Lodging: US RevPAR +0.8% Y/Y Last Week; Rosh Hashanah y/y calendar shift helped

Relatively strong Group and full-service occupancy. Dorian benefited VA Beach.

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

What's Incremental To Our View

Overall U.S. RevPAR was +0.8% Y/Y for the week ending 9/14/2019, per STR, stronger than the prior week's result of -2.1%. (2-year stacked RevPAR was -2.8% vs -4.2% in the prior week.) Independent hotels (about 1/3rd of the data set) were +1.5% y/y. Luxury (+4.2%) was the strongest chain scale for branded hotels; Economy was the weakest at -3.8%. Upper Midscale (-1.1%) and Midscale (-3.6%) underperformed the industry average. Within Upper Upscale & Luxury class hotels, Group (+5.9% vs. -2.2% prior week) was stronger than Transient (+1.7% vs. -4.0% prior week).

There are a lot of moving parts in last week's STR results. The biggest impacts were the easy y/y comp from the holiday shift of the Jewish High Holidays and the impact from Hurricane Dorian to the Eastern Seaboard.

1. **Rosh Hashanah calendar shift:** The holiday occurred from Sunday, September 9th to Tuesday, September 11th last year. By comparison, this year the holiday starts on Sunday, September 29th. As a consequence of the calendar shift, there was an easy comp for corporate travel. Group RevPAR was +5.9% (occupancy was +3.0%) and corporate-related chain scales had the strongest performance. Luxury and Upper Upscale occupancy (+3.5% and +2.2%, respectively) were relatively strong. This benefit should reverse later in the month.
2. **Hurricane Dorian impact:** We view the impact as mixed depending on the market and distance from the storm. However, among the most pronounced impact was Norfolk/Virginia Beach (a small Top 25 market) where RevPAR was +114.2% on Friday and +203.4% on Saturday.

For 3Q QTD, we estimate that full-service branded domestic hotels (the typical Hilton [HLT, Buy], Hyatt [H, Hold], or Marriott [MAR, Hold] hotel) are flat to +0.5%. We estimate that the overall industry QTD is approximately +0.5%. Please note that reported monthly results include hotels that are not in the weekly data set.

Last week's RevPAR details:

- **Luxury was the strongest chain scale:** Upscale and Upper Midscale underperformed by 410 bps and 530 bps, respectively: Luxury RevPAR (+4.2%), Upper Upscale (+3.2%), Upscale (+0.1%), Upper Midscale

(-1.1%), Midscale (-3.6%), and Economy (-3.8%). Independent hotels (+1.5%) outperformed the headline U.S. RevPAR.

- **Within Upper Upscale & Luxury class hotels, Group outperformed Transient:** Transient segment (individual business and leisure travelers) RevPAR was +1.7% (vs. -4.0% last week) and Group segment RevPAR was +5.9% (vs. -2.2% last week).
- **D.C. (+24.7%) was the strongest of the top five markets:** Boston (-1.1%), Chicago (-12.0%), Los Angeles (-2.3%), and NYC (-2.9%).
- **Other relevant markets:**
  - **San Francisco was down (Moscone Convention Center expansion and renovation completed):** RevPAR was -2.6% vs. +3.7% last week.
  - **Florida markets were mixed given the hurricane impact:** Miami (+4.4% vs. -27.0% last week); Orlando (-5.6% vs. -13.7% last week).

The lodging stocks: We continue to favor C-Corps over hotel REITS (we favored hotel REITS for the first half of last year) and within C-Corps we prefer Buy-rated WH. In an environment of low RevPAR growth combined with gradually increasing wages/margin pressures, we think returns for hotel owners is a major headwind to EBITDA growth. We believe hotel stocks, but especially hotel REIT stocks, typically work best when there is a spark to RevPAR growth and at this moment we are not seeing such sparks like we did at this time one year ago.

