% | 13.4% | 4.8% | 0.8% | 12.9% | 46.6% | 35.0% | 11.6% | 26.6% | 56.7% |
| 2Q23 | 2.5% | -2.3% | 5.1% | 5.8% | 3.8% | -0.4% | -3.8% | -0.6% | 13.3% | 11.2% | 1.2% | 12.1% | 17.4% |

| YoY % change in ADR | | | | | | | | | | | | | |
|---------------------|-------|--------|---------|---------|----------|----------|---------|------------------|-------|--------|-------|---------|-------|
| | U.S. | Upper | | | Upper | | | Inde- pendent | New | | | | |
| | | Luxury | Upscale | Upscale | Midscale | Midscale | Economy | | York | Boston | LA | Chicago | DC |
| 6/17/2023 | 2.6% | 0.0% | 2.0% | 2.8% | 2.2% | 0.6% | 0.1% | 2.5% | 5.0% | -7.9% | 12.7% | 5.4% | 7.4% |
| 6/24/2023 | 0.9% | -1.5% | 0.8% | 1.8% | 1.5% | -0.3% | -0.6% | 0.0% | 0.8% | 2.9% | 1.5% | -1.9% | 5.8% |
| 7/1/2023 | 1.5% | -3.1% | 2.1% | 3.1% | 2.4% | 0.6% | -0.2% | -1.0% | 8.5% | 12.3% | -1.6% | 4.3% | 9.6% |
| 7/8/2023 | 1.2% | -0.8% | 0.0% | 0.4% | 0.9% | -0.4% | -0.2% | 1.3% | 3.0% | -0.5% | -2.0% | -2.9% | 0.4% |
| 7/15/2023 | 1.5% | -2.1% | 0.9% | 1.9% | 1.9% | 0.1% | 0.4% | 1.0% | 1.1% | 1.3% | -1.7% | -5.6% | 5.9% |
| 7/22/2023 | 1.5% | -2.9% | 1.2% | 1.9% | 2.0% | -0.4% | -0.1% | 0.2% | 8.3% | 9.9% | -4.3% | 4.8% | 9.1% |
| 7/29/2023 | 2.3% | -2.8% | 1.1% | 2.5% | 2.2% | 0.2% | 0.6% | 2.3% | 10.3% | 1.9% | -2.5% | -8.0% | 7.0% |
| 8/5/2023 | 2.2% | -0.5% | 1.5% | 2.6% | 1.9% | 0.1% | 0.7% | 1.5% | 11.6% | 11.5% | 7.7% | 9.2% | 7.1% |
| 8/12/2023 | 2.0% | -0.7% | 0.8% | 2.1% | 1.9% | 0.1% | 0.3% | 1.8% | 8.3% | 1.7% | 8.4% | 2.9% | 3.4% |
| 1Q19 | 1.1% | 2.2% | 2.5% | 1.0% | 0.8% | -0.2% | -0.3% | 1.0% | -3.8% | 0.7% | -1.0% | -2.4% | 1.5% |
| 2Q19 | 1.2% | 2.5% | 1.4% | 0.6% | 0.7% | -0.2% | 0.6% | 1.7% | -1.0% | 3.2% | 0.8% | -1.7% | 0.2% |
| 3Q19 | 0.8% | 1.5% | 1.3% | 0.2% | -0.1% | -0.5% | -0.5% | 1.6% | -1.9% | 0.9% | -0.2% | -2.8% | 4.0% |
| 4Q19 | 0.7% | 2.4% | 0.6% | -0.4% | -0.3% | -1.0% | -1.0% | 1.9% | -3.7% | -5.5% | 0.3% | -2.2% | 3.9% |
| 1Q22 | 37.5% | 21.0% | 39.7% | 34.1% | 27.3% | 20.8% | 17.3% | 34.0% | 52.2% | 50.5% | 61.8% | 41.1% | 31.7% |
| 2Q22 | 26.2% | 14.3% | 29.0% | 27.1% | 18.9% | 14.8% | 11.8% | 20.5% | 69.0% | 73.6% | 32.9% | 53.6% | 60.6% |
| 3Q22 | 11.6% | 6.7% | 12.6% | 13.3% | 7.6% | 5.9% | 4.2% | 8.9% | 32.6% | 30.0% | 14.6% | 25.4% | 25.5% |
| 4Q22 | 12.0% | 6.5% | 12.6% | 13.7% | 8.7% | 6.2% | 4.5% | 10.2% | 28.0% | 20.5% | 8.4% | 20.2% | 27.9% |
| 1Q23 | 10.2% | -1.9% | 8.4% | 11.0% | 8.1% | 4.7% | 3.8% | 9.1% | 13.4% | 15.6% | 3.8% | 11.5% | 24.4% |
| 2Q23 | 3.2% | -1.2% | 2.5% | 4.3% | 3.5% | 1.6% | 0.9% | 2.1% | 9.6% | 5.8% | 2.5% | 8.5% | 11.6% |

