November's Hotel P&L Analyzer -- How profitable were hotels in November?

Because headline RevPAR doesn't tell the whole story

C. Patrick Scholes
212-319-3915
patrick.scholes@suntrust.com

Brian Hollenden, CFA
212-303-1742
brian.hollenden@suntrust.com

Gregory J. Miller
212-303-4198
gregory.j.miller@suntrust.com

What's Inside

An analysis of recent hotel labor cost trends, one of the critical components impacting hotel EBITDA margins

What's Incremental To Our View

November: -150 bps of GOP margin "growth" on approx. +0.3% Total RevPAR. This follows October, which had +20 bps of growth on approx. +4.1% Total RevPAR. In our monthly analysis of operational level P&L metrics of nearly a thousand U.S. upper-tier full service hotels (data source: HotStats), we continue to forecast slightly positive margins for FY18. For 2019, we see margins closer to flat to down slightly.

November Rooms RevPAR was just +0.1%, contributing to the worst GOP margin y/y change since Dec. 2015. We believe Luxury hotels generally outperformed Upper Upscale. Some Nov. events were one time (fires/labor strikes/etc) and thus we expect a margin rebound in Dec. **Given November's weak GOP margin results, we are taking down our profit growth expectations for the quarter to -50 to +25 bps (from +0-75 bps).** We still believe December should be a rebounding month for margins compared with October and November, even though margins in December 2017 were +250 bps y/y.

We have analyzed monthly P&L metrics of nearly a thousand high-rated full-service hotels in the U.S. (Luxury and Upper Upscale hotels, both private and publicly owned) and have the following thoughts:

Given the STR results by chain scale for November, we were not entirely surprised to see 150 bps of y/y GOP margin contraction last month. The hotels in our HotStats November data set saw profitability declines with GOP margins -150 bps. y/y, driven by Rooms RevPAR growth of +0.1% and Total RevPAR (includes F&B/catering) of +0.3%.

- We believe that GOP margin changes were likely disparate between Luxury and Upper Upscale hotels given that STR reported Luxury chain scale RevPAR of +2.7% and Upper Upscale of -1.2%. It is highly likely that the RevPAR results flowed down to profits accordingly.
- Taking the above a step further: we believe that urban Upper Upscale hotels (particularly those that cater to the business traveler) likely had relatively inferior performance to Luxury and leisure oriented hotels. This is a largely negative sign for many of the Lodging REITS given generally higher exposure and concentration to Upper Upscale urban hotels.
- However, the November results were not particularly surprising as we expected this was going to be a tough month for higher-rated U.S. hotels. While this was a relatively clean-comp month ex-the calendar shift of Halloween, November was expected to be a weak month relative to the last two Novembers

SEE PAGE 12 FOR REQUIRED DISCLOSURE INFORMATION

having unusually strong RevPAR growth. On top of a tougher comp, we note that weather events (fires in California and a tougher hurricane comp in Houston and Florida) and various labor strikes also contributed to underperformance, although these are idiosyncratic events.

- **Labor strike-impacted hotels likely did not help November results for some Lodging REITS.** We note that for hotels that dealt with a labor strike (we note that a number of REITS had a few hotels on strike), we believe that there is general inefficiency (read: headwind to margins) during strike periods. Not only are some operations curtailed and some guests simply avoid said hotels, but replacement property management staff are in our view often less efficient at the operations roles handled by the striking workers. This is largely because the replacement workers are not as accustomed to their new responsibilities. Further, bringing in staff from outside the region can add to costs (albeit temporarily).
    - **We will be monitoring the impact from the revised union contracts on margins, although by and large we expect the cost increases will end up as a modest headwind to margins for many hotels.** The significant hourly wage increases (particularly for San Francisco hotels) that were speculated by buy-side attendees at the REITworld conference did not come to fruition.

- **How we view 4Q18:** Through the STR results as of December 19th, we are maintaining our RevPAR growth projection of "the low-end" of our published +2-4% 4Q18 range for full-service branded domestic hotels. **However, given November's particularly challenged GOP margin results, we are taking down our profit growth expectations for the quarter to -50 to +25 bps (from +0-75 bps).** We still believe December should be a rebounding month for margins compared with October and November, even though margins in December 2017 were +250 bps y/y. Supporting our view: December benefiting from New Year's Eve shifting to a Monday this year from a Sunday last year. This has a very positive impact on room rates and often food and beverage margins, both of which should positively impact GOP margins. While December is a low occupancy month, hotels that benefit from strong holiday-related leisure travel are likely to benefit considerably by the holiday calendar shift.
    - Case in point: AAA predicts a record December travel this year (+4.4% y/y). What is less clear is the impact from the challenging weather that struck portions of the Eastern Seaboard on Thursday the 20th and Friday the 21st (unfortunately, major travel days for December as the lead-in to week-long vacations).
    - For those paying particular attention to the STR results, we expect to have a better idea of 4Q top-line results on Wednesday, January 9th (when STR is expected to release day-by-day RevPAR results for the New Year's week).

