

CONSUMER: Lodging
REAL ESTATE INVESTMENT
TRUSTS: Lodging REITs

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29 Page Document

Reasons for this report

- ✓ Updating estimates and price targets following 2Q22 earnings.
- ✓ Upgrading RHP to Buy from Hold.
- ✓ CHH PT goes to \$135 from \$138, HLT goes to \$150 from \$151, MAR goes to \$184 from \$182, and RHP goes to \$103 from \$95.

Aug/Sept RevPAR Monitor: Corporate group tailwinds. Lodging bear case looks too bearish to us.

Raising RHP to Buy from Hold and increasing price target to \$103 from \$95

In this report we discuss:

- Latest observations on forward-looking booking and pricing trends for US hotels and anecdotal learnings from industry contacts, including detail on the three main customer segments:
 - Individual Business
 - Group/convention
 - Leisure
- Stocks/picks

Based upon our analysis of millions of future reservations for US hotels from multiple “big data” sources and from conversations with hotel owner/manager contacts and executives at very large travel agencies, we have yet to observe any “recession-driven” pullbacks and see the greatest degree of booking and pricing momentum coming from the corporate group segment. *This latter point can be best summarized by a comment from a senior executive of one of the world’s largest corporate travel agencies: “We can’t keep up with the (corporate group) demand right now.”* Subsequently, we see RevPAR growth and the greatest opportunity for earnings upside over the next year led by the higher chain scales, most notably the group-centric upper upscale segment. **Regarding individual corporate travel, as previously discussed**, the demand recovery has stalled at down approx. 25% from comparable pre-covid levels (the “Zoom effect”), however ADR on new bookings is up approx. 5% from pre-covid levels, and we believe corporate rates will be up high-single digits y/y in 2023. **For leisure travel**, while the good news is demand is still strong and well above 2019 levels, the challenge is that y/y comps are difficult and the demand for hotel rooms is now being “diluted” by significantly greater short term rental supply, the reopening of international locations, such as Europe, the Caribbean, and Canada to Americans, combined with favorable FX, and the return of cruising as a value-priced vacation alternative.

Bottom line: We summarize our view on the lodging sector at the moment as one of “relative optimism,” a view markedly more favorable than the bear case, as discussed below, of “relative pessimism”. **Of the lodging stocks our favorite name is Hyatt (Buy) which we see in the “sweet spot” of both the group recovery and strength in international markets, most notably the Caribbean.** Hyatt generates approx. 30% of earnings from the group segment and 30% from its Caribbean-centric Apple Leisure Group segment. To this we note an EV/EBITDA valuation multiple approx. 350 bps. below that of HLT (Hold) and MAR (Hold). Additionally, today we are raising our rating on RHP to Buy from Hold and raising our price target to \$103 from \$95. At 75% of its business coming from groups/conventions, RHP has the greatest exposure to this customer segment. *For the lodging sector as a whole, we see the biggest potential drivers of earnings upside coming from corporate group business and associated outside of room spend (aka “Total RevPAR”) and secondly from the recovery in international markets.*

We believe the lodging bear case is too bearish. The bear case is for a slowdown in demand in 2023 with RevPAR down mid-single digits y/y driven by ADR down approx. 10% and occupancy increasing by mid-single digits. For hotel companies this translates into revenues down low-single digits y/y in 2023 and specifically for the C-corps EBITDA down low-mid-single digits and REIT EBITDA down mid-single digits. **While we are not**

oblivious to the potential for a recession in 2023 as *nothing's for certain, it could always go wrong* and acknowledge limited visibility in hotel bookings, especially on individual travel which typically books less than 60 days before arrival, we frankly find this bear case too “bearish” and cite the following drivers of potential y/y revenue growth:

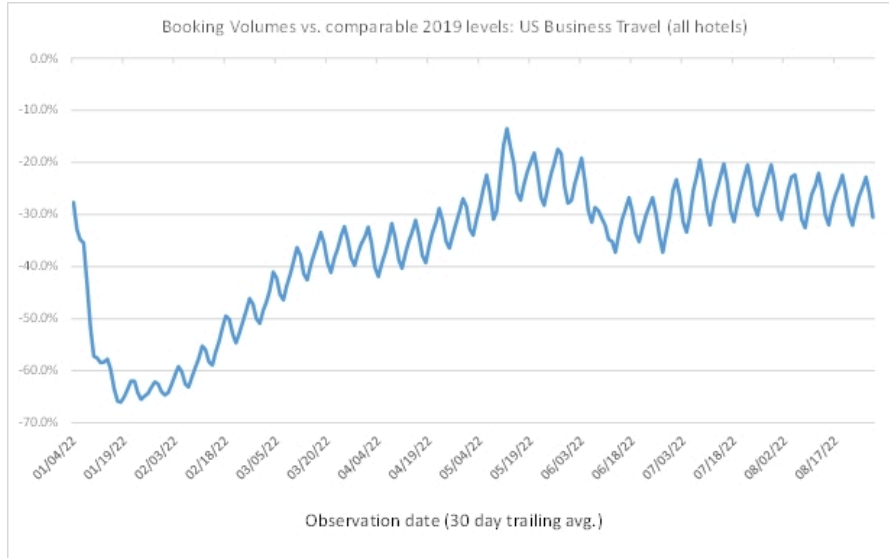
- **Corporate group demand, and to a lesser degree larger city-wide events, is looking strong into 2023, and along with group room nights comes significant outside of the room spend as the typical group spends nearly as much outside of the room (banquets, bars, meeting rooms, etc.,...) as they spend on the room itself.** Please see table 12 for a breakdown of group demand by company.
- **Based on conversations with large corporate travel agencies and sizable hotel asset managers, corporate rates will likely be up high-single digits y/y next year.** Noted was that hotels cannot afford to extend 2019 rates for another year giving rising labor costs; *ergo hotels will take a stronger stand when it comes to rate negotiations.*
 - **We are particularly attentive to large corporate pricing as a read-through to small-medium size businesses (SMEs).** Effectively, if large corporate rates are pushed up, there is greater opportunity, in our opinion, for SME rates to be pushed higher as well. This impact is not just for transient but also small/mid-sized corporate groups including SMEs.
- **Adding to earnings growth for the hotel C-corps will be continued net unit growth.** While we forecast 2023 net unit growth for Hilton and Marriott will be slower by approx. 100 bps from this year's growth rates, this still means 3-4% net unit growth which translates into 4-6% EBITDA growth. We see WH (Buy) as the C-corp with the greatest potential to see accelerating net unit growth in 2023. [Please see our recent conversation with Lodging Econometrics for further discussion on supply trends and expectations.](#)
- **International locations, namely Europe and China, have finally started to see some life this summer and assuming these trends continue the y/y comparisons will be extremely easy for the first half of 2023.** From Europe, MAR generates approximately 15% of EBITDA, HLT 10%, H (Buy) 5%, and WH less than 5%. From China, these companies generate approx. 5% of their earnings with the exception of WH which generates low-single digits.
 - Specifically for Europe, RevPAR was still down approx. 25% vs. 2019 for the first four months of this year. With the easing of travel restrictions that has remarkably improved to up 20% for July.
 - For China, while RevPAR in July was still down approx. 20% vs. 2019, this is a material improvement from the first half of the year where RevPAR was down approx. 50%. Attesting to the improving trajectory of recovery, RevPAR in August was “only” down approx. 15% vs. 2019.
 - [Please see our latest monthly International RevPAR report for further detail.](#)
- **Government pier-diems will be up 2% in 2023.** While we see this as a “mixed” statistic as this growth is not keeping up with inflation, +2% is still significantly better than the above noted bear case scenario. We note that government business accounts for approx. 5-10% of US hotel business, though more weighted towards the midscale and economy segments than full-service hotels.

Individual business travel: Examining the most recent forward-looking bookings and pricing:

Hotel room demand by corporate travelers has stalled at around -25% versus comparable pre-covid levels. *We surmise this may be the “cap” on post-covid business travel that some have been predicting.* Notably, corporate booking volumes were tracking at approx. -65% in January 2022 versus January 2019 and as Omicron subsided this figure rapidly improved to approx. -25% in mid-April where it has subsequently been stuck since that time (data source: [Tripbam](#)). To be clear, we do not attribute this stall in demand due to a recession, rather we see it driven by the “Zoom effect” where a percentage (25% at the moment) of higher-end business travel may never return or may take at least several more years to reach pre-Covid levels.

- **It is possible that the headline figure of -25% we observe in the booking data may be overstated as some business travelers are choosing to combine their business travel into a long weekend with a stay on Thursday and/or Sunday nights.** *Subsequently, while this might optically make business travel down, some of this loss is being re-categorized into “leisure travel” as the guest's stay includes the weekend.*

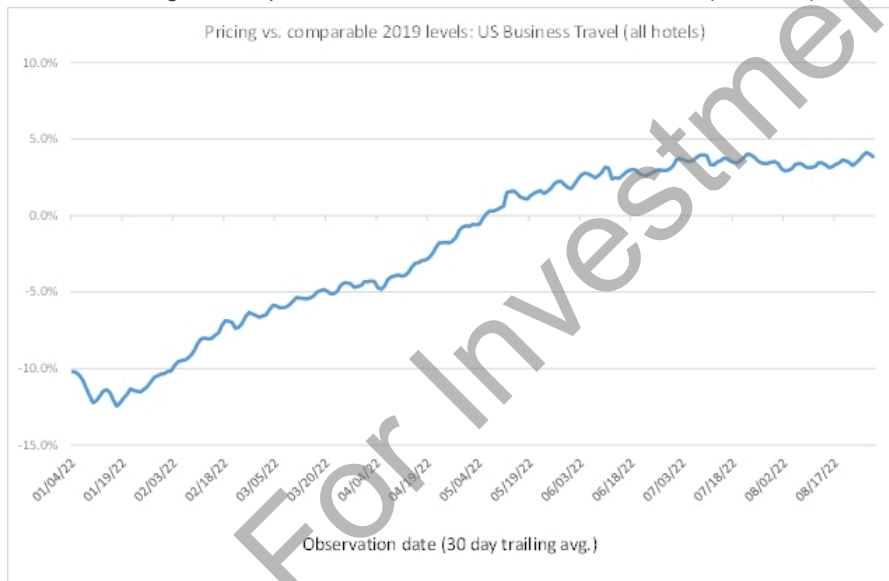
Exhibit 1: Booking Volumes vs. comparable 2019 levels: US Business Travel (all hotels)



Source: Tripbam, Truist Securities

- While we have observed corporate travel bookings stalling, pricing on these bookings continues to rebound and is currently tracking up low-single digits vs. comparable pre-covid levels. *However, on an inflation adjusted basis we observe corporate business travel room rates still down approx. 5-10% vs. pre-Covid levels.*

Exhibit 2: Pricing vs. comparable 2019 levels: US Business Travel (all hotels)



Source: Tripbam, Truist Securities

Group observations:

Corp group very strong: Executives at large travel agencies tell us that current booking volumes are tracking approx. up 20% vs the same time in 2019 with room rates up over 15% vs. pre-Covid levels. Other key points and observations include:

- Group meeting planners are finding it difficult to keep up with demand.
- The greatest momentum is with smaller-sized meetings of under 50 attendees.
- The booking window is very short with heavy volumes of last-minute (1-2 months out) bookings.
- Give the very strong demand for meetings, fewer concessions/extra perks are being given to groups.
- Meeting planners are seeing lots of service and food quality issues at hotels. [Please see our recent report on hotel labor, wages, and staffing we published following our webinar with Hotel Effectiveness, an expert on hotel labor issues, for further discussion on such issues.](#)

City-wide group: Based on convention bureau data for the top-25 US markets collected by [Lodging Analytics Research and Consulting \(LARC\)](#), we observe 2022 expected hotel room nights up 153% y/y in 2022 and tracking up 8% y/y 2023. Reflecting the shorter-term nature of group bookings at the moment, the greatest degree of strength is from group events scheduled to occur over the next 18 months.

Exhibit 3: Expected room nights y/y and vs. 2019

As of:	Aug-22		
	Index	% Change from Prior Year	% Chg vs. 2019
2019	100.00		Vs 2019
2020	43.06	-57%	-57%
2021	32.85	-24%	-67%
2022	82.98	153%	-17%
2023	89.73	8%	-10%
2024	87.79	-2%	-12%
2025	82.35	-6%	-18%

Source: LARC, Truist Securities

Leisure travel observations:

To gauge leisure trends, we look at data and forecasts from Airdna, amongst other sources. Specifically, we look most closely at their statistics on what we consider “pure leisure locations”, namely destination/resorts at coastal and mountain/lake locations. We observe continued strong demand trends for the rest of the year, up 9-10% y/y, and up 26-32% vs. 2019. That said, this leisure demand is being diluted by significant new supply, up 12% y/y, and up 25-26% vs. 2019. Additionally, the strong leisure demand is being diluted by the reopening of international locations such as Europe, the Caribbean, and Canada to Americans combined with favorable FX, and the return of cruising as a value-priced vacation alternative. For leisure pricing, we observe ADRs up 3-7% y/y and up 23-24% vs. 2019. As it relates to the public hotel companies, we see a mixed impact with those hotel REITs that recently purchased arguably expensive properties in “hot” hotel markets like Florida likely seeing some pressure on occupancy whereas the C-Corps/brands are seeing a strong recovery in Europe, the Caribbean, and Canada.