| YoY % change in Occupancy | | | | | | | | | | | | | |
|---------------------------|-------|--------|---------|---------|----------|----------|---------|------------------|-------|--------|-------|---------|-------|
| | U.S. | Upper | | | Upper | | | Inde- pendent | New | | | | |
| | | Luxury | Upscale | Upscale | Midscale | Midscale | Economy | | York | Boston | LA | Chicago | DC |
| 6/17/2023 | -1.1% | -1.6% | 1.3% | 0.5% | -0.6% | -2.9% | -4.6% | -2.1% | -1.6% | -3.3% | 0.5% | -1.8% | -0.2% |
| 6/24/2023 | -1.0% | -1.8% | -0.8% | 0.4% | 0.0% | -2.0% | -2.9% | -1.9% | -2.9% | 1.9% | 2.0% | -4.7% | -1.1% |
| 7/1/2023 | 4.1% | 5.1% | 7.2% | 6.2% | 5.2% | 2.3% | 0.4% | 2.3% | 11.6% | 16.6% | -0.1% | 3.3% | 8.2% |
| 7/8/2023 | -2.3% | 1.2% | 0.6% | -2.9% | -4.1% | -4.1% | -3.3% | -1.1% | 11.4% | 0.1% | 0.7% | -1.5% | -2.4% |
| 7/15/2023 | 0.1% | 0.2% | 2.2% | 1.9% | 0.2% | -1.1% | -2.1% | -0.9% | 4.6% | 2.8% | 0.0% | -3.5% | 2.6% |
| 7/22/2023 | 0.5% | 3.4% | 4.1% | 2.5% | 1.0% | -0.3% | -3.4% | -1.5% | 11.8% | 5.8% | -0.6% | 3.9% | 9.0% |
| 7/29/2023 | 0.6% | 4.4% | 3.6% | 3.1% | 0.8% | -0.1% | -3.1% | -1.4% | 10.6% | 2.4% | 3.0% | -0.8% | 7.9% |
| 8/5/2023 | -1.0% | 3.7% | 1.9% | 0.6% | -1.1% | -1.8% | -4.3% | -2.2% | 10.4% | 12.4% | 7.2% | 3.9% | 7.6% |
| 8/12/2023 | 0.0% | 3.9% | 3.3% | 2.1% | -0.4% | -1.1% | -3.3% | -1.3% | 7.3% | 3.7% | 13.5% | 3.2% | 2.6% |
| 1Q19 | 0.4% | -2.8% | -1.3% | -1.4% | -0.5% | 0.0% | 2.3% | 2.1% | -3.5% | -2.8% | -0.7% | -2.2% | -3.8% |
| 2Q19 | -0.1% | -1.4% | -0.9% | -1.0% | -0.7% | -0.6% | 1.1% | 0.7% | -0.7% | 1.3% | 0.8% | 1.7% | -1.7% |
| 3Q19 | -0.1% | -0.2% | -0.2% | -0.7% | 0.0% | -0.5% | -0.4% | 0.0% | -0.3% | -1.4% | 0.1% | 0.6% | 0.4% |
| 4Q19 | -0.1% | 1.2% | 0.4% | -0.2% | -0.8% | -1.7% | -0.4% | 0.4% | -0.4% | -6.5% | 0.8% | 1.5% | 1.3% |
| 1Q22 | 56.2% | 54.0% | 53.2% | 60.3% | 59.4% | 52.3% | 55.5% | 54.2% | 29.5% | 57.6% | 33.0% | 31.2% | 20.1% |
| 2Q22 | 10.0% | 48.8% | 41.8% | 15.5% | 6.2% | 0.5% | -2.6% | 5.9% | 42.7% | 56.7% | 13.7% | 36.3% | 53.0% |
| 3Q22 | 4.5% | 19.7% | 21.3% | 8.1% | 2.9% | -2.3% | -4.0% | 2.2% | 26.3% | 23.0% | 5.9% | 18.1% | 23.2% |
| 4Q22 | 3.8% | 12.4% | 15.5% | 6.0% | 2.7% | -1.1% | -2.9% | 1.9% | 17.8% | 12.7% | 7.6% | 14.2% | 19.8% |
| 1Q23 | 5.9% | 18.3% | 19.8% | 8.5% | 4.9% | 0.1% | -2.9% | 3.5% | 29.3% | 16.8% | 7.5% | 13.6% | 25.9% |
| 2Q23 | -0.7% | -1.0% | 2.6% | 1.4% | 0.3% | -2.0% | -4.6% | -2.7% | 3.3% | 5.1% | -1.3% | 3.3% | 5.1% |