How GOP margin growth is holding YTD...barely in the black. REIT executives continue to suggest that RevPAR growth of ~ +2-3% is needed for EBITDA margins to remain flat. YTD RevPAR growth of +2.5% with +20 bps margins (both down 20 bps since October) suggest the public owner commentary is accurate.

- We note that supporting the relative margin growth are cost containment measures and in some cases, non-rooms spend (F&B/catering/other).
- As we have noted in recent months, GOP margins on a trailing 12 month basis have improved over the last year. While this improvement is in basis points (going from ~ -10 to +40), it is still improvement nonetheless.
- **<u>We continue to emphasize to investors that there is a marked difference between top and bottom line returns. There was 160 bps differential in November between Rooms RevPAR and GOP margin growth.</u>** We note that RevPAR growth exceeded GOP margin "growth" by 370 bps in October, 290 bps in September, 260 bps in August, 220 bps in July, 270 bps in June, 90 bps in May, 460 bps in April, 250 bps in March, 190 bps in February and 130 bps in January.
- The November results compare to YTD results of **GOP margins +20 bps y/y, driven by comp RevPAR growth of +2.5%** and Total RevPAR of +3.1%.
- As noted above, we note that many Lodging REITS currently estimate Rooms RevPAR growth of +2-3% is needed to maintain flat EBITDA margins.

- In our conversations with both public and private hotel owners, we currently hear that labor costs are growing between 3-4% for most hotels. After attending the REITworld conference in San Francisco and our Summit in November, we believe this viewpoint has not changed (and importantly this range is not expanding higher).

The data (source: HotStats (high correlation to STR)) indicates marked increases in hotel labor costs in 2018, negatively influencing hotel margins. **Bottom line, we remain guarded about the ability for owned hotel EBITDA margins (barring any major self-help initiatives such as with Park (PK, Buy)) to materially grow in 2018 and 2019 as RevPAR of +2-4% in 2018 and +1-3% (our forecasts) in 2019 in an environment of property-level operating costs of 2.5%+ does not bode well for significant margin expansion for hotel owners.** *Again to keep it in perspective, the fact that we are discussing any margin improvement at all nine plus years into a cycle is certainly a positive.*

November profitability: Flattish RevPAR growth resulted in y/y margin loss.

Industry Metric	Nov 2018 y/y	YTD		Nov 2018	YTD	FY2017	2017 y/y
Occupancy	*-120*	*20*	*bps*	74.2%	78.6%	77.2%	*50 bps*
ADR	1.6%	2.2%	*%*	$221	$225	$219	1.1%
RevPAR	0.1%	2.5%	*%*	$164	$177	$169	1.9%
Total Revenue PAR	0.3%	3.1%	*%*	$279	$292	$278	2.5%
Total Dept. Profit % Total Rev.	*-90*	*10*	*bps*	57.2%	60.0%	59.6%	*-10 bps*
Total Hotel Labor Costs % Total Rev.	*120*	*10*	*bps*	37.4%	35.4%	35.5%	*180 bps*
Total GOP PAR	*-3.9%*	3.8%	*%*	$95	$110	$103	*3.0%*
Total GOP % of Total Rev.	*-150*	*20*	*bps*	*33.9%*	*37.8%*	*37.0%*	*10 bps*

Source: STRH Research, HotStats
All dollar figures are in USD.

October profitability: Moderate RevPAR growth contributed to a slight increase in margin.

Industry Metric	Oct 2018 y/y	YTD		Oct 2018	YTD	FY2017	2017 y/y
Occupancy	*90*	*30*	*bps*	82.0%	79.0%	77.2%	*50 bps*
ADR	2.9%	2.2%	*%*	$241	$226	$219	1.1%
RevPAR	3.9%	2.7%	*%*	$198	$178	$169	1.9%
Total Revenue PAR	4.1%	3.4%	*%*	$329	$293	$278	2.5%
Total Dept. Profit % Total Rev.	*40*	*10*	*bps*	63.0%	60.2%	59.6%	*-10 bps*
Total Hotel Labor Costs % Total Rev.	*0*	*0*	*bps*	32.2%	35.2%	35.5%	*180 bps*
Total GOP PAR	*4.7%*	4.5%	*%*	$140	$112	$103	*3.0%*
Total GOP % of Total Rev.	*20*	*40*	*bps*	*42.5%*	*38.2%*	*37.0%*	*10 bps*

Source: STRH Research, HotStats
All dollar figures are in USD.

September profitability: Limited Rooms RevPAR growth; however, a decent increase in margin was likely driven by relative outperformance among Luxury hotels (we note that Total RevPAR was +4.1%, which indicates growth in non-rooms revenue departments such as food & beverage, catering/ conventions, and resort amenities.

- **3Q:** Operating Department margins were ~ -10 bps in 3Q and GOP margins were ~ +15 bps.

