

CONSUMER: Lodging

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Reasons for this report

✓ Our analysis of the most recent weekly US lodging results

Lodging: US RevPAR +70% Y/Y Last Week. -3% vs. 2019 vs. prior -4%; decent demand pickup, clean comp

Overall U.S. RevPAR was +70.1% y/y for the week ending 3/12/2022, per STR, softer than the prior week's result of +74.7%. Last week's RevPAR was up against a -15.8% comparable result in 2021 vs. -37.9% in the prior week. **On a 3-year run-rate (vs. 2019), RevPAR was -2.8% vs. -3.8% in the prior week's 3-year run-rate.**

Past the headline stats we view decent improvement in midweek travel, especially on Group. Group occupancy had one of the best weekly occupancy results vs. 2019 since COVID that we can recall. Upper Upscale in general remains a laggard (high-end individual business travel).

So far we do not see significant impact from events in Ukraine to U.S. weekly demand. Cynically, part of the reason why we have not seen as much impact is because: 1) international inbound demand has been very depressed so no major "new" demand loss versus prior weeks, 2) winter seasonality/the timing of the war did not lead to losing that much theoretical leisure demand including to peak season markets such as coastal Florida, and 3) high-end domestic corporate travel is also coming off a low base. If the geopolitical situation occurred in 2019, we might see a more clear negative impact and the public companies might have to take a more negative communication to U.S. lodging results this week.

Positively, group demand at a headline level was one of the best weeks that we can recall since COVID. The best performing hotels in absolute occupancy are resorts, spas, and some convention oriented hotels. In other words, larger urban big box hotels and associated citywide convention attendance continues to lag with occupancies 30% off comparable 2019 levels. There may be some pent-up demand/bunching up of late 2021 events that shifted to 1Q/2Q 2022 that also are tailwinds to the results.

We continue to also note the meaningful ADR growth vs. 2019 that was most evident in Luxury (+22%) and in Economy/Midscale (+8%/+10%, respectively) whereas Upscale was flattish last week. As we discussed with Pebblebrook (PEB, Miller, Hold) on its latest earnings call, we view the degree of ADR flow to margins as relevant for the health of both C-corp franchisees and REITS.

We are also watching lower-rated hotel demand due to gas price impact. Spring Break is in the early stages so we await a few more weeks of results for a better analysis of demand impact to both corporate and leisure demand. Occupancy vs. 2019 was -3% for Economy, weaker than the 28-day running average of -1.2%. We view the Economy and Midscale occupancy trend as worth particular focus through April.

Major RevPAR statistics presented below:

- Luxury RevPAR: +114.6% y/y and +1.1% over 3 years
- Upper Upscale RevPAR: +135.3% y/y and -14.7% over 3 years;
- Upscale RevPAR: +72.2% y/y and -11.7% over 3 years;
- Upper Midscale RevPAR: +51.3% y/y and -3.2% over 3 years;
- Midscale RevPAR: +41.2% y/y and +1.6% over 3 years;
- Economy RevPAR: +29.6% y/y and +6.8% over 3 years;
- Independent hotels (~ 1/3rd of the data set) RevPAR: +58.4% y/y and +6.6% over 3 years; and

- Within Upper Upscale & Luxury class hotels:
 - Group: +390.5% y/y vs. +410.2% prior week; over 3 years: -15.9% vs -26.1% prior week.
 - Transient: +67.7% y/y vs. +75.7% prior week; over 3 years: -0.9% vs -1.4% prior week.

Last week's RevPAR details and sequential trends:

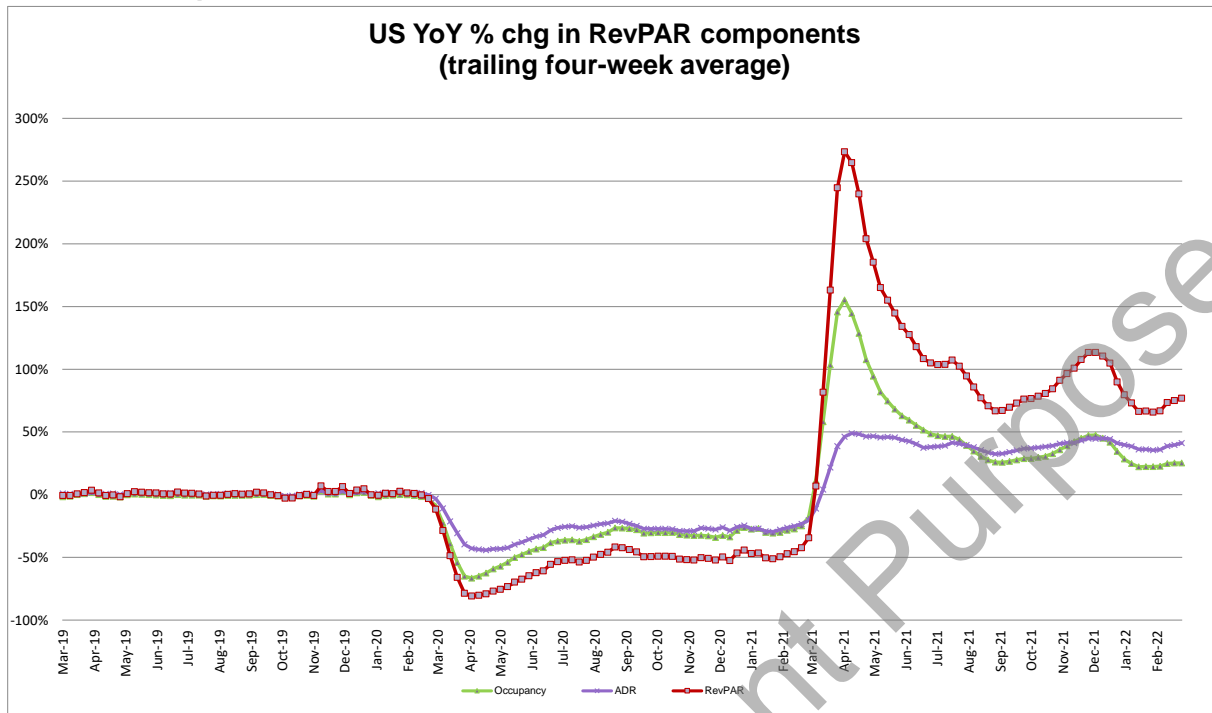
- Headline RevPAR was +70.1% y/y vs. the running 28-day average of +76.7% y/y.
- **Occupancy:** Absolute occupancy was 63.2% y/y vs. the running 28-day average of 61.4% y/y.
- **Absolute Group occupancy improved decently on a clean comp and in emerging peak Spring group:** 19.3% last week vs. 17.0% for the running 28 days.

As far as stocks, we reiterate our view the companies relatively best positioned here in our coverage universe are the drive-to leisure-centric C-Corps CHH (Hold), WH (Buy), and RLJ (Buy) for the value-play business traveler in the early corporate demand recovery, H (Buy) for its increased leisure exposure and plans to divest materially from its owned assets, and the timeshare companies, HGV (Buy), VAC (Buy), BVH (Buy), and TNL (Buy, formerly WYND).

While the broader economy may have a U-shaped recovery, we believe hotel operating performance will take substantially longer to recover and be much choppier and vary by segmentation and geography. Additionally, we believe work from home will have a short-to-medium impact on hotel demand, though the longer-term impact is still unknown. While some travel industry leaders, news reporters, and businesspeople have predicted that 35-50% of business travel will be permanently lost, our view is that it will be far less than 35-50%, though it will not be zero either (Hospitality Net).

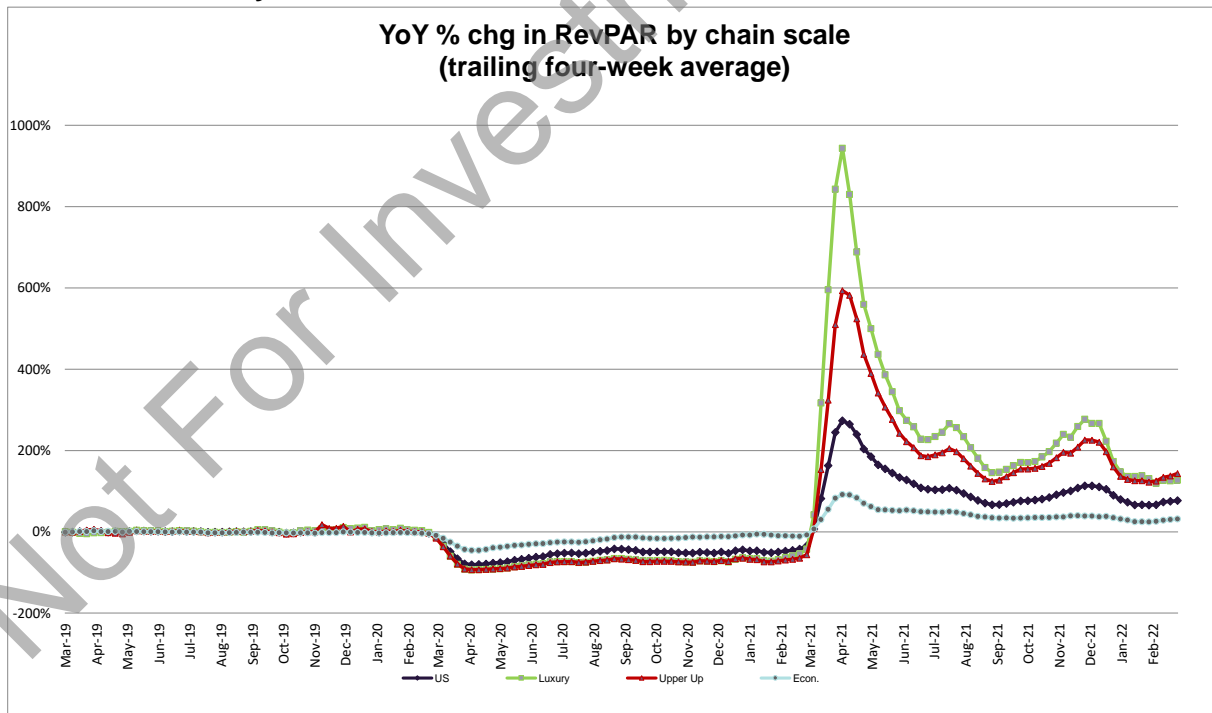
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RevPAR Component Trends



