



Lodging - US RevPAR +11.2% Y/Y Last Week; Big holiday calendar shifts

Group RevPAR +36.7% on one of the last big workweeks of the year

What's Incremental To Our View

Overall U.S. RevPAR was +11.2% Y/Y for the week ending 12/14/2019, per STR, stronger than the prior week's result of +1.4%. (2-year stacked RevPAR was +15.7% vs +2.0% in the prior week.) Independent hotels (about 1/3rd of the data set) were +15.5% y/y. Luxury (+19.6%) was the strongest chain scale for branded hotels; Economy was the weakest at +1.5%. Upscale (+8.8%) and Upper Midscale (+6.7%) also underperformed the industry average. Within Upper Upscale & Luxury class hotels, Group (+36.7% vs. +5.5% prior week) was stronger than Transient (+9.5% vs. +2.2% prior week).

We view the timing of Christmas and Chanukah this year pushing most of business travel to the first 2-3 weeks of December. Last week's data indicated that shift with very strong business travel. Group occupancy (a good proxy for business travel) was +28.6% y/y. Day of week demand was very strong all week with consistent RevPAR +9-13% all week.

The rest of the month's data will remain volatile with the week ending the 21st the last big workweek of December followed by two strong leisure weeks given Christmas, Chanukah, and New Year's.

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 December, we estimate that full-service branded domestic hotels (the typical Hilton [HLT, Hold], Hyatt [H, Hold], or Marriott [MAR, Hold] hotel) will finish +1-3%. We estimate that the overall industry will finish flattish to low-single-digit positive. Please note that reported monthly results include hotels that are not in the weekly data set.

- **We emphasize that results for the remainder of the month will be volatile and difficult to predict with precision given the holidays.** The holiday weeks will be impacted by any degree of winter weather issues and customer behavior about last-minute leisure spending which could be influenced by the existing macroeconomic and political issues both in the U.S. (e.g. impeachment) and abroad (Brexit impacting inbound U.K. demand, [France strikes may push travelers to other markets such as the U.S., Hong Kong, etc.](#)).

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What's Inside

Weekly STR results and analysis

- **Some hotels are likely to be material beneficiaries of holiday demand (especially approaching high ADR New Year's Eve) -- we assume Luxury, some major market downtown Upper Upscale hotels (that appeal to leisure), and resorts will be y/y beneficiaries.**

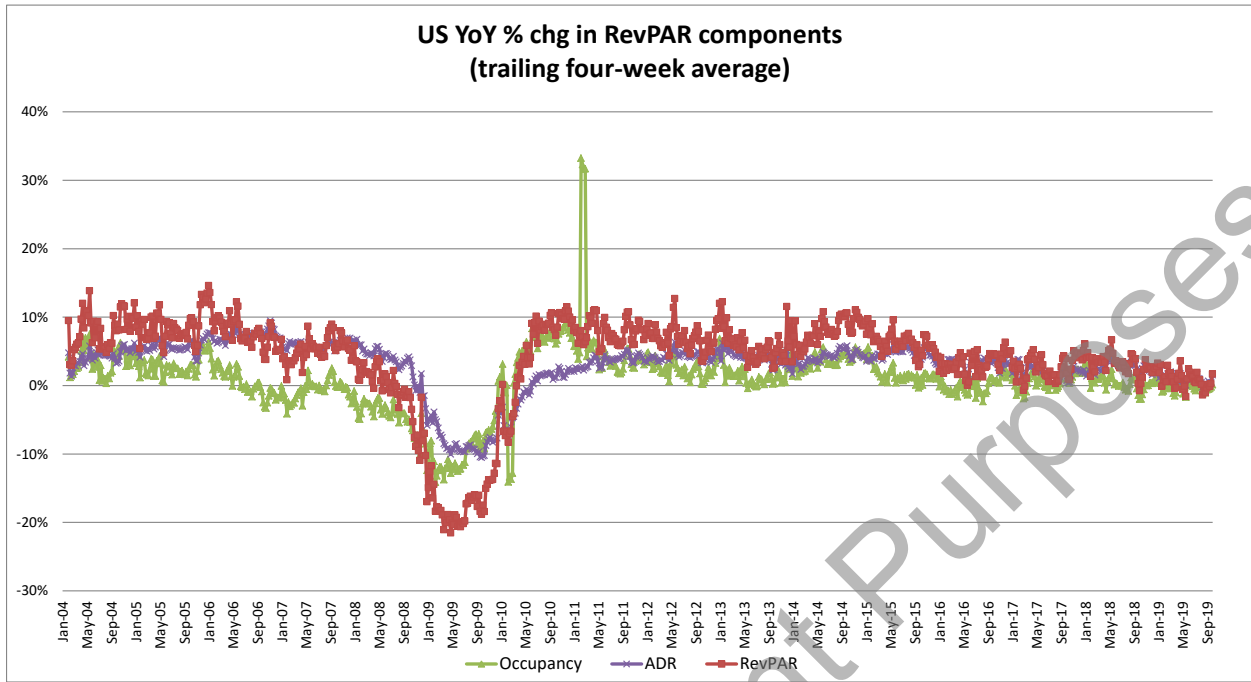
Last week's RevPAR details:

- **Luxury was the strongest chain scale:** Upscale and Upper Midscale underperformed by 1,080 bps and 1,290 bps, respectively: Luxury RevPAR (+19.6%), Upper Upscale (+13.4%), Upscale (+8.8%), Upper Midscale (+6.7%), Midscale (+2.7%), and Economy (+1.5%). Independent hotels (+15.5%) outperformed the headline U.S. RevPAR.
- **Within Upper Upscale & Luxury class hotels, Group outperformed Transient:** Transient segment (individual business and leisure travelers) RevPAR was +9.5% (vs. +2.2% last week) and Group segment RevPAR was +36.7% (vs. +5.5% last week).
- **NYC was the strongest of the top five markets:** Boston (+0.0%), Chicago (+14.5%), Los Angeles (+9.7%), NYC (+16.0%), and Washington, D.C. (-4.7%).
- **Other relevant markets:**
 - **San Francisco was the best performing Top 25 market (Moscone Convention Center expected to have a very strong 4Q19 citywide calendar):** RevPAR was +44.4% vs. -3.0% last week. **Group RevPAR was +125.5%.**
 - **Florida markets were very strong:** Miami (+10.0% vs. +1.2% last week); Orlando (+27.0% vs. +23.7% 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.

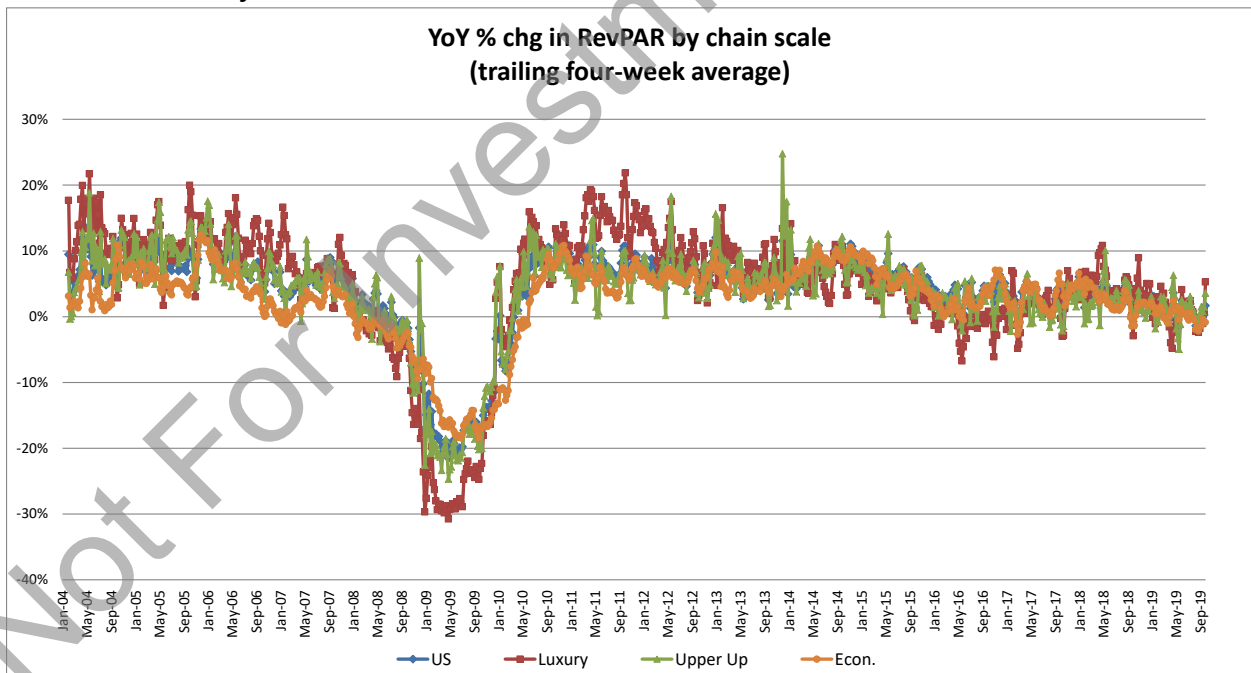
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RevPAR Component Trends