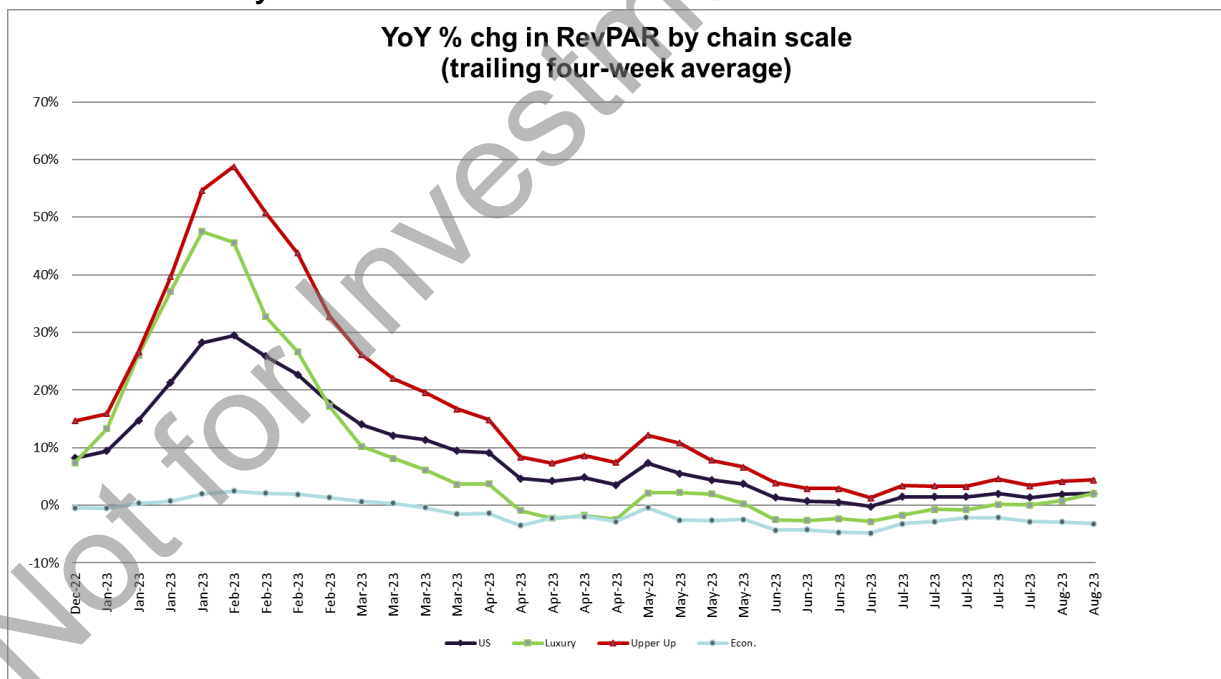
Source: STR data, Truist Securities research

