

Lodging

C-Corp Bull-Bear Debate: Bears wanted

Price Objective Change

Lodging C-Corp Bull-Bear Debate: Where to from here?

Lodging C-Corps, and particularly Buy-rated Hilton (ticker: HLT) and Marriott (MAR), were meaningful outperformers in 2023. Momentum has continued into 2024, with the stocks up +9% (vs S&P's +5%) YTD. As such, we revisit key debates for these best-of-breed fee compounding companies across: 1) demand and RevPAR, 2) supply and net unit growth (NUG) and 3) valuation and relative price performance to answer the important question: can this rally continue and where can these stocks go from here?

Demand and RevPAR: Deceleration or re-acceleration?

Bears: 1) US RevPAR growth has decelerated for the last 3 quarters, and is pacing at an anemic +1% in January, 2) key hotel segments, especially luxury and resorts, are over-earning, while Europe outbound travel faces tough comps in 2024, 3) stocks are hard to own until the second derivative of RevPAR growth bottoms.

Bulls: 1) Price growth in Lodging is not as high as anecdotal data suggests, 2) demand and RevPAR are still under-recovered relative to post-pandemic economic growth and 3) key macro data that *leads* RevPAR is improving, which could drive re-acceleration in coming months. Low supply and C-Corp over-exposure to better than average demand segments (group, urban and international) are further potential tailwinds.

Supply and NUG: A wall of worry in 2023, what's next?

Bears: 1) U.S. supply growth is only half its long-term average while NUG forecasts are unchanged, 2) new U.S. hotel rooms under construction are declining and are already down -50% from peak levels for key brands, 3) high interest rates and high construction cost inflation weigh on development and reduce returns on investment for owners.

Bulls: 1) Overall new unit pipelines have bottomed and are already re-accelerating, boding well for new construction as rates drop/inflation fades, 2) top C-Corp brands are taking meaningful share of any available rooms under construction, 3) C-Corps have found other ways to fill the gap including international growth, conversions, partnership deals (MAR-MGM, HLT-SLH) and potentially M&A to bolster their openings.

Stocks + Valuation: Absolutely expensive or relatively fair?

Bears: 1) C-Corp stocks have reached and continue to push all-time highs, mostly on expanding valuations, 2) valuations are well above historical average esp. on an EV/EBITDA basis (17x vs 14x), 3) stocks and valuations have meaningfully outpaced, and are well above, other key sub-sectors of Gaming, Lodging and Leisure.

Bulls: 1) Valuations are in-line with but have not exceeded historical peak, 2) valuations are in-line with their historical 30% premium to the S&P, so the move is only in-line with the market, and 3) stocks/valuation are relatively attractive vs other top Consumer stocks, most or all of which, have also seen valuations expand along with the market.

Bottom line: [We raised our PO on Hilton \(see report\)](#), with Q4 earnings, and now raise Marriott, as we roll forward our near peak EV/EBITDA of 17x to 2025 from 2024 (same as HLT). For both, we see room for ~15% upside to pure peak levels (in-line with our POs), but note that long periods of average performance can follow large cyclical rallies.

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Exhibit 1: Summary of estimate and price objective changes

We raise Marriott's price objective as we roll forward our multiple to 2025 from 2024

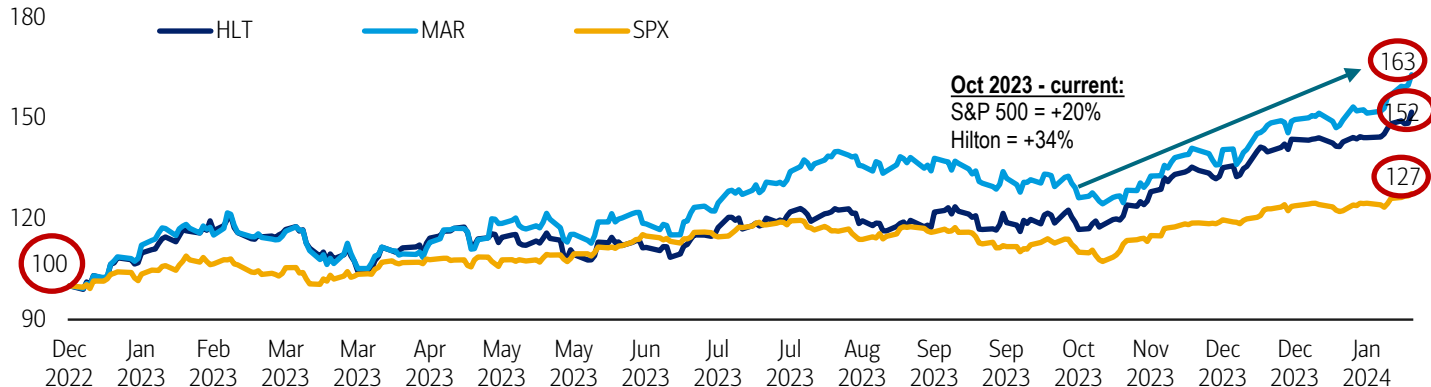
MAR	New	Old
PO	\$275	\$235
2024 EBITDA	\$4,973	\$4,958
2025 EBITDA	\$5,273	\$5,210
2026 EBITDA	\$5,629	--
HLT	New	Old
PO	\$215	\$215
2024 EBITDA	\$3,369	\$3,369
2025 EBITDA	\$3,675	\$3,656
2026 EBITDA	\$4,017	--

Source: BofA Global Research
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C-Corp Bull-Bear Debate: Bears wanted

Exhibit 2: Short Term: Stocks have meaningfully outperformed since the start of 2023

Marriott/Hilton outperformed the S&P500 by 36/25 pts since Jan 2023 and 18/14pts in the last 90 days

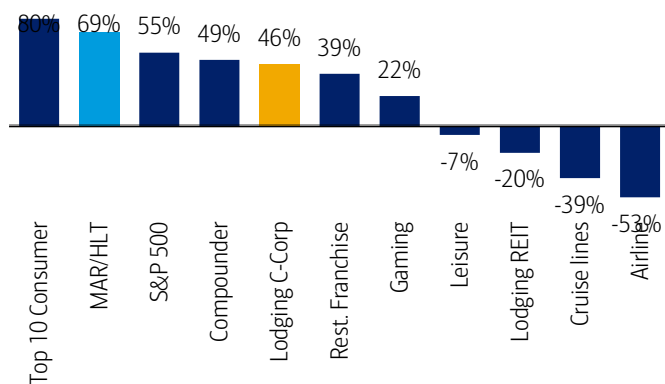


Source: BofA Global Research, Bloomberg

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Exhibit 3: Medium-term stock performance (YE2019-current)

Stocks outperformed the S&P despite COVID

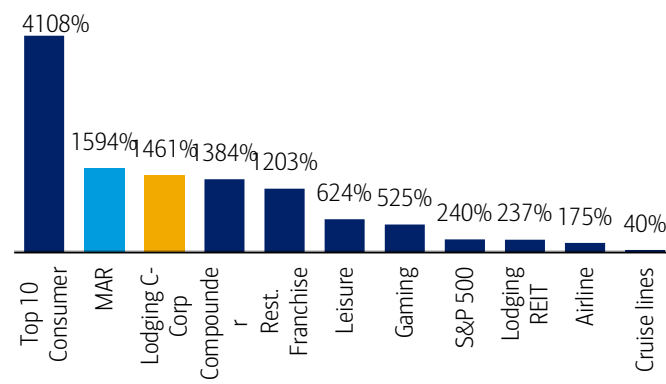


Source: BofA Global Research, Bloomberg

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Exhibit 4: Long-term stock performance (2000-current)

Compounding dominated the S&P 500 and other GL&L categories



Source: BofA Global Research, Bloomberg

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Exhibit 5: C-Corp Long-Term Earnings Algorithm

We estimate C-Corps should grow earnings ~11-17% annually, nicely outpacing the S&P 500

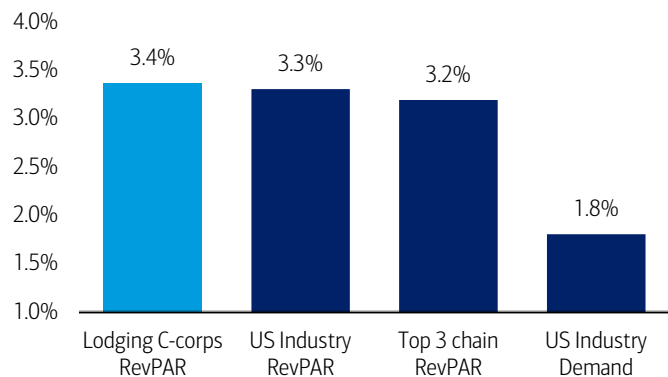
Line item	Long term growth	growth	growth	type	Memo/description:
RevPAR growth	+2-3%	+5-10%+	+1-3%	Cyclical	Mean/Median GDP is +2.7%/2.8%; Room demand +1.8-2.1%, RevPAR +4.6-5.3% since 1974, +2.3% since 2007; CPI is 3.1-4.0%
+ Net unit/room growth	+2-4%	+0-4%	+4-7%	Structural	Long-term supply growth since 1972 is +2.0%; max 5.5% (1973); min is -0.1% (2005); international is 50%+ of most pipelines
Less: spread	0-1%	0-1%	-1.0%		FX impact and new unit ramp up/productivity
= Net revenue growth	+4-7%	+5-15%	+5-10%		Across the cycle (including downturns)
+ Operating leverage	+1-3%	+1-3%	+1-3%		SG&A growth of +2-3%
EBIT growth	+5-9%	+6-18%	+8-10%		
Free cash flow yield	+5-6%	+3-5%	+5-6%	Structural + Cyclical	Marriott average FCF yield since 2000 = 6.6%/6.3% mean/median; lower at cycle trough
Releveraging on growth	+1-2%	+1-2%	+1-2%		Releveraging 5-8% EBIT growth at 2.75-3.0x target net leverage
Total capital return	+6-8%	+4-7%	+6-8%		Target 1-2% dividend yield and rest in buybacks/share repurchase
Long-term EPS growth	+11-17%	+10-25%	+13-18%		Long-term double digit/low-teens compounding

Source: BofA Global Research, company filings

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Exhibit 6: Demand and RevPAR long-term growth

C-corps compounded RevPAR ahead of industry RevPAR from 2004-2019

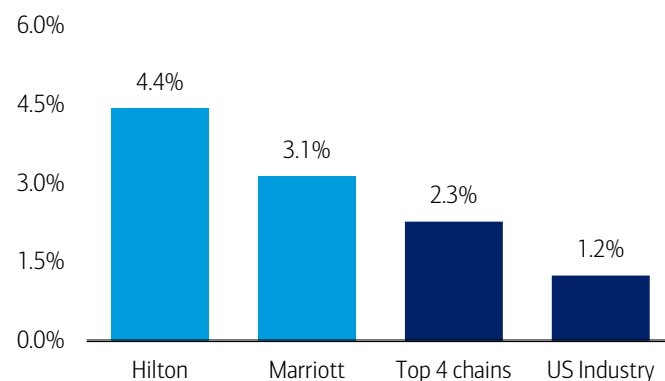


Source: BofA Global Research, STR Global

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Exhibit 7: Supply and net unit growth (NUG) long-term growth

The C-corps systems grew materially ahead of the industry over the last 19 years

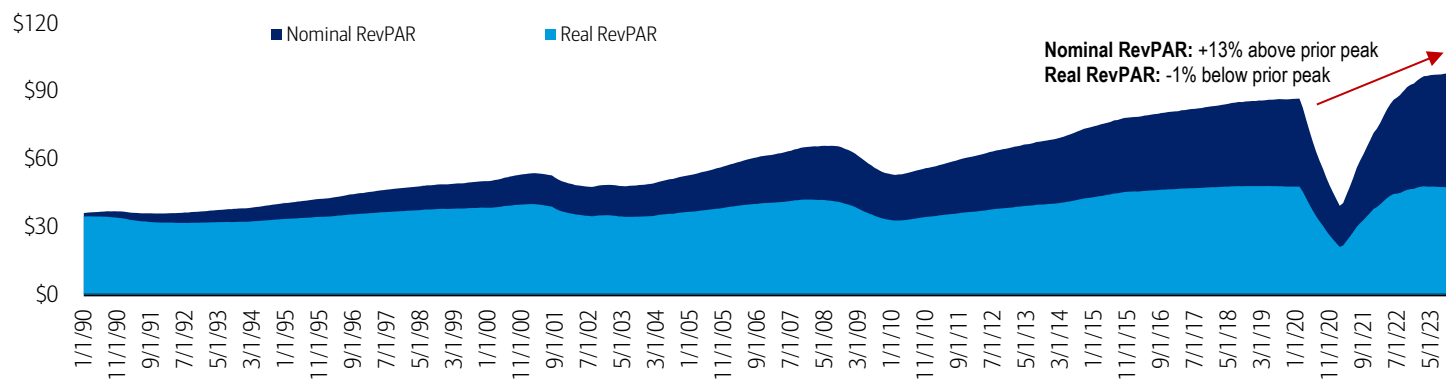


Source: BofA Global Research, STR Global

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Debate: The RevPAR recovery is over. Now what?**Exhibit 8: US Hotel RevPAR in nominal and real dollars**

Nominal RevPAR (LTM) is currently +13% ahead of its Feb 2020 peak but still -1% below in real terms



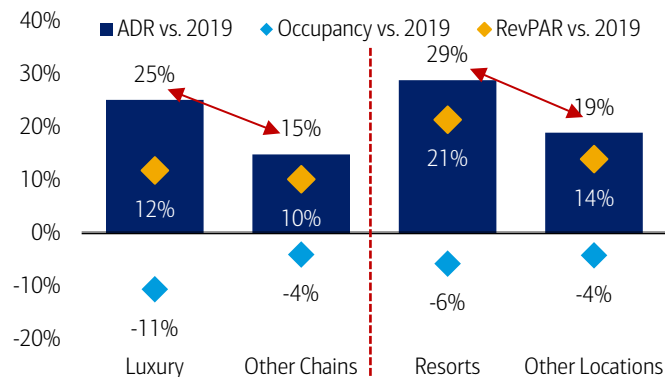
Source: BofA Global Research, STR Global

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Bear: Key Components of Lodging Could Be Over-Earning

Exhibit 9: Leisure, high end risk of normalization

There is a 10pt spread between luxury rates vs the rest of the industry and resort rates vs the rest of the industry

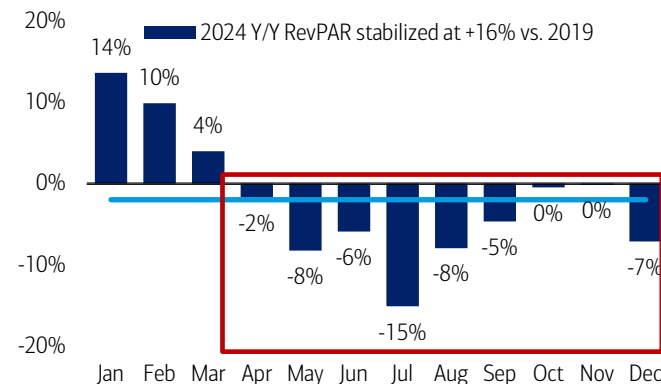


Source: BofA Global Research

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Exhibit 10: European RevPAR normalizing from 2023 levels

European RevPAR stabilizing at +16% vs 2019 would result in 2024 Y/Y RevPAR declines beginning in April onwards, ending the year at -2%



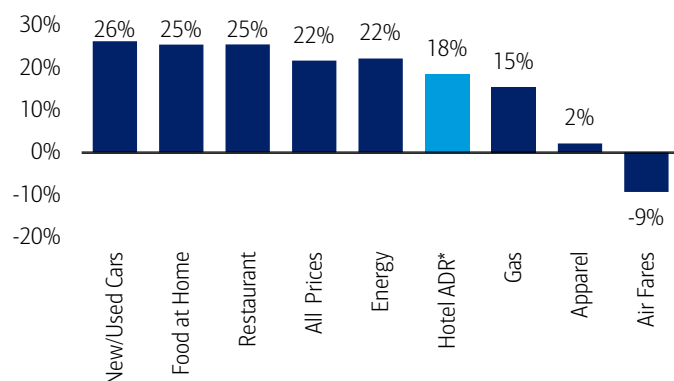
Source: BofA Global Research

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Bull: Pricing is NOT as high as you think

Exhibit 11: CPI and Hotel pricing (ADR) vs 2019

Hotel pricing is still below most other consumer categories vs 2019

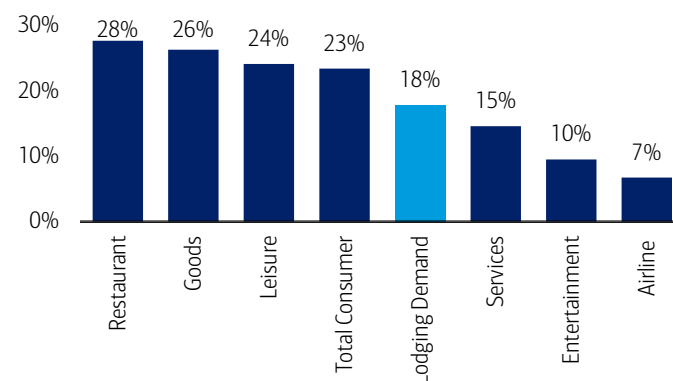


Source: BofA Global Research estimates, BLS

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Exhibit 12: BAC card spending by category vs 2019

Lodging demand trails other services and leisure spend



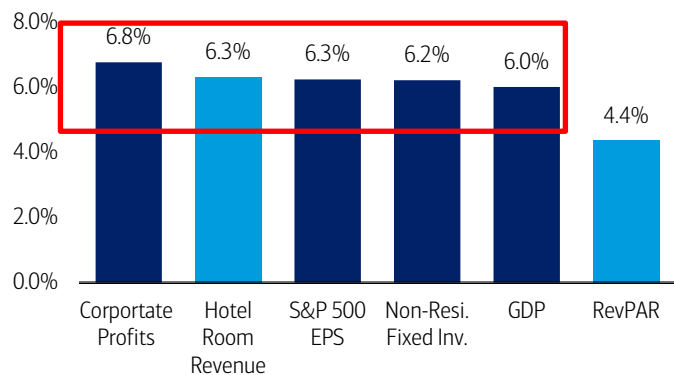
Source: BofA Global Research estimates, BAC Card Data

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Bull: Demand/RevPAR: Still under-recovered vs the macro

Exhibit 13: 1974-2019 macro demand indicator growth

Hotel room revenue generally grows in-line with key macro indicators

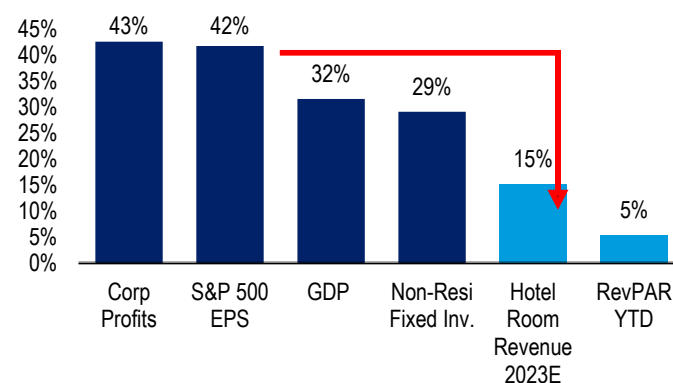


Source: BofA Global Research, STR Global, Bloomberg

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Exhibit 14: 2019-2023 macro demand indicator CAGRs

But room revenue has lagged since the pandemic; GDP growth implies another 900bps of potential



Source: BofA Global Research, STR Global, Bloomberg

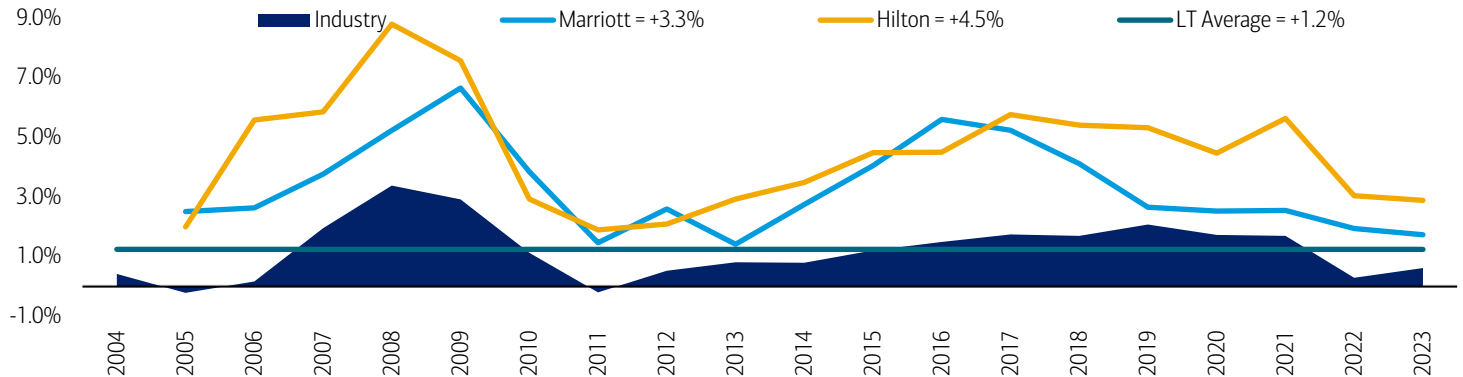
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Bull-Bear: Supply and net unit growth

Debate: US Long Term Supply is Below Historical Norms

Exhibit 15: Long term domestic supply

Hotel supply CAGR in the US over the last 20 years was +1.2%, with Marriott growing domestically +3.3%, Hilton +4.5%.



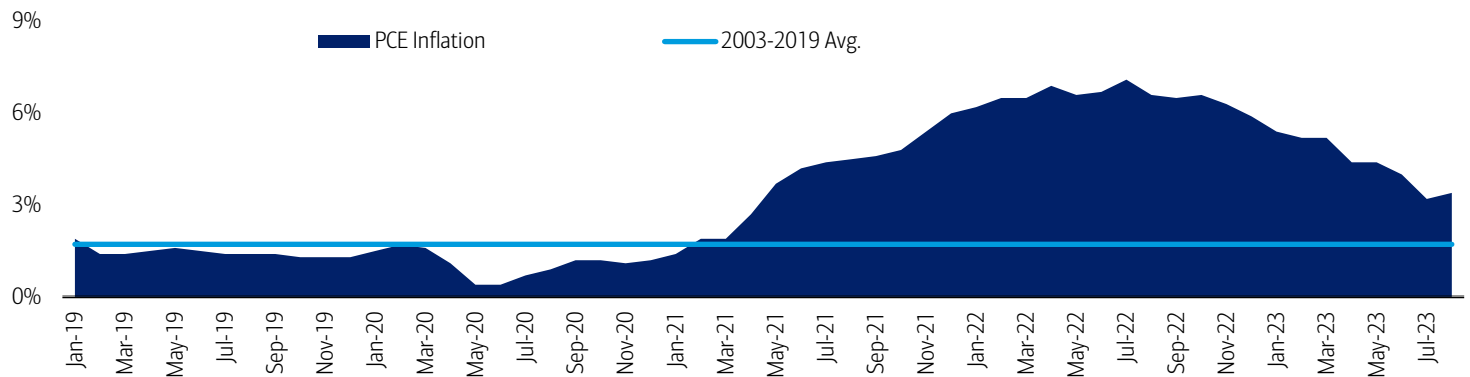
Source: BofA Global Research, STR Global, company filings

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Debate: Supply – Interest Rates, Construction Inflation

Exhibit 16: 2019-2023 Personal Consumption Expenditures (PCE) Inflation

PCE inflation is up a cumulative +17% from pre-COVID levels

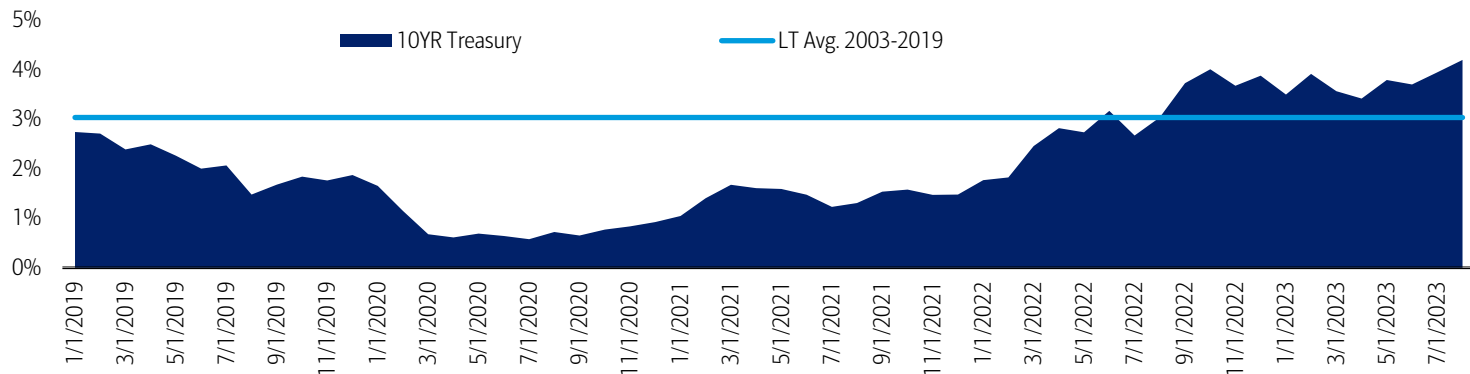


Source: BofA Global Research, Bloomberg

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Exhibit 17: 2019-2023 10YR Treasury rates

The cost to borrow is up +79% from pre-COVID levels (10YR Treasury 3.8% vs 2.1% prior)



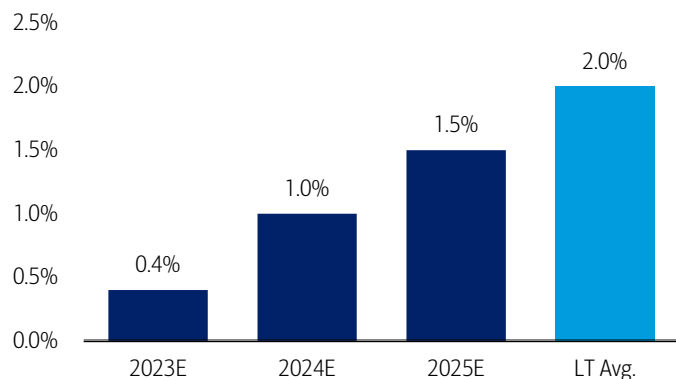
Source: BofA Global Research, Bloomberg

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Bear: Supply and NUG: Low Supply, High NUG Forecasts

Exhibit 18: US Hotel supply forecast

The broader US industry is expected to grow supply between +0-1.5% for the next 3 years, below the long-term average of +2.0%

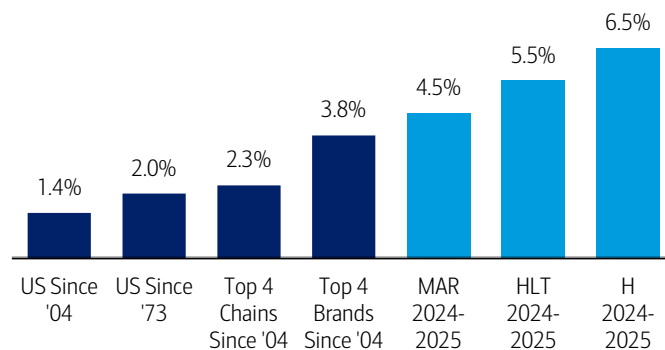


Source: Company filings

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Exhibit 19: Lodging C-corps organic unit growth forecasts

Despite the tough backdrop, Lodging C-corps are expected to deliver better than industry unit growth, fueled by conversions, new brand launches and share gains



Note: organic unit growth excludes Radisson acquisition for CHH, Elegant Hotels and MGM rooms for MAR and ALG for Hyatt