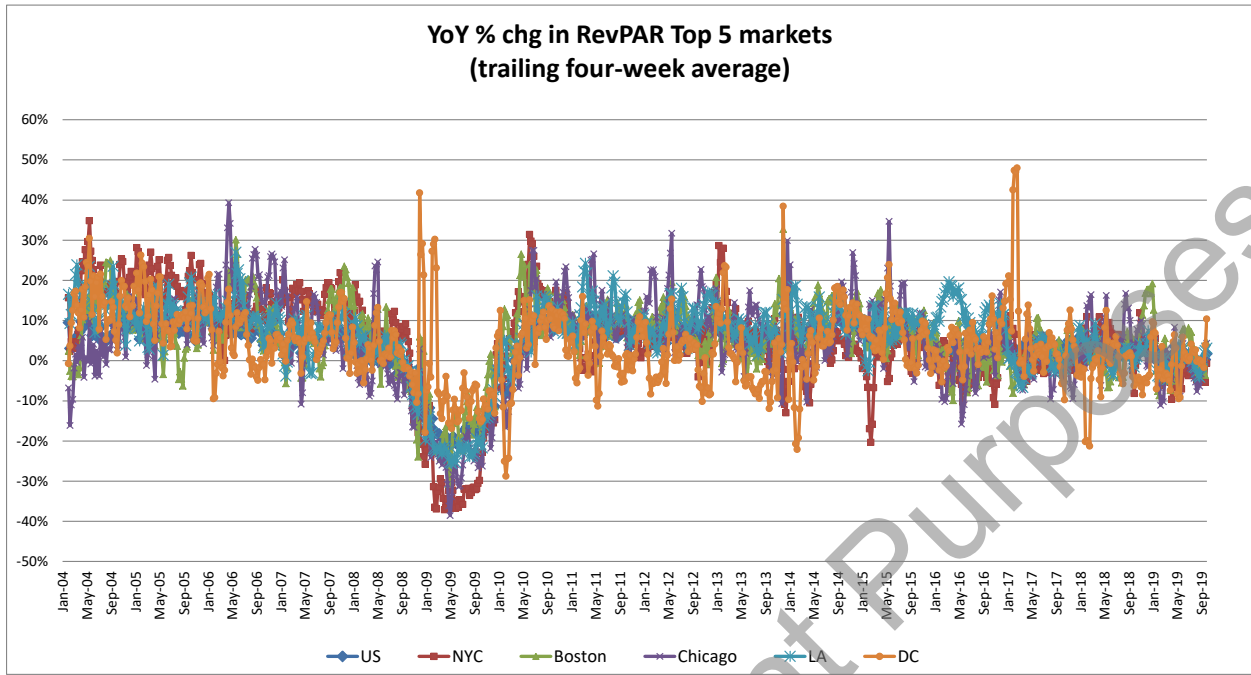
Source: STR data, STRH research

RevPAR Trends by Chain Scale



Source: STR data, STRH research

RevPAR Trends by Market



Source: STR data, STRH research

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Price Target/Risks Summary

Lodging	TKR	Price 12/17/19	Rating	PT*	% upside down- side	2020E Valuation EBITDA (\$M)**	2020E As Reported EBITDA (\$M)*	Target EV/EBITDA Multiple	Risks
Choice Hotels	CHH	\$101.45	Hold	\$87	-14%	\$393	\$393	14.0X	Upside risk: conservative guidance. Downside risk: slowdown in development opportunities.
DiamondRock Hospitality	DRH	\$10.93	Hold	\$9	-18%	\$245	\$245	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	\$18.34	Hold	\$18	-2%	\$1,328	\$1,328	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	\$85.35	Hold	\$79	-7%	\$733	\$768	13.2X	Upside risk: Transient and group trends outperform expectations Downside risk: ongoing misexecution and volatility.
Bluegreen Vacations Corporation	BXG	\$10.16	Hold	\$11	7%	\$106	\$106	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	\$34.50	Buy	\$42	22%	\$412	\$439	11.0X	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 Upside risk: Macro lodging trends improve beyond expectations.
Hilton	HLT	\$108.80	Hold	\$99	-9%	\$2,378	\$2,481	14.8X	Downside risk: slowing pipeline. 2020 is a recession year in the U.S. 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.
Marriott International	MAR	\$148.91	Hold	\$128	-14%	\$3,446	\$3,760	14.9X	Downside Risk: 2020 is a recession year in the US. Geopolitical and policy risks negatively impact lodging demand.
Marriott Vacations	VAC	\$126.72	Buy	\$155	23%	\$831	\$865	11.1X	Downside risk: M&A story fades and multiples revert to historical levels
Park Hotels & Resorts	PK	\$25.04	Buy	\$27	8%	\$871	\$886	12.0X	Downside risk: Significant supply growth, macroeconomic challenges/shocks, higher than expected labor costs. 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.
Pebblebrook Hotel Trust***	PEB	\$26.32	Hold	\$26	-1%	\$462	\$462	14.0X	Downside risk: demand shock, hurricanes, inability to complete 2021 growth initiatives, country-specific risks (emerging market portfolio)
Playa Hotels & Resorts	PLYA	\$7.99	Buy	\$10	25%	\$173	\$180	11.5X	Upside risk: RevPAR reaccelerates due to macroeconomic improvements, leading to estimate revisions and multiple expansion.