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Weekly RevPAR Summary

	U.S.	Luxury	Upper Upscale	Upscale	Upper Midscale	Midscale	Economy	Inde-pendent	New York	Boston	LA	Chicago	DC
6/29/2019	**0.9%**	0.8%	1.0%	0.0%	0.3%	-1.4%	-1.5%	2.0%	4.5%	3.3%	-4.3%	-4.3%	-0.6%
7/6/2019	**5.2%**	5.7%	7.2%	4.4%	5.7%	3.6%	4.0%	4.6%	0.9%	9.7%	1.3%	0.3%	10.1%
7/13/2019	**-2.9%**	-3.0%	-3.3%	-3.7%	-3.1%	-3.8%	-2.8%	-2.6%	-4.6%	-4.0%	-0.5%	-6.9%	-3.8%
7/20/2019	**0.0%**	-0.4%	-0.4%	-0.2%	0.3%	-0.4%	-1.0%	-0.1%	-4.5%	3.0%	-2.9%	-6.8%	2.3%
7/27/2019	**-1.6%**	-3.1%	-2.3%	-2.4%	-1.4%	-1.9%	-2.3%	-0.9%	-6.4%	-2.2%	-5.1%	-8.0%	2.1%
8/3/2019	**-1.1%**	-2.6%	-1.0%	-1.5%	-0.3%	-1.4%	-1.8%	-1.3%	-3.4%	-10.7%	-2.9%	-9.0%	-1.4%
8/10/2019	**-1.0%**	-0.3%	0.2%	-2.0%	-1.8%	-3.0%	-2.7%	-0.2%	1.0%	4.6%	-4.3%	3.8%	-2.6%
8/17/2019	**-0.6%**	-3.6%	0.5%	-1.8%	-1.5%	-2.3%	-2.0%	0.9%	-2.4%	1.0%	-4.2%	-12.2%	2.4%
8/24/2019	**1.2%**	-0.9%	2.2%	0.5%	1.1%	0.5%	0.3%	1.6%	-6.6%	-6.1%	5.6%	4.1%	-1.5%
8/31/2019	**1.0%**	2.6%	3.1%	-0.2%	0.1%	-0.4%	-1.0%	1.0%	-3.5%	-5.5%	3.3%	4.2%	0.7%
9/7/2019	**-2.1%**	-2.4%	-2.7%	-4.0%	-0.5%	-0.4%	1.3%	-2.8%	-8.6%	-1.9%	3.4%	4.4%	-8.4%
9/14/2019	**0.8%**	4.2%	3.2%	0.1%	-1.1%	-3.6%	-3.8%	1.5%	-2.9%	-1.1%	-2.3%	-12.0%	24.7%

Noisy week; easy comp due to y/y Rosh Hashanah. Dorian impact.

Luxury and Upper Upscale led the industry

DC and Boston led the Top 5 markets

	U.S.	Luxury	Upper Upscale	Upscale	Upper Midscale	Midscale	Economy	Inde-pendent	New York	Boston	LA	Chicago	DC
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%
2Q18	4.0%	4.9%	3.4%	2.8%	3.0%	4.1%	3.1%	4.6%	4.2%	-1.2%	0.6%	4.0%	3.1%
3Q18	1.7%	3.3%	1.9%	0.8%	-0.5%	0.1%	1.8%	2.2%	0.7%	2.8%	1.3%	7.5%	-3.4%
4Q18	2.4%	3.0%	1.1%	0.0%	0.5%	1.3%	2.9%	4.9%	3.5%	12.2%	3.0%	2.8%	-3.4%
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%

