



Lodging - US RevPAR -0.2% Y/Y Last Week; Headline results not as bad as feared

Results decel-ed during the week. Not optimistic on this week's travel trends.

What's Incremental To Our View

Overall U.S. RevPAR was -0.2% Y/Y for the week ending 2/29/2020, per STR, stronger than the prior week's result of -1.4%. (2-year stacked RevPAR was +0.0% vs -1.1% in the prior week). Independent hotels (about 1/3rd of the data set) were +1.3% y/y. Luxury (+3.7%) was the strongest chain scale for branded hotels; Midscale was the weakest at -5.0%. Upscale (-0.3%) and Upper Midscale (-2.6%) underperformed the industry average. Within Upper Upscale & Luxury class hotels, Group (-0.6% vs. -6.2% prior week) was softer than Transient (+4.3% vs. +2.8% prior week).

Our focus is unsurprisingly on coronavirus impact to last week's lodging data. We are seeing some signs of impact, especially a deceleration in late week RevPAR (could be a potentially ominous indicator in our view), but **so far** last week's lodging demand held up generally speaking.

Our major observations on coronavirus impact:

- Headline US RevPAR of -0.2% not as bad as feared, supported by continued strength (so far) in Luxury (+3.7%). However, Luxury results deteriorated as the week progressed as Sunday and Monday averaged +4% while Friday and Saturday averaged -2.5%. We strongly suspect that this week's results, to be released one week from today, will continue to show the pattern of deceleration that began late in the week last week.
- Transient RevPAR (+4.3%) outperformed Group (-0.6%). Group was very mixed in the top markets with some material declines although San Francisco Group RevPAR was +68.8% suggesting no material virus hit last week in that high-rated market.
- Major coastal cities NYC: -4.5%, SF: +28.1% (supported by above), LA: +2.8%
- Airport RevPAR vs. overall US. Airport area hotels were -3.3%, not dissimilar to the relative weakness over the last several weeks. **Five REITS in our coverage have airport-focused hotels and/or hotels that have at least a modest exposure to airport demand: HST, PEB, PK, RHP, RLJ.**

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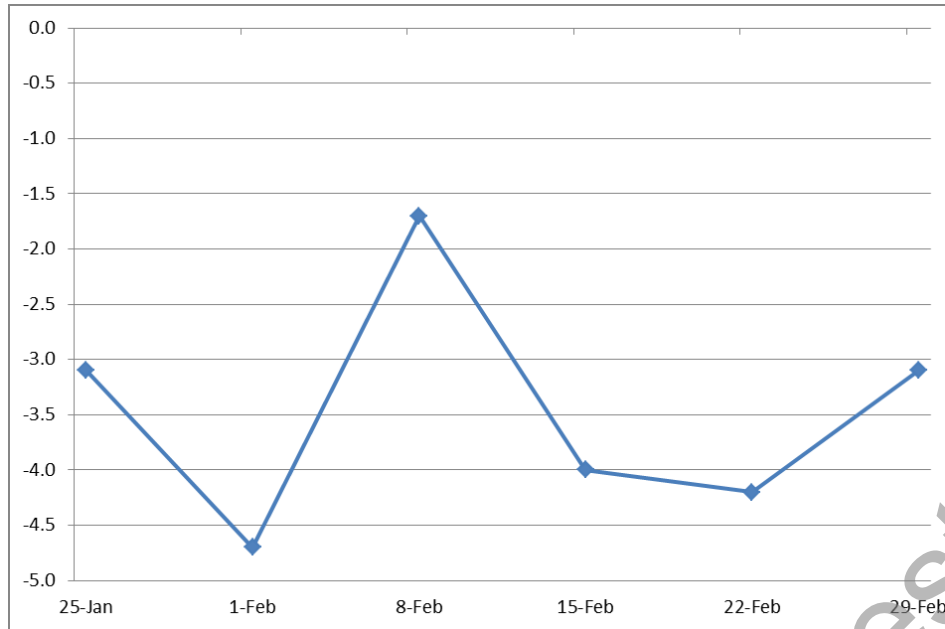
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What's Inside

Weekly STR results and analysis

Unfavorable spread between overall US RevPAR growth and US airport hotel RevPAR growth. Points of RevPAR differential for weeks ending January 25 – February 29.



Source: STRH Research, STR

Over the weekend, our private industry contacts indicated increasing hotel cancellations. While last week's data presented a modest RevPAR hit, we are less optimistic on the next several weeks' data, a RevPAR hit that we assume could continue for weeks/months.

We view our lodging estimates at risk of being lowered given the fluidity of the situation.