Industry Metric	Sept 2018 y/y	YTD		Sept 2018	YTD	FY2017	2017 y/y
Occupancy	-80	30	bps	76.3%	78.7%	77.2%	50 bps
ADR	2.2%	2.1%	%	$224	$224	$219	1.1%
RevPAR	1.2%	2.6%	%	$171	$176	$169	1.9%
Total Revenue PAR	4.1%	3.3%	%	$280	$289	$278	2.5%
Total Dept. Profit % Total Rev.	40	10	bps	59.7%	59.9%	59.6%	-10 bps
Total Hotel Labor Costs % Total Rev.	-40	0	bps	36.0%	35.6%	35.5%	180 bps
Total GOP PAR	7.3%	4.4%	%	$105	$109	$103	3.0%
Total GOP % of Total Rev.	110	40	bps	37.4%	37.6%	37.0%	10 bps

Source: STRH Research, HotStats
All dollar figures are in USD.

August profitability: Moderate RevPAR growth contributed to a modest increase in margin.

Industry Metric	Aug 2018 y/y	YTD		Aug 2018	YTD	FY2017	2017 y/y
Occupancy	100	50	bps	78.4%	79.0%	77.2%	50 bps
ADR	1.6%	2.1%	%	$203	$224	$219	1.1%
RevPAR	2.9%	2.7%	%	$159	$177	$169	1.9%
Total Revenue PAR	3.9%	3.2%	%	$249	$290	$278	2.5%
Total Dept. Profit % Total Rev.	-30	10	bps	57.0%	59.9%	59.6%	-10 bps
Total Hotel Labor Costs % Total Rev.	40	10	bps	39.2%	35.6%	35.5%	180 bps
Total GOP PAR	4.9%	4.1%	%	$80	$109	$103	3.0%
Total GOP % of Total Rev.	30	30	bps	32.1%	37.6%	37.0%	10 bps

Source: STRH Research, HotStats
All dollar figures are in USD.

SunTrust Robinson Humphrey

July profitability: Relatively weak RevPAR growth resulted in a decline in margin (we believe this is in part due to the calendar shift of July 4th impacting Group demand).

Industry Metric	Jul 2018 y/y	YTD		Jul 2018	YTD	FY2017	2017 y/y
Occupancy	-70	40	bps	80.4%	79.1%	77.2%	50 bps
ADR	2.1%	2.2%	%	$212	$227	$219	1.1%
RevPAR	1.2%	2.7%	%	$171	$179	$169	1.9%
Total Revenue PAR	0.4%	3.1%	%	$261	$296	$278	2.5%
Total Dept. Profit % Total Rev.	-40	20	bps	58.2%	60.2%	59.6%	-10 bps
Total Hotel Labor Costs % Total Rev.	90	10	bps	37.6%	35.3%	35.5%	180 bps
Total GOP PAR	-2.5%	4.0%	%	$88	$113	$103	3.0%
Total GOP % of Total Rev.	-100	30	bps	33.7%	38.2%	37.0%	10 bps

Source: STRH Research, HotStats
All dollar figures are in USD.

June profitability: Relatively strong RevPAR growth contributed to a moderate increase in margin (the reverse impact from the July 4th shift positively benefiting group demand).

- **2Q:** Operating Department margins were ~ +50 bps in 2Q and GOP margins were ~ +100 bps.

Industry Metric	Jun 2018 y/y	YTD		Jun 2018	YTD	FY2017	2017 y/y
Occupancy	110	60	bps	83.2%	78.9%	77.2%	50 bps
ADR	3.0%	2.2%	%	$226	$230	$219	1.1%
RevPAR	4.4%	2.9%	%	$188	$181	$169	1.9%
Total Revenue PAR	4.7%	3.5%	%	$305	$302	$278	2.5%
Total Dept. Profit % Total Rev.	90	20	bps	61.4%	60.5%	59.6%	-10 bps
Total Hotel Labor Costs % Total Rev.	-80	0	bps	33.9%	34.9%	35.5%	180 bps
Total GOP PAR	9.4%	4.9%	%	$121	$117	$103	3.0%
Total GOP % of Total Rev.	170	60	bps	39.8%	38.9%	37.0%	10 bps

Source: STRH Research, HotStats
All dollar figures are in USD.

May profitability: Low RevPAR growth contributed to a slight increase in margin.

Industry Metric	May 2018 y/y	YTD		May 2018	YTD	FY2017	2017 y/y
Occupancy	-50	50	bps	79.5%	78.0%	77.2%	50 bps
ADR	1.8%	2.0%	%	$228	$230	$219	1.1%
RevPAR	1.1%	2.6%	%	$181	$180	$169	1.9%
Total Revenue PAR	1.4%	3.2%	%	$304	$301	$278	2.5%
Total Dept. Profit % Total Rev.	10	10	bps	61.0%	60.3%	59.6%	-10 bps
Total Hotel Labor Costs % Total Rev.	60	10	bps	34.9%	35.1%	35.5%	180 bps
Total GOP PAR	1.9%	4.0%	%	$121	$117	$103	3.0%
Total GOP % of Total Rev.	20	30	bps	39.8%	38.7%	37.0%	10 bps

Source: STRH Research, HotStats
All dollar figures are in USD.