YoY % change in ADR

	U.S.	Luxury	Upper Upscale	Upscale	Upper Midscale	Midscale	Economy	Inde-pendent	New York	Boston	LA	Chicago	DC
6/29/2019	**1.4%**	1.8%	1.9%	0.7%	0.2%	-0.5%	0.0%	2.4%	4.0%	4.7%	-0.7%	-2.6%	1.2%
7/6/2019	**2.6%**	3.6%	2.8%	1.1%	1.6%	1.7%	2.4%	3.2%	-0.8%	3.0%	1.4%	-3.5%	6.1%
7/13/2019	**-0.6%**	-0.1%	-0.1%	-1.1%	-0.6%	-1.0%	-1.4%	-0.3%	-3.9%	-0.7%	1.9%	-4.5%	0.8%
7/20/2019	**0.5%**	0.2%	0.5%	0.0%	0.6%	0.3%	-0.4%	0.7%	-3.7%	2.6%	-1.2%	-5.5%	1.4%
7/27/2019	**-0.5%**	-1.6%	-0.4%	-0.9%	-0.4%	-0.7%	-1.1%	-0.3%	-4.6%	-0.1%	-2.5%	-5.1%	3.7%
8/3/2019	**-0.3%**	0.3%	0.5%	-0.5%	-0.2%	-0.7%	-0.7%	-0.3%	-2.4%	-5.0%	-1.4%	-6.3%	1.1%
8/10/2019	**0.4%**	0.5%	1.4%	-0.5%	-0.5%	-0.8%	-1.1%	1.1%	-0.4%	4.0%	-1.5%	0.8%	1.3%
8/17/2019	**0.4%**	-0.1%	1.2%	-0.7%	-0.5%	-0.9%	-0.9%	1.8%	-1.9%	0.1%	-2.2%	-8.0%	2.9%
8/24/2019	**0.5%**	0.3%	1.2%	0.0%	0.3%	-0.4%	-0.3%	0.8%	-5.0%	-3.1%	2.0%	1.2%	-0.5%
8/31/2019	**1.4%**	1.9%	2.5%	0.5%	0.4%	-0.3%	-0.1%	2.1%	-3.3%	-2.8%	0.3%	0.8%	0.2%
9/7/2019	**-1.0%**	2.1%	-0.2%	-1.0%	-0.4%	-1.1%	-0.5%	-1.0%	-8.3%	-0.1%	0.4%	1.6%	-3.6%
9/14/2019	**0.8%**	0.6%	1.0%	0.0%	-0.7%	-1.2%	-1.4%	1.1%	-4.2%	1.8%	-2.1%	-9.7%	11.1%
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%
2Q18	2.9%	3.5%	2.9%	2.4%	2.1%	2.6%	2.7%	3.1%	3.7%	-0.1%	2.1%	3.3%	2.4%
3Q18	2.1%	3.3%	2.4%	1.8%	1.2%	1.3%	1.2%	1.9%	1.2%	1.9%	1.1%	6.7%	-0.8%
4Q18	2.0%	3.7%	2.2%	1.6%	1.1%	0.9%	0.6%	2.9%	3.4%	5.6%	1.4%	2.2%	-2.1%
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%

YoY % change in Occupancy

	U.S.	Luxury	Upper Upscale	Upscale	Upper Midscale	Midscale	Economy	Inde-pendent	New York	Boston	LA	Chicago	DC
6/29/2019	**-0.5%**	-1.1%	-0.9%	-0.6%	0.0%	-0.9%	-1.4%	-0.4%	0.4%	-1.4%	-3.7%	-1.7%	-1.8%
7/6/2019	**2.6%**	2.0%	4.4%	3.3%	4.1%	1.9%	1.6%	1.3%	1.7%	6.5%	-0.1%	3.9%	3.7%
7/13/2019	**-2.4%**	-3.0%	-3.2%	-2.6%	-2.5%	-2.8%	-1.4%	-2.3%	-0.7%	-3.3%	-2.3%	-2.5%	-4.5%
7/20/2019	**-0.5%**	-0.6%	-0.9%	-0.2%	-0.3%	-0.7%	-0.6%	-0.7%	-0.9%	0.4%	-1.7%	-1.3%	0.9%
7/27/2019	**-1.0%**	-1.5%	-1.9%	-1.5%	-0.9%	-1.2%	-1.3%	-0.6%	-1.9%	-2.1%	-2.6%	-3.1%	-1.5%
8/3/2019	**-0.8%**	-2.9%	-1.5%	-0.9%	0.0%	-0.7%	-1.0%	-1.0%	-1.1%	-6.0%	-1.5%	-2.9%	-2.5%
8/10/2019	**-1.4%**	-0.8%	-1.2%	-1.5%	-1.2%	-2.2%	-1.7%	-1.3%	1.4%	0.5%	-2.8%	2.9%	-3.9%
8/17/2019	**-1.0%**	-3.5%	-0.7%	-1.1%	-1.0%	-1.4%	-1.1%	-0.9%	-0.5%	0.9%	-2.1%	-4.6%	-0.5%
8/24/2019	**0.8%**	-1.2%	1.0%	0.5%	0.8%	1.0%	0.5%	0.8%	-1.7%	-3.1%	3.6%	2.9%	-1.0%
8/31/2019	**-0.4%**	0.7%	0.5%	-0.7%	-0.3%	-0.1%	-0.9%	-1.0%	-0.3%	-2.8%	3.0%	3.4%	0.5%
9/7/2019	**-1.1%**	-4.4%	-2.5%	-3.0%	-0.1%	0.7%	1.7%	-1.8%	-0.4%	-1.9%	3.0%	2.8%	-4.9%
9/14/2019	**0.0%**	3.5%	2.2%	0.1%	-0.3%	-2.4%	-2.5%	0.4%	1.4%	-2.8%	-0.2%	-2.5%	12.2%
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%
2Q18	1.1%	1.3%	0.5%	0.4%	0.9%	1.5%	0.4%	1.5%	0.5%	-1.1%	-1.4%	0.7%	0.7%
3Q18	-0.4%	0.0%	-0.5%	-1.0%	-1.7%	-1.1%	0.5%	0.3%	-0.5%	0.9%	0.2%	0.7%	-2.6%
4Q18	0.4%	-0.7%	-1.1%	-1.6%	-0.6%	0.4%	2.3%	1.9%	0.1%	6.3%	1.6%	0.6%	-1.3%
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%