RevPAR Component Trends



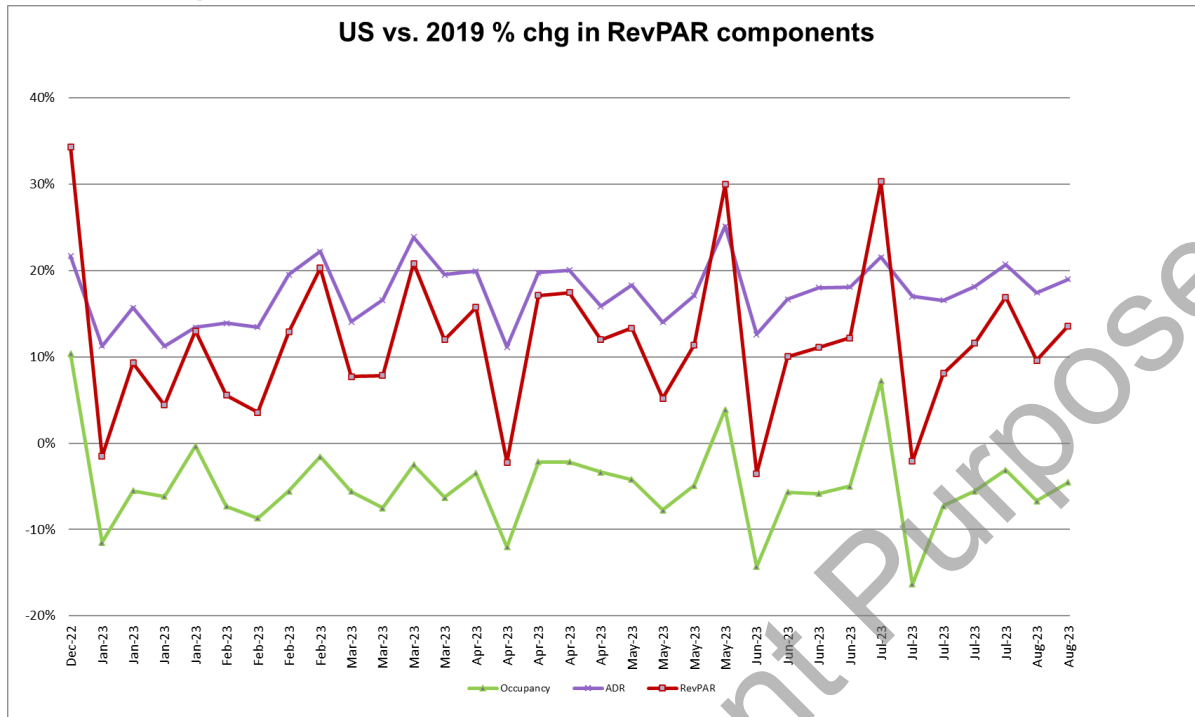
Source: STR data, Truist Securities research

RevPAR Trends by Chain Scale



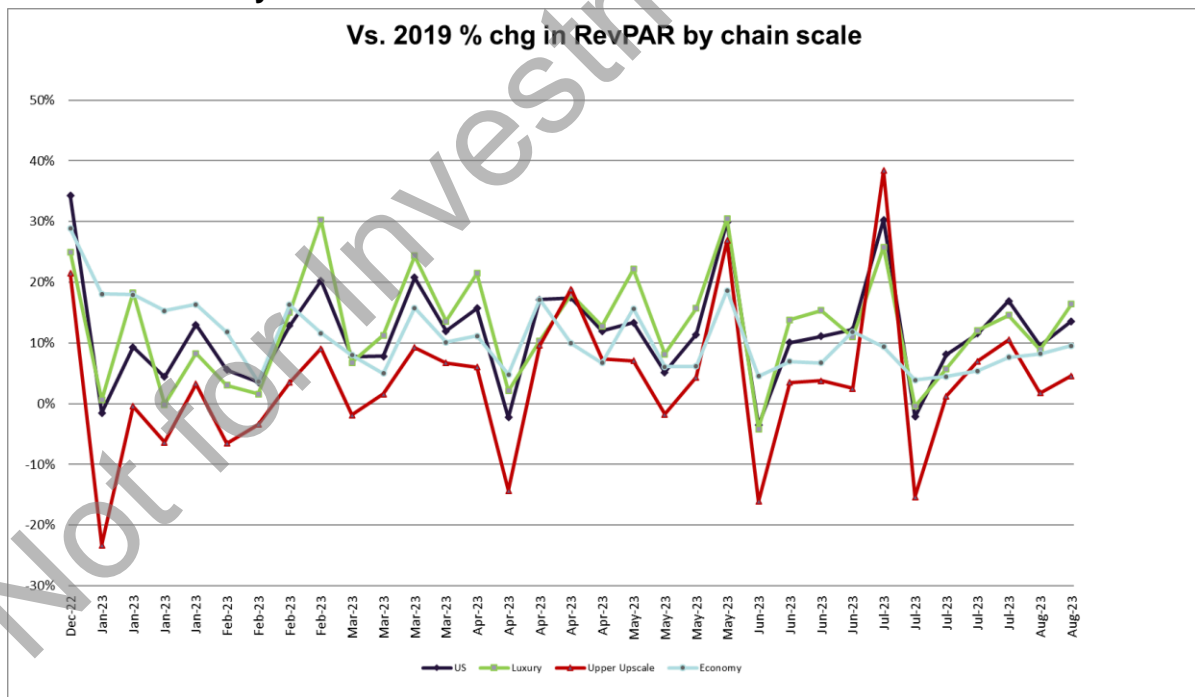
Source: STR data, Truist Securities research