Exhibit 4: Destinations/Resorts supply, demand, and ADR forecasts

	Supply (as of 2Q22)		Demand forecast (Aug 2022 - Dec 2022)		ADR forecast (Aug 2022 - Dec 2022)	
	Y/Y	vs. 2019	Y/Y	vs. 2019	Y/Y	vs. 2019
Destination/Resort - Coastal	12%	25%	10%	32%	7%	23%
Destination/Resort - Mountain/Lake	12%	26%	9%	26%	3%	24%

Source: Airdna, Truist Securities

Exhibit 5: Top 10 U.S. Growth Markets for Short-term Rental Listings based Net Increase May 2022 vs May 2021

MARKET	NET INCREASE	% CHANGE
HOUSTON, TX	5,750	55.7%
AUSTIN, TX	4,353	42.8%
PHOENIX/SCOTTSDALE, AZ	6,057	39.9%
LAS VEGAS, NV	3,566	39.2%
FT. LAUDERDALE, FL	3,830	31.3%
GATLINBURG/PIGEON FORGE, TN	3,772	30.8%
ATLANTA, GA	4,027	28.2%
MIAMI, FL	4,375	27.4%
PANAMA CITY, FL	4,106	26.7%
LOS ANGELES, CA	4,203	17.5%

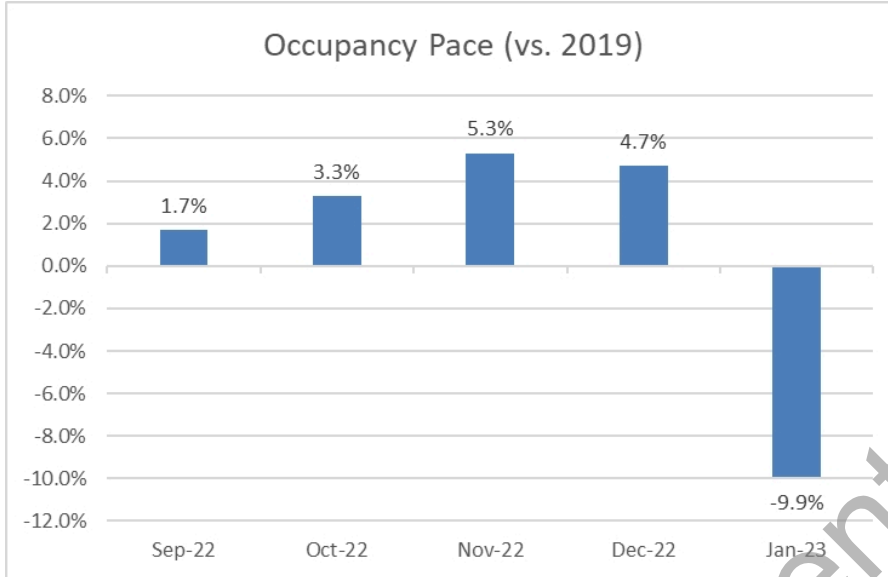
Source: AirDNA

Additionally, to further gauge the strength/weakness of higher-end US leisure travel we also look at future occupancy, rate, and RevPAR pace for hotels at US ski resorts (source DestiMetrics).

Our observations on forward Occupancy for hotels at US ski resorts:

- First, when we look at how forward occupancy is pacing vs. 2019, we see a mixed picture as September-December is up low-to-mid single digits vs. 2019 but is tracking well behind for January.

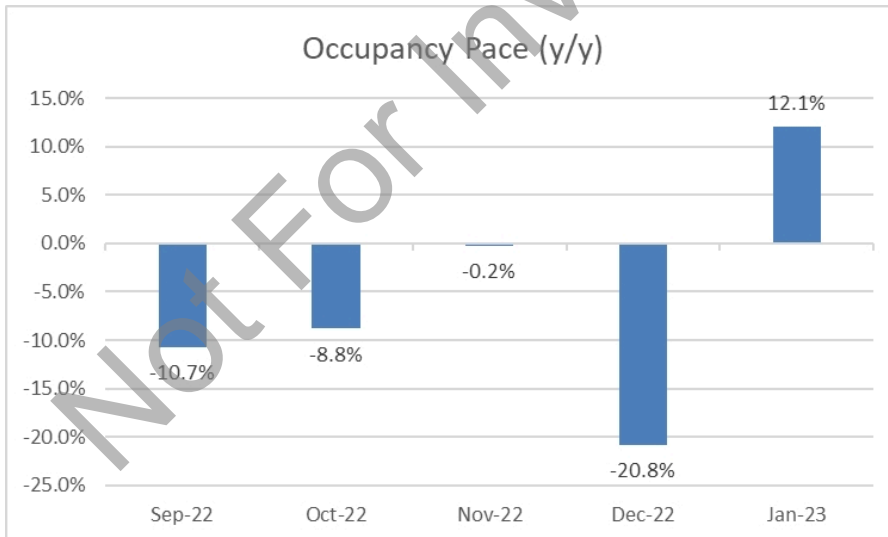
Exhibit 6: US ski resort Occupancy Pace (vs. 2019)



Source: DestiMetrics, Truist Securities

- However, on a y/y basis forward occupancy is pacing negative for the fall and winter months. Notably, December is significantly down which we attribute to the previously noted pressures and to a difficult holiday calendar comp. Recall that the end of December 2021 benefited from the favorably timing of Christmas and New Year's Day falling on a Saturday which resulted in additional time off in December for some. This year those holidays fall on a Sunday which will be a negative for December but a positive for January leisure/vacation travel. Additionally, last January experienced pressure on leisure travel due to Omicron, meaning there is an easy y/y comp from that.

Exhibit 7: US ski resort Occupancy Pace (y/y)

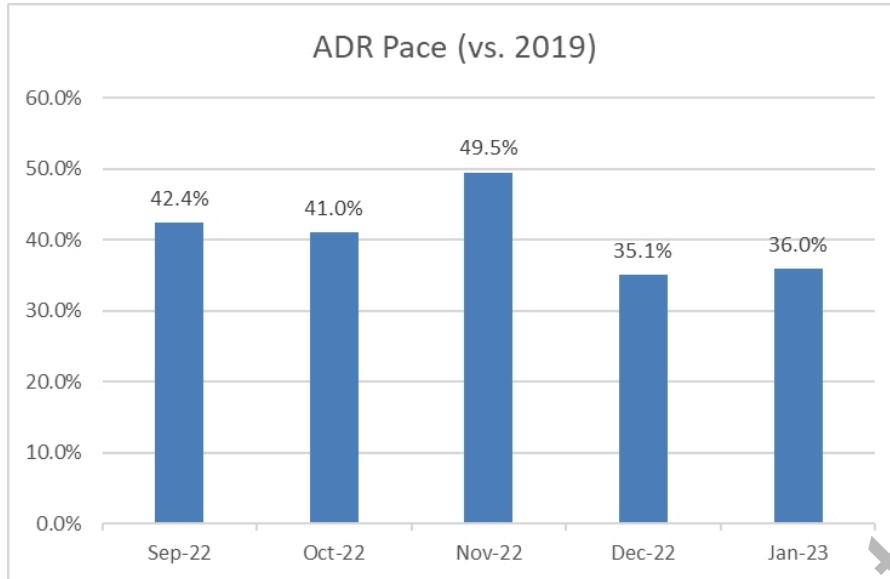


Source: DestiMetrics, Truist Securities

Our observations on forward ADR for hotels at US ski resorts:

- First, when we look at how forward ADR is pacing vs. 2019, we see extremely strong pricing:

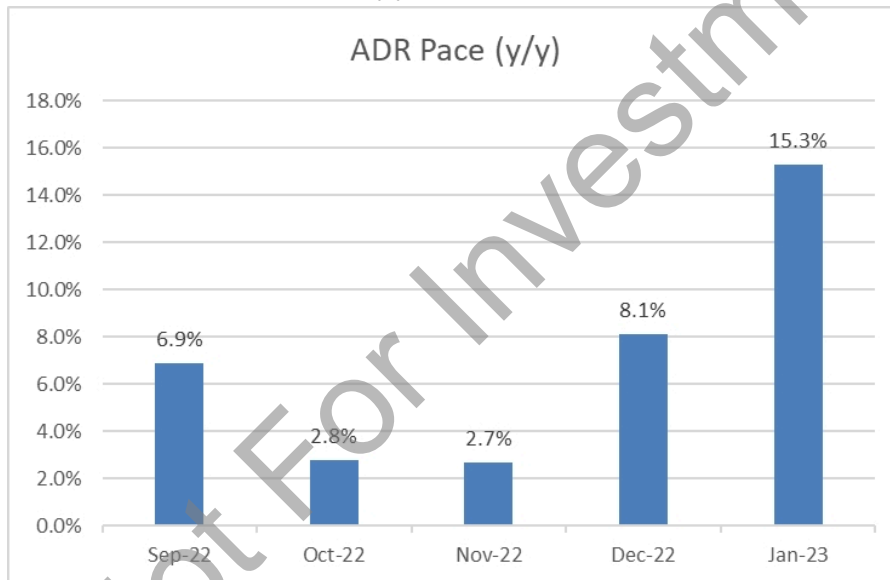
Exhibit 8: US ski resort ADR Pace (vs. 2019)



Source: DestiMetrics, Truist Securities

- On a y/y basis we continue to see strong ADR increases for December and January:

Exhibit 9: US ski resort ADR Pace (y/y)

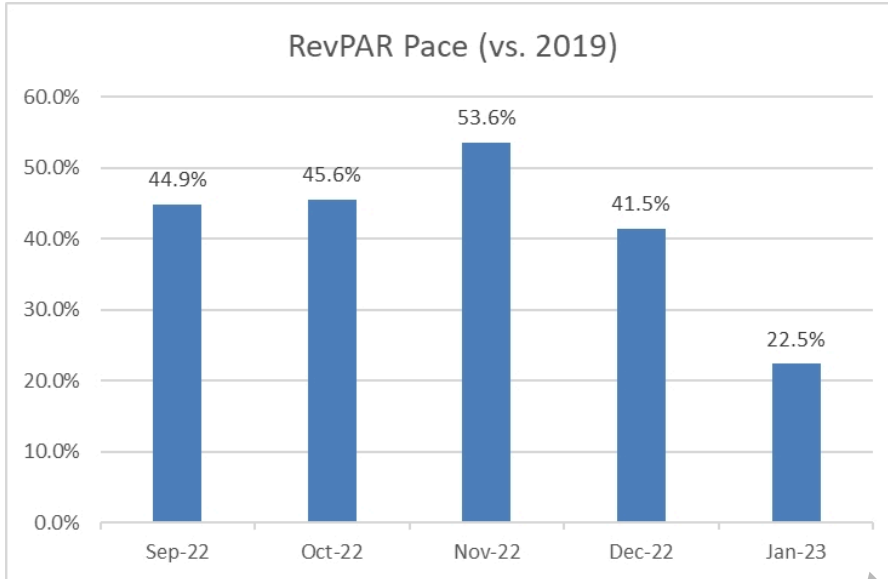


Source: DestiMetrics, Truist Securities

Putting the above occupancy and ADR observations together, our observations on how forward RevPAR at US ski resorts is tracking:

- Versus 2019: We see RevPAR up significantly going into the fall and winter.

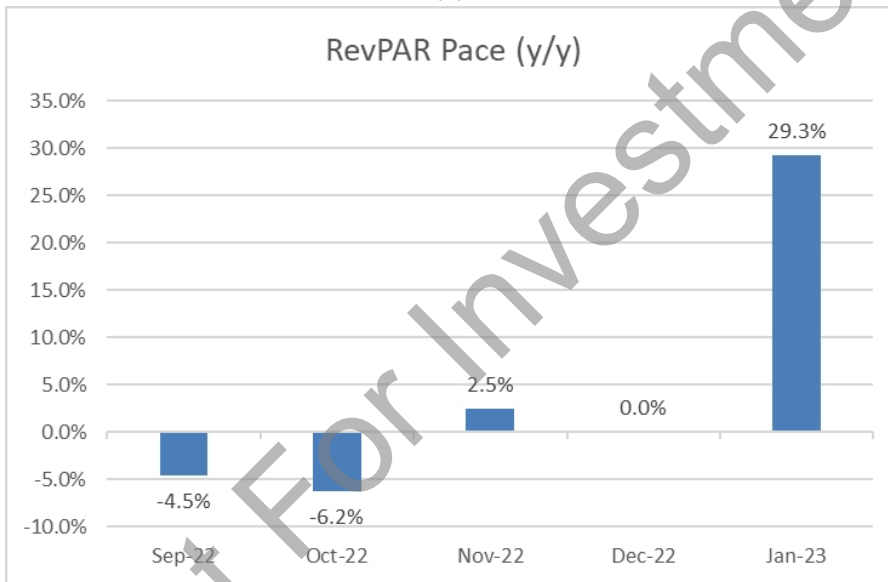
Exhibit 10: US ski resorts RevPAR Pace (vs. 2019)



Source: DestiMetrics, Truist Securities

- Y/Y: We see a more mixed picture albeit with January looking very strong.