Source: STR data, STRH research

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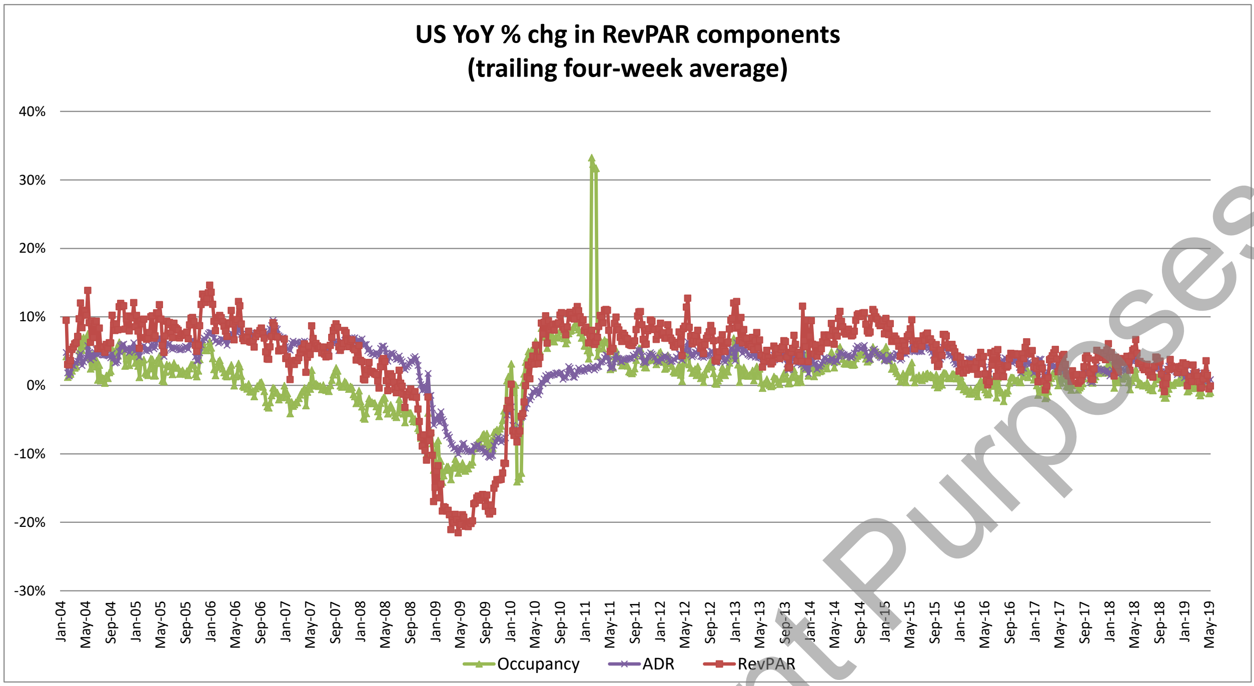
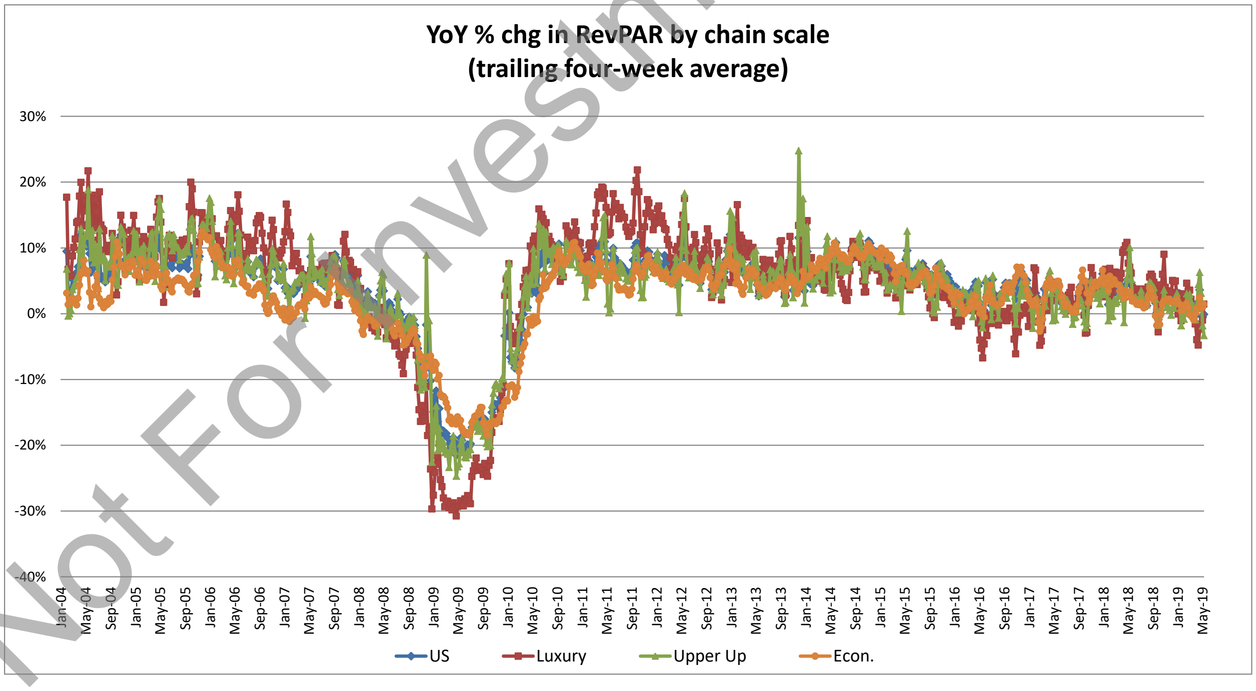
RevPAR Component Trends



