Lodging: US RevPAR -7.5% Y/Y Last Week; Tough Rosh Hashanah comp as expected

We estimate 3Q RevPAR for full-service branded hotels at +0-1%

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What's Inside

Weekly STR results and analysis

What's Incremental To Our View

Overall U.S. RevPAR was -7.5% Y/Y for the week ending 10/5/2019, per STR, softer than the prior week's result of -0.8%. (2-year stacked RevPAR was -5.9% vs +8.2% in the prior week.) Independent hotels (about 1/3rd of the data set) were -6.1% y/y. Economy (-4.9%) was the "strongest" chain scale for branded hotels; Luxury was the weakest at -12.9%. Upper Midscale (-5.2%) and Midscale (-5.1%) outperformed the industry average. Within Upper Upscale & Luxury class hotels, Group (-19.6% vs. -8.9% prior week) was softer than Transient (-6.5% vs. +2.4% prior week) given the holiday calendar shift.

Last week's results reflected the tough holiday calendar shift (Rosh Hashanah on Sunday night to Tuesday in the 2019 data vs. a non-holiday week in 2018). As we anticipated, RevPAR was materially negative. We assume a continued tough comp in next week's results given Yom Kippur occurring today (a midweek holiday negatively impacts corporate travel more than a holiday at the beginning or end of the week). The negative RevPAR in late September/early October is a partial give-back from the +7.0% RevPAR growth for the week ending 9/21/19.

- The holiday comp was particularly tough for business-oriented hotels, with Group RevPAR -19.6% (vs. Transient of -6.5%). Business-focused chain scales had the worst performance with Luxury/Upper Upscale down low double digits (see below) although all chain scales and virtually every Top 25 market were negative.
- **Columbus Day also shifts in 2019** and there was likely some additional late week/weekend impact given the holiday was on October 8th in 2018 vs. October 14th in 2019.

As a rule of thumb when analyzing the weekly data, if Group results are abnormally strong or weak, which they were last week, there is a holiday shift going on.

For the month of September, we estimate that full-service branded domestic hotels (the typical Hilton [HLT, Hold], Hyatt [H, Hold], or Marriott [MAR, Hold] hotel) will finish +0.5-1.5% (our prior estimate was slightly positive). We estimate that the overall industry will finish approximately flat to -1% (unchanged from our prior estimate). Please note that reported monthly results include hotels that are not in the weekly data set.

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For 3Q, we estimate that full-service branded domestic hotels (the typical Hilton [HLT, Buy], Hyatt [H, Hold], or Marriott [MAR, Hold] hotel) will finish +0-1% (our prior estimate was flattish). We estimate that the overall industry will finish +0-1% (our prior estimate was slightly positive).

- **The 3Q results were somewhat better than we expected and we interpret the RevPAR results combined with *to-be-determined* market share gains by the C-corps to bring RevPARs within the low-end of 3Q guidance.**

Last week's RevPAR details:

- **Economy was the relatively strongest chain scale although all chain scales were negative:** Upscale and Upper Midscale underperformed by 300 bps and 30 bps, respectively: Luxury RevPAR (-12.9%), Upper Upscale (-11.3%), Upscale (-7.9%), Upper Midscale (-5.2%), Midscale (-5.1%), and Economy (-4.9%). Independent hotels (-6.1%) outperformed the headline U.S. RevPAR.
- **Within Upper Upscale & Luxury class hotels, Group underperformed Transient:** Transient segment (individual business and leisure travelers) RevPAR was -6.5% (vs. +2.4% last week) and Group segment RevPAR was -19.6% (vs. -8.9% last week).
- **Los Angeles (-5.7%) was the strongest of the top five markets although all were negative:** Boston (-22.3%), Chicago (-23.1%), NYC (-18.3%), and D.C. (-12.5%).
- **Other relevant markets:**
    - **San Francisco was down similar to other top markets (Moscone Convention Center expansion and renovation completed):** RevPAR was -14.2% vs. -21.3% last week.
    - **Florida markets were down:** Miami (-20.8% vs. -4.1% last week); Orlando (-4.2% vs.-24.2% 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.