Exhibit 11: US ski resorts RevPAR Pace (y/y)



Source: DestiMetrics, Truist Securities

Exhibit 12: Segmentation By Company

Segmentation By Company			
Lodging REITS	Transient Corporate*	Transient Leisure	Group
DRH	35%	35%	30%
HST	40%	25%	35%
PEB	35%	40%	25%
PK	35%	35%	30%
RHP	5%	25%	70%
RLJ	55%	25%	20%
SHO	35%	30%	35%
C-corps	Transient Corporate*	Transient Leisure	Group
CHH	45%	45%	10%
H	20%	50%	30%
HLT	50%	20%	30%
MAR	50%	30%	20%
WH	30%	70%	less than 1%
Experiential Leisure	Transient Corporate	Transient Leisure	Group
MTN	0%	95%	5%
PLYA**	0%	90%	10%
Cruise Lines	Transient Corporate	Transient Leisure	Group
CCL	0%	100%	0%
NCLH	0%	100%	0%
RCL	0%	100%	0%
Vacation Ownership	Transient Corporate	Transient Leisure	Group
BVH	0%	100%	0%
HGV	0%	100%	0%
TNL	0%	100%	0%
VAC	0%	100%	0%

Source: Company reports, Truist Securities

Following 2Q22 lodging earnings we are making the following changes to our estimates and price targets:

Changes to PT and Ests.

Company Name	Ticker	Rating	New PT	Old PT	New 22' EBITDA	Old 22' EBITDA
Choice Hotels	CHH	HOLD	\$135	\$138	\$498M	\$459M
DiamondRock Hospitality	DRH	HOLD	\$11	\$11	\$272M	\$257M
Hilton Worldwide Holdings	HLT	HOLD	\$150	\$151	\$2,470M	\$2,338M
Host Hotels & Resorts	HST	HOLD	\$21	\$21	\$1,514M	\$1,315M
Marriott International	MAR	HOLD	\$184	\$182	\$3,783M	\$3,640M
Ryman Hospitality	RHP	BUY	\$103	\$95	\$522M	\$497M
Sunstone Hotel Investors	SHO	HOLD	\$12	\$12	\$229M	\$199M

Source: Company Reports, Truist Securities estimates and FactSet

CHH: Our 2022E EBITDA goes to \$498M from \$459M and EPS goes to \$5.40 from \$5.02. Our 2023E EBITDA goes to \$564M from \$503M and EPS goes to \$6.26 from \$5.73. Our \$135 price target (down from \$138) is based on a 15.0x multiple (down from 16.0x) on our 2023 EBITDA estimate. **Our estimates now incorporate the Radisson acquisition.**

DRH: Our 2022E EBITDA goes to \$272M from \$257M and AFFO/share goes to \$0.97 from \$0.83. Our 2023E EBITDA goes to \$291M from \$289M and AFFO/share goes to \$1.12 from \$1.13. Our \$11 price target (unchanged) is based on a 12.0x multiple (unchanged and in-line with Lodging REIT peers) on our 2023 EBITDA estimate.

HLT: Our 2022E EBITDA goes to \$2,470M from \$2,338M and EPS goes to \$4.56 from \$3.99. Our 2023E EBITDA goes to \$3,031M from \$2,996M and EPS goes to \$5.85 from \$5.73. Our \$150 price target (down from \$151) is based on a 16.6x multiple (down from 17.0x) on our 2023 EBITDA estimate.

HST: 2022E EBITDA projection goes to \$1,514M from \$1,315M and AFFO/share goes to \$1.79 from \$1.51. Our 2023 EBITDA estimate goes to \$1,507M from \$1,493M and AFFO/share goes to \$1.76 from \$1.68. Our \$21 price target (unchanged) and is based on a 12.5x multiple of EBITDA (unchanged a ~50 bps premium to the industry average given high portfolio quality and geographic diversification).

MAR: Our 2022E EBITDA goes to \$3,783M from \$3,640M and EPS goes to \$6.55 from \$6.12. Our 2023E EBITDA goes to \$4,261M from \$4,200M and EPS goes to \$7.50 from \$7.45. Our \$184 price target (up from \$182) is based on a 16.8x multiple (unchanged) on our 2023 EBITDA estimate.

RHP: Our 2022E EBITDA goes to \$522M from \$497M and AFFO/share goes to \$5.49 from \$5.06. Our 2023E EBITDA goes to \$611M from \$602M and AFFO/share goes to \$7.20 from \$6.34. Our \$103 price target (up from \$95 previously) is based on a Hospitality segment target multiple of 13.0x multiple (unchanged) and Entertainment target multiple of 16.0x (up from 15.5x) on our 2023 EBITDA estimate.

SHO: Our 2022E EBITDA projection goes to \$229M from \$199M and AFFO/share goes to \$0.83 from \$0.71. Our 2023E EBITDA goes to \$273M from \$266M and AFFO/share stays at \$1.00. Our price target of \$12 (unchanged) is based on a 13.5x multiple (up from 12.5x) on 2023E EBITDA.

CHH Valuation

Current Valuation	2019A	2020A	2021A	2022E	2023E
Market Cap (\$M)	\$6,364.1	\$6,364.1	\$6,362.4	\$6,395.2	\$6,338.6
Net Debt (\$M)	\$728.0	\$817.8	\$824.0	\$332.5	\$600.9
Enterprise Value (\$M)	\$7,092.1	\$7,182.0	\$7,186.4	\$6,727.8	\$6,939.5
EBITDA	\$364.9	\$240.6	\$392.2	\$483.7	\$547.7
EV/EBITDA	19.4 x	29.9 x	18.3 x	13.9 x	12.7 x
Current Price	\$113.19	\$113.19	\$113.19	\$113.19	\$113.19
EPS Estimate	\$3.84	\$1.33	\$5.16	\$6.04	\$6.26
P/E	29.5 x	85.2 x	21.9 x	18.7 x	18.1 x

Note: Market cap and valuation metrics above based on share count for each year and may not exactly match other references to current valuation levels

Stock price as of 9/2/2022.

Source: Company data, FactSet, Truist Securities research


CHH Price Target

	2023E CHH				
Market Cap (\$M)*	\$6,339				
Net Debt (\$M)	\$601				
Enterprise Value (\$M)	\$6,940				
EBITDA (\$M)	\$548				
EV/EBITDA	12.7 x				
<i>EBITDA Multiple Method</i>					
Multiple estimate	13.0 x	14.0 x	15.0 x	16.0 x	17.0 x
EBITDA (\$M)	\$548	\$548	\$548	\$548	\$548
Projected Enterprise Value (\$M)	\$7,093	\$7,640	\$8,188	\$8,736	\$9,284
Projected Net Debt (\$M)	\$601	\$601	\$601	\$601	\$601
Implied Equity Value (\$M)	\$6,492	\$7,040	\$7,587	\$8,135	\$8,682
Shares Outstanding (M) (End of Period)	56.0	56.0	56.0	56.0	56.0
Implied Per Share Value	\$115.93	\$125.71	\$135.49	\$145.27	\$155.03
Regular Dividend (Accumulated)	\$0.95	\$0.95	\$0.95	\$0.95	\$0.95
Total Value	\$116.88	\$126.66	\$136.44	\$146.22	\$155.98
Current Price	\$113.19	\$113.19	\$113.19	\$113.19	\$113.19
Total Return Including All Dividend Payments	3%	12%	21%	29%	38%

* Market cap is based on estimated 2022 year-end share count

Source: Company data, FactSet, Truist Securities research

CHH Income Statement

 Truist Securities		C. Patrick Scholes (212) 319-3915 patrick.scholes@truist.com																	
Choice Hotels International - Actual and Estimated Income Statement		Last Updated: 9/7/2022																	
(in millions, except per-share data)		2019A	2020A	1Q21A	2Q21A	3Q21A	4Q21A	2021A	1Q22A	2Q22A	3Q22E	4Q22E	2022E	1Q23E	2Q23E	3Q23E	4Q23E	2023E	
RevPAR Growth %		-0.9%	-28.2%	-18.7%	96.2%	56.4%	52.1%	36.4%	35.9%	14.3%	12.0%	7.0%	10.7%	5.0%	4.0%	4.0%	3.0%	4.0%	
Y/Y Unit Growth %		2.9%	0.4%	1.9%	1.6%	1.2%	-1.2%	-1.2%	-2.8%	-2.8%	8.8%	10.2%	10.2%	10.5%	10.8%	-0.7%	-0.3%	-0.3%	
Revenues																			
Royalty fees		388.2	263.3	66.0	106.2	127.3	97.6	397.2	90.7	121.4	150.0	118.5	480.7	106.8	141.0	165.1	122.4	535.4	
Initial Franch. fees & relic. fees		27.5	25.9	5.4	7.3	6.1	7.4	26.3	8.4	6.2	7.1	8.5	30.3	9.6	7.2	8.3	10.1	35.0	
Marketing and reservation system		577.4	402.6	91.5	136.0	156.9	144.5	528.8	126.6	189.4	184.9	175.4	676.2	149.1	219.9	203.4	181.2	753.6	
Procurement services & other		103.2	62.1	15.6	19.8	21.7	22.0	79.1	19.9	33.7	26.7	27.1	107.4	24.0	40.3	30.5	30.7	125.6	
Owned hotels		18.5	20.2	4.4	9.0	11.4	13.1	37.8	12.0	17.2	20.5	26.2	75.9	21.5	30.4	24.5	27.0	103.4	
Total revenues		1,115	774	183	278	323	285	1,069	258	368	389	356	1,371	311	439	432	371	1,553	
Operating expenses																			
SG&A		168.8	148.5	30.3	34.5	35.1	45.8	145.6	30.3	43.9	38.6	54.0	166.8	35.8	51.6	42.5	57.3	187.3	
Marketing and reservation system		579.1	446.8	98.2	113.3	116.2	117.3	444.9	113.7	153.8	184.9	175.4	627.7	149.1	219.9	203.4	181.2	753.6	
Depreciation & amortization		18.8	25.8	6.4	6.2	5.9	6.3	24.8	6.2	5.5	8.0	10.5	30.2	10.5	10.5	10.5	10.5	41.9	
Owned hotels		14.4	16.1	4.1	5.3	7.1	8.2	24.8	8.2	10.7	13.3	17.0	49.2	15.0	21.3	17.1	18.9	72.4	
Other		14.9	16.8	0.0	0.0	0.0	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Total operating exp.		796.2	654.0	138.9	159.3	164.3	178	640.4	158.4	213.9	244.8	256.9	873.9	210.4	303.5	273.5	267.8	1,055.2	
Operating income		318.6	120.1	44.0	119.0	159.1	106.8	428.9	99.4	154.1	144.4	99.8	496.7	100.6	135.4	158.3	103.5	497.8	
EBITDA		364.9	237.9	63.1	111.8	133.2	95.5	403.7	96.6	129.6	157.4	114.3	497.9	117.1	151.8	174.7	120.0	563.7	
EBITDA margin		32.7%	30.7%	34.5%	40.2%	41.2%	33.6%	37.7%	37.5%	35.2%	40.4%	32.1%	36.3%	37.7%	34.6%	40.5%	32.3%	36.3%	
y/y Bp. change		(1.9)	(199.7)	368	1,309	568	526	701.4	301	(496)	(76)	(142)	(142.4)	15	(60)	3	19	(2.8)	
Other:																			
Interest expense and other		(46.8)	(49.0)	(11.8)	(11.7)	(11.6)	(11.6)	(46.7)	(11.5)	(11.3)	(11.3)	(11.3)	(45.2)	(11.5)	(11.5)	(11.5)	(11.5)	(45.9)	
Interest & dividend income		10.0	7.7	1.3	1.2	1.2	1.3	5.0	1.3	1.6	3.2	1.5	7.6	2.0	2.4	2.9	3.5	10.8	
Other		(14.3)	(20.2)	0.0	0.0	0.0	0.0	0.0	0.0	3.3	0.0	0.0	3.3	0.0	0.0	0.0	0.0	0.0	
Total other		(55.9)	(69.0)	(15.3)	(7.2)	(7.5)	(22.5)	(52.4)	(11.7)	(11.9)	(4.4)	(25.6)	(53.6)	(9.2)	(9.1)	(4.5)	(25.4)	(48.2)	
Income before taxes		262.7	51.0	28.7	111.9	151.6	84.3	376.5	87.7	142.1	140.0	73.2	443.1	91.4	126.3	153.7	78.1	449.5	
Income taxes		47.1	(22.4)	6.4	26.0	34.9	20.3	87.5	20.3	36.0	32.2	16.1	104.6	20.1	27.8	33.8	17.2	98.9	
Tax rate		17.9%	-43.9%	22.2%	23.2%	23.0%	24.0%	23.3%	23.2%	25.3%	23.0%	22.0%	23.6%	22.0%	22.0%	22.0%	22.0%	22.0%	
Net income		215.6	73.4	22.3	85.9	116.7	64.1	289.0	67.4	106.2	107.8	57.1	338.5	71.3	98.5	119.9	60.9	350.6	
Diluted EPS (as reported)		\$3.84	\$1.33	\$0.40	\$1.54	\$2.07	\$1.13	\$5.16	\$1.20	\$1.90	\$1.93	\$1.02	\$6.04	\$1.27	\$1.76	\$2.14	\$1.09	\$6.26	
Adjusted Diluted EPS (as reported)		\$4.31	\$2.04	\$0.57	\$1.22	\$1.51	\$0.99	\$4.31	\$1.03	\$1.43	\$1.93	\$1.02	\$5.40	\$1.27	\$1.76	\$2.14	\$1.09	\$6.26	
Adjustments to Operating SG&A																			
Net income as reported		215.6	73.4	22.3	85.9	116.7	64.1	289.0	67.4	106.2	107.8	57.1	338.5	71.3	98.5	119.9	60.9	350.6	
All Adjustments		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Recurring net income		215.6	73.4	22.3	85.9	116.7	64.1	289.0	67.4	106.2	107.8	57.1	338.5	71.3	98.5	119.9	60.9	350.6	
Diluted EPS (Operating) (Truist Securities)		\$3.84	\$1.33	\$0.40	\$1.54	\$2.07	\$1.13	\$5.16	\$1.20	\$1.90	\$1.93	\$1.02	\$6.04	\$1.27	\$1.76	\$2.14	\$1.09	\$6.26	

Source: Company data, FactSet, Truist Securities research

DRH Valuation

	2019A	2020A	2021A	2022E	2023E
Current Stock Price	\$8.63	\$8.63	\$8.63	\$8.63	\$8.63
FFO/ Share	\$1.07	(\$0.42)	\$0.12	\$0.97	\$1.12
Price/ FFO	8.1x	-20.6x	70.0x	8.9x	7.7x
EBITDA	260,410	(64,511)	83,538	272,282	291,469
Market Cap	\$1,803,146	\$1,750,064	\$1,757,801	\$1,852,733	\$1,842,684
Net Debt, Minority Interest, Conv and Pref.	886,368	909,688	1,042,856	1,102,879	1,132,540
Enterprise Value	\$2,689,514	\$2,659,752	\$2,800,657	\$2,955,612	\$2,975,224
EV/ EBITDA	10.3x	-41.2x	33.5x	10.9x	10.2x

Note: Market cap and valuation metrics above based on share count for each year and may not exactly match other references to current valuation levels

Stock price as of 9/2/2022.