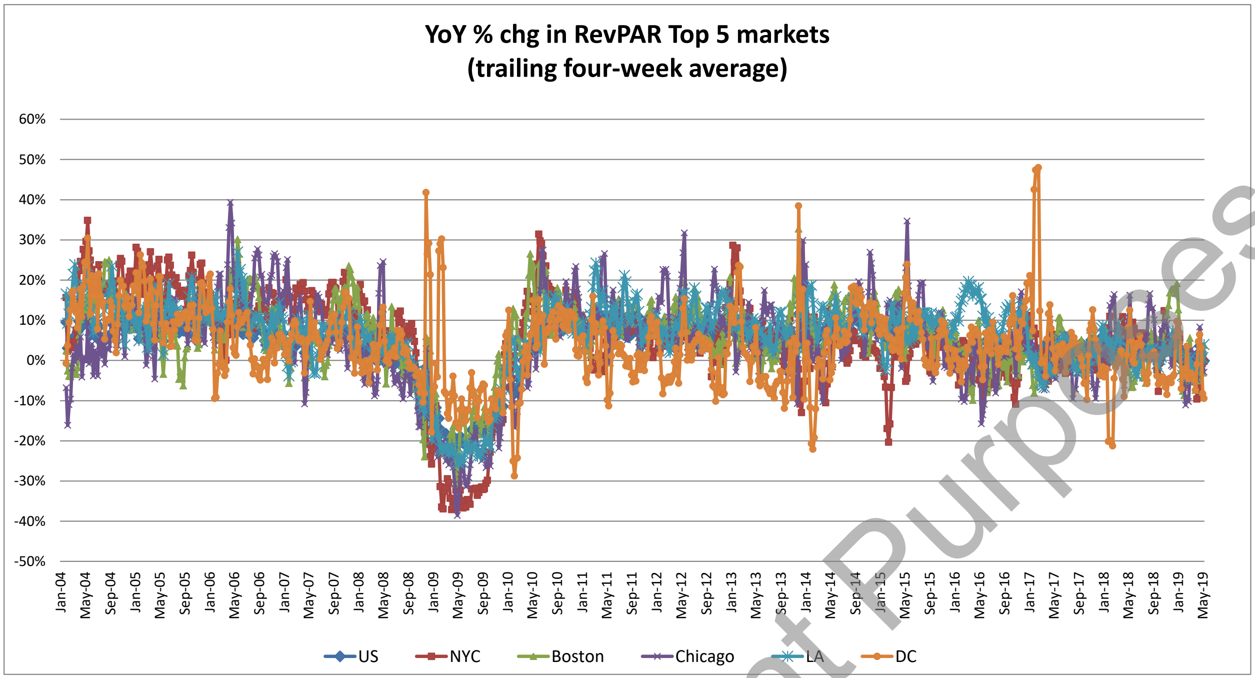
Source: STR data, STRH research

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 9/17/19	Rating	PT*	% upside down-side	2020E Valuation EBITDA ($M)* **	2020E As Reported EBITDA ($M)*	Target EV/EBITDA Multiple	Risks
Choice Hotels	CHH	$93.04	Hold	$87	-6%	$385	$385	14.0X	Upside risk: conservative guidance. Downside risk: slowdown in development opportunities.
DiamondRock Hospitality	DRH	$10.11	Hold	$11	9%	$264	$264	12.0X	Upside risk: specific markets (esp. NYC) perform better than expected. Downside risk: company unable to locate properties to buy.
Host Hotels & Resorts	HST	$17.25	Hold	$22	28%	$1,523	$1,523	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	$76.33	Hold	$82	7%	$808	$845	13.1X	Upside risk: Transient and group trends outperform expectations Downside risk: ongoing misexecution and volatility.
Bluegreen Vacations Corporation	BXG	$10.07	Hold	$16	59%	$144	$144	7.8X	Upside risk: Accelerating tour flow, FCF generation and declining consumer defaults. Downside risk: 3rd party induced defaults worsen. Middle market customers underperform.
Hilton Grand Vacations	HGV	$33.80	Buy	$51	51%	$462	$505	11.4X	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	$94.86	Hold	$99	4%	$2,386	$2,487	14.8X	Upside risk: Macro lodging trends improve beyond expectations. Downside risk: slowing pipeline. 2020 is a recession year in the U.S.
Marriott International	MAR	$130.56	Hold	$137	5%	$3,482	$3,796	14.8X	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: 2020 is a recession year in the US. Geopolitical and policy risks negatively impact lodging demand.
Marriott Vacations	VAC	$109.67	Buy	$149	36%	$758	$885	11.1X	Downside risk: M&A story fades and multiples revert to historical levels
Park Hotels & Resorts	PK	$25.88	Buy	$34	31%	$763	$778	12.6X	Downside risk: Significant supply growth, macroeconomic challenges/shocks, higher than expected labor costs.