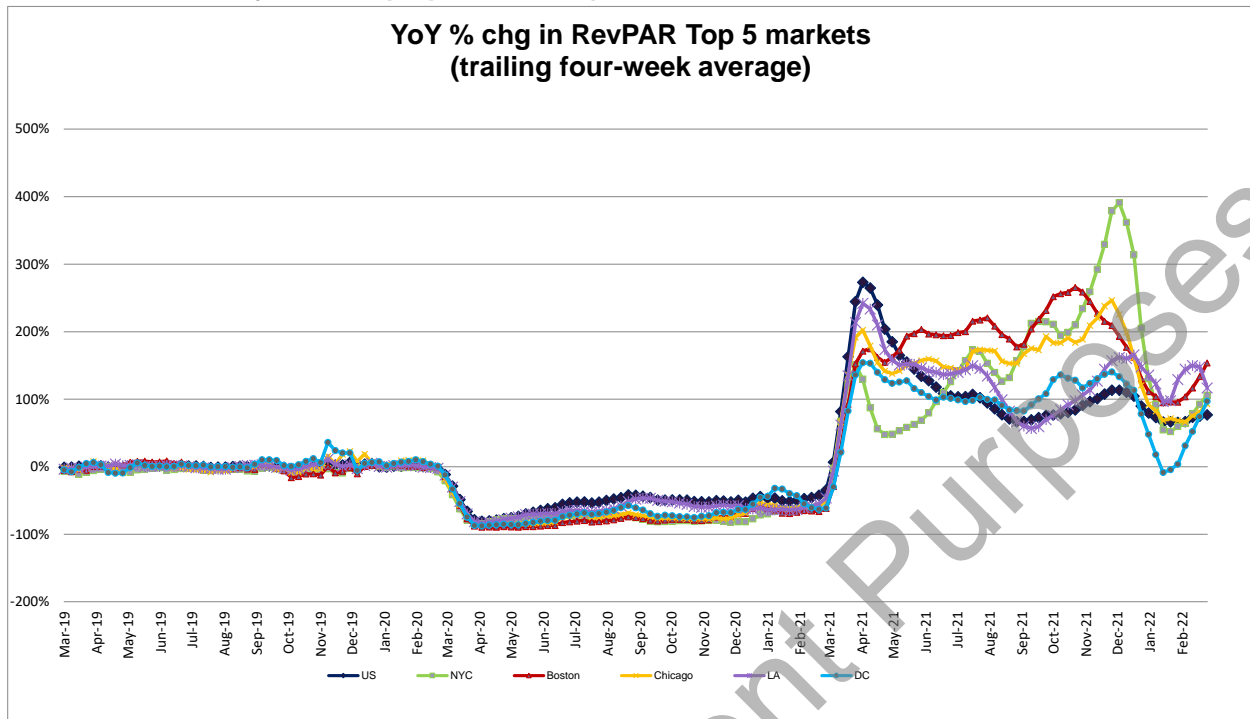
Source: STR data, Truist Securities research