For the month of February, we estimate that full-service branded domestic hotels (the typical Hilton [HLT, Hold], Hyatt [H, Hold], or Marriott [MAR, Hold] hotel) will finish +1-2% (our prior estimate was +0-2%). We estimate that the overall industry will finish +1-2% (our prior estimate was +1-3%). 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 400 bps and 630 bps, respectively: Luxury RevPAR (+3.7%), Upper Upscale (+1.3%), Upscale (-0.3%), Upper Midscale (-2.6%), Midscale (-5.0%), and Economy (-4.9%). Independent hotels (+1.3%) outperformed the headline U.S. RevPAR.

- **Within Upper Upscale & Luxury class hotels, Group underperformed Transient:** Transient segment (individual business and leisure travelers) RevPAR was +4.3% (vs. +2.8% last week) and Group segment RevPAR was -0.6% (vs. -6.2% last week).
- **Boston was the strongest of the top five markets:** Boston (+8.4%), Chicago (-12.0%), Los Angeles (+2.8%), NYC (-4.5%), and Washington, D.C. (-3.0%).
- **Other relevant markets:**
 - **San Francisco was very strong (the market has a tough 1Q20 y/y group comp):** RevPAR was +28.1% vs. -21.8% last week. Note that San Francisco Group RevPAR was +68.8% vs. the Running 28 day average of -9.3%. We assume that both stats are related to the group y/y comparisons. So far, especially in a market that could be impacted materially from lower Asia demand, San Francisco RevPAR was strong last week.
 - **Florida markets were up:** Miami (+1.4% vs. +5.1% last week); Orlando (+11.8% vs. +6.3% last week). [For more insights on the Miami market following management meetings and hotel tours in early January, please click on the attached link.](#)

Regarding near-term expectations for the lodging stocks we do not wish to claim we know how the virus impact will trend. Subsequently, we take a conservative stance in our financial projections. The macro RevPAR environment in the U.S. for individual business travel was challenged before coronavirus and mixed/slowing in many other markets. [We continue to rely on our forward bookings data](#), private hotel owner/investor contacts, and our experience having been through demand shocks in the past (40+ years of industry experience on our team). We agree with MAR CEO Arne Sorenson who stated that the impact of the virus will pass and will fade. However for MAR and others, we assume a more material EBITDA hit than what companies have projected. *The situation is fluid to say the least.*

Not For Investment Purposes

Weekly RevPAR Summary

| | YoY % change in RevPAR | | | | | | | | | | | | | |
|------------|------------------------|--------------|--------|---------------|-------|----------------|-------|---------|--------|---------------|----------|--------|-------|---------|
| | U.S. | Upper Luxury | | Upper Upscale | | Upper Midscale | | Economy | | Inde- pendent | New York | Boston | LA | Chicago |
| 12/21/2019 | 7.8% | 9.3% | 13.9% | 10.7% | 7.2% | 2.7% | 1.2% | 4.6% | 8.5% | 11.1% | 9.9% | 15.2% | 26.4% | |
| 12/28/2019 | -7.4% | -6.3% | -6.7% | -6.7% | -7.1% | -9.1% | -4.6% | -8.0% | -11.1% | -3.4% | -5.2% | 0.2% | -0.1% | |
| 1/4/2020 | 4.3% | 12.1% | 5.9% | 1.1% | -0.4% | -2.2% | -1.6% | 7.7% | 8.9% | 1.9% | 5.3% | -5.2% | 2.9% | |
| 1/11/2020 | -7.7% | -13.5% | -12.3% | -7.3% | -5.2% | -5.2% | -3.4% | -5.7% | -2.4% | 1.8% | -8.4% | -9.6% | -0.3% | |
| 1/18/2020 | 6.4% | 18.5% | 10.9% | 3.9% | 1.8% | -1.5% | 0.1% | 6.6% | -0.7% | 7.2% | 5.1% | 29.8% | 2.1% | |
| 1/25/2020 | 0.3% | 4.6% | 2.6% | -0.2% | -1.5% | -3.2% | -2.1% | 0.0% | -1.2% | 0.5% | 5.2% | 3.7% | 13.6% | |
| 2/1/2020 | 4.0% | 7.4% | 1.7% | 4.0% | 1.9% | -1.2% | -0.9% | 8.3% | -2.0% | -0.1% | 5.2% | 13.8% | 12.7% | |
| 2/8/2020 | 0.0% | 2.1% | 0.0% | 0.1% | -2.3% | -3.1% | -1.4% | 1.7% | -0.1% | -4.0% | -4.2% | -7.2% | 4.6% | |
| 2/15/2020 | 1.2% | 2.3% | 2.5% | 0.8% | -0.5% | -2.6% | -0.7% | 2.1% | -1.2% | 5.7% | 0.7% | 31.5% | 12.1% | |
| 2/22/2020 | -1.4% | 1.8% | -1.2% | -2.3% | -2.5% | -4.4% | -3.0% | -0.3% | -3.8% | -7.5% | -4.1% | 0.2% | 2.2% | |
| 2/29/2020 | -0.2% | 3.7% | 1.3% | -0.3% | -2.6% | -5.0% | -4.9% | 1.3% | -4.5% | 8.4% | 2.8% | -12.0% | -3.0% | |