Pebblebrook Hotel Trust***	PEB	$28.17	Hold	$34	21%	$486	$486	14.5X	Upside Risks: Material near-term incremental EBITDA from Legacy LHO assets. Downside Risks: Planned asset sales do not materialize as expected and/or at lower-than-expected pricing. Incremental EBITDA from major CapEx investments take longer than anticipated, resulting in multiple contraction.
Playa Hotels & Resorts	PLYA	$7.98	Buy	$13	63%	$218	$223	11.5X	Downside risk: demand shock, hurricanes, inability to complete 2021 growth initiatives, country-specific risks (emerging market portfolio)
RLJ Lodging Trust***	RLJ	$17.35	Sell	$14	-19%	$383	$395	11.0X	Upside risk: RevPAR reaccelerates due to macroeconomic improvements, leading to estimate revisions and multiple expansion.
Ryman Hospitality Properties	RHP	$81.60	Hold	$76	-7%	$533	$515	12.2X	Upside risk:recovering group demand better than expected, better margin recovery. Downside risk: booking issues stickier than expected.
Sunstone Hotel Investors	SHO	$13.80	Hold	$15	9%	$314	$314	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.
Vail Resorts, Inc.	MTN	$240.05	Buy	$247	3%	$776	$776	15.0X	Downside risk: Economic conditions, competition for vacation and ski dollars, stagnant skier visitation, an aging customer, and climate change.
Wyndham Destinations	WYND	$47.10	Buy	$72	53%	$1,032	$1,051	9.2X	Downside risk: The timeshare business is especially vulnerable to economic softness. There are potential execution risks post the spin off.
Wyndham Hotels & Resorts	WH	$53.01	Buy	$67	26%	$642	$672	13.0X	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 2020 EBITDA*
*** Valuation EBITDA excludes select items for specific companies including stock-based compensation.*
**** Covered by Gregory J. Miller*

Source: FactSet, STRH research

WH: Valuation and Risks

Our price target of $68 for WH is based on a 13.0x multiple (in line with portfolio quality/RevPAR relative to peers) of our 2020 EBITDA estimate.

Downside risk: slowdown in development opportunities. La Quinta synergies below expectations. La Quinta integration takes longer than anticipated. Macro demand headwinds.