Source: Company data, FactSet, Truist Securities research

DRH Price Target

	DRH 2023E				
Market Cap (\$M)*	\$1,843				
4Q22E Net Debt (\$M)	\$1,133				
Enterprise Value (\$M)	\$2,975				
EBITDA (\$M)	\$291				
EV/EBITDA	10.2 x				
<i>EBITDA Multiple Method</i>					
Multiple estimate	11.0 x	11.5 x	12.0 x	12.5 x	13.0 x
EBITDA (\$M)	\$291	\$291	\$291	\$291	\$291
Projected Enterprise Value (\$M)	\$3,192	\$3,337	\$3,483	\$3,629	\$3,775
Projected Net Debt (\$M)	\$1,133	\$1,133	\$1,133	\$1,133	\$1,133
Implied Equity Value (\$M)	\$2,059	\$2,205	\$2,351	\$2,496	\$2,642
4Q22E Shares Outstanding (M)	213.5	213.5	213.5	213.5	213.5
Implied Per Share Value	\$9.64	\$10.33	\$11.01	\$11.69	\$12.37
Dividend (Accumulated)**	\$0.12	\$0.12	\$0.12	\$0.12	\$0.12
Total Value	\$9.76	\$10.45	\$11.13	\$11.81	\$12.49
Current Price	\$8.63	\$8.63	\$8.63	\$8.63	\$8.63
Total return	13%	21%	29%	37%	45%

* Market cap is based on estimated 2022 year-end share count

** Accumulated dividends

Source: Company data, FactSet, Truist Securities research


DRH Cash Available for Distribution Analysis

Cash Available for Distribution Analysis					
	<u>2019A</u>	<u>2020A</u>	<u>2021A</u>	<u>2022E</u>	<u>2023E</u>
FFO Estimate	217,010	(84,437)	26,306	206,533	238,846
Improvements and Additions (5.0% revenue)	(46,905)	(14,974)	(28,357)	(49,776)	(53,198)
Cash Available for Distribution	170,105	(99,411)	(2,051)	156,757	185,648
Diluted Common Shares	202,655	203,693	214,333	213,514	213,521
Cash Available for Distribution/Share	\$0.84	(\$0.49)	(\$0.01)	\$0.73	\$0.87
Common Dividend/Share	\$0.50	\$0.13	\$0.00	\$0.06	\$0.12
Share Price	\$8.63	\$8.63	\$8.63	\$8.63	\$8.63
Dividend Yield	5.8%	1.4%	0.0%	0.7%	1.4%
Payout Ratio (dividend/CAD)	60%	-26%	0%	8%	14%

Source: Company data, Truist Securities research

Not For Investment Purposes

DRH Income Statement

		C. Patrick Scholes (212) 319-3915 patrick.scholes@truist.com Last Updated: 9/7/2022											
DiamondRock Hospitality Company - Actual and Estimated Income Statement (in thousands, except per share data)													
Income Statement	2019A	2020A	2021A	1Q22A	2Q22A	3Q22E	4Q22E	2022E	1Q23E	2Q23E	3Q23E	4Q23E	2023E
Revenues													
Hotel Revenues													
Room revenues	661,153	196,736	399,055	132,170	193,025	185,850	180,179	691,225	148,705	205,203	195,143	189,327	738,378
Food & beverage revenues	215,261	68,566	117,742	45,748	68,606	57,393	60,463	232,210	51,471	72,935	60,263	63,533	248,201
Other hotel revenue	61,677	34,186	50,337	18,915	19,776	16,822	16,572	72,085	21,281	21,024	17,663	17,413	77,381
Total hotel revenue	938,091	299,488	567,134	196,833	281,407	260,066	257,214	995,520	221,457	299,162	273,069	270,273	1,063,961
Other income	0	0	0	0	0	0	0	0	0	0	0	0	0
Total revenue	938,091	299,488	567,134	196,833	281,407	260,066	257,214	995,520	221,457	299,162	273,069	270,273	1,063,961
Hotel Operating expenses													
Rooms expense	166,937	68,603	102,183	33,830	42,645	43,115	43,962	163,553	37,319	45,336	45,271	46,194	174,120
Food & beverage expense	137,916	58,391	89,795	33,221	43,471	40,077	39,934	156,703	34,803	44,755	41,478	41,326	162,363
Mgmt fees	25,475	3,578	10,208	4,020	6,312	5,018	6,031	21,381	5,409	7,907	6,361	7,419	27,095
Other hotel expenses (includes franchise fees)	360,437	223,762	259,483	76,319	89,191	89,322	95,589	350,421	84,759	96,314	95,154	101,793	378,020
Ground rent	0	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation & amortization	118,110	114,716	102,963	26,655	27,389	27,389	27,389	108,822	27,389	27,389	27,389	27,389	109,556
Corporate general & administrative	28,231	27,401	32,552	6,033	8,726	8,841	9,112	32,713	6,395	9,250	9,372	9,659	34,676
Amortization of deferred compensation	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	(153,014)	171,912	125,992	2,344	0	0	0	2,344	0	0	0	0	0
Total Operating expenses	684,092	668,363	723,176	182,422	217,734	213,763	222,018	835,937	196,074	230,950	225,025	233,780	885,830
Operating income (loss)	253,999	(368,875)	(156,042)	14,411	63,673	46,302	35,196	159,582	25,383	68,212	48,043	36,493	178,130
Interest income and other expense	1,197	391	947	(286)	(606)	465	662	236	789	832	1,154	1,287	4,072
Amortization of loan costs	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest expense	(46,584)	(53,995)	(37,043)	(4,119)	(9,675)	(12,327)	(13,067)	(39,208)	(14,457)	(12,365)	(12,510)	(12,201)	(51,532)
Income (loss) before Minority & Others	208,612	(422,479)	(192,138)	10,006	53,392	34,440	22,772	120,610	11,715	56,679	36,688	25,589	130,670
Minority interest benefit (expense)	(724)	1,652	821	(32)	(184)	6	9	(201)	968	816	1,006	1,009	3,799
Gain (loss) on sale of assets	0	0	0	0	0	0	0	0	0	0	0	0	0
Income tax benefit (expense)	(22,028)	26,452	(3,267)	54	(691)	(200)	(200)	(1,037)	0	(691)	(200)	(200)	(1,091)
Extraordinary items	(2,373)	0	0	0	0	0	0	0	0	0	0	0	0
Income (loss) from disc. ops	0	0	0	0	0	0	0	0	0	0	0	0	0
Effect of change in accounting	0	0	0	0	0	0	0	0	0	0	0	0	0
Net income (loss) before pfd	183,487	(394,375)	(194,584)	10,028	52,517	34,246	22,581	119,372	12,683	56,804	37,494	26,398	133,378
Less: Preferred dividends	0	3,300	9,817	2,454	2,454	2,578	2,578	10,064	2,578	2,578	2,578	2,578	10,313
Net income (loss) to common	183,487	(391,075)	(184,767)	7,574	50,063	31,668	20,003	129,436	10,105	54,226	34,916	23,820	143,691
Tax Rate	-10.6%	-6.3%	1.7%	0.5%	-1.3%	-0.6%	-0.9%	-0.9%	0.0%	-1.2%	-0.5%	-0.8%	-0.8%
FUNDS FROM OPERATIONS													
Net income (loss) to common	183,487	(396,027)	(195,405)	10,060	52,701	31,668	20,003	114,432	10,105	54,226	34,916	23,820	123,066
Depreciation	118,110	114,716	102,963	26,655	27,389	27,389	27,389	108,822	27,389	27,389	27,389	27,389	109,556
Minority interest expense (benefit)	724	0	0	0	0	0	0	0	0	0	0	0	0
Loss (gain) on sale of asset	0	0	0	0	0	0	0	0	0	0	0	0	0
Income tax expense (benefit)	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	174,120	127,282	2,843	0	0	0	2,843	0	0	0	0	0
Funds from operations	302,321	(107,191)	34,840	39,558	80,090	59,057	47,392	226,097	37,494	81,615	62,305	51,209	232,622
Straight-line ground rent adj./Non-cash lease ex.	7,014	6,910	6,673	1,568	1,556	1,556	1,556	6,236	1,556	1,556	1,556	1,556	6,224
Mortgage loan cash payments received	0	0	0	0	0	0	0	0	0	0	0	0	0
Franchise Termination Fee/Legal fees	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-cash amort. of unfavorable contract liabilities/pre/other	(92,325)	15,844	(15,207)	(10,239)	(5,187)	(5,187)	(5,187)	(25,800)	0	0	0	0	0
Adjusted funds from operations	217,010	(84,437)	26,306	30,887	76,459	55,426	43,761	206,533	39,050	83,171	63,861	52,765	238,846
Key money income	0	0	0	0	0	0	0	0	0	0	0	0	0
Amortization of deferred comp	0	0	0	0	0	0	0	0	0	0	0	0	0
Amortization of loan costs	0	0	0	0	0	0	0	0	0	0	0	0	0
Other adjustments	0	0	0	0	0	0	0	0	0	0	0	0	0
Recurring capex	(189,259)	(88,051)	(47,132)	(11,628)	(16,403)	(30,000)	(35,000)	(83,031)	(25,000)	(25,000)	(25,000)	(25,000)	(100,000)
Cash Available for Distribution	17,751	(172,488)	(20,826)	19,259	60,056	25,426	8,761	113,502	14,050	58,171	38,861	27,765	138,846
FFO per share	\$1.49	(\$0.53)	\$0.16	\$0.19	\$0.38	\$0.28	\$0.22	\$1.08	\$0.18	\$0.38	\$0.29	\$0.24	\$1.09
Adj. FFO per share	\$1.07	(\$0.42)	\$0.12	\$0.14	\$0.36	\$0.26	\$0.20	\$0.97	\$0.18	\$0.39	\$0.30	\$0.25	\$1.12
Adjusted EBITDA (as reported by DRH)	260,410	(64,511)	83,538	44,908	91,999	73,140	62,235	272,282	53,507	96,226	76,570	65,165	291,469

Source: Company data, Truist Securities research

HLT Valuation

	2019A	2020A	2021A	2022E	2023E
Market Cap	37,992	36,207	35,570	35,952	34,623
Net Debt including JV	6,890	7,459	7,330	7,354	7,817
Enterprise Value	44,882	43,666	42,900	43,306	42,440
Comp EBITDA	2,183	725	1,470	2,371	2,923
EV/EBITDA	20.6x	60.2x	29.2x	18.3x	14.5x
Current Price	\$127.49	\$127.49	\$127.49	\$127.49	\$127.49
EPS	\$3.90	\$0.10	\$2.08	\$4.56	\$5.85
P/E	32.7x	1270.3x	61.2x	28.0x	21.8x

Note: Market cap and valuation metrics above based on share count for each year and may not exactly match other references to current valuation levels

Stock price as of 9/2/2022.