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%
9/21/2019	**7.0%**	16.7%	10.7%	4.6%	2.7%	0.3%	0.0%	8.9%	12.4%	26.6%	7.9%	20.7%	24.4%
9/28/2019	**-0.8%**	0.6%	-2.7%	-2.5%	-0.5%	-0.6%	-1.3%	0.6%	1.7%	-12.0%	-2.6%	0.2%	0.9%
10/5/2019	**-7.5%**	-12.9%	-11.3%	-7.9%	-5.2%	-5.1%	-4.9%	-6.1%	-18.3%	-22.3%	-5.7%	-23.1%	-12.5%

Very tough comp due to Rosh Hashanah calendar shift

Economy and Midscale 'led' the industry

LA and DC '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

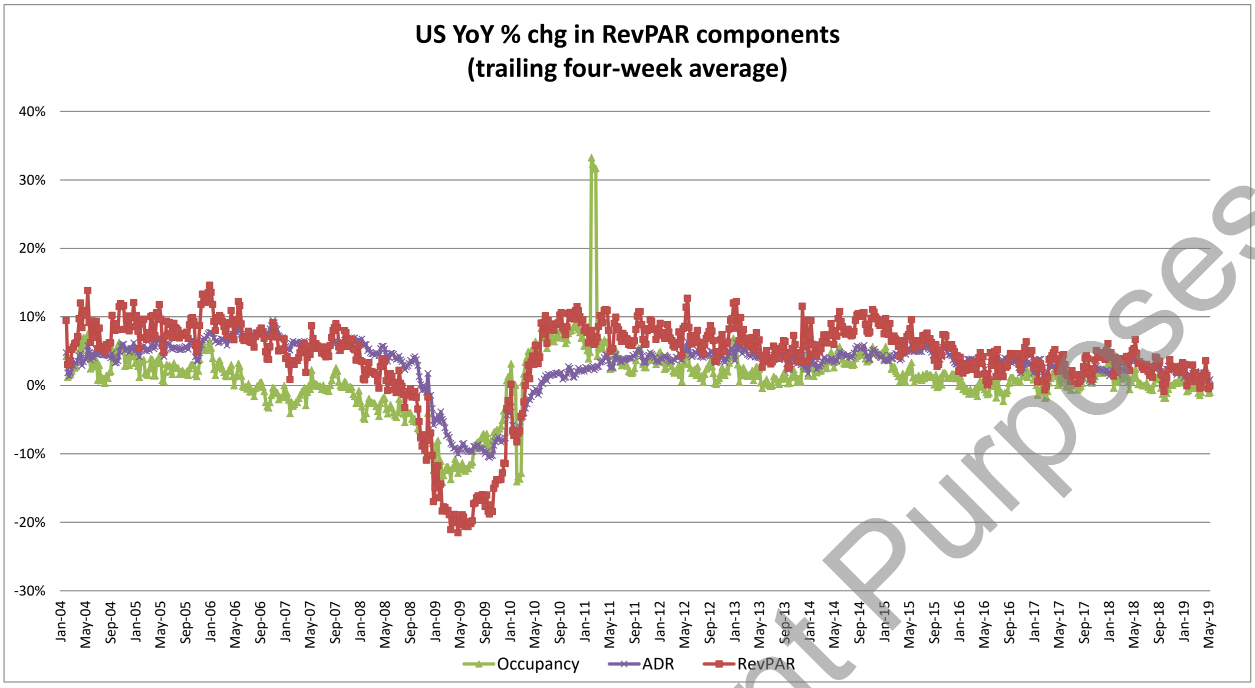
	U.S.	Luxury	Upper Upscale	Upscale	Upper Midscale	Midscale	Economy	Inde-pendent	New York	Boston	LA	Chicago	DC
6/29/2019	**1.4%**	1.8%	1.9%	0.7%	0.2%	-0.5%	0.0%	2.4%	4.0%	4.7%	-0.7%	-2.6%	1.2%
7/6/2019	**2.6%**	3.6%	2.8%	1.1%	1.6%	1.7%	2.4%	3.2%	-0.8%	3.0%	1.4%	-3.5%	6.1%
7/13/2019	**-0.6%**	-0.1%	-0.1%	-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%
9/21/2019	**4.8%**	6.8%	6.4%	3.0%	1.6%	0.2%	0.3%	5.9%	7.2%	17.7%	3.4%	9.8%	15.1%
9/28/2019	**-0.5%**	-0.2%	-1.3%	-1.4%	-0.4%	-0.5%	-0.9%	0.8%	1.3%	-5.2%	-2.6%	-0.6%	1.9%
10/5/2019	**-3.8%**	-5.0%	-5.2%	-3.6%	-2.1%	-1.7%	-2.2%	-2.8%	-12.5%	-9.8%	-2.9%	-14.8%	-3.8%
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%
9/21/2019	**2.1%**	9.2%	4.0%	1.6%	1.1%	0.1%	-0.3%	2.8%	4.9%	7.6%	4.4%	9.9%	8.2%
9/28/2019	**-0.4%**	0.8%	-1.4%	-1.1%	0.0%	-0.2%	-0.4%	-0.2%	0.5%	-7.2%	-0.1%	0.7%	-1.1%
10/5/2019	**-3.9%**	-8.4%	-6.4%	-4.5%	-3.1%	-3.4%	-2.7%	-3.4%	-6.7%	-13.9%	-2.8%	-9.7%	-9.1%
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%
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%