HLT: Valuation and Risks

We apply a blended multiple of 14.8x (10.5x for Owned/leased and 15.0x for Managed/franchised) to our 2020 adjusted EBITDA estimate to derive a 12-month price target of $99. This multiple is towards the higher end of the historical range of 10x-16x.
Risks to our rating and price target:
Upside risks include: Higher than expected pipeline growth, material RevPAR growth (macroeconomic improvement beyond expectations), material market share gains. Downside 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 $131 price target is based on a 14.8x blended multiple on our 2020E EBITDA. In the parts, we assign a 13.0x multiple of EBITDA to the Owned segment and 15.0x fees EBITDA (the fees EBITDA also includes credit card branding fees, a 10x multiple business) to the managed/franchised business. The multiple is towards the higher end of the historical range of 9-18x.

Risks to our rating and price target:

Upside Risks: 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 Risks: 2020 could potentially be a recession year in the US. Geopolitical and policy risks negatively impact lodging demand.

H: Valuation and Risks

Our price target of $79 for H is derived by applying a 13.2x target EV/EBITDA multiple (a blended average of the industry multiples for each business segment) to our estimate for 2020 EBITDA. Our valuation model for Hyatt assumes an owned-hotel 2020 EBITDA multiple of 12.0x and a franchise/management fee EBITDA multiple of 14.0x.
Upside risk: transient and group trends outperform expectations.
Downside risk: ongoing misexecution and volatility.

Companies Mentioned in This Note

Bluegreen Vacations Corporation (BXG, $10.07, Hold, C. Patrick Scholes)
Choice Hotels International, Inc. (CHH, $93.04, Hold, C. Patrick Scholes)
DiamondRock Hospitality Company (DRH, $10.11, Hold, C. Patrick Scholes)
Hyatt Hotels Corporation (H, $76.33, Hold, C. Patrick Scholes)
Hilton Grand Vacations Inc. (HGV, $33.80, Buy, C. Patrick Scholes)
Hilton Worldwide Holdings Inc. (HLT, $94.86, Hold, C. Patrick Scholes)
Host Hotels & Resorts, Inc. (HST, $17.25, Hold, C. Patrick Scholes)
Marriott International, Inc. (MAR, $130.56, Hold, C. Patrick Scholes)
Vail Resorts, Inc. (MTN, $240.05, Buy, C. Patrick Scholes)

Pebblebrook Hotel Trust (PEB, $28.17, Hold, Gregory Miller)
Park Hotels & Resorts Inc. (PK, $25.88, Buy, C. Patrick Scholes)
Playa Hotels & Resorts N.V. (PLYA, $7.98, Buy, C. Patrick Scholes)
Ryman Hospitality Properties, Inc. (RHP, $81.60, Hold, C. Patrick Scholes)
RLJ Lodging Trust (RLJ, $17.35, Sell, Gregory Miller)
Sunstone Hotel Investors, Inc. (SHO, $13.80, Hold, C. Patrick Scholes)
Marriott Vacations Worldwide Corporation (VAC, $109.67, Buy, C. Patrick Scholes)
Wyndham Hotels & Resorts, Inc. (WH, $53.01, Buy, C. Patrick Scholes)
Wyndham Destinations, Inc. (WYND, $47.10, Buy, C. Patrick Scholes)

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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, 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.