April profitability: Relatively strong RevPAR growth contributed to a moderate increase in margin.

Industry Metric	Apr 2018 y/y	YTD		Apr 2018	YTD	FY2017	2017 y/y
Occupancy	90	70	bps	82.3%	77.6%	77.2%	50 bps
ADR	4.6%	2.1%	%	$237	$231	$219	1.1%
RevPAR	5.7%	3.0%	%	$195	$179	$169	1.9%
Total Revenue PAR	6.8%	3.7%	%	$322	$301	$278	2.5%
Total Dept. Profit % Total Rev.	60	10	bps	62.1%	60.1%	59.6%	-10 bps
Total Hotel Labor Costs % Total Rev.	-50	10	bps	32.6%	35.2%	35.5%	180 bps
Total GOP PAR	9.6%	4.6%	%	$134	$115	$103	3.0%
Total GOP % of Total Rev.	110	40	bps	41.5%	38.4%	37.0%	10 bps

Source: STRH Research, HotStats
All dollar figures are in USD.

March profitability: Moderate RevPAR growth (although significantly better for Luxury hotels than Upper Upscale due largely to the Easter calendar shift) contributed to a slight increase in margin.

- **1Q:** as evident in the table below, Operating Department and GOP Profit margins were flattish in 1Q.

Industry Metric	Mar 2018 y/y	YTD		Mar 2018	YTD	FY2017	2017 y/y
Occupancy	*50*	*70*	*bps*	82.6%	76.1%	77.2%	*50 bps*
ADR	2.0%	1.2%	*%*	$239	$229	$219	1.1%
RevPAR	2.7%	2.1%	*%*	$197	$174	$169	1.9%
Total Revenue PAR	1.6%	2.6%	*%*	$322	$294	$278	2.5%
Total Dept. Profit % Total Rev.	*20*	*-20*	*bps*	62.2%	59.3%	59.6%	*-10 bps*
Total Hotel Labor Costs % Total Rev.	*60*	*20*	*bps*	33.4%	36.1%	35.5%	*180 bps*
Total GOP PAR	*2.1%*	2.6%	*%*	$134	$109	$103	*3.0%*
Total GOP % of Total Rev.	*20*	*0*	*bps*	*41.7%*	*37.2%*	*37.0%*	*10 bps*

Source: STRH Research, HotStats
All dollar figures are in USD.

February profitability: Moderate RevPAR growth (in aggregate, although far better for Luxury hotels than Upper Upscale) contributed to a modest increase in margin.

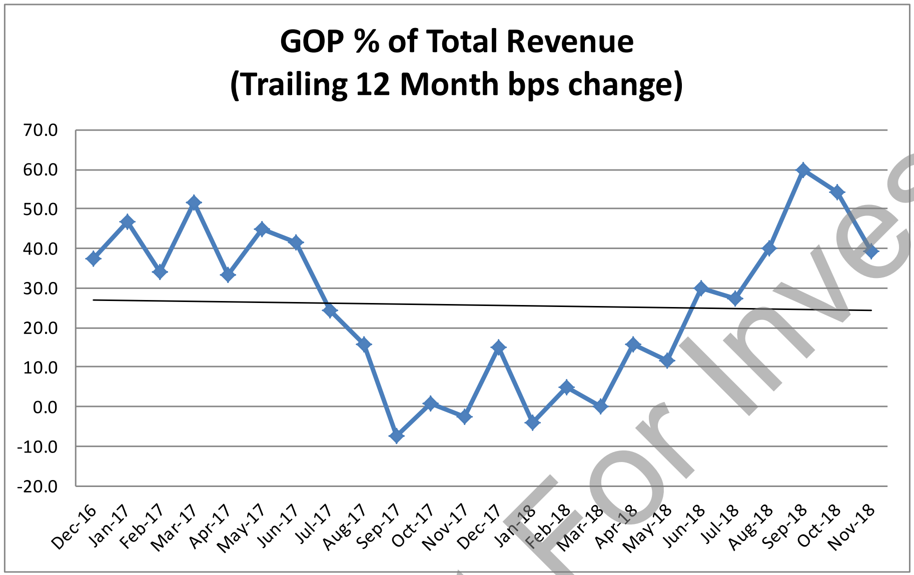
Industry Metric	Feb 2018 y/y	YTD		Feb 2018	YTD	FY2017	2017 y/y
Occupancy	*80*	*60*	*bps*	76.3%	72.5%	77.2%	*50 bps*
ADR	1.3%	0.7%	*%*	$225	$222	$219	1.1%
RevPAR	2.4%	1.5%	*%*	$171	$161	$169	1.9%
Total Revenue PAR	4.2%	3.2%	*%*	$295	$277	$278	2.5%
Total Dept. Profit % Total Rev.	*-10*	*-40*	*bps*	59.3%	57.6%	59.6%	*-10 bps*
Total Hotel Labor Costs % Total Rev.	*-10*	*0*	*bps*	36.0%	37.8%	35.5%	*180 bps*
Total GOP PAR	*5.6%*	3.0%	*%*	$109	$96	$103	*3.0%*
Total GOP % of Total Rev.	*50*	*0*	*bps*	*37.0%*	*34.5%*	*37.0%*	*10 bps*

Source: STRH Research, HotStats
All dollar figures are in USD.