RevPAR Component Trends



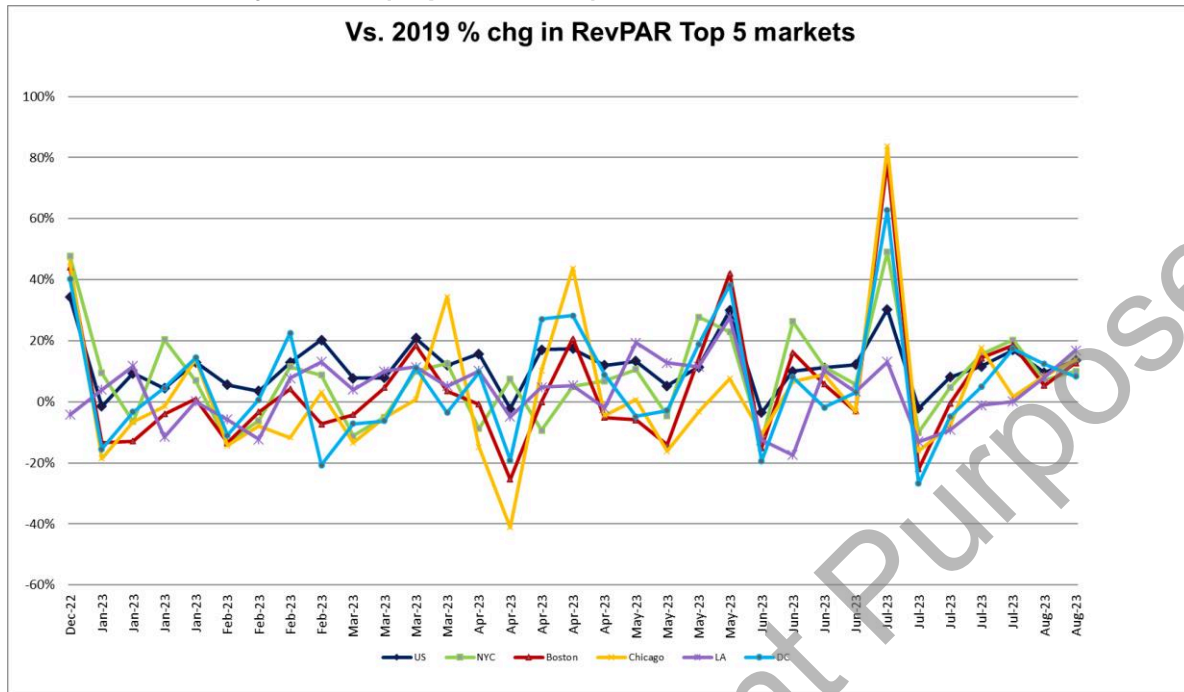
Source: STR data, Truist Securities research

RevPAR Trends by Chain Scale



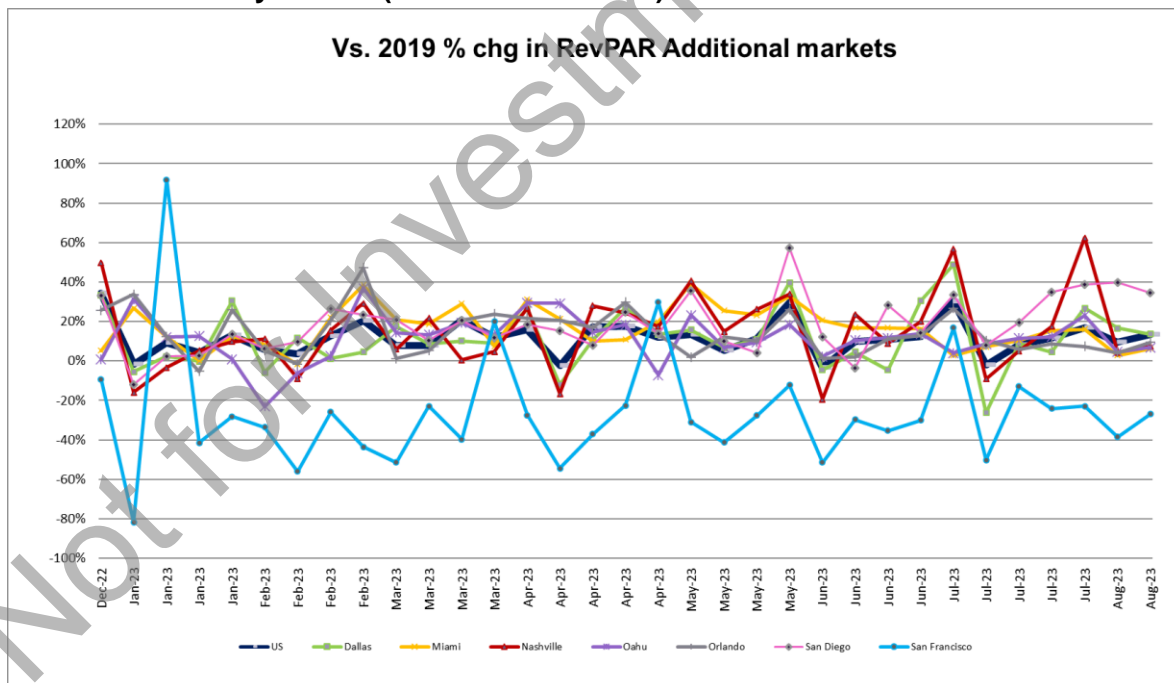
Source: STR data, Truist Securities research