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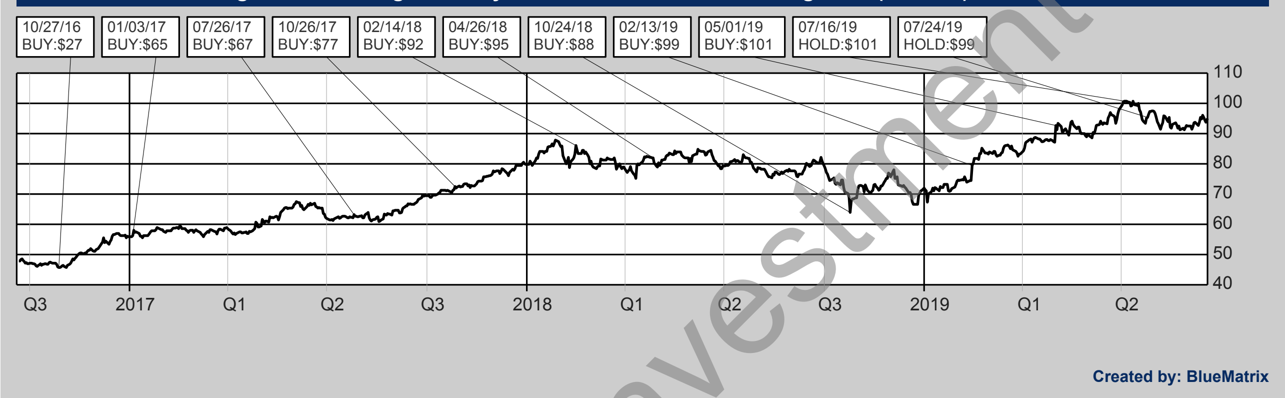
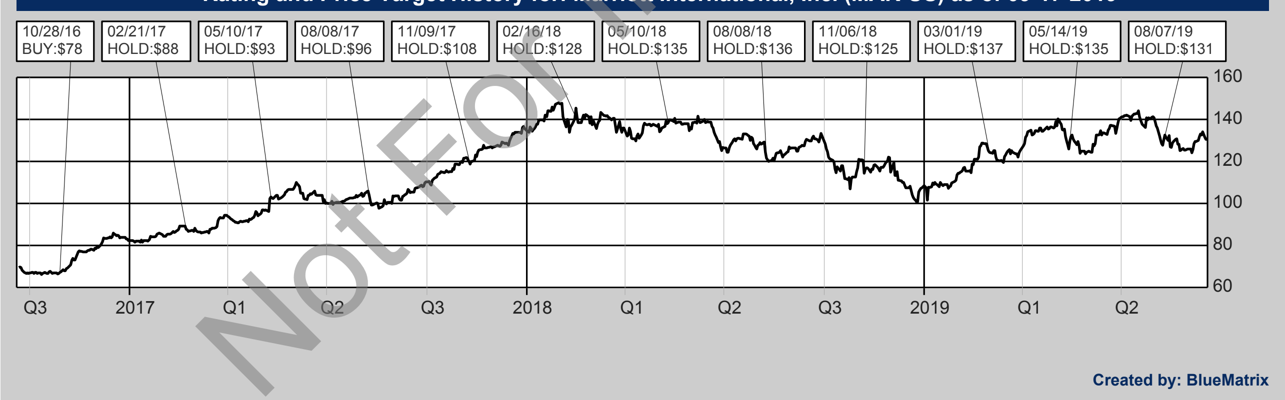
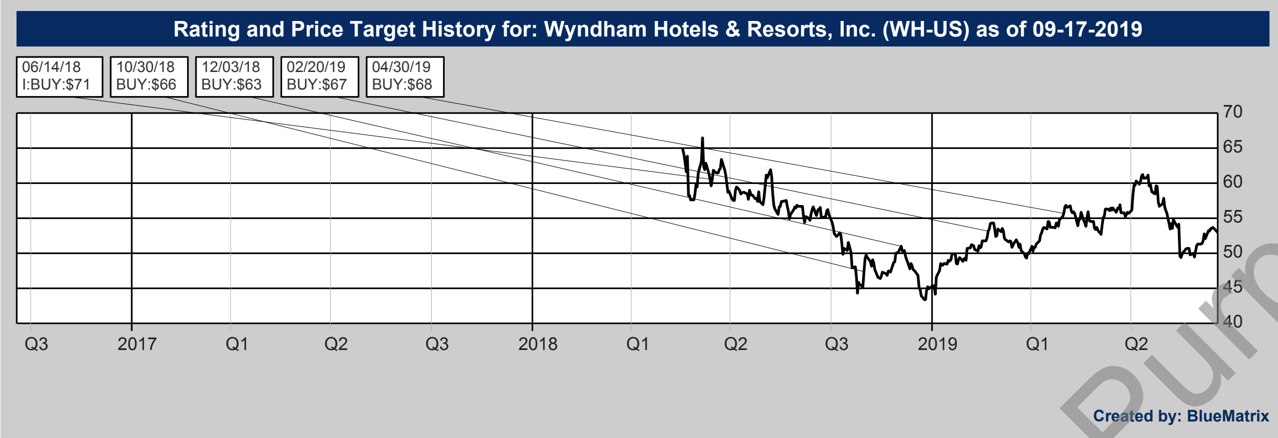
Rating and Price Target History for: Hyatt Hotels Corporation (H-US) as of 09-17-2019

Rating and Price Target History for: Hilton Worldwide Holdings Inc. (HLT-US) as of 09-17-2019



Rating and Price Target History for: Marriott International, Inc. (MAR-US) as of 09-17-2019





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Sell	7	1.08%	Sell	0	0.00%

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