Modest virus impact (so far) | Luxury and Upper Upscale led the industry | Boston and LA led the Top 5 markets

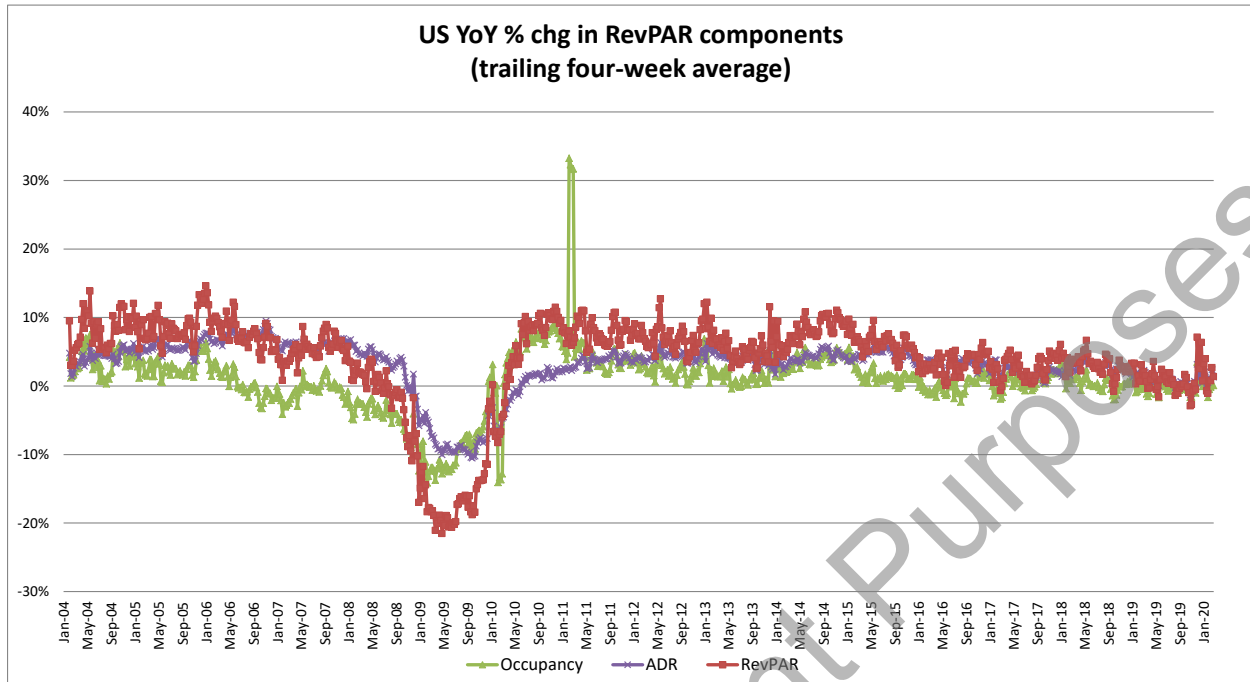
| | | | | | | | | | | | | | |
|------|------|-------|-------|-------|-------|-------|-------|------|-------|--------|-------|-------|--------|
| 1Q16 | 2.7% | 1.6% | 1.9% | 2.2% | 2.0% | 0.0% | 1.8% | 4.0% | -1.2% | -3.0% | 16.6% | -4.8% | 3.1% |
| 2Q16 | 3.5% | 0.8% | 2.9% | 3.1% | 3.2% | 3.2% | 3.0% | 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% |
| 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% |