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

H: Valuation and Risks

Our price target of \$149 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 2024 EBITDA. Our sum-of-the-parts analysis on our 2024 segment multiple assumptions include (12.5x owned EBITDA u/c, 16x fees EBITDA u/c) and other segments/ALG (10-12x, u/c).

Risks to our rating and price target: Lodging recovery takes longer than expected. Planned dispositions take longer than expected. Material labor issues to owned hotels. Regional risks to the Caribbean including material new competitive supply growth. H pipeline growth slower than expected. Apple Leisure Group underperforms Hyatt's guidance.

PLYA: Valuation and Risks

Our \$13 price target is based on a 10.5x multiple on our 2024E EBITDA estimate. This represents a ~2.0x turn discount to our full-service oriented Lodging C-corp coverage.

Downside risks: Various market and country-specific demand shocks, hurricanes, sargassum seaweed detracting from guest stays, material supply growth, insufficient airlift, low transaction pricing on comparable resorts, inability to complete growth initiatives, and country-specific risks such as crime (emerging market portfolio).

RHP: Valuation and Risks

Our price target of \$119 for RHP is derived by applying a 13.0x target EV/EBITDA multiple to our estimate for 2024 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.

SHO: Valuation and Risks

Our price target of \$11 is based on a 13.5x multiple (in-line with portfolio quality) on 2023E EBITDA.

Upside risks to our rating and price target: Quicker than expected recovery of corporate and group demand in SHO's markets. Above average group bookings in Orlando and Boston Park Plaza post-meeting space expansions. SHO buys hotels at accretive terms and quickly adds incremental EBITDA during the valuation period. (We expect SHO will be an acquirer and likely a very successful one given SHO's track record, although we see ROI CapEx gains more in the 2023+ period.)

Downside risks to our rating and price target: 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.

HST: Valuation and Risks

Our price target of \$21 for HST is derived by applying a 12.0x target EV/EBITDA multiple (a ~50 bps premium to the industry average given high portfolio quality and geographic diversification) to our estimate for 2023 EBITDA.

Upside risks include NYC outperforms or more properties are sold down at attractive multiples, macro demand recovery faster than anticipated, convention recovery faster than anticipated, stronger than expected performance by luxury leisure resorts on both the top-line and margins through the valuation year. Downside risks include extended industry downturn with particular impact to large big box hotels, weak recovery of international travel during the valuation period, macro demand shock impact to acquired resort assets, labor issues.

Companies Mentioned in This Note

Hyatt Hotels Corporation (H, \$114.81, Buy, C. Patrick Scholes)
Host Hotels & Resorts, Inc. (HST, \$16.02, Hold, C. Patrick Scholes)
Playa Hotels & Resorts N.V. (PLYA, \$7.23, Buy, C. Patrick Scholes)
Ryman Hospitality Properties, Inc. (RHP, \$85.43, Buy, C. Patrick Scholes)
Sunstone Hotel Investors, Inc. (SHO, \$9.06, Hold, 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

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H-US

The following companies are clients of Truist Securities, Inc. for investment banking services within the last 12 months: H-US and HST-US