RevPAR Trends by Chain Scale



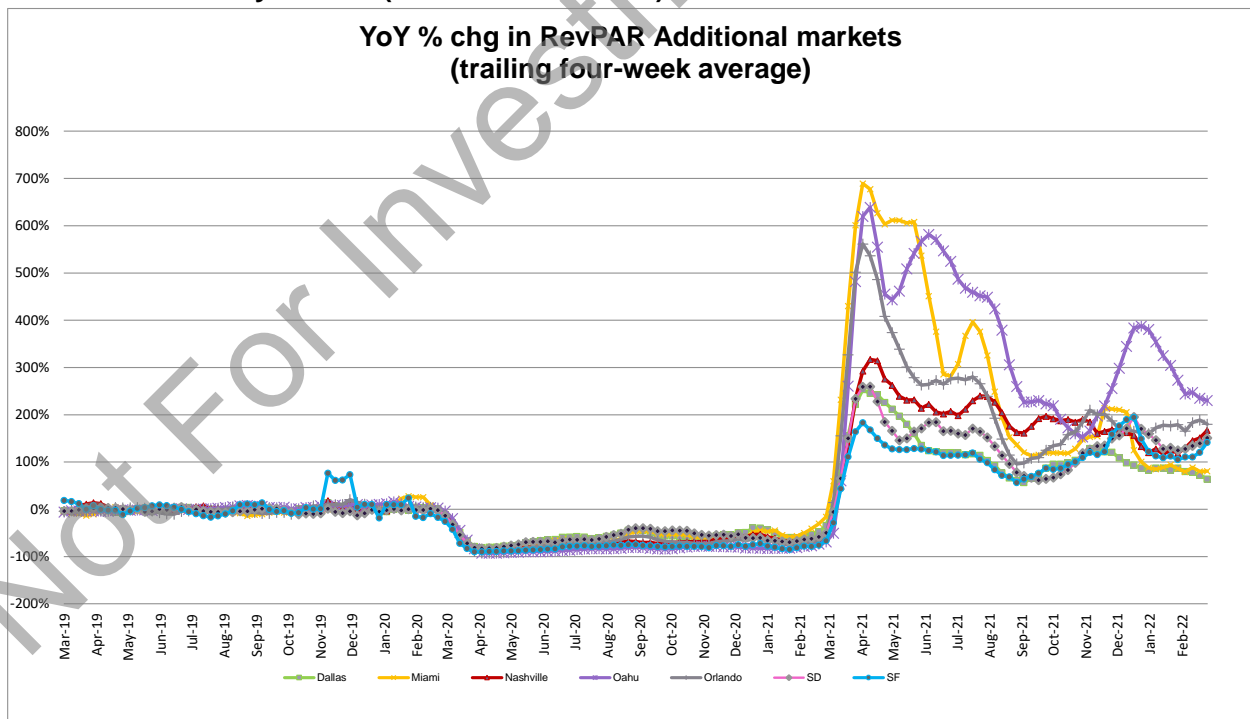
Source: STR data, Truist Securities research

RevPAR Trends by Market (Top 5 markets)



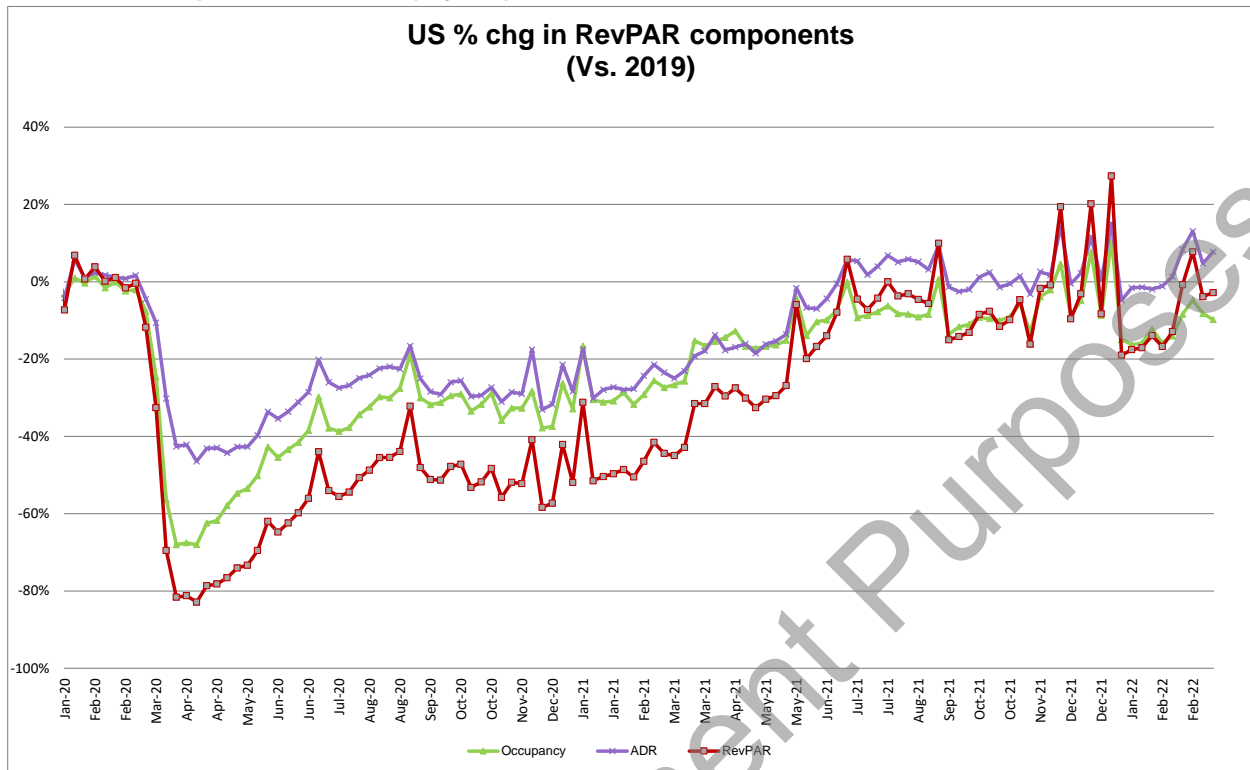
Source: STR data, Truist Securities research