Source: Company data, FactSet, Truist Securities research

HLT Price Target

HLT	EV/EBITDA range			2023E Adj. EBITDA	Value Per Share		
	Low	Target	High		Low	Target	High
Owned/Leased Hotels	10.5x	11.5x	12.5x	\$149	\$1,569	\$1,718	\$1,868
Managed/Franchised	16.0x	17.0x	18.0x	\$2,902	\$46,426	\$49,328	\$52,230
Other revenues (net)	11.0x	12.0x	13.0x	\$57	\$632	\$690	\$747
Unallocated Expenses	15.7x	16.6x	17.7x	(\$185)	(\$2,912)	(\$3,081)	(\$3,282)
Total	15.6x	16.6x	17.6x	2,923	\$45,716	\$48,655	\$51,563
Less							
Year-end 2022E Net Debt including JV					\$7,817	\$7,817	\$7,817
Equity Value					\$37,899	\$40,839	\$43,746
Estimated Equity Value					\$37,899	\$40,839	\$43,746
2022E Ending Share Count					272	272	272
Implied Per Share Value					\$140.00	\$150.38	\$161.00
Dividend Payment (Cumulative)					\$0.60	\$0.60	\$0.60
Implied Total Value					\$140.60	\$150.98	\$161.60
Current stock price					\$127.49	\$127.49	\$127.49
Total Return					10%	18%	27%

Source: Company data, FactSet, Truist Securities research

HLT Income Statement

 Truist Securities														
Hilton Hotels - Estimated and Actual Income Statement (\$ millions, except per share data)		C. Patrick Scholes (212) 319-3915 patrick.scholes@truist.com Last Updated: 9/7/2022												
	2019A	2020A	2021A	1Q22A	2Q22A	3Q22E	4Q22E	2022E	1Q23E	2Q23E	3Q23E	4Q23E	2023E	
Revenue (post spins)														
Franchise fees	1,681	945	1,493	413	545	550	511	2,019	517	625	602	559	2,304	
Base and other management fees	332	123	176	55	75	78	105	313	69	86	85	113	353	
Incentive management fees	230	38	98	34	46	54	67	200	45	55	62	83	245	
Owned and leased hotels	1,422	421	598	150	282	268	307	1,006	203	324	294	337	1,158	
Other revenues	101	73	79	18	25	25	40	109	19	26	26	42	113	
Other revenues from managed and franchised properties	5,686	2,707	3,344	1,051	1,267	1,304	1,370	4,993	1,321	1,457	1,433	1,517	5,728	
Total Revenue	9,452	4,307	5,788	1,721	2,240	2,279	2,400	8,640	2,174	2,573	2,502	2,652	9,901	
Expenses														
Owned and leased hotels	1,254	620	679	185	257	242	271	955	181	283	255	291	1,009	
Depreciation & Amortization	348	331	188	44	40	42	42	168	42	42	42	42	168	
Impairment losses	0	258	0	0	0	0	0	0	0	0	0	0	0	
General, administrative and other	441	311	405	91	103	108	112	414	95	107	112	116	431	
Other	72	101	45	11	11	13	15	51	12	12	15	17	56	
Other expenses from managed and franchised properties	5,763	3,104	3,454	1,021	1,231	1,304	1,370	4,927	1,321	1,457	1,433	1,517	5,728	
Total Operating Expenses	7,876	4,725	4,771	1,352	1,642	1,710	1,810	6,514	1,651	1,901	1,856	1,983	7,391	
Operating Income	1,576	(418)	1,017	369	598	569	590	2,126	523	672	646	669	2,510	
EBITDA	2,004	(164)	1,145	425	652	611	632	2,320	565	714	688	711	2,678	
Adjusted EBITDA	2,308	850	1,629	448	679	684	659	2,470	651	811	778	791	3,031	
Net interest expense	(414)	(429)	(397)	(90)	(99)	(111)	(108)	(409)	(114)	(117)	(117)	(118)	(466)	
Equity in earnings (losses) from unconsolidated affiliates	0	0	0	0	0	0	0	0	0	0	0	0	0	
Gain (loss) on foreign currency transactions	(2)	(27)	(7)	(4)	8	0	0	4	0	0	0	0	0	
Other gain, net	3	(50)	(46)	16	6	0	0	22	0	0	0	0	0	
Net Interest Expense and other	(413)	(506)	(450)	(78)	(85)	(111)	(108)	(389)	(114)	(117)	(117)	(118)	(466)	
Gain (loss) on asset Dispositions	81	0	(7)	0	0	0	0	0	0	0	0	0	0	
Pre-Tax Income	1,244	(924)	560	291	513	458	481	1,743	409	555	529	551	2,043	
Provision for Taxes	(358)	204	(153)	(80)	(146)	(137)	(144)	(508)	(123)	(167)	(159)	(165)	(613)	
Tax Rate	28.8%	22.1%	27.3%	27.5%	28.5%	30.0%	30.0%	29.1%	30.0%	30.0%	30.0%	30.0%	30.0%	
Minority Interest/Other	(5)	5	3	1	0	0	0	1	0	0	0	0	0	
Net Income	881	(715)	410	212	367	321	337	1,236	286	389	370	385	1,430	
Income for Fully Diluted EPS	881	(715)	410	212	367	321	337	1,236	286	389	370	385	1,430	
EPS-Basic	\$3.07	(\$2.58)	\$1.47	\$0.76	\$1.32	\$1.17	\$1.24	\$4.49	\$1.07	\$1.48	\$1.44	\$1.52	\$5.51	
EPS-Diluted	\$3.04	(\$2.56)	\$1.46	\$0.75	\$1.31	\$1.16	\$1.24	\$4.46	\$1.07	\$1.47	\$1.41	\$1.49	\$5.43	
Discontinued operations	0.00	0.00	0.00	\$0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00	\$0.00	0.00	
EPS-Diluted	\$3.07	(\$2.58)	\$1.47	\$0.76	\$1.32	\$1.17	\$1.24	\$4.49	\$1.07	\$1.48	\$1.44	\$1.52	\$5.51	
Net other expenses from M&F properties	77	397	110	(30)	(36)	0	0	(66)	0	0	0	0	0	
Purchase accounting amortization	202	164	47	12	11	11	11	46	12	12	12	12	48	
Other adjustments	(46)	375	41	(10)	0	0	0	(10)	0	0	0	0	0	
<u>FF&E replacement reserves</u>	<u>59</u>	<u>57</u>	<u>48</u>	<u>12</u>	<u>15</u>	<u>15</u>	<u>19</u>	<u>61</u>	<u>16</u>	<u>16</u>	<u>16</u>	<u>16</u>	<u>64</u>	
Total special items before tax	236	993	246	(16)	(10)	26	30	31	28	28	28	28	112	
Income tax expense on special items	13	(250)	(72)	5	3	(6)	(6)	(4)	0	0	0	0	0	
Total special items after tax	249	743	174	(11)	(6)	20	24	27	28	28	28	28	112	
Net income, adjusted for special items	1,130	28	584	201	361	341	361	1,264	314	417	398	413	1,542	
EPS-Diluted and Adjusted	\$3.90	\$0.10	\$2.08	\$0.71	\$1.29	\$1.24	\$1.33	\$4.56	\$1.17	\$1.57	\$1.52	\$1.60	\$5.85	
Basic Shares Outstanding	287	277	279	279	278	274	271	275	266	262	258	254	260	
Fully Diluted Shares Outstanding	290	279	281	282	280	275	272	277	268	265	262	259	263	

Source: Company data, Truist Securities research

HST Valuation

	2019A	2020A	2021A	2022E	2023E
Current Price	17.26	17.26	17.26	17.26	17.26
FFO/ Share	\$1.78	(\$0.17)	\$0.61	\$1.79	\$1.76
Price/ FFO	9.7x	-101.5x	28.2x	9.6x	9.8x
EBITDA	1,529	(169)	532	1,514	1,507
Market Cap	12,616	12,186	12,287	12,376	12,417
Net Debt, Minority Interest, Conv and Pref.	3,170	2,630	3,506	3,420	3,472
Enterprise Value	15,786	14,816	15,793	15,796	15,888
EV/ EBITDA	10.3x	-87.8x	29.7x	10.4x	10.5x

Note: Market cap and valuation metrics above based on share count for each year and may not exactly match other references to current valuation levels

Stock price as of 9/2/2022.

Source: Company data, FactSet, Truist Securities research

HST Price Target

	HST 2023E				
Market Cap (\$M)**			\$12,417		
Net Debt inc. share of JVs (\$M)			\$3,472		
Enterprise Value (\$M)			\$15,888		
EBITDA			\$1,507		
EV/EBITDA			10.5 x		
<u>EBITDA Multiple Method</u>					
Multiple estimate	11.5 x	12.0 x	12.5 x	13.0 x	13.5 x
EBITDA (\$M)	\$1,507	\$1,507	\$1,507	\$1,507	\$1,507
Projected Enterprise Value (\$M)	\$17,250	\$18,004	\$18,757	\$19,510	\$20,264
Projected Net Debt inc. JVs (\$M)	\$3,472	\$3,472	\$3,472	\$3,472	\$3,472
Implied Equity Value (\$M)	\$13,779	\$14,532	\$15,285	\$16,039	\$16,792
Shares Outstanding (M) (End of Period)	716	716	716	716	716
Implied Per Share Value	\$19.24	\$20.29	\$21.35	\$22.40	\$23.45
Dividend (accumulated)	\$0.48	\$0.48	\$0.48	\$0.48	\$0.48
Total Value	\$19.72	\$20.77	\$21.83	\$22.88	\$23.93
Current Price	17.26	17.26	\$17.26	\$17.26	\$17.26
Potential Appreciation	14%	20%	26%	33%	39%

*Market cap is based on estimated 2022 year-end share count

Source: Company data, FactSet, Truist Securities research


HST Cash Available for Distribution Analysis

	<u>2018A</u>	<u>2019A</u>	<u>2020A</u>	<u>2021A</u>	<u>2022E</u>	<u>2023E</u>
FFO Est.	1,308.0	1,298.0	(120.0)	436.2	1,282.6	1,265.8
Minority Partner	2.0	3.0	8.0	0.0	0.0	0.0
Exchangable Senior Debentures	0	0	0	0	0	0
Improvements and Additions (5% revenue)	(276.2)	(273.5)	(81.0)	(144.5)	(241.0)	(260.9)
Cash Available for Distribution	1,033.8	1,027.6	(193.0)	291.7	1,041.6	1,004.9
Diluted Common Shares	740.3	730.9	706.0	711.9	717.0	719.4
Cash Available for Distribution/Share	\$1.40	\$1.41	(\$0.27)	\$0.41	\$1.45	\$1.40
Common Dividend/Share	\$0.80	\$0.80	\$0.40	\$0.12	\$0.21	\$0.48
Share Price	\$17.26	\$17.26	\$17.26	\$17.26	\$17.26	\$17.26
Dividend Yield	4.6%	4.6%	2.3%	0.7%	1.2%	2.8%
Payout Ratio (dividend/CAD)	57%	57%	-146%	29%	14%	34%

Source: Company data, Truist Securities research

Not For Investment Purposes

HST Income Statement

TRUIST 		C. Patrick Scholes (212) 319-3915 patrick.scholes@truist.com Last Update 9/7/2022											
Host Hotel & Resorts, Inc. Income Statement (millions, except per-share data)													
	2019A	2020A	2021A	1Q22A	2Q22A	3Q22E	4Q22E	2022E	1Q23E	2Q23E	3Q23E	4Q23E	2023E
Revenue													
Rooms	3,431	976	1,858	655	850	747	745	2,997	756	920	792	799	3,266
Food and Beverage	1,647	426	674	297	405	299	365	1,366	380	443	337	406	1,567
Other	391	218	358	122	126	103	107	458	90	114	75	106	385
Total Revenue	5,469	1,620	2,890	1,074	1,381	1,149	1,217	4,821	1,226	1,477	1,204	1,310	5,218
Expenses													
Rooms	873	362	488	160	189	183	186	718	189	216	202	208	815
Food and beverage	1,120	420	505	200	245	217	239	901	253	275	248	270	1,045
Other departmental costs & deductions	1,295	686	890	273	300	270	274	1,117	294	332	295	301	1,223
Management fees and other	239	39	97	40	62	44	54	199	45	71	48	60	225
Other property-level expenses	365	312	307	84	78	78	90	330	91	84	84	97	356
Depreciation and amortization	676	665	762	172	162	164	164	662	164	164	164	164	656
Corporate expenses	107	89	99	23	25	25	27	101	25	27	26	29	106
Other	(5)	-	(8)	-	(7)	-	-	(7)	-	-	-	-	-
Total operating costs & expenses	4,670	2,573	3,140	952	1,054	981	1,034	4,021	1,060	1,169	1,068	1,129	4,427
Operating profit	799	(953)	(250)	122	327	168	183	800	165	308	136	181	791
Operating profit margin	14.6%	-58.8%	-8.7%	11.4%	23.7%	14.6%	15.0%	16.6%	13.5%	20.9%	11.3%	13.8%	15.2%
YY Eps. change (GAAP)	502	(7344)	5018	5,296	3,416	2,591	710	2525	213	(261)	(332)	(120)	(143)
Minority interest expense (benefit)	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest expense	222	194	191	36	37	43	43	159	43	43	43	43	173
Interest income	(32)	(8)	(2)	(1)	(6)	(8)	(9)	(24)	(8)	(9)	(9)	(9)	(35)
Dividends on Convert. Pref. Securities	-	-	-	-	-	-	-	-	-	-	-	-	-
Net gains on property transactions/dispositions	(340)	(208)	(302)	(13)	(1)	-	-	(14)	-	-	-	-	-
Equity in losses of affiliates (gains)	(14)	30	(31)	(2)	(2)	(3)	(3)	(10)	(3)	(3)	(3)	(3)	(12)
Other expenses	1	-	(4)	-	-	-	-	-	-	-	-	-	-
Total expenses	(163)	8	(148)	20	28	32	32	112	32	31	31	31	125
Adjusted EBITDA	1,529	(169)	532	306	500	346	361	1,514	344	487	316	360	1,507
Adjusted EBITDA Margin	28.0%	(10.4)%	18.4%	28.5%	36.2%	30.1%	29.7%	31.4%	28.0%	33.0%	26.2%	27.5%	28.9%
Income (loss) from operations	962	(961)	(102)	102	299	136	151	688	133	277	105	150	666
Provision (benefit) for income taxes	30	(220)	(91)	(16)	39	4	5	32	4	8	3	4	20
Effective tax rate	3.1%	22.9%	89.2%	(15.7)%	13.0%	3.0%	3.0%	4.6%	3.0%	3.0%	3.0%	3.0%	3.0%
Net Income	932	(741)	(11)	118	260	132	147	657	129	269	102	145	646
Preferred dividends/net loss to minority shareholders	(12)	9	-	(2)	(4)	(2)	(2)	(10)	(2)	(2)	(2)	(2)	(8)
Net Income available to common shareholders	920	(732)	(11)	116	256	130	145	647	127	267	100	143	638
Incremental inc. from conv. of OP units/other	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income - fully diluted	920	(732)	(11)	116	256	130	145	647	127	267	100	143	638
Calculation of FFO													
Net Income Available to Common	920	(732)	(11)	116	256	130	145	647	127	267	100	143	638
Extraordinary loss (gain)/Other	(338)	(51)	(337)	(8)	(2)	(4)	(5)	(19)	(4)	(4)	(4)	(4)	(16)
Amortization of Deferred Gains	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	657	662	669	171	162	164	164	661	164	164	164	164	656
Debt Extinguishment and acquisition costs	53	9	23	-	-	-	-	-	-	-	-	-	-
Partnership adjustments	3	-	-	-	-	(3)	(3)	(6)	(3)	(3)	(3)	(3)	(12)
Non-cash Impairment	6	-	92	-	-	-	-	-	-	-	-	-	-
Comparative FFO	1,301	(112)	436	279	416	287	301	1,283	284	424	257	300	1,266
Preferred Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
Adtbkck: Minority OP units	-	-	-	-	-	-	-	-	-	-	-	-	-
Adtbkck: Conversion of convertibles	-	-	-	-	-	-	-	-	-	-	-	-	-
Diluted Comparative FFO	1,298	(120)	436	279	416	287	301	1,283	284	424	257	300	1,266
Basic EPS	\$1.28	(\$1.05)	(\$0.02)	\$0.17	\$0.36	\$0.18	\$0.20	\$0.92	\$0.18	\$0.37	\$0.14	\$0.20	\$0.90
Fully diluted EPS	\$1.26	(\$1.04)	(\$0.02)	\$0.16	\$0.36	\$0.18	\$0.20	\$0.90	\$0.18	\$0.37	\$0.14	\$0.20	\$0.89
Debt charges	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
FFO/ Share Basic	\$1.78	(\$0.17)	\$0.61	\$0.39	\$0.58	\$0.40	\$0.42	\$1.79	\$0.40	\$0.59	\$0.36	\$0.42	\$1.76
FFO/ share - fully diluted	\$1.78	(\$0.17)	\$0.61	\$0.39	\$0.58	\$0.40	\$0.42	\$1.79	\$0.40	\$0.59	\$0.36	\$0.42	\$1.76
Share count analysis													
Basic share count	730.4	705.9	710.3	714.3	717.0	717.2	717.4	716.5	717.6	717.8	718.0	718.2	717.9
Diluted share count	730.9	706.0	711.9	716.1	717.0	716.8	717.0	717.0	719.1	719.3	719.5	719.7	719.4