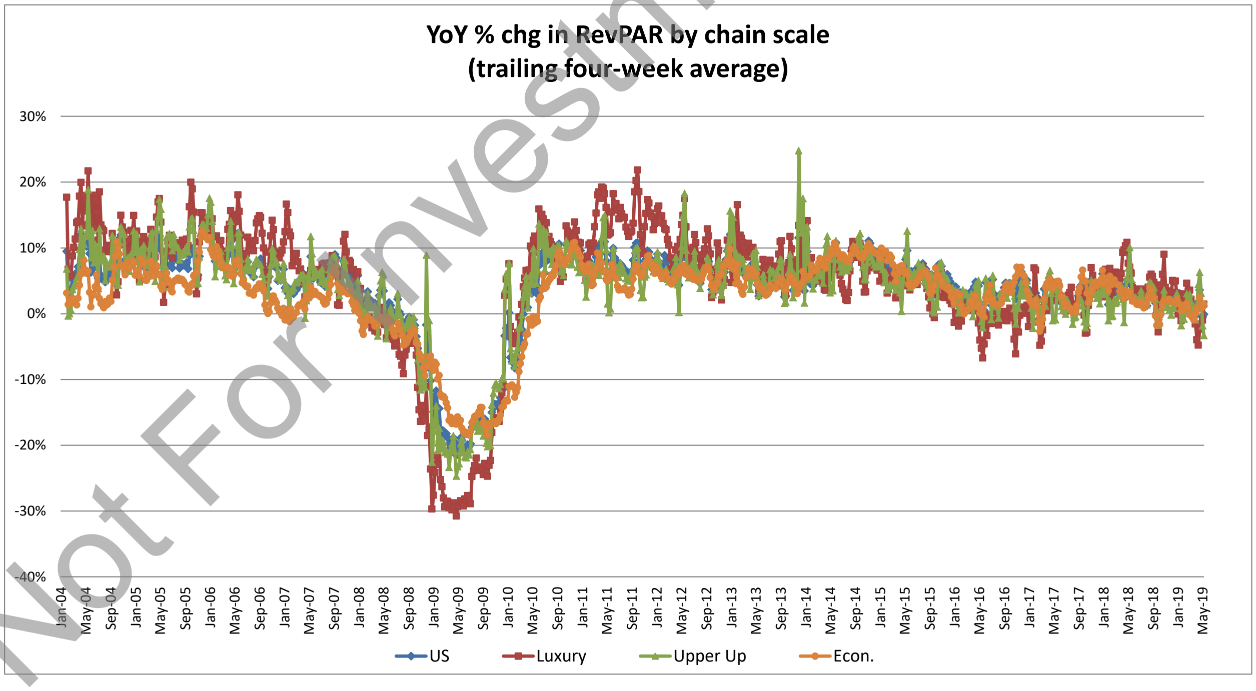
Source: STR data, STRH research

RevPAR Component Trends



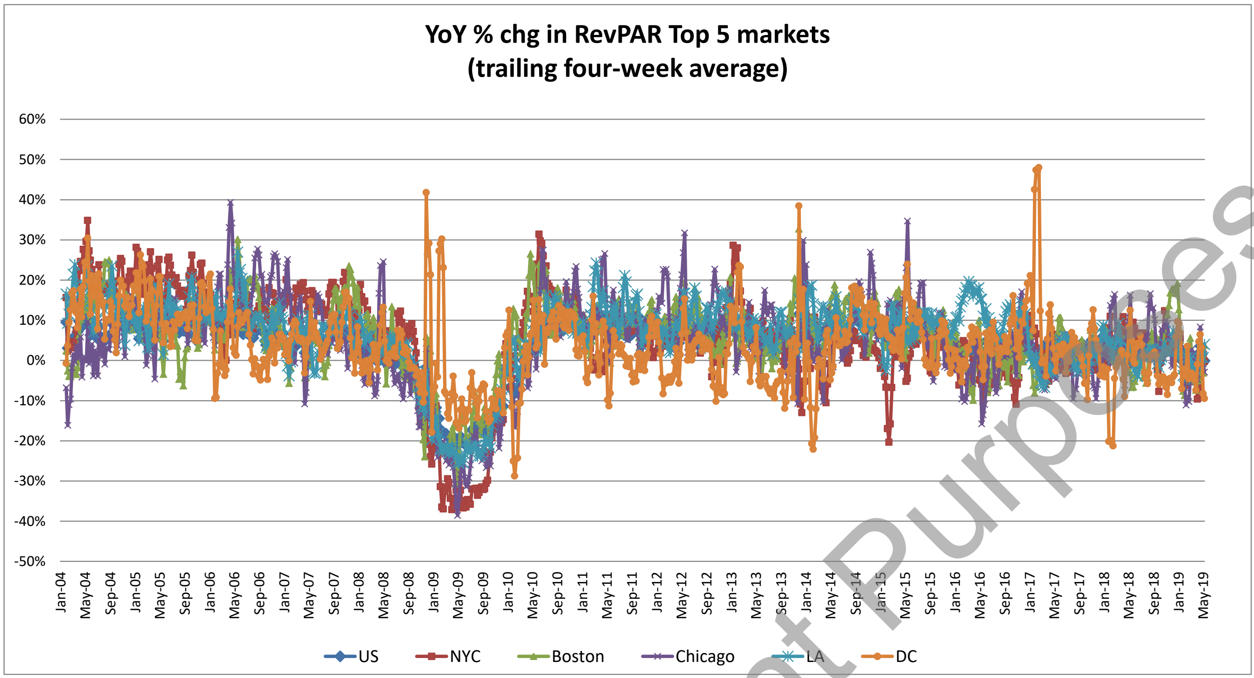
Source: STR data, STRH research

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 10/8/19	Rating	PT*	% upside down-side	2020E Valuation EBITDA ($M)* **	2020E As Reported EBITDA ($M)*	Target EV/EBITDA Multiple	Risks
Choice Hotels	CHH	$87.48	Hold	$88	1%	$387	$387	14.0X	Upside risk: conservative guidance. Downside risk: slowdown in development opportunities.
DiamondRock Hospitality	DRH	$9.80	Hold	$9	-8%	$250	$251	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	$16.45	Hold	$19	16%	$1,431	$1,431	12.0X	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	$70.31	Hold	$79	12%	$760	$795	13.1X	Upside risk: Transient and group trends outperform expectations Downside risk: ongoing misexecution and volatility.
Bluegreen Vacations Corporation	BXG	$9.31	Hold	$12	27%	$111	$111	7.7X	Upside risk: Accelerating tour flow, FCF generation and decliining consumer defaults. Downside risk: 3rd party induced defaults worsen. Middle market customers underperform.
Hilton Grand Vacations	HGV	$32.04	Buy	$43	34%	$425	$452	10.8X	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	$90.70	Hold	$99	9%	$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	$117.67	Hold	$131	11%	$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	$100.21	Buy	$148	48%	$747	$870	11.2X	Downside risk: M&A story fades and multiples revert to historical levels
Park Hotels & Resorts	PK	$23.44	Buy	$30	28%	$710	$726	12.0X	Downside risk: Significant supply growth, macroeconomic challenges/shocks, higher than expected labor costs.