January profitability: Low RevPAR growth, particularly among Upper Upscale hotels, contributed to a moderate reduction in margin.

Industry Metric	Jan 2018 y/y		Jan 2018	FY2017	2017 y/y
Occupancy	*40*	*bps*	68.9%	77.2%	*50 bps*
ADR	0.1%	*%*	$219	$219	1.1%
RevPAR	0.7%	*%*	$151	$169	1.9%
Total Revenue PAR	2.1%	*%*	$259	$278	2.5%
Total Dept. Profit % Total Rev.	*-70*	*bps*	55.9%	59.6%	*-10 bps*
Total Hotel Labor Costs % Total Rev.	*30*	*bps*	39.7%	35.5%	*180 bps*
Total GOP PAR	*0.0%*	*%*	$83	$103	*3.0%*
Total GOP % of Total Rev.	*-60*	*bps*	*31.9%*	*37.0%*	*10 bps*

Source: STRH Research, HotStats
All dollar figures are in USD.



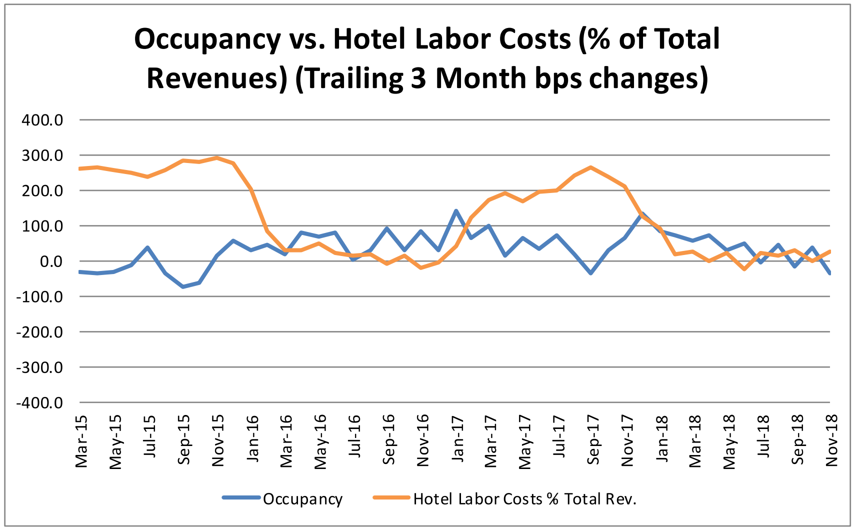
Source: STRH Research, HotStats

Source: STRH Research, HotStats

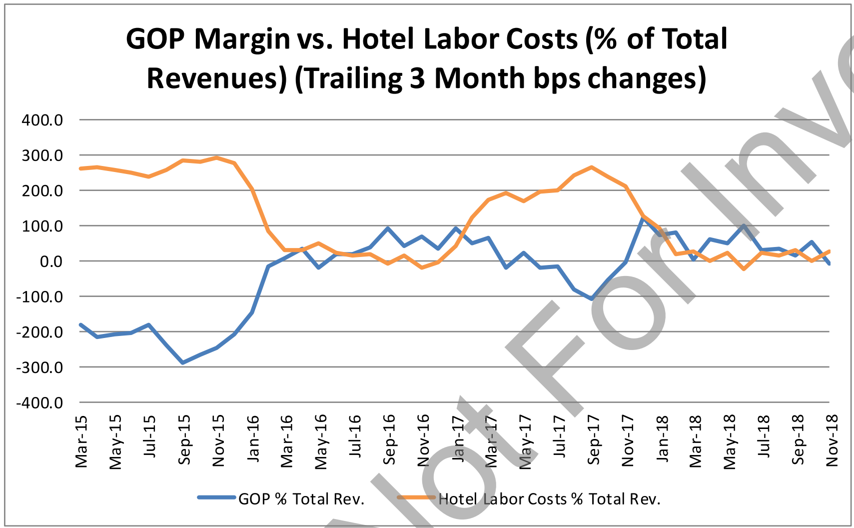
As we have previously noted, hotel labor is the primary operating cost for most hotels and is particularly significant for full-service hotels (food and beverage, catering/meetings, and resort facilities are labor intensive). Our general view is that higher room rates generally equate to greater service expectations by guests. **Being that most of the Lodging REITS focus on the highest-rated hotels, the recent trend of rising labor costs is especially impactful to EBITDA margins.** We analyzed HotStats' aggregated hotel P&L data to better grasp recent monthly trends in labor costs and margins. We note the following takeaways:

- While rising operating costs attributable to labor increased significantly in 2017, labor costs as a percentage of total revenue has fallen to more modest growth y/y (see the following charts below). This compares to flattish growth y/y in 2016, +150 bps y/y in mid-2017 and +190 bps by year-end 2017. Combined with just 2% RevPAR growth in 2017, GOP margins were flattish in 2017 y/y.
    - **How we interpret the recent trends:** Based on commentary from recent earnings calls, meetings with the REITS in recent months, and conversations with private hotel owners, we do not see labor cost growth abating in 2019. There may be some seasonality factors (including calendar shifts) and cost containment measures being undertaken (particularly around the end/start of the year) that have influenced the recent flattish trend in labor costs as a percentage of revenue. **Headwinds such as restrictive immigration policies, low unemployment, and recent minimum wage ordinances are contributing to rising hotel labor costs -- and we do not expect these increases to plateau in the near-term.** **For further discussion on labor costs and related headwinds, we encourage investors to review our takeaways from our December 2018 meetings with CBRE.**

- The following charts highlight trends in labor costs vs. occupancy and GOP margins.



Source: STRH Research, HotStats



Source: STRH Research, HotStats

How we view property-level margins in the current low RevPAR growth environment: Over the past few years, in a low RevPAR growth environment, hotel labor costs have had a highly significant influence on EBITDA margins. The correlation between labor costs as a percentage of hotel revenue and GOP as a percentage of total revenue is approximately -80%. **Thus, the ability for hotel owners and managers to keep labor cost increases as low as possible will be critical in 2018 and 2019.**

- Among our REIT coverage, our aggregated Adjusted EBITDA Margin estimate (weighted average by market cap.) is +25-75 bps y/y growth for 2018 (ex-San Francisco hotels it would be closer to -50 to -100 bps). Please note that there are anomalies for specific REITS due to portfolio changes and property renovations, hurricane impact, DC Inauguration, etc. thus we focus on the aggregate numbers. **Hotels owned by the REITS orient more heavily to Upper Upscale versus Luxury, thus our expectations for margin growth for REITS reflects that differential. We expect REITS with a greater proportion of Luxury hotels (ex-idiosyncratic factors as aforementioned) to have a greater opportunity for slight margin expansion in 2018.**

One piece of good news for hotel owners is that lower margins can result in a slowdown of new hotel development, at least for full-service hotels. However, we note that the highest-rated hotels often take the longest to go through the approval and development process, therefore we believe any warning signs on margins will likely play a factor for hoteliers that are very early in the development process and not necessarily for hotels that are well into the planning stages (thus, hotels that are scheduled to open in 2018 are still likely to open).

How this cycle compares with the prior downturn: One question we have raised to hotel owners (both public and private owners) is "how efficient are hotels today vs. the same time last cycle?". This is an important question as many full-service hotels were able to cut costs significantly during the last cycle downturn. Hotel owners admit that there is room to cut costs if occupancies take a more significant downward trend (we are not suggesting this will happen barring a demand shock). However, owners have also admitted to us that some operating costs (labor and otherwise) that were cut during the last lodging cycle were not added back, thus we believe that many hotels may be naturally leaner and more efficient today. If hotels are leaner today, the ability to cut costs in a high occupancy environment may be more difficult.

H: Valuation and Risks

Our price target of $78 for H is derived by applying a 13.3x target EV/EBITDA multiple (a blended average of the industry multiples for each business segment) to our estimate for 2019 EBITDA. Our valuation model for Hyatt assumes an owned-hotel 2019 EBITDA multiple of 13.0x 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 14.9x (10.5x for Owned/leased and 15.0x for Managed/franchised) to our 2019 adjusted EBITDA estimate to derive a 12-month price target of $88. This multiple is towards the higher end of the historical range of 10x-16x.

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 price target of $125 for MAR is derived by applying a 14.9x target EV/EBITDA multiple (a blended average of the industry average multiples for each business segment) to our estimate for 2019 EBITDA.

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: 2019 is a recession year in the US. Geopolitical and policy risks negatively impact lodging demand.

PK: Valuation and Risks

Our $34 price target is based on an 12.5x multiple on our 2019 EBITDA estimate. This multiple is in-line with portfolio quality.

Risks to our rating and price target: Significant supply growth and macroeconomic challenges/shocks.

Companies Mentioned in This Note

Hyatt Hotels Corporation (H, $66.69, Hold, C. Patrick Scholes)
Hilton Worldwide Holdings Inc. (HLT, $69.51, Buy, C. Patrick Scholes)
Marriott International, Inc. (MAR, $105.58, Hold, C. Patrick Scholes)
Park Hotels & Resorts Inc. (PK, $26.65, 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.

Required Disclosures

SunTrust Robinson Humphrey, Inc. or an affiliate managed or co-managed a securities offering for the following companies within the last 12 months: H-US, HLT-US and MAR-US

The following companies are clients of SunTrust Robinson Humphrey, Inc. for investment banking services within the last 12 months: H-US, HLT-US and MAR-US

SunTrust Robinson Humphrey, Inc. or an affiliate has received compensation for investment banking services within the last 12 months: H-US, HLT-US and MAR-US

The following companies are clients of SunTrust Robinson Humphrey, Inc. for non-investment banking securities-related services within the last 12 months: H-US and MAR-US

SunTrust Robinson Humphrey, Inc. or an affiliate has received compensation for non-investment banking services within the last 12 months: H-US and MAR-US

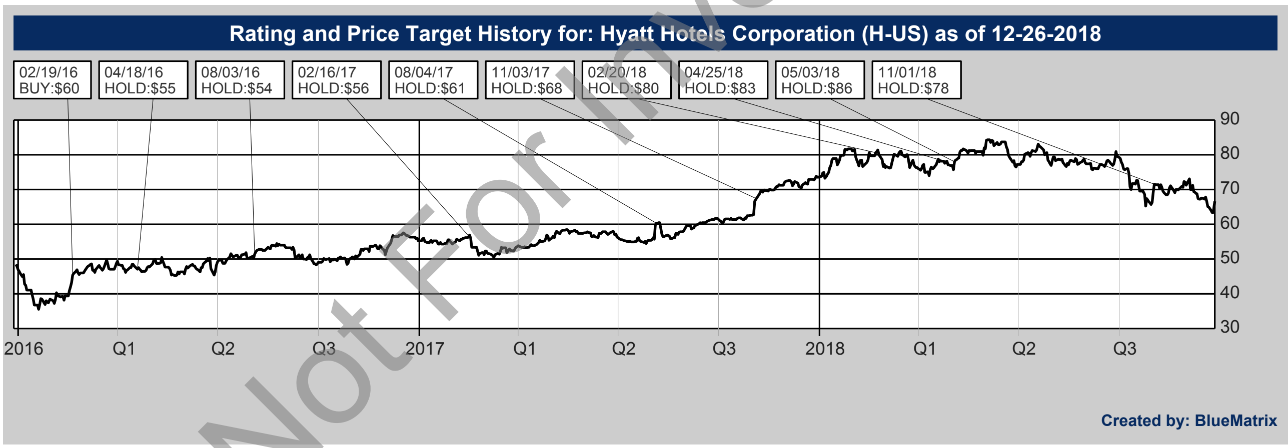
The following company is a client of SunTrust Robinson Humphrey, Inc. for non-securities-related services within the last 12 months: H-US

SunTrust Robinson Humphrey, Inc. or an affiliate has received compensation for non-securities related services within the last 12 months: H-US

SunTrust Robinson Humphrey, Inc. makes a market in the following company: MAR-US

Analyst compensation is based upon stock price performance, quality of analysis, communication skills, and the overall revenue and profitability of the firm, including investment banking revenue.

As a matter of policy and practice, the firm prohibits the offering of favorable research, a specific research rating or a specific target price as consideration or inducement for the receipt of business or compensation. In addition, associated persons preparing research reports are prohibited from owning securities in the subject companies.



Rating and Price Target History for: Hilton Worldwide Holdings Inc. (HLT-US) as of 12-26-2018

Rating and Price Target History for: Marriott International, Inc. (MAR-US) as of 12-26-2018

Rating and Price Target History for: Park Hotels & Resorts Inc. (PK-US) as of 12-26-2018

STRH Ratings System for Equity Securities

Dissemination of Research

SunTrust Robinson Humphrey (STRH) seeks to make all reasonable efforts to provide research reports simultaneously to all eligible clients. Reports are available as published in the restricted access area of our website to all eligible clients who have requested a password. Institutional investors, corporates, and members of the Press may also receive our research via third party vendors including: Thomson Reuters, Bloomberg, FactSet, and S&P Capital IQ. Additional distribution may be done by sales personnel via email, fax, or other electronic means, or regular mail.

For access to third party vendors or our Research website: https://suntrustlibrary.bluematrix.com/client/library.jsp

Please email the Research Department at mailto:STRHEquityResearchDepartment@suntrust.com or contact your STRH sales representative.

The rating system effective as of Oct. 7, 2016:

STRH Rating System for Equity Securities

SunTrust Robinson Humphrey (STRH) rates individual equities using a three-tiered system. Each stock is rated relative to the broader market (generally the S&P 500) over the next 12-18 months (unless otherwise indicated).