Source: Company data, Truist Securities research

MAR Valuation

Current Valuation	2019A	2020A	2021A	2022E	2023E
P/E	25.7 x	853.5 x	48.2 x	23.0 x	20.6 x
Market Cap	53,317	50,958	50,310	50,865	50,672
Net Debt	9,377	11,032	9,778	8,972	7,631
Enterprise Value	62,694	61,990	60,088	59,837	58,303
Comp EBITDA	3,394	677	2,088	3,589	4,058
EV/EBITDA	18.5 x	91.6 x	28.8 x	16.7 x	14.4 x
Free Cash Flow	\$1,588	\$1,605	\$1,129	\$2,331	\$3,011
FCF per Share	\$4.59	\$4.86	\$3.46	\$7.07	\$9.16
FCF Multiple	33.6x	31.8x	44.6x	21.8x	16.8x
FCF Yield	3.0%	3.1%	2.2%	4.6%	5.9%
Current Price	\$ 154.23	\$154.23	\$154.23	\$154.23	\$154.23

Note: Market cap and valuation metrics above based on share count for each year and may not exactly match other references to current valuation levels

Stock price as of 9/2/2022.


Source: Company data, FactSet, Truist Securities research

MAR Price Target

MAR	EV/EBITDA range			2023E Adj. EBITDA	Value Per Share		
	Low	Target	High		At Low	At Target	At High
Managed/Franchised	16.0x	17.0x	18.0x	\$4,488	\$71,813	\$76,301	\$80,790
Owned, Leased & Corporate Housing, JVs, Other	12.0x	13.0x	14.0x	\$283	\$3,397	\$3,680	\$3,963
Corp Expense and Other Expense	15.8x	16.8x	17.8x	(\$714)	(\$11,247)	(\$11,961)	(\$12,674)
Total	15.8x	16.8x	17.8x	\$4,058	\$63,962	\$68,020	\$72,078
Less							
Year-end 2022E Net Debt - including JV debt					\$7,631	\$7,631	\$7,631
Equity Value					\$56,331	\$60,389	\$64,447
Estimated Equity Value					\$56,331	\$60,389	\$64,447
2022E ending share count					329	329	329
Value per share					\$171.46	\$183.81	\$196.16
Dividend Payment (Cumulative)					\$1.20	\$1.20	\$1.20
Implied Total Value					\$172.66	\$185.01	\$197.36
Current price					\$ 154.23	\$154.23	\$154.23
Total Return					12%	20%	28%

Source: Company data, FactSet, Truist Securities research

MAR Income Statement

		Marriott International - Actual and Estimated Income Statement (\$ millions, except per share data)										C. Patrick Scholes (212) 319-3915 patrick.scholes@truist.com Date Updated: 9/7/2022	
	2019A	2020A	2021A	1Q22A	2Q22A	3Q22E	4Q22E	2022E	1Q23E	2Q23E	3Q23E	4Q23E	2023E
Revenue (Sales)													
Lodging													
Base Management Fees	\$1,180	\$443	\$669	\$213	\$269	\$262	\$306	\$1,050	\$263	\$323	\$310	\$343	\$1,238
Franchise Fees	2,006	1,153	1,790	500	669	672	646	2,488	590	694	738	701	2,723
Incentive Management Fees	637	87	235	102	135	97	144	478	135	96	127	169	527
Management & Franchise (Gross Fee Revenues)	3,823	1,683	2,694	815	1,073	1,032	1,096	4,016	988	1,113	1,174	1,213	4,488
Contract Investment Amortization	(62)	(132)	(75)	(24)	(19)	(20)	(22)	(85)	(22)	(22)	(22)	(22)	(88)
Net Fee Revenues	3,761	1,551	2,619	791	1,054	1,012	1,074	3,931	966	1,091	1,152	1,191	4,400
Owned, Leased & Other	1,612	568	796	262	364	336	364	1,326	301	400	353	382	1,437
Cost reimbursement revenue	15,599	8,452	10,442	3,146	3,920	3,688	4,049	14,802	3,618	4,116	3,872	4,251	15,857
Total Revenue	\$20,972	\$10,571	\$13,857	\$4,199	\$5,338	\$5,035	\$5,487	\$20,059	\$4,885	\$5,607	\$5,377	\$5,824	\$21,694
Total Lodging Revenue	5,435	2,251	3,490	1,077	1,437	1,368	1,460	5,342	1,289	1,513	1,527	1,595	5,925
Flowthrough	46%	73%	32%	52%	84%	66%	58%	68%	85%	83%	46%	50%	65%
Operating Costs and Expenses													
Owned, Leased & Other - direct	(1,316)	(677)	(734)	(197)	(281)	(276)	(287)	(1,041)	(250)	(312)	(289)	(302)	(1,154)
Depreciation, Amortization, and Other	(341)	(346)	(220)	(48)	(49)	(45)	(53)	(195)	(53)	(53)	(53)	(53)	(212)
General, Administrative and Other Expenses	(938)	(762)	(823)	(208)	(231)	(230)	(230)	(899)	(230)	(230)	(235)	(240)	(935)
Merger-related costs and other charges	(138)	(267)	(8)	(9)	-	-	-	(9)	-	-	-	-	0
Reimbursed expenses	(16,439)	(8,435)	(10,322)	(3,179)	(3,827)	(3,688)	(4,049)	(14,742)	(3,618)	(4,116)	(3,872)	(4,251)	(15,857)
Synthetic Fuel/other	0	0	0	-	-	-	-	0	-	-	-	-	0
Net Expenses	(19,172)	(10,487)	(12,107)	(3,641)	(4,388)	(4,238)	(4,619)	(16,886)	(4,151)	(4,711)	(4,449)	(4,846)	(18,158)
Total Operating Profit	1,800	84	1,750	\$558	\$950	\$797	\$867	3,173	\$734	\$896	\$928	\$978	3,536
Lodging Operating Income	\$1,800	\$84	\$1,750	\$558	\$950	\$797	\$867	\$3,173	\$734	\$896	\$928	\$978	\$3,536
Operating margin													
Operating Income (Adjusted)	\$2,778	\$535	\$1,649	\$605	\$857	\$797	\$867	\$3,127	\$734	\$896	\$928	\$978	\$3,536
EBITDA	\$3,181	\$612	\$1,933	\$672	\$925	\$862	\$942	\$3,402	\$809	\$971	\$1,003	\$1,053	\$3,836
margin	15.2%	7.7%	13.9%	16.0%	17.3%	17.1%	17.2%	17.0%	16.6%	17.3%	18.7%	18.1%	17.7%
Adjusted EBITDA	\$3,575	\$1,147	\$2,278	\$759	\$1,019	\$968	\$1,038	\$3,783	\$905	\$1,080	\$1,112	\$1,164	\$4,261
margin	65.8%	51.0%	65.3%	70.5%	70.9%	70.8%	71.1%	70.8%	70.2%	71.4%	72.8%	73.0%	71.9%
Y/Y change (bps)	(31)	(1,482)	1,432	1,693	358	363	316	555	(28)	50	203	191	110
Gains and Other Income	154	9	(154)	4	2	10	0	16	0	0	0	0	0
Equity in Earnings (losses)	13	(141)	(24)	2	15	5	-	22	-	-	-	-	-
Provision for Loan Losses/other	0	0	0	-	-	-	-	0	-	-	-	-	0
Interest expense	(394)	(445)	(420)	(93)	(95)	(100)	(102)	(391)	(103)	(103)	(102)	(102)	(409)
Interest income	26	27	28	5	6	7	10	29	14	18	20	23	74
Income Before Income Taxes, ex syn fuel	\$1,599	(\$466)	\$1,180	476	878	719	775	\$2,849	645	811	846	899	\$3,202
Taxes	326	(199)	81	99	200	165	178	643	148	187	195	207	736
Tax Rate	20.4%	42.7%	6.9%	20.8%	22.8%	23.0%	23.0%	22.6%	23.0%	23.0%	23.0%	23.0%	23.0%
Net Income	\$1,273	(\$267)	\$1,099	\$377	\$678	\$554	\$597	\$2,206	\$497	\$625	\$651	\$692	\$2,465
Adjusted Net Income	\$2,012	\$59	\$1,051	\$413	\$593	\$554	\$597	\$2,157	\$497	\$625	\$651	\$692	\$2,465
Basic EPS	\$3.83	(\$0.82)	\$3.36	\$1.15	\$2.07	\$1.69	\$1.82	\$6.72	\$1.51	\$1.90	\$1.98	\$2.11	\$7.50
Fully Diluted EPS (incl syn fuel tax benefit) w FAS	\$3.79	(\$0.82)	\$3.34	\$1.14	\$2.06	\$1.69	\$1.82	\$6.70	\$1.51	\$1.90	\$1.98	\$2.11	\$7.50
Adjusted Diluted EPS	\$6.00	\$0.18	\$3.20	\$1.25	\$1.80	\$1.69	\$1.82	\$6.55	\$1.51	\$1.90	\$1.98	\$2.11	\$7.50
Basic Shares	332.8	325.8	327.2	328.3	328.2	328.5	328.5	328.4	328.5	328.5	328.5	328.5	328.5
Diluted Shares	335.5	326.5	328.7	330.0	329.5	328.5	328.5	329.1	328.5	328.5	328.5	328.5	328.5

Source: Company data, Truist Securities research

RHP Valuation

RHP Current Valuation	2019A	2020A	2021A	2022E	2023E
Shares Outstanding	51.5	52.6	55.0	55.5	55.9
Current Stock Price	79.17	79.17	79.17	79.17	79.17
Market Cap	4,081	4,162	4,353	4,391	4,423
YE Debt	2,442	2,560	2,658	2,937	2,963
Ex NCI Debt for Rockies*	192	299			
YE Debt (ex-NCI)	2,250	2,261	2,658	2,937	2,963
Land Credit/other	250	250	250	250	250
Debt Rockies	(21)	(21)	0	0	0
OEG debt to minority partner adjustment	0	0	0	(131)	(131)
Est. Cash Balance	149	420	80	163	450
Debt, net of Cash(including NCIs)	2,272	2,119	2,578	2,643	2,382
Ex NCI Debt for Rockies	192	299	0	0	0
Debt, net of Cash (excluding NCIs)	2,080	1,820	2,578	2,643	2,382
Enterprise Value (including NCIs)	6,103	6,030	6,681	6,784	6,554
Enterprise Value (excluding NCIs)	5,911	5,732	6,681	6,784	6,554
Adjusted EBITDA (ex- equity based comp) (including NCIs)	503	(49)	165	503	593
Enterprise Value/Adj. EBITDA (including NCIs)	12.1 x	-123.0 x	40.4 x	13.5 x	11.1 x
Adjusted EBITDA (ex- equity based comp) (ex. NCIs)	471	(53)	166	503	593
Enterprise Value/Adj. EBITDA (ex. NCIs)	12.6 x	-108.1 x	40.3 x	13.5 x	11.1 x

Note: Market cap and valuation metrics above based on share count for each year and may not exactly match other references to current valuation levels

*NCI: non-controlling interests related to Gaylord Rockies

Stock price as of 9/2/2022.