RLJ Lodging Trust***	RLJ	\$17.55	Sell	\$15	-15%	\$390	\$402	11.0X	Upside risk: recovering group demand better than expected, better margin recovery.
Ryman Hospitality Properties	RHP	\$86.60	Hold	\$83	-4%	\$541	\$527	12.6X	Downside risk: booking issues stickier than expected. Upside risk: Recovery of corporate demand in SHO's markets. Above average group bookings in Orlando and Boston Park Plaza post-meeting space expansions.
Sunstone Hotel Investors	SHO	\$14.22	Hold	\$14	-2%	\$304	\$304	11.5X	Downside risk: Weaker than expected demand trends following capital investment projects.
Vail Resorts, Inc.	MTN	\$246.82	Buy	\$270	9%	\$807	\$807	15.0X	Downside risk: Economic conditions, competition for vacation and ski dollars, stagnant skier visitation, an aging customer, and climate change.
Wyndham Destinations	WYND	\$50.01	Buy	\$76	52%	\$1,030	\$1,049	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	\$60.44	Buy	\$68	13%	\$635	\$657	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.

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.

MAR: Valuation and Risks

Our \$128 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.

Companies Mentioned in This Note

Bluegreen Vacations Corporation (BXG, \$10.16, Hold, C. Patrick Scholes)
Choice Hotels International, Inc. (CHH, \$101.45, Hold, C. Patrick Scholes)
DiamondRock Hospitality Company (DRH, \$10.93, Hold, C. Patrick Scholes)
Hyatt Hotels Corporation (H, \$85.35, Hold, C. Patrick Scholes)
Hilton Grand Vacations Inc. (HGV, \$34.50, Buy, C. Patrick Scholes)
Hilton Worldwide Holdings Inc. (HLT, \$108.80, Hold, C. Patrick Scholes)
Host Hotels & Resorts, Inc. (HST, \$18.34, Hold, C. Patrick Scholes)
Marriott International, Inc. (MAR, \$148.91, Hold, C. Patrick Scholes)
Vail Resorts, Inc. (MTN, \$246.82, Buy, C. Patrick Scholes)

Pebblebrook Hotel Trust (PEB, \$26.32, Hold, Gregory Miller)
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Playa Hotels & Resorts N.V. (PLYA, \$7.99, Buy, C. Patrick Scholes)
Ryman Hospitality Properties, Inc. (RHP, \$86.60, Hold, C. Patrick Scholes)
RLJ Lodging Trust (RLJ, \$17.55, Sell, Gregory Miller)
Sunstone Hotel Investors, Inc. (SHO, \$14.22, Hold, C. Patrick Scholes)
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Wyndham Hotels & Resorts, Inc. (WH, \$60.44, Buy, C. Patrick Scholes)
Wyndham Destinations, Inc. (WYND, \$50.01, Buy, C. Patrick Scholes)