RevPAR Trends by Market (Additional markets)



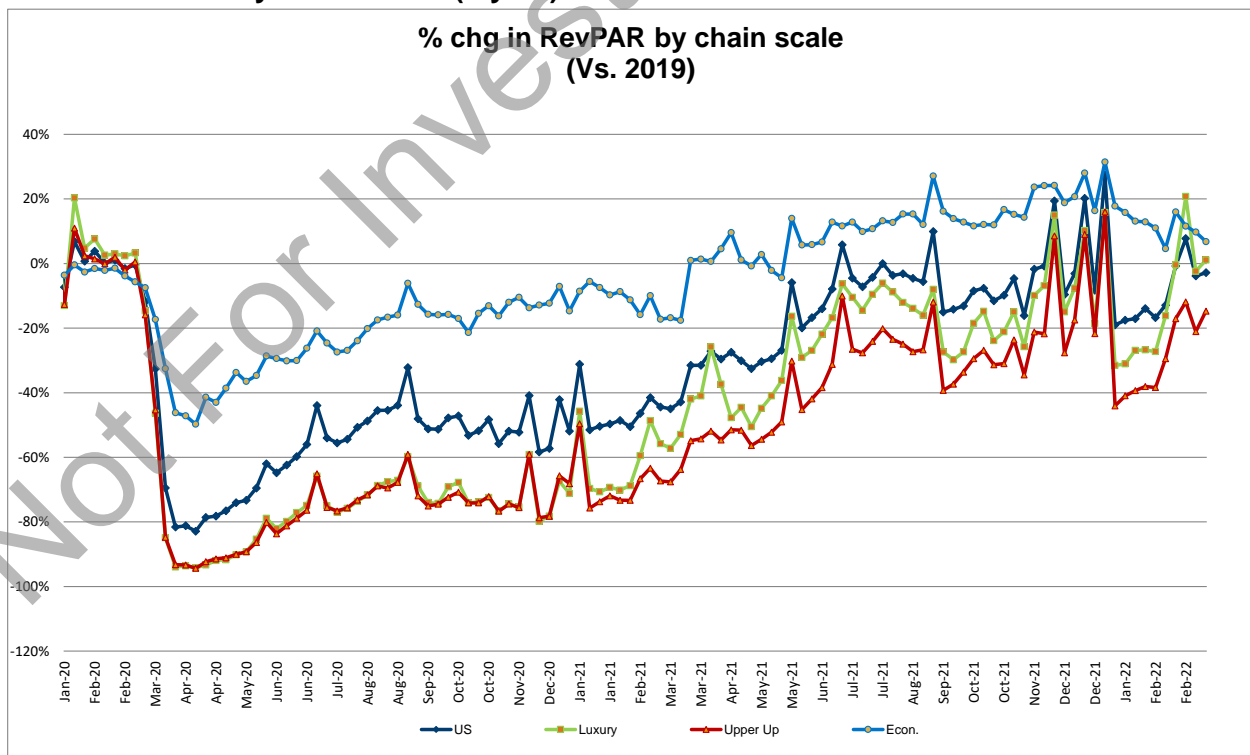
Source: STR data, Truist Securities research

RevPAR Component Trends (3-year)