Pebblebrook Hotel Trust***	PEB	$26.49	Hold	$30	13%	$467	$467	14.0X	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	$7.50	Buy	$11	47%	$187	$195	11.5X	Downside risk: demand shock, hurricanes, inability to complete 2021 growth initiatives, country-specific risks (emerging market portfolio)
RLJ Lodging Trust***	RLJ	$16.47	Sell	$14	-15%	$383	$395	11.5X	Upside risk: RevPAR reaccelerates due to macroeconomic improvements, leading to estimate revisions and multiple expansion.
Ryman Hospitality Properties	RHP	$80.68	Hold	$78	-3%	$511	$505	12.2X	Upside risk:recovering group demand better than expected, better margin recovery. Downside risk: booking issues stickier than expected.
Sunstone Hotel Investors	SHO	$13.31	Hold	$14	5%	$311	$311	11.5X	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	$224.00	Buy	$280	25%	$796	$796	15.0X	Downside risk: Economic conditions, competition for vacation and ski dollars, stagnant skier visitation, an aging customer, and climate change.
Wyndham Destinations	WYND	$44.06	Buy	$75	70%	$1,036	$1,054	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	$49.69	Buy	$68	37%	$650	$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, $9.31, Hold, C. Patrick Scholes)
Choice Hotels International, Inc. (CHH, $87.48, Hold, C. Patrick Scholes)
DiamondRock Hospitality Company (DRH, $9.80, Hold, C. Patrick Scholes)
Hyatt Hotels Corporation (H, $70.31, Hold, C. Patrick Scholes)
Hilton Grand Vacations Inc. (HGV, $32.04, Buy, C. Patrick Scholes)
Hilton Worldwide Holdings Inc. (HLT, $90.70, Hold, C. Patrick Scholes)
Host Hotels & Resorts, Inc. (HST, $16.45, Hold, C. Patrick Scholes)
Marriott International, Inc. (MAR, $117.67, Hold, C. Patrick Scholes)
Vail Resorts, Inc. (MTN, $224.00, Buy, C. Patrick Scholes)