Source: Company data, FactSet, Truist Securities research

RHP Price Target

RHP Sum of the Parts Analysis		Conservative Scenario	Base Scenario	Aggressive Scenario
Hospitality Segment				
2023 Adjusted EBITDA Est. (\$M)		\$570	\$570	\$570
Multiple		12.0 x	13.0 x	14.0 x
Implied Equity Value (\$M)		\$6,844	\$7,414	\$7,985
Value Per Share		\$123	\$133	\$143
Opry and Attractions				
2023 EBITDA Est. (\$M)		\$66	\$66	\$66
Multiple		15.0 x	16.0 x	17.0 x
Implied Equity Value (\$M)		\$993	\$1,059	\$1,125
Value Per Share		\$18	\$19	\$20
Gaylord National Bonds				
2023 EBITDA Est. (\$M)		\$5	\$5	\$5
Multiple		8.7 x	8.7 x	8.7 x
Implied Equity Value (\$M)		\$47	\$47	\$47
Value Per Share		\$1	\$1	\$1
Less:				
2023 Unallocated Corporate EBITDA Est. (\$M)		(\$48)	(\$48)	(\$48)
Multiple		12.7 x	13.7 x	14.7 x
Implied Equity Value		(\$608)	(\$656)	(\$704)
2022 Firm Net Debt Est. (\$M)		(\$2,643)	(\$2,513)	(\$2,643)
OEG debt to minority partner adjustment		\$131	\$131	\$131
2022 Firm Net Debt Est. (\$M) ex-NCI		(\$2,513)	(\$2,382)	(\$2,513)
Add: Land Credit/other		\$250	\$250	\$250
Sub Total	Implied Equity Value	\$5,013	\$5,733	\$6,190
	Implied Value Per Share	\$89.74	\$102.62	\$110.81
Plus:	Dividend	\$0.00	\$0.00	\$0.00
	Current Stock Price	\$79.17	\$79.17	\$79.17
	Total Potential Return	13%	30%	40%

Source: Company data, FactSet, Truist Securities research


RHP Cash Available for Distribution Analysis

	<u>2019A</u>	<u>2020A</u>	<u>2021A</u>	<u>2022E</u>	<u>2023E</u>
FFO	324.9	(233.4)	31.0	278.5	370.0
Plus: Non-cash lease expense	4.9	4.5	4.4	4.5	5.0
Amortization of debt premium/discounts	0.0	(0.1)	(0.1)	(0.1)	0.0
Amortization of deferred financing costs	7.7	7.9	8.8	9.2	9.2
Less: Normalized maintenance capex (5% revenue)	(80.2)	(26.2)	(47.0)	(85.7)	(99.3)
Cash Available for Distribution	257.3	(247.2)	(2.9)	206.3	284.9
Diluted Common Shares	52.6	55.0	55.5	55.9	55.9
Cash Available for Distribution/Share	\$4.89	(\$4.50)	(\$0.05)	\$3.69	\$5.10
Common Dividend/Share	\$3.55	\$0.90	\$0.00	\$0.00	\$0.00
Share Price	\$79.17	\$79.17	\$79.17	\$79.17	\$79.17
Dividend Yield	4.5%	1.1%	0.0%	0.0%	0.0%
Payout Ratio (dividend/CAD)	73%	-20%	0%	0%	0%

Source: Company data, Truist Securities research

Not For Investment Purposes

RHP Income Statement

		Ryman Hospitality Properties - Actual and Estimated Income Statement (all amounts in millions unless otherwise noted)												
		C. Patrick Scholes (212) 319-3915 patrick.scholes@truist.com Last Updated: 9/7/2022												
Income Statement		2019A	2020A	2021A	1Q22A	2Q22A	3Q22E	4Q22E	2022E	1Q23E	2Q23E	3Q23E	4Q23E	2023E
Revenue:														
Hospitality	\$1,421.4	\$466.0	\$786.6	\$261.1	\$401.8	\$377.5	\$403.7	\$1,444.1	\$329.9	\$464.4	\$415.0	\$441.1	\$1,650.4	
Entertainment	183.1	58.4	152.8	38.0	68.4	71.1	92.1	269.7	53.2	85.5	85.4	110.5	334.6	
Corporate and Other (attrition fees collected)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Revenues	1,604.8	523.8	941.0	299.1	470.2	448.7	495.8	1,714.6	383.1	549.9	500.4	551.7	1,985.3	
Operating Expenses:														
Operating Costs	1,083.8	551.1	738.7	224.9	294.9	299.8	339.9	1,159.5	267.1	349.4	332.8	374.3	1,323.6	
Selling, General and Administrative/Corporate	36.3	28.8	38.6	9.6	12.4	11.4	11.2	44.6	10.2	12.8	12.6	12.3	48.0	
Preopening Costs	3.1	1.7	0.7	0.3	0.2	-	-	0.5	-	-	-	-	-	
Gain on Sale of Assets	-	(1.2)	(0.3)	0.5	-	-	-	0.5	-	-	-	-	-	
Impairment and Other Charges	-	32.8	-	-	-	-	-	-	-	-	-	-	-	
Restructuring Charges	-	-	-	-	-	-	-	-	-	-	-	-	-	
Management fees	-	-	-	-	-	-	-	-	-	-	-	-	-	
Depreciation and Amortization:	213.8	215.1	220.4	56.0	56.7	51.0	51.0	214.7	51.0	51.0	51.3	51.3	204.6	
Total Operating Expenses	1,337.0	828.3	998.0	291.3	364.2	362.2	402.1	1,419.8	328.2	413.2	396.7	437.9	1,576.2	
EBITDAre	481.4	(88.7)	161.7	63.9	162.7	137.4	144.7	508.7	105.8	187.7	154.9	165.0	613.5	
Margin	30.0%	-16.9%	17.2%	21.4%	34.6%	30.6%	29.2%	29.7%	27.6%	34.1%	31.0%	29.9%	30.9%	
Adjusted EBITDAre with NCLs (reported headline)	\$510.5	(\$40.3)	\$177.3	\$69.0	\$167.6	\$136.7	\$148.5	\$521.8	\$109.9	\$185.8	\$153.0	\$162.2	\$610.9	
Adjusted EBITDAre ex-NCLs (FactSet consensus)	\$478.8	(\$44.3)	\$177.8	\$69.0	\$167.6	\$136.7	\$148.5	\$521.8	\$109.9	\$185.8	\$153.0	\$162.2	\$610.9	
Margin	29.8%	-8.5%	18.9%	23.1%	35.6%	30.5%	29.9%	30.4%	28.7%	33.8%	30.6%	29.4%	30.8%	
Operating Income (Loss):														
Hospitality	261.9	(236.8)	(38.4)	15.7	100.6	80.3	84.8	281.4	62.1	126.7	93.4	100.1	382.2	
Opry and Attractions	43.5	(35.6)	20.4	2.4	18.0	18.5	21.0	60.0	3.9	23.8	23.8	26.9	78.4	
Corporate and Other	(37.9)	(30.3)	(38.6)	(9.6)	(12.4)	(12.3)	(12.1)	(46.5)	(11.1)	(13.7)	(13.5)	(13.2)	(51.6)	
Preopening Costs	(3.1)	(1.7)	(0.7)	(0.3)	(0.2)	-	-	(0.5)	-	-	-	-	-	
Gain on Sale of Assets	-	1.2	0.3	(0.5)	-	-	-	(0.5)	-	-	-	-	-	
Impairment and Other Charges	-	(32.8)	-	-	-	-	-	-	-	-	-	-	-	
Restructuring Charges	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other Gains and Losses	3.1	26.8	(0.8)	-	-	-	-	-	-	-	-	-	-	
Total Operating Income (Loss)	267.5	(309.2)	(57.8)	7.8	106.0	86.5	93.7	293.9	54.9	136.7	103.6	113.7	408.9	
Interest Expense	(131.6)	(115.8)	(125.3)	(31.9)	(34.0)	(38.9)	(40.5)	(145.3)	(41.0)	(40.9)	(40.4)	(40.1)	(162.3)	
Interest Income	11.8	7.3	5.7	1.4	1.4	2.4	3.8	6.0	4.8	3.1	5.8	6.1	21.8	
Other Gains and Losses	(0.9)	(21.4)	(11.8)	(2.1)	(3.3)	-	-	(5.4)	-	-	-	-	-	
EBT	146.8	(439.1)	(189.3)	(24.9)	70.1	50.0	57.0	152.2	18.7	101.0	69.0	79.8	268.4	
Income Taxes (Benefit)	18.5	27.1	5.1	(0.1)	(17.6)	10.5	48.5	41.3	5.6	30.3	20.7	23.9	80.5	
Income (Loss) From Continuing Ops	128.3	(466.2)	(194.4)	(24.8)	87.7	39.5	8.6	111.0	13.1	70.7	48.3	55.8	187.9	
Tax Rate on Opry and Attractions	33.8%	-127.5%	14.5%	0.3%	-25.2%	21.0%	85.0%	52.0%	30.0%	30.0%	30.0%	30.0%	79.6%	
Income from Discontinued Operations	-	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	
Income from consolidated JV attributable to NCI	17.5	43.4	17.8	0.2	(0.6)	0.0	0.0	(0.5)	0.0	0.0	0.0	0.0	-	
Minority Interest (Alamos/NBC Univ)	-	-	-	-	-	-	-	(8.4)	(2.1)	(6.3)	(6.3)	(7.0)	(21.7)	
Net Income (Loss)	145.8	(422.8)	(176.6)	(24.6)	87.1	34.7	3.9	101.0	11.0	64.4	42.0	48.9	166.2	
Operating EPS	\$2.46	(\$8.48)	(\$3.53)	(\$0.45)	\$1.57	\$0.71	\$0.15	\$1.99	\$0.23	\$1.27	\$0.86	\$1.00	\$3.36	
Consolidated Diluted EPS	\$2.80	(\$7.69)	(\$3.20)	(\$0.44)	\$1.56	\$0.62	\$0.07	\$1.81	\$0.20	\$1.15	\$0.75	\$0.88	\$2.98	
Basic shares	51.8	55.0	55.1	55.5	55.2	55.2	55.2	55.2	55.2	55.2	55.2	55.2	55.2	
Converts and warrants dilution	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Fully Diluted Shares	52.0	55.0	55.1	55.5	55.9	55.9	55.9	55.8	55.9	55.9	55.9	55.9	55.9	
FFO Calculation														
Net Income	145.8	(423.7)	(178.3)	(24.8)	86.6	34.7	3.9	64.4	11.0	64.4	42.0	48.9	166.2	
Plus: Depreciation	213.7	215.0	220.3	56.0	56.7	51.0	51.0	214.6	51.0	51.0	51.3	51.3	204.6	
Plus: Pro rata adjustments from JV	(34.5)	(24.6)	(11.0)	0.0	(0.2)	(0.2)	(0.2)	(0.6)	(0.2)	(0.2)	(0.2)	(0.2)	(0.8)	
=FFO	324.9	(233.4)	31.0	31.2	107.1	85.5	54.7	278.5	61.7	115.2	93.1	100.0	370.0	
Less: Maintenance CAPEX	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Plus: Non-cash lease expense/other	4.9	4.5	4.4	1.2	1.4	1.1	1.1	4.5	1.3	1.3	1.3	1.3	5.0	
Amort. Of Debt Premiums/Disc.	0.0	-0.1	-0.1	-0.1	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	
Amortization of DFC	7.7	7.9	8.8	2.2	2.3	2.3	2.3	9.2	2.3	2.3	2.3	2.3	9.2	
Other	19.1	80.1	7.8	0.3	4.5	4.5	4.5	13.9	4.5	4.5	4.5	4.5	18.2	
Adjusted FFO	356.6	-140.9	31.9	34.8	115.1	93.4	62.6	305.9	69.8	123.3	101.2	108.1	402.4	
Adjusted FFO/Basic Share AFTER REIT Conversion	\$6.91	(\$2.56)	\$0.93	\$0.63	\$2.07	\$1.69	\$1.14	\$5.53	\$1.27	\$2.23	\$1.83	\$1.96	\$7.30	
Adjusted FFO/Diluted Share AFTER REIT Conversion	\$6.85	(\$2.56)	\$0.94	\$0.63	\$2.05	\$1.67	\$1.12	\$5.49	\$1.25	\$2.21	\$1.81	\$1.93	\$7.20	

Source: Company data, Truist Securities research

SHO Valuation

	<u>2019A</u>	<u>2020A</u>	<u>2021A</u>	<u>2022E</u>	<u>2023E</u>
Current Stock Price	\$10.80	\$10.80	\$10.80	\$10.80	\$10.80
FFO/ Share	\$1.12	(\$0.72)	\$0.04	\$0.83	\$1.00
Price/ FFO	9.6x	-14.9x	280.0x	13.1x	10.8x
Adj. EBITDA (excluding stock comp)	311	(98)	54	216	261
Market Cap	2,457	2,420	2,316	2,358	2,295
Net Debt, Minority Interest, Conv and Pref.	305	296	519	730	917
Enterprise Value	2,762	2,716	2,835	3,088	3,213
EV/EBITDA	8.9x	-27.8x	52.1x	14.3x	12.3x

Note: Market cap and valuation metrics above based on share count for each year and may not exactly match other references to current valuation levels
Stock price as of 9/2/2022.