| | YoY % change in ADR | | | | | | | | | | | | | |
|------------|---------------------|--------------|-------|---------------|-------|----------------|-------|---------|--------|---------------|----------|--------|-------|---------|
| | U.S. | Upper Luxury | | Upper Upscale | | Upper Midscale | | Economy | | Inde- pendent | New York | Boston | LA | Chicago |
| 12/21/2019 | 1.8% | -4.2% | 1.6% | 1.6% | 1.5% | -0.2% | -0.7% | 1.0% | 3.4% | -1.1% | 2.8% | 3.8% | 8.9% | |
| 12/28/2019 | -2.6% | -4.3% | -1.5% | -3.2% | -1.6% | -2.3% | -1.8% | -2.6% | -10.2% | -2.7% | -3.6% | -0.1% | -0.1% | |
| 1/4/2020 | 4.0% | 5.5% | 3.8% | 1.2% | 0.7% | -0.4% | -0.3% | 6.0% | 1.8% | -1.8% | 2.3% | -0.9% | -1.8% | |
| 1/11/2020 | -4.7% | -11.1% | -8.6% | -3.7% | -2.1% | -1.2% | -2.0% | -2.7% | -2.5% | -0.4% | -4.0% | 3.5% | -2.2% | |
| 1/18/2020 | 5.2% | 13.6% | 7.7% | 2.0% | 1.3% | 0.4% | -0.2% | 6.3% | -1.7% | 2.1% | 0.4% | 10.8% | 0.5% | |
| 1/25/2020 | 0.6% | 1.6% | 1.0% | -0.1% | -0.6% | -0.8% | -1.7% | 0.9% | -1.2% | -1.8% | -4.8% | 1.7% | 1.0% | |
| 2/1/2020 | 2.2% | 4.0% | -0.1% | 0.6% | 0.1% | -0.5% | -0.6% | 6.4% | -2.4% | 1.4% | -1.1% | -4.5% | 2.9% | |
| 2/8/2020 | 1.5% | 3.0% | 0.9% | 0.8% | 0.1% | -0.5% | -0.7% | 3.6% | -1.3% | 0.0% | -1.4% | -1.0% | 0.7% | |
| 2/15/2020 | 0.9% | 1.0% | -0.1% | -0.7% | -0.2% | -0.2% | 0.5% | 2.7% | -0.5% | 1.2% | 0.4% | 19.2% | 4.5% | |
| 2/22/2020 | 0.7% | 3.9% | 1.4% | -0.9% | -0.4% | -0.8% | -0.4% | 1.8% | -1.9% | -3.9% | -1.7% | 3.0% | 1.1% | |
| 2/29/2020 | 1.6% | 4.5% | 2.3% | 0.1% | -0.5% | -1.6% | -1.4% | 3.1% | -3.7% | 4.6% | 0.6% | -6.0% | -2.1% | |
| 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% | |
| 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% | |

| | YoY % change in Occupancy | | | | | | | | | | | | | |
|------------|---------------------------|--------------|-------|---------------|-------|----------------|-------|---------|-------|---------------|----------|--------|-------|---------|
| | U.S. | Upper Luxury | | Upper Upscale | | Upper Midscale | | Economy | | Inde- pendent | New York | Boston | LA | Chicago |
| 12/21/2019 | 5.9% | 14.1% | 12.8% | 9.0% | 5.6% | 2.9% | 1.9% | 3.6% | 4.9% | 12.3% | 6.9% | 11.0% | 16.0% | |
| 12/28/2019 | -4.9% | -2.0% | -5.3% | -3.6% | -5.6% | -7.0% | -2.8% | -5.5% | -1.0% | -0.7% | -1.6% | 0.3% | -0.1% | |
| 1/4/2020 | 0.3% | 6.3% | 2.0% | -2.2% | -1.0% | -1.8% | -1.3% | 1.6% | 7.0% | 3.8% | 3.0% | -4.3% | 4.8% | |
| 1/11/2020 | -3.1% | -2.8% | -4.0% | -3.8% | -3.2% | -4.0% | -1.5% | -3.1% | 0.2% | 2.3% | -4.6% | -6.3% | 1.9% | |
| 1/18/2020 | 1.1% | 4.3% | 2.9% | 1.9% | 0.5% | -1.9% | 0.3% | 0.3% | 1.0% | 4.9% | 4.7% | 17.1% | 1.6% | |
| 1/25/2020 | -0.3% | 3.0% | 1.6% | -0.1% | -0.9% | -2.4% | -0.4% | -0.9% | 0.0% | 2.4% | 0.3% | 2.0% | 12.4% | |
| 2/1/2020 | 1.7% | 3.2% | 1.8% | 3.3% | 1.8% | -0.7% | -0.3% | 1.8% | 0.5% | -1.5% | 4.1% | 8.9% | 9.5% | |
| 2/8/2020 | -1.4% | -0.9% | -0.9% | -0.7% | -2.4% | -2.6% | -0.7% | -1.8% | 1.2% | -4.0% | -2.9% | -6.2% | 3.8% | |
| 2/15/2020 | 0.2% | 1.3% | 2.6% | 1.6% | -0.3% | -2.4% | -1.2% | -0.6% | -0.7% | 4.5% | 0.3% | 10.3% | 7.3% | |
| 2/22/2020 | -2.1% | -2.0% | -2.6% | -1.4% | -2.1% | -3.6% | -2.6% | -2.0% | -2.0% | -3.7% | -2.4% | -2.8% | 1.1% | |
| 2/29/2020 | -1.7% | -0.7% | -1.0% | -0.4% | -2.1% | -3.4% | -3.5% | -1.8% | -0.8% | 3.6% | 2.2% | -6.4% | -0.9% | |
| 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% | |
| 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% | |