Pebblebrook Hotel Trust (PEB, $26.49, Hold, Gregory Miller)
Park Hotels & Resorts Inc. (PK, $23.44, Buy, C. Patrick Scholes)
Playa Hotels & Resorts N.V. (PLYA, $7.50, Buy, C. Patrick Scholes)
Ryman Hospitality Properties, Inc. (RHP, $80.68, Hold, C. Patrick Scholes)
RLJ Lodging Trust (RLJ, $16.47, Sell, Gregory Miller)
Sunstone Hotel Investors, Inc. (SHO, $13.31, Hold, C. Patrick Scholes)
Marriott Vacations Worldwide Corporation (VAC, $100.21, Buy, C. Patrick Scholes)
Wyndham Hotels & Resorts, Inc. (WH, $49.69, Buy, C. Patrick Scholes)
Wyndham Destinations, Inc. (WYND, $44.06, 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 10-08-2019

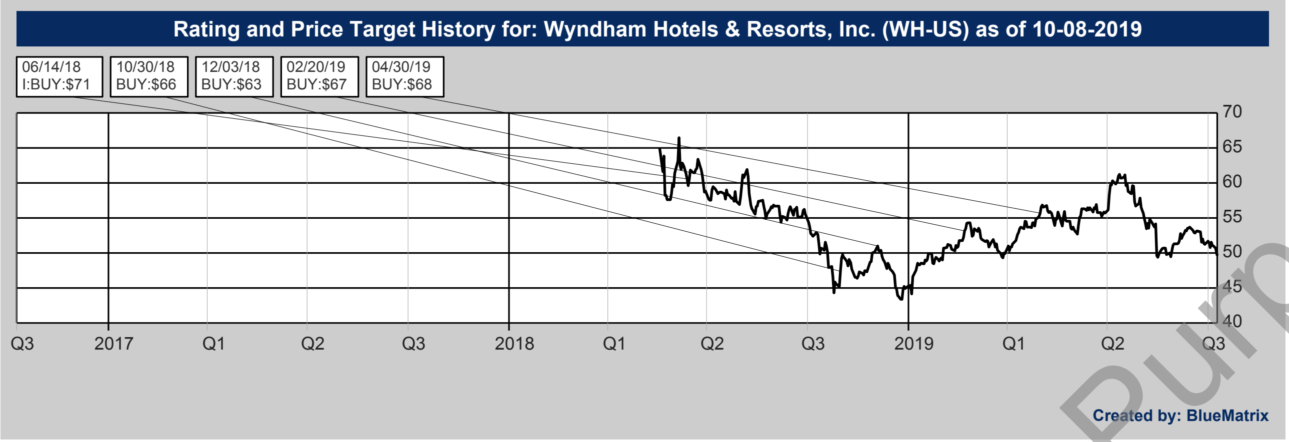
Created by: BlueMatrix

Rating and Price Target History for: Hilton Worldwide Holdings Inc. (HLT-US) as of 10-08-2019

Created by: BlueMatrix

Rating and Price Target History for: Marriott International, Inc. (MAR-US) as of 10-08-2019

Created by: BlueMatrix



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S = Sell

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Sell	7	1.06%	Sell	0	0.00%

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