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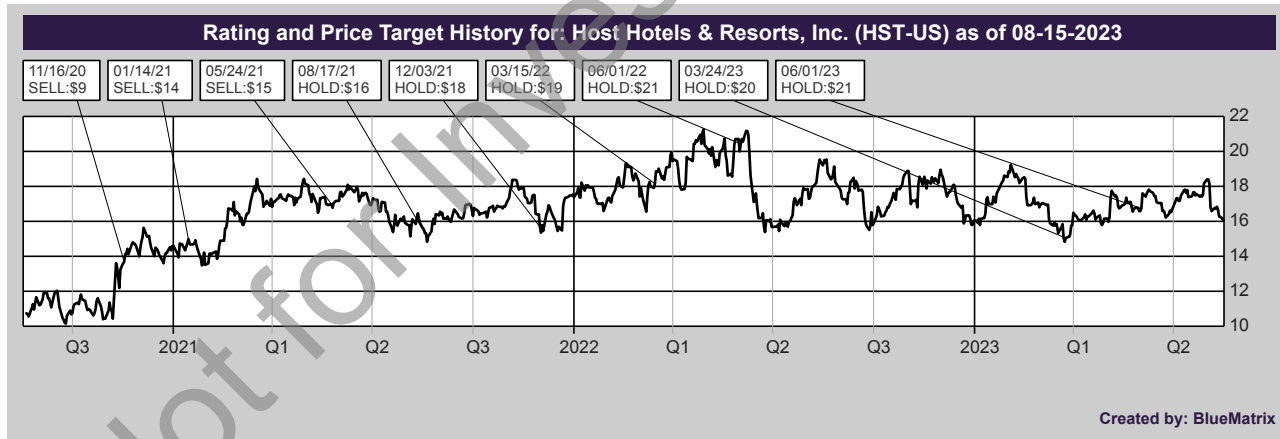
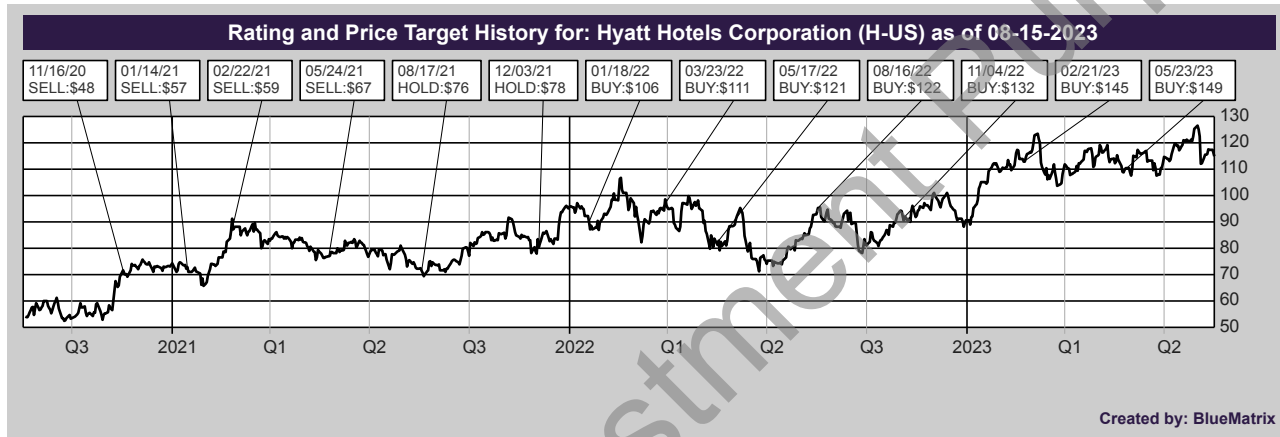
The following company is a client of Truist Securities, Inc. for non-securities-related services within the last 12 months: H-US