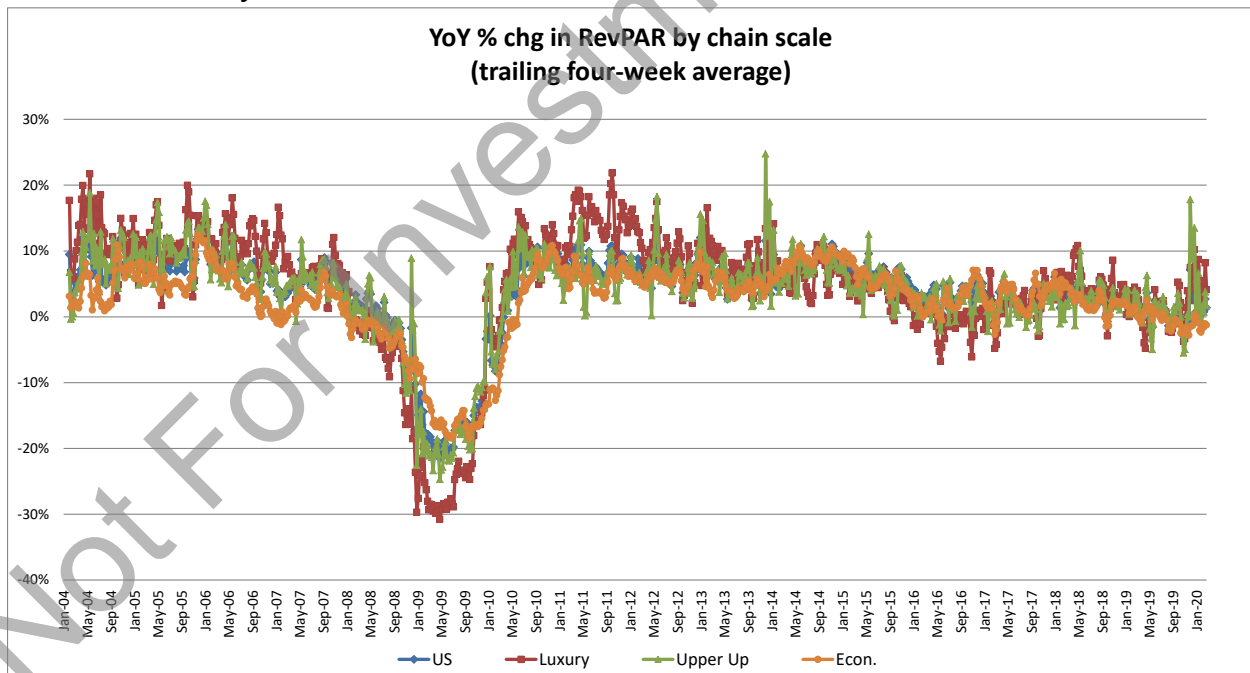
Source: STR data, STRH research

RevPAR Component Trends



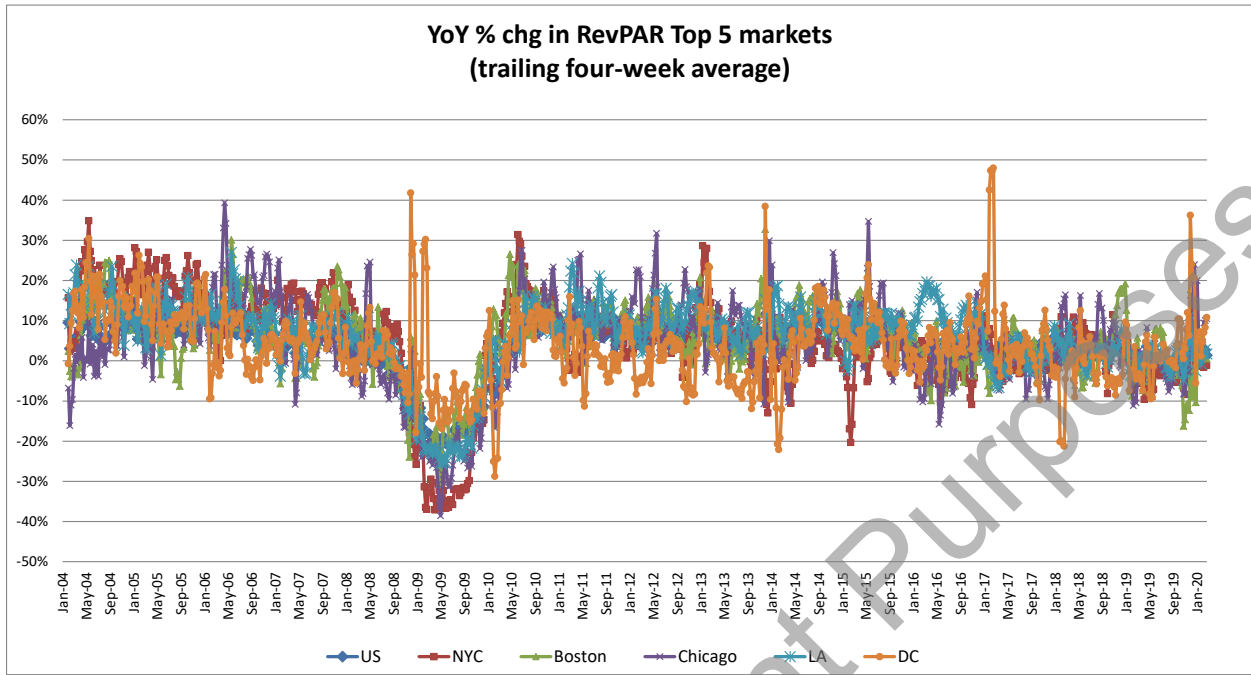
Source: STR data, STRH research

RevPAR Trends by Chain Scale



Source: STR data, STRH research

RevPAR Trends by Market



Source: STR data, STRH research

Not For Investment Purposes

Price Target/Risks Summary

| Lodging | TKR | Price 3/3/20 | Rating | PT* | % upside down- side | 2020E Valuation EBITDA (\$M)** | 2020E As Reported EBITDA (\$M)* | Target EV/EBITDA Multiple | Risks |
|---------------------------------|------|-----------------|--------|-------|---------------------------|---|--|---------------------------------|---|
| Choice Hotels | CHH | \$91.71 | Hold | \$91 | -1% | \$381 | \$381 | 14.0X | Upside risk: conservative guidance. Downside risk: slowdown in development opportunities. |
| DiamondRock Hospitality | DRH | \$8.75 | Hold | \$9 | 3% | \$244 | \$244 | 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 | \$14.17 | Hold | \$18 | 27% | \$1,386 | \$1,386 | 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 | \$74.55 | Hold | \$83 | 11% | \$699 | \$735 | 13.3X | Upside risk: Transient and group trends outperform expectations Downside risk: ongoing misexecution and volatility. |
| Bluegreen Vacations Corporation | BXG | \$7.38 | Hold | \$11 | 48% | \$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 | \$25.80 | Buy | \$43 | 67% | \$452 | \$479 | 10.2X | 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 | \$93.33 | Hold | \$107 | 15% | \$2,286 | \$2,406 | 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 | \$114.28 | Hold | \$128 | 12% | \$3,151 | \$3,466 | 14.9X | 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 U.S. Geopolitical and policy risks negatively impact lodging demand. |