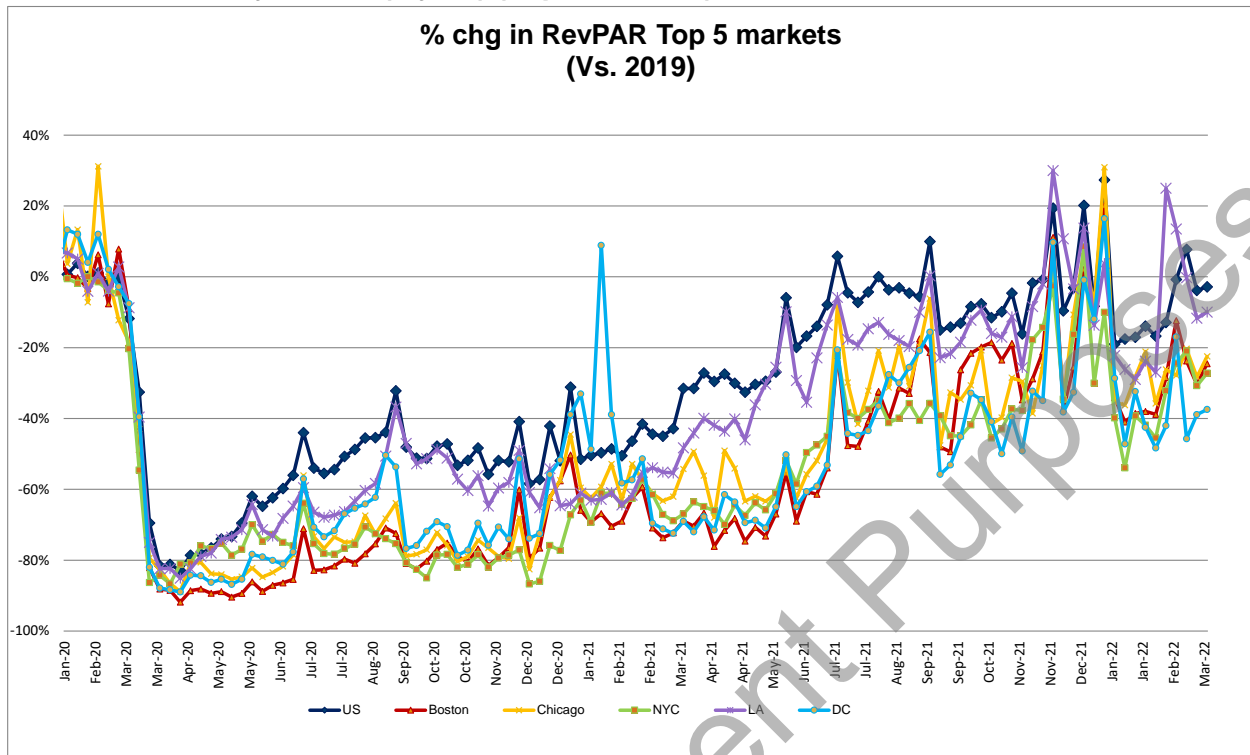
Source: STR data, Truist Securities research

RevPAR Trends by Chain Scale (3-year)



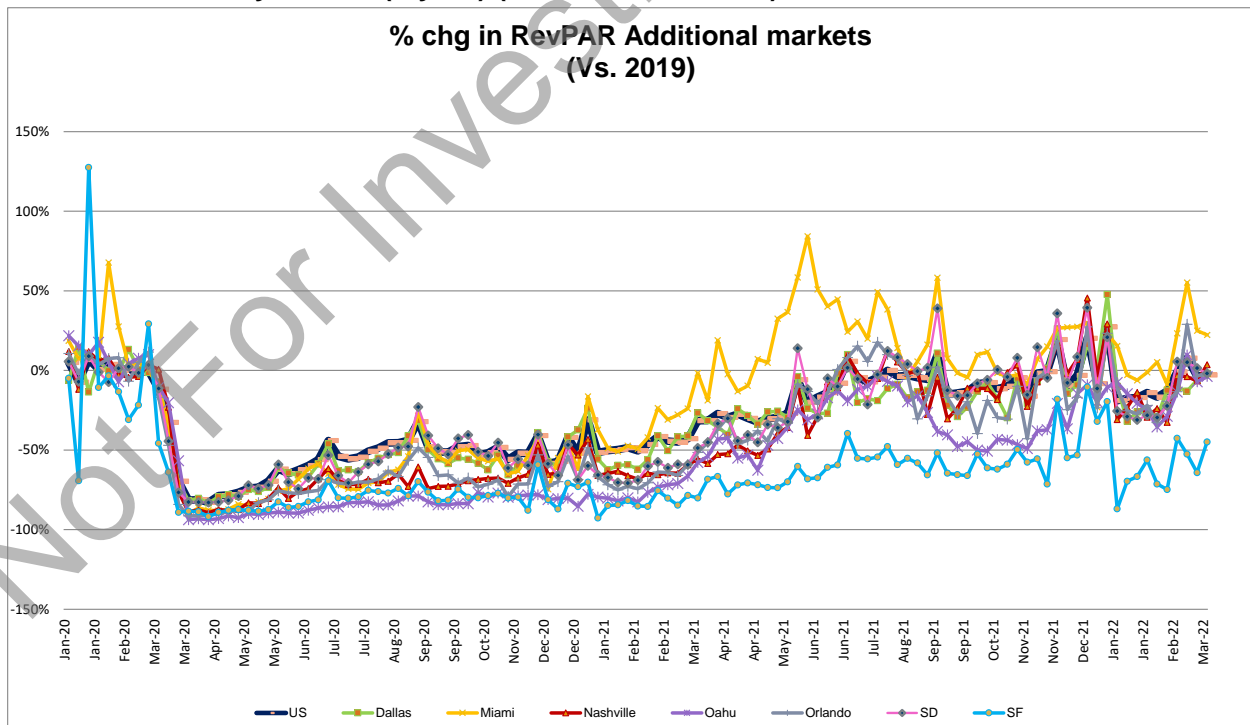
Source: STR data, Truist Securities research