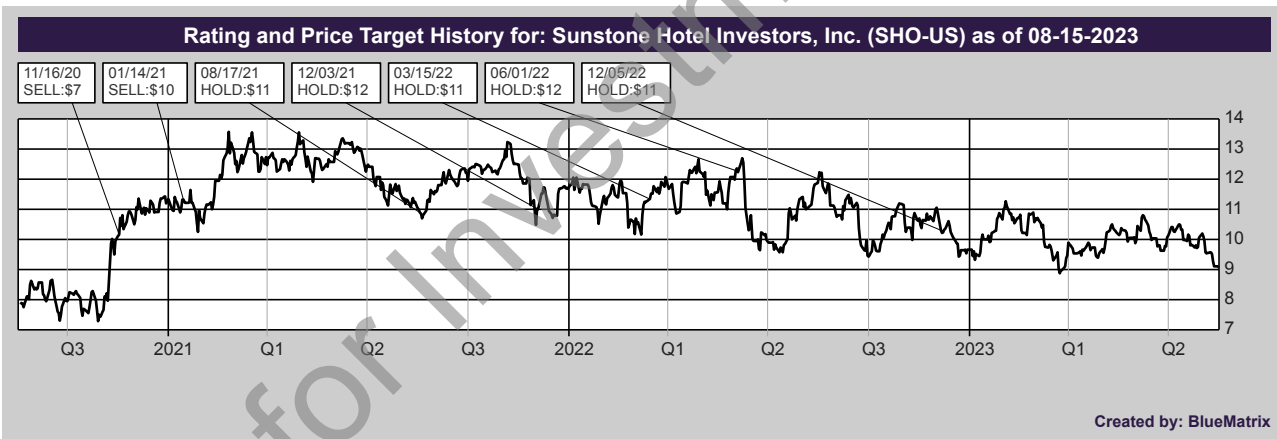
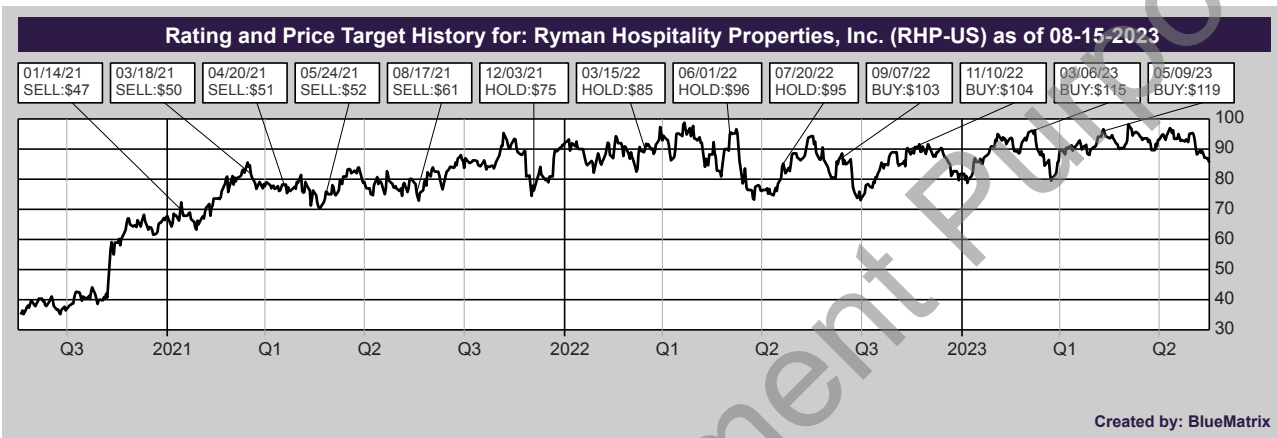
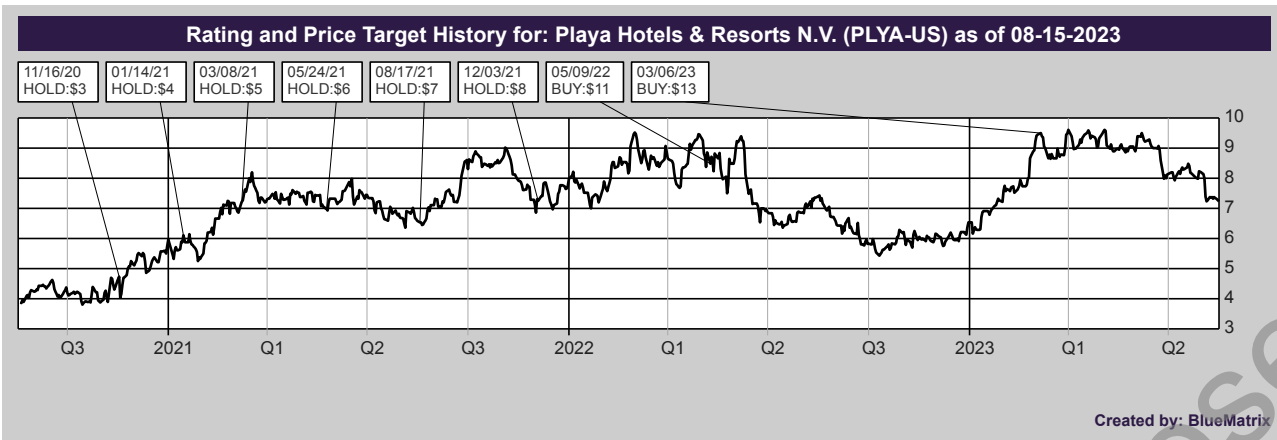
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Legend for Rating and Price Target History Charts:

B = Buy

H = Hold

S = Sell

D = Drop Coverage

CS = Coverage Suspended

NR = Not Rated

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| Coverage Universe | | | Investment Banking Clients Past 12 Months | | |
|-------------------|-------|---------|-------------------------------------------|-------|---------|
| Rating | Count | Percent | Rating | Count | Percent |
| Buy | 462 | 64.62% | Buy | 74 | 16.02% |
| Hold | 247 | 34.55% | Hold | 33 | 13.36% |
| Sell | 6 | 0.84% | Sell | 1 | 16.67% |

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