| Marriott Vacations* | VAC | \$98.20 | Buy | \$157 | 60% | \$877 | \$917 | 10.5X | Downside risk: M&A story fades and multiples revert to historical levels |
| Park Hotels & Resorts | PK | \$18.06 | Buy | \$27 | 50% | \$842 | \$858 | 12.0X | Downside risk: Significant supply growth, macroeconomic challenges/shocks, higher than expected labor costs. |
| Pebblebrook Hotel Trust*** | PEB | \$19.20 | Hold | \$23 | 20% | \$445 | \$445 | 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 | \$5.09 | Buy | \$10 | 96% | \$173 | \$180 | 11.5X | Downside risk: demand shock, hurricanes, inability to complete 2021 growth initiatives, country-specific risks (emerging market portfolio) |
| RLJ Lodging Trust*** | RLJ | \$13.00 | Sell | \$15 | 15% | \$391 | \$402 | 11.0X | Upside risk: RevPAR reaccelerates due to macroeconomic improvements, leading to estimate revisions and multiple expansion. Upside risk: recovering group demand better than expected, better margin recovery. |
| Ryman Hospitality Properties | RHP | \$66.20 | Hold | \$82 | 24% | \$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 | \$10.83 | Hold | \$12 | 11% | \$292 | \$292 | 11.5X | Downside risk: Weaker than expected demand trends following capital investment projects. |
| Vail Resorts, Inc. | MTN | \$201.30 | Buy | \$270 | 34% | \$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 | \$39.90 | Buy | \$76 | 90% | \$1,052 | \$1,084 | 8.2X | Downside risk: The timeshare business is especially vulnerable to economic softness. There are potential execution risks post the spin off. |
| Wyndham Hotels & Resorts | WH | \$50.53 | Buy | \$66 | 31% | \$602 | \$628 | 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