RevPAR Trends by Market (3-year) (Top 5 markets)



Source: STR data, Truist Securities research

RevPAR Trends by Market (3-year) (Additional markets)



Source: STR data, Truist Securities research

Price Target/Risks Summary

Lodging	TKR	Price 3/15/22	Rating	PT*	% upside/ down- side	Truist Securities Valuation EBITDA excluding Stock Based Comp/Other			As Reported/Consensus/Data Aggregator "Headline" EBITDA			Target EVEBITDA Multiple	Risks Note: COVID-19 represents a material risk to our entire coverage especially related to the length/severity of the demand shock.
						2021E EBITDA (\$M)**	2022E EBITDA (\$M)**	2023E EBITDA (\$M)**	2021E EBITDA (\$M)	2022E EBITDA (\$M)	2023E EBITDA (\$M)		
Bluegreen Vacations	BVH	\$31.06	Buy	\$56	82%	\$122	\$147	\$155	\$17	\$16	\$16	7.6X	Downside risk: controlled company issues, limited cap/ltat, loan defaults, and macroeconomic risk.
Choice Hotels	CHH	\$138.10	Hold	\$138	0%	\$392	\$442	\$490	\$404	\$454	\$506	16.0X	Upside risk: conservative growth of new brands; market share gains. Downside risk: slowdown in development opportunities; market share losses.
DiamondRock Hospitality	DRH	\$9.71	Hold	\$9	-7%	\$83	\$196	\$255	\$84	\$196	\$255	12.0X	Upside risk: faster demand improvement in corporate travel than expected. Brand changes (e.g. Vail) lead to material EBITDA improvement. Leisure hotels hold/improve on RevPAR and margins despite the challenging macro. Downside risk: lodging recovery takes longer than expected, weaker results from ROI projects than forecasted, poor performance of recently acquired assets.
Hilton	HLT	\$144.24	Hold	\$152	5%	\$1,470	\$2,290	\$2,848	\$1,629	\$2,453	\$3,008	17.0X	Upside risk: Macro lodging trends improve beyond expectations. Faster than expected net unit growth. Downside risk: slowing pipelines. Deep 2022 recession.
Hilton Grand Vacations	HGV	\$49.93	Buy	\$63	25%	\$585	\$865	\$982	\$637	\$932	\$1,048	9.4X	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.
Host Hotels & Resorts	HST	\$18.15	Hold	\$19	5%	\$532	\$1,145	\$1,414	\$532	\$1,145	\$1,414	12.5X	Upside risk: faster demand improvement in corporate/convention travel than expected. Dispositions at higher multiple than expected (incl. NYC), stronger than expected performance by luxury leisure resorts on both top-line and margins through the valuation year. Downside risk: extended industry downturn with particular impact to large big box hotels, weak recovery of international travel during the valuation period, macro demand shock to acquired resort assets, labor issues.
Hyatt Hotels	H	\$90.70	Buy	\$106	17%	\$244	\$623	\$918	\$293	\$676	\$977	14.0X	Downside risk: lodging recovery takes longer than expected. Planned dispositions take longer than expected. Material labor issues to owned hotels. Pipeline growth slower than expected. Apple Leisure Group underperforms 2023 guidance.
Marriott International	MAR	\$166.40	Hold	\$182	9%	\$1,977	\$3,231	\$3,870	\$2,278	\$3,533	\$4,185	16.8X	Upside risk: Macro lodging trends improve beyond expectations. Faster than expected net unit growth. Downside risk: slowing pipeline. Deep 2022 recession.
Marriott Vacations	VAC	\$151.29	Buy	\$201	33%	\$524	\$342	\$1,380	\$657	\$908	\$1,026	10.0X	Downside risk: MSA story fades and multiples revert to historical levels.
Park Hotels & Resorts	PK	\$18.56	Hold	\$18	-3%	\$123	\$486	\$686	\$142	\$506	\$710	12.0X	Upside risk: faster demand improvement in corporate travel than expected. Dispositions at higher multiple than expected. CHSP revenue and asset management strategies lead to faster than expected EBITDA gains. Downside risk: extended industry downturn with particular impact to large big box hotels, weak recovery of international travel during the valuation period especially Oahu, macro demand shock impact to major resort assets, labor issues.
Pebblebrook Hotel Trust***	PEB	\$23.09	Hold	\$24	4%	\$88	\$297	\$435	\$88	\$297	\$435	14.5X	Upside Risks: Material near-term incremental EBITDA from Legacy LHO assets. Downside Risks: Incremental EBITDA from major CapEx investments take longer than anticipated, contributing to multiple contraction. Very slow recovery in San Francisco.
Playa Hotels & Resorts	PLYA	\$8.50	Hold	\$8	-6%	\$86	\$172	\$216	\$99	\$186	\$229	10.0X	Upside risk: quicker recovery post-COVID, Cap Cana group strength/rate growth in the D.R. Downside risk: demand shock, hurricanes, slow ramp up of Cap Cana, country-specific risks (emerging market portfolio).
RLJ Lodging Trust***	RLJ	\$13.45	Buy	\$19	41%	\$141	\$273	\$431	\$159	\$293	\$452	12.5X	Downside risk: Slower than expected recovery of corporate business travel post-COVID; scope/timing and/or upside from repositionings underwhelms investor expectations; labor costs are not reduced either due to increased wages/benefits or inability to cut costs post-tech improvements.
Ryman Hospitality Properties	RHP	\$89.86	Hold	\$85	-5%	\$162	\$448	\$630	\$177	\$476	\$559	13.0X	Upside risk: recovering group and Entertainment demand faster than expected, better margin recovery. Downside risk: Group demand returns slower than expected. Property-specific risks given a small portfolio.
Sunstone Hotel Investors	SHO	\$11.33	Hold	\$11	-3%	\$54	\$183	\$236	\$67	\$195	\$248	12.5X	Upside risk: faster demand improvement in corporate travel than expected. Renovations lead to faster than expected EBITDA improvements. SHO buys hotels at accretive terms and quickly adds incremental EBITDA during the valuation period. Downside risk: Lodging recovery takes longer than expected, labor issues, weak recovery of international travel to gateway markets, natural disaster risk. Mortgage EBITDA stabilizes well lower than expected.
Vail Resorts, Inc.	MTN	\$249.16	Hold	\$278	12%	\$540	\$830	\$893	\$540	\$830	\$893	16.0X	Downside risks: MTN is subject to prolonged weakness in general economic conditions, including adverse effects on the overall travel and leisure related industries.
Travel + Leisure Co.	TNL	\$55.03	Buy	\$77	40%	\$748	\$872	\$998	\$778	\$904	\$1,030	8.6X	Upside risks include a faster economic recovery and investors continuing to apply higher target valuation multiples.
Wyndham Hotels & Resorts	WH	\$84.37	Buy	\$93	10%	\$562	\$579	\$680	\$590	\$616	\$721	15.0X	Downside risk: The timeshare business is especially vulnerable to economic softness. There are potential execution risks post the spin off. Downside risk: Slowdown in development opportunities. Weaker than expected transient trends.