Buy (B) – the stock's total return is expected to outperform the S&P 500 or relevant benchmark over the next 12-18 months (unless otherwise indicated)

Hold (H) – the stock's total return is expected to perform in line with the S&P 500 or relevant benchmark over the next 12-18 months (unless otherwise indicated)

Sell (S) – the stock's total return is expected to underperform the S&P 500 or relevant benchmark over the next 12-18 months (unless otherwise indicated)

Not Rated (NR) – STRH does not have an investment rating or opinion on the stock

Coverage Suspended (CS) – indicates that STRH's rating and/or target price have been temporarily suspended due to applicable regulations and/or STRH Management discretion. The previously published rating and target price should not be relied upon

STRH analysts have a price target on the stocks that they cover, unless otherwise indicated. The price target represents that analyst's expectation of where the stock will trade in the next 12-18 months (unless otherwise indicated). If an analyst believes that there are insufficient valuation drivers and/or investment catalysts to derive a positive or negative investment view, they may elect with the approval of STRH Research Management not to assign a target price; likewise certain stocks that trade under $5 may exhibit volatility whereby assigning a price target would be unhelpful to making an investment decision. As such, with Research Management's approval, an analyst may refrain from assigning a target to a sub-$5 stock.

Legend for Rating and Price Target History Charts:
B = Buy
H = Hold
S = Sell
D = Drop Coverage
CS = Coverage Suspended
NR = Not Rated
I = Initiate Coverage
T = Transfer Coverage

The prior rating system until Oct. 7, 2016:

3 designations based on total returns* within a 12-month period**
· Buy – total return ≥ 15% (10% for low-Beta securities)***
· Reduce – total return ≤ negative 10% (5% for low Beta securities)
· Neutral – total return is within the bounds above
· NR – NOT RATED, STRH does not provide equity research coverage
· CS – Coverage Suspended
*Total return (price appreciation + dividends); **Price targets are within a 12-month period, unless otherwise noted; ***Low Beta defined as securities with an average Beta of 0.8 or less, using Bloomberg's 5-year average

SunTrust Robinson Humphrey ratings distribution (as of 12/27/2018):

Coverage Universe			Investment Banking Clients Past 12 Months		
Rating	Count	Percent	Rating	Count	Percent
Buy	474	64.40%	Buy	122	25.74%
Hold	261	35.46%	Hold	35	13.41%
Sell	1	0.14%	Sell	0	0.00%

Other Disclosures

Information contained herein has been derived from sources believed to be reliable but is not guaranteed as to accuracy and does not purport to be a complete analysis of the security, company or industry involved. This report is not to be construed as an offer to sell or a solicitation of an offer to buy any security. SunTrust Robinson Humphrey, Inc. and/or its officers or employees may have positions in any securities, options, rights or warrants. The firm and/or associated persons may sell to or buy from customers on a principal basis. Investors may be prohibited in certain states from purchasing some over-the-counter securities mentioned herein. Opinions expressed are subject to change without notice. The information herein is for persons residing in the United States only and is not intended for any person in any other jurisdiction.

SunTrust Robinson Humphrey, Inc.'s research is provided to and intended for use by Institutional Accounts as defined in FINRA Rule 4512(c). The term "Institutional Account" shall mean the account of: (1) a bank, savings and loan association, insurance company or registered investment company; (2) an investment adviser registered either with the SEC under Section 203 of the Investment Advisers Act or with a state securities commission (or any agency or office performing like functions); or (3) any other person (whether a natural person, corporation, partnership, trust or otherwise) with total assets of at least $50 million.

SunTrust Robinson Humphrey, Inc. is a registered broker-dealer and a member of FINRA and SIPC. It is a service mark of SunTrust Banks, Inc. SunTrust Robinson Humphrey, Inc. is owned by SunTrust Banks, Inc. ("SunTrust") and affiliated with SunTrust Investment Services, Inc. Despite this affiliation, securities recommended, offered, sold by, or held at SunTrust Robinson Humphrey, Inc. and at SunTrust Investment Services, Inc. (i) are not insured by the Federal Deposit Insurance Corporation; (ii) are not deposits or other obligations of any insured depository institution (including SunTrust Bank); and (iii) are subject to investment risks, including the possible loss of the principal amount invested. SunTrust Bank may have a lending relationship with companies mentioned herein.

Please see our Disclosure Database to search by ticker or company name for the current required disclosures, including valuation and risks, Link: https://suntrust.bluematrix.com/sellside/Disclosures.action

Please visit the STRH equity research library for current reports and the analyst roster with contact information, Link (password protected): STRH RESEARCH LIBRARY

SunTrust Robinson Humphrey, Inc., member FINRA and SIPC. SunTrust and SunTrust Robinson Humphrey are service marks of SunTrust Banks, Inc.

If you no longer wish to receive this type of communication, please request removal by sending an email to STRHEquityResearchDepartment@SunTrust.com

ADDITIONAL INFORMATION IS AVAILABLE at our website, www.suntrustrh.com, or by writing to:SunTrust Robinson Humphrey, Research Department, 3333 Peachtree Road N.E., Atlanta, GA 30326-1070