H: Valuation and Risks

Our price target of \$83 for H is derived by applying a 13.4x target EV/EBITDA multiple (a blended average of the industry multiples for each business segment) to our estimate for 2021 EBITDA. Our valuation model for Hyatt assumes an owned-hotel 2021 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.

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 2021 adjusted EBITDA estimate to derive a 12-month price target of \$107. 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. Uncertain risks from the coronavirus, especially to Chinese demand/pipeline growth.

MAR: Valuation and Risks

Our \$128 price target is based on a 14.8x blended multiple on our 2021E 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. Coronavirus impact.

VAC: Valuation and Risks

Our price target of \$157 for VAC is derived by applying an 10.5x target EV/EBITDA multiple (blended SOTP) to our estimate for 2021 EBITDA. We value VAC by a sum-of-the-parts methodology: Vacation ownership EBITDA 10.0x target, Management/Rental EBITDA 11.0x target, Finance EBITDA 10.5x and Corp/Other EBITDA 10.5x target for a blended multiple assumption of 10.5x.

Risks to our rating and price target include: Inability to achieve development margin targets or deal synergies, an adverse change in the securitization market, and insufficient availability of exchange inventory.

WYND: Valuation and Risks

Our price target of \$73 is based on 2021E adjusted EBITDA. We value WYND by a sum-of-the-parts methodology: Vacation ownership EBITDA 8.0x target and Exchange and Rental EBITDA 9.0x target for a blended multiple of 8.2x. By comparison, we assign target multiples of 7.8x to BXG, 11.0x to HGV and 11.0x for VAC.

Risks to our rating and price target include: the timeshare business is especially vulnerable to economic softness and there are potential execution risks post the spin off.

Companies Mentioned in This Note

Bluegreen Vacations Corporation (BXG, \$7.38, Hold, C. Patrick Scholes)
Choice Hotels International, Inc. (CHH, \$91.71, Hold, C. Patrick Scholes)
DiamondRock Hospitality Company (DRH, \$8.75, Hold, C. Patrick Scholes)
Hyatt Hotels Corporation (H, \$74.55, Hold, C. Patrick Scholes)
Hilton Grand Vacations Inc. (HGV, \$25.80, Buy, C. Patrick Scholes)
Hilton Worldwide Holdings Inc. (HLT, \$93.33, Hold, C. Patrick Scholes)
Host Hotels & Resorts, Inc. (HST, \$14.17, Hold, C. Patrick Scholes)
Marriott International, Inc. (MAR, \$114.28, Hold, C. Patrick Scholes)
Vail Resorts, Inc. (MTN, \$201.30, Buy, C. Patrick Scholes)
Pebblebrook Hotel Trust (PEB, \$19.20, Hold, Gregory Miller)
Park Hotels & Resorts Inc. (PK, \$18.06, Buy, C. Patrick Scholes)
Playa Hotels & Resorts N.V. (PLYA, \$5.09, Buy, C. Patrick Scholes)
Ryman Hospitality Properties, Inc. (RHP, \$66.20, Hold, C. Patrick Scholes)
RLJ Lodging Trust (RLJ, \$13.00, Sell, Gregory Miller)
Sunstone Hotel Investors, Inc. (SHO, \$10.83, Hold, C. Patrick Scholes)
Marriott Vacations Worldwide Corporation (VAC, \$98.20, Buy, C. Patrick Scholes)
Wyndham Hotels & Resorts, Inc. (WH, \$50.53, Buy, C. Patrick Scholes)
Wyndham Destinations, Inc. (WYND, \$39.90, Buy, 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.