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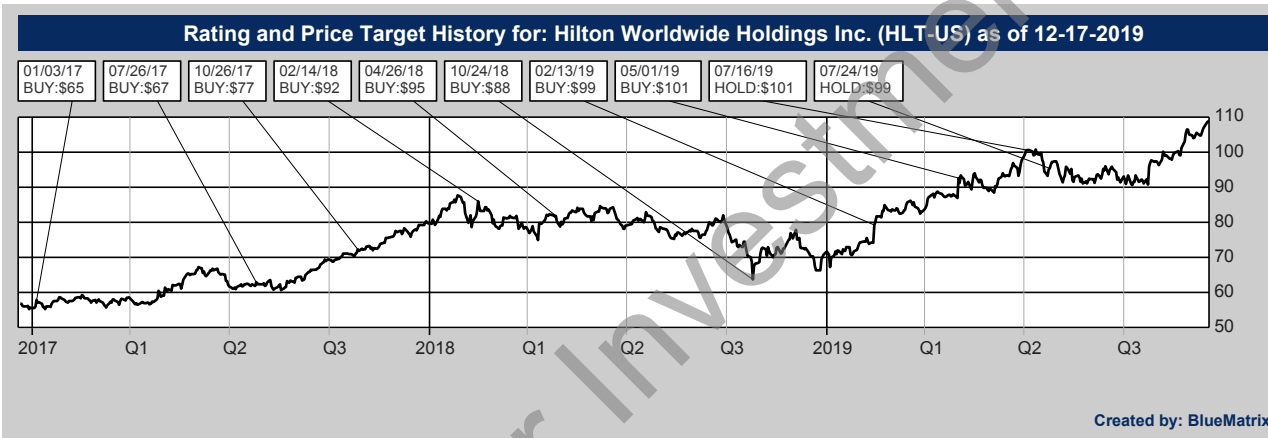
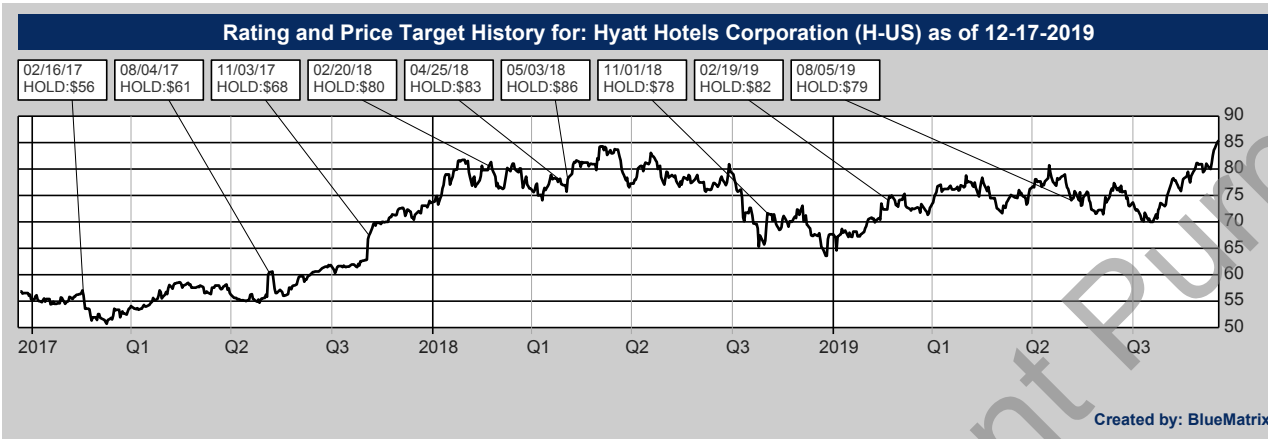
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Rating and Price Target History for: Marriott International, Inc. (MAR-US) as of 12-17-2019

Rating and Price Target History for: Wyndham Hotels & Resorts, Inc. (WH-US) as of 12-17-2019


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Sell	8	1.18%	Sell	1	12.50%

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