* All of our Lodging price targets are derived by applying a target EVEBITDA multiple to our estimate for 2023 EBITDA
 ** Valuation EBITDA excludes select items for specific companies including stock-based compensation.
 *** Covered by Gregory J. Miller - gregory.j.miller@truist.com

Source: FactSet, Truist Securities research

Companies Mentioned in This Note

Bluegreen Vacations Holding Corporation (BVH, \$31.06, Buy, C. Patrick Scholes)
Choice Hotels International, Inc. (CHH, \$138.10, Hold, C. Patrick Scholes)
DiamondRock Hospitality Company (DRH, \$9.71, Hold, C. Patrick Scholes)
Hyatt Hotels Corporation (H, \$90.70, Buy, C. Patrick Scholes)
Hilton Grand Vacations Inc. (HGV, \$49.93, Buy, C. Patrick Scholes)
Hilton Worldwide Holdings Inc. (HLT, \$144.24, Hold, C. Patrick Scholes)
Host Hotels & Resorts, Inc. (HST, \$18.15, Hold, C. Patrick Scholes)
Marriott International, Inc. (MAR, \$166.40, Hold, C. Patrick Scholes)
Vail Resorts, Inc. (MTN, \$249.16, Hold, C. Patrick Scholes)
Pebblebrook Hotel Trust (PEB, \$23.09, Hold, Gregory Miller)
Park Hotels & Resorts Inc. (PK, \$18.56, Hold, C. Patrick Scholes)
Playa Hotels & Resorts N.V. (PLYA, \$8.50, Hold, C. Patrick Scholes)
Ryman Hospitality Properties, Inc. (RHP, \$89.86, Hold, C. Patrick Scholes)
RLJ Lodging Trust (RLJ, \$13.45, Buy, Gregory Miller)
Sunstone Hotel Investors, Inc. (SHO, \$11.33, Hold, C. Patrick Scholes)
Travel + Leisure Co. (TNL, \$55.03, Buy, C. Patrick Scholes)
Marriott Vacations Worldwide Corporation (VAC, \$151.29, Buy, C. Patrick Scholes)
Wyndham Hotels & Resorts, Inc. (WH, \$84.37, Buy, C. Patrick Scholes)

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