Source: Company data, FactSet, Truist Securities research

SHO Price Target

	<u>2023E SHO</u>				
Market Cap (\$M)*	\$2,295				
Net Debt (\$M)	\$636				
Preferred Equity (\$M)	\$281				
JV Debt (\$M)	\$0				
Enterprise Value (\$M)	\$3,213				
Adj. EBITDAre (excluding stock comp)	\$261				
EV/EBITDA	12.3 x				
<u>EBITDA Multiple Method</u>					
Multiple estimate	11.5 x	12.0 x	13.5 x	14.0 x	14.5 x
Adj. EBITDAre (\$M)	\$261	\$261	\$261	\$261	\$261
Projected Enterprise Value (\$M)	\$3,003	\$3,134	\$3,526	\$3,656	\$3,787
Projected Net Debt (\$M)	\$636	\$636	\$636	\$636	\$636
Preferred Equity (\$M)	\$281	\$281	\$281	\$281	\$281
JV Debt (\$M)	\$0	\$0	\$0	\$0	\$0
Implied Equity Value (\$M)	\$2,086	\$2,217	\$2,609	\$2,739	\$2,870
Shares Outstanding (M) (End of Period)	213	213	213	213	213
Implied Per Share Value	\$9.82	\$10.43	\$12.27	\$12.89	\$13.50
Dividends (Cumulative)**	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20
Total Return Price	\$9.53	\$10.11	\$12.47	\$13.09	\$13.70
Current Price	\$10.80	\$10.80	\$10.80	\$10.80	\$10.80
Total Return	-12%	-6%	15%	21%	27%

* Market cap is based on estimated 2022 year-end share count

** Accumulated dividend is dividends over the next four quarters

Source: Company data, FactSet, Truist Securities research


SHO Cash Available for Distribution Analysis

	<u>2019A</u>	<u>2020A</u>	<u>2021A</u>	<u>2022E</u>	<u>2023E</u>
FFO	254.0	(156.5)	8.4	177.1	212.2
Plus: Deferred Financing Amortization	0.0	0.0	0.0	0.0	0.0
Plus: Stock Grant Amortization	0.0	0.0	0.0	0.0	0.0
Less: Mandatory Debt Amortization	(12.0)	(12.0)	(12.0)	(12.0)	(12.0)
Less: Convertible Preferred Dividend	0.0	0.0	0.0	0.0	0.0
Less: Improvements and Additions	(55.8)	(13.4)	(25.5)	(44.9)	(50.4)
Improvements and Additions % of revenue	5.0%	5.0%	5.0%	5.0%	5.0%
Cash Available for Distribution	186.2	(181.9)	(29.1)	120.2	149.8
Diluted Common Shares	226.2	225.9	216.0	216.6	214.0
Cash Available for Distribution/Share	\$0.82	(\$0.81)	(\$0.13)	\$0.56	\$0.70
Common Dividend/Share	\$0.74	\$0.10	\$0.00	\$0.05	\$0.20
Share Price	\$10.80	\$10.80	\$10.80	\$10.80	\$10.80
Dividend Yield	6.9%	0.9%	0.0%	0.5%	1.9%
Payout Ratio (dividend/CAD)	90%	-12%	0%	9%	29%

Source: Company data, Truist Securities research

Not For Investment Purposes

SHO Income Statement

		C. Patrick Scholes (212) 319-3915 patrick.scholes@truist.com Last Updated: 9/7/2022											
Sunstone Hotel Investors Income Statement (millions, except per share data)													
	2019A	2020A	2021A	1Q22A	2Q22A	3Q22E	4Q22E	2022E	1Q23E	2Q23E	3Q23E	4Q23E	2023E
Hotel Revenue	767	170	353	109	162	161	157	589	149	172	182	178	682
Room	273	55	84	40	72	60	59	230	60	62	66	64	252
Food and Beverage	75	43	72	24	18	19	19	80	17	19	20	20	76
Other Operating Department Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Revenues of Hotels Held for sale/other	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Hotel Revenues	1,115	268	509	172	251	240	235	898	226	253	268	262	1,009
Hotel Expenses	203	77	99	30	37	42	41	150	39	41	46	47	173
Rooms	186	63	80	32	46	42	43	164	42	41	46	47	176
Food and beverage	255	160	176	50	54	55	54	213	54	61	64	63	242
Other hotel expense	130	50	71	24	30	24	27	105	29	24	25	29	108
Property General and administrative expense	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Expenses of Hotels Held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Hotel Expenses	775	350	426	137	168	163	165	633	164	167	181	186	698
Hotel Operating Income	340.1	(81.6)	83.5	35.3	83.1	77.0	70.0	265.4	61.6	86.2	86.7	76.2	310.6
Hotel Operating margins	30.5%	-30.5%	16.4%	20.5%	33.1%	32.1%	29.8%	29.5%	27.3%	34.0%	32.4%	29.1%	30.8%
YY bps. increase (decrease)	(56)	(6,096)	4,687	3,923	1,409	1,127	918	1,315	680	93	27	(73)	124
Hotel Operating margins before guarantee payments	30.5%	-30.5%	16.4%	20.5%	33.1%	32.1%	29.8%	29.5%	27.3%	34.0%	32.4%	29.1%	30.8%
YY bps. increase (decrease) before guarantee payments	(56.06)	(6,096.49)	4,687.00	3,923	1,409	1,127	918	1,314.61	680	93	27	(73)	124.15
Corporate overhead	30.3	28.1	40.3	11	9	11	12	42.4	11	9	12	13	45.0
Depreciation and amortization	147.7	137.2	128.7	31	31	31	31	124.0	31	31	31	31	123.6
Impairment Loss	24.71	146.94	2.69	0	0	0	0	-	0	0	0	0	-
Total Operating Expenses	977.79	661.79	597.27	179.1	207.8	204.9	207.5	799.29	206.3	207.4	223.8	229.3	866.61
Operating profit	137.4	(393.9)	(88.1)	(6.8)	43.5	35.1	27.1	98.9	19.3	46.1	44.1	32.6	142.1
Operating Profit Margin	12.3%	-147.0%	-17.3%	-3.9%	17.3%	14.6%	11.5%	11.0%	8.6%	18.2%	16.5%	12.4%	14.1%
YY Bps. change	(337)	(15934)	12971	8,976	3,433	2,309	1,532	2832	1,250	85	184	90	307
EBITDA	337.6	(79.4)	184.9	48.4	70.1	64.9	56.9	240.2	49.1	75.8	73.9	62.4	261.2
EBITDA Margin	30.3%	-29.7%	36.3%	28.1%	27.9%	27.0%	24.2%	26.7%	21.8%	29.8%	27.6%	23.8%	25.9%
YY Bps. change	(785)	(5992)	6596	6,193	1,833	1,792	(7,671)	(956)	(632)	202	55	(43)	(86)
Adjusted EBITDARE	320.2	(88.1)	67.2	27.2	74.0	67.9	59.9	228.9	52.1	78.8	76.9	65.4	273.2
EBITDA Margin	28.7%	(32.9%)	13.2%	15.8%	29.4%	28.3%	25.5%	25.5%	23.1%	31.1%	28.7%	25.0%	27.1%
YY Bps. change	9	(6,161)	4,609	4,471	1,637	716	758	1,228	732	166	42	(56)	159
Interest in income of JV	-	-	-	0.0	0.0	0.0	0.0	-	0.0	0.0	0.0	0.0	-
Interest and other income	16.6	2.8	(0.3)	4.4	0.1	0.1	0.1	4.7	0.1	0.1	0.1	0.1	0.5
Interest expense	(54.2)	(53.3)	(35.8)	(5.1)	(5.9)	(8.1)	(8.7)	(27.8)	(8.9)	(8.8)	(8.7)	(8.6)	(35.0)
Other Income/Minority Interest/Gain on remeasurement of eq	42.9	40.4	152.5	22.7	0.0	-	-	22.8	-	-	-	-	-
Income before taxes, minority interest, and discontinued	142.6	(403.9)	28.2	15.3	37.7	27.1	18.5	98.5	10.6	37.3	35.5	24.1	107.5
	0.63	(1.87)	0.13	0.49	0.13	0.13	0.13	0.49	0.13	0.13	0.13	0.13	0.51
Income Taxes benefit (expense)	0.2	(8.6)	(0.1)	(0.1)	(0.0)	-	-	(0.2)	-	-	-	-	-
Effective Tax Rate	0.1%	1.6%	(0.4)%	(0.9)%	(0.1)%	0.0%	0.0%	(0.2)%	0.0%	0.0%	0.0%	0.0%	0.0%
Income from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income	142.8	(410.5)	28.1	15.1	37.7	27.1	18.5	98.4	10.6	37.3	35.5	24.1	107.5
Dividend-Preferred	(12.8)	(12.8)	(20.6)	(3.8)	(3.8)	(4.3)	(4.3)	(16.1)	(4.3)	(4.3)	(4.3)	(4.3)	(17.0)
Min interest	(7.1)	5.8	1.3	(1.1)	(2.3)	-	-	(3.5)	-	-	-	-	-
Income available to common stockholders	122.9	(417.5)	8.8	10.2	31.6	22.8	14.2	78.8	6.3	33.1	31.3	19.9	90.5
Net Income avail. to common shareholders	130.0	(423.3)	7.5	11.4	33.9	22.8	14.2	82.3	6.3	33.1	31.3	19.9	90.5
Net Income avail. to common shareholders-incl. OP unit holder	87.0	(463.8)	(145.0)	(11.4)	33.9	22.8	14.2	59.6	6.3	33.1	31.3	19.9	90.5
Calculation of Adjusted FFO													
Net Income (loss) to common	142.8	(410.5)	28.1	15.1	37.7	27.1	18.5	98.4	10.6	37.3	35.5	24.1	107.5
Minority Interest/other	(7.1)	6.2	0.5	(1.1)	(2.3)	-	-	(3.5)	-	-	-	-	-
Series C preferred stock dividends	(12.8)	(12.8)	(20.6)	(3.8)	(3.8)	(4.3)	(4.3)	(16.1)	(4.3)	(4.3)	(4.3)	(4.3)	(17.0)
Depreciation and amort - cont. ops.	145.3	134.7	126.2	30.7	30.3	30.3	30.3	121.5	30.3	30.3	30.3	30.3	121.1
Depreciation and amort - discort. ops.	-	-	-	-	-	-	-	-	-	-	-	-	-
Gain on sale of assets	(42.9)	(34.3)	(152.4)	(22.9)	-	-	-	(22.9)	-	-	-	-	-
Undistributed income allocated to unvested unrestricted stock	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of lease intangibles/right-of-use assets	0.7	0.5	0.3	(0.3)	(0.3)	(0.3)	0.2	(0.7)	0.2	0.1	0.1	0.2	0.6
Undistributed income allocated to Sr. C preferred stock	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-controlling interests	9.3	0.1	0.3	0.1	0.1	-	-	0.1	-	-	-	-	-
Other (incl. D&A for Discontinued Ops)	27.8	159.6	28.0	(1.4)	1.6	-	-	0.2	-	-	-	-	-
Adj. FFO avail. to common shareholders (inc. OP holder)	254.0	(156.5)	8.4	16.4	63.2	52.8	44.7	177.1	36.8	63.4	61.6	50.3	212.2
Fully Diluted Adj. FFO/share	\$ 1.12	\$ (0.72)	\$ 0.04	\$ 0.08	\$ 0.30	\$ 0.25	\$ 0.21	\$ 0.83	\$ 0.17	\$ 0.30	\$ 0.29	\$ 0.24	\$ 1.00
Share Count Analysis													
Diluted share count	225.9	216.0	216.6	217.6	213.5	212.5	212.5	214.0	212.5	212.5	212.5	212.5	212.5

Source: Company data, Truist Securities research

Companies Mentioned in This Note

Choice Hotels International, Inc. (CHH, \$113.19, Hold, C. Patrick Scholes)
DiamondRock Hospitality Company (DRH, \$8.59, Hold, C. Patrick Scholes)
Hyatt Hotels Corporation (H, \$88.13, Buy, C. Patrick Scholes)
Hilton Worldwide Holdings Inc. (HLT, \$127.49, Hold, C. Patrick Scholes)
Host Hotels & Resorts, Inc. (HST, \$17.26, Hold, C. Patrick Scholes)
Marriott International, Inc. (MAR, \$154.23, Hold, C. Patrick Scholes)
Ryman Hospitality Properties, Inc. (RHP, \$80.41, Buy, C. Patrick Scholes)
Sunstone Hotel Investors, Inc. (SHO, \$10.80, Hold, C. Patrick Scholes)
Wayfair, Inc. (W, \$48.46, Buy, Naved Khan)
Wyndham Hotels & Resorts, Inc. (WH, \$65.46, Buy, C. Patrick Scholes)

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