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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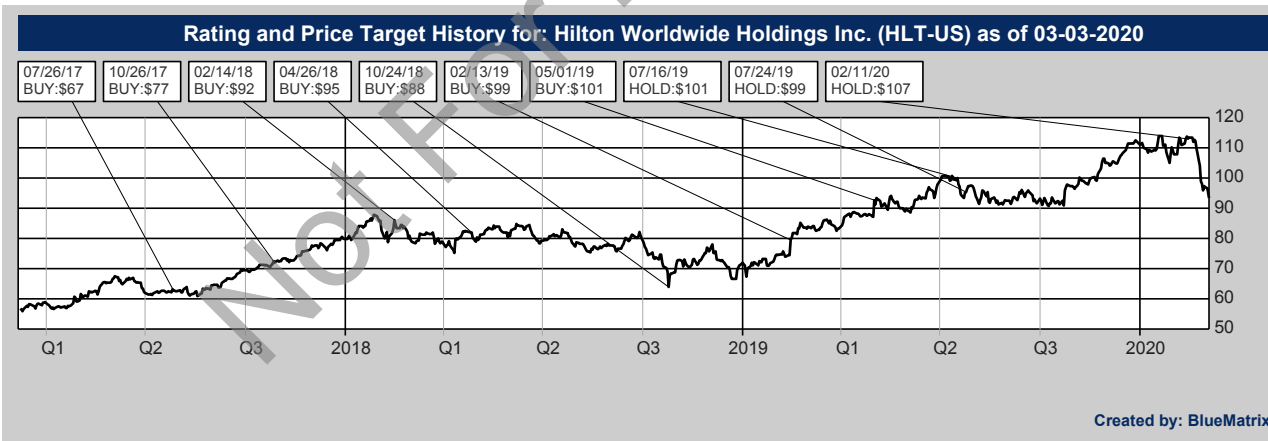
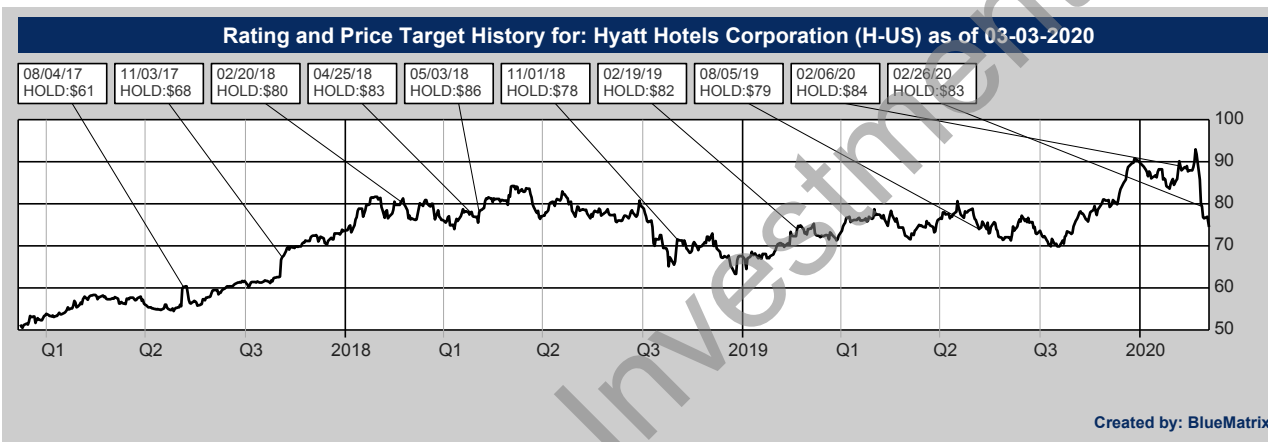
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Rating and Price Target History for: Marriott International, Inc. (MAR-US) as of 03-03-2020



Created by: BlueMatrix

Rating and Price Target History for: Marriott Vacations Worldwide Corporation (VAC-US) as of 03-03-2020



Created by: BlueMatrix

Rating and Price Target History for: Wyndham Destinations, Inc. (WYND-US) as of 03-03-2020



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S = Sell

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| Coverage Universe | | | Investment Banking Clients Past 12 Months | | |
|-------------------|-------|---------|---|-------|---------|
| Rating | Count | Percent | Rating | Count | Percent |
| Buy | 423 | 61.93% | Buy | 137 | 32.39% |
| Hold | 252 | 36.90% | Hold | 60 | 23.81% |
| Sell | 8 | 1.17% | Sell | 1 | 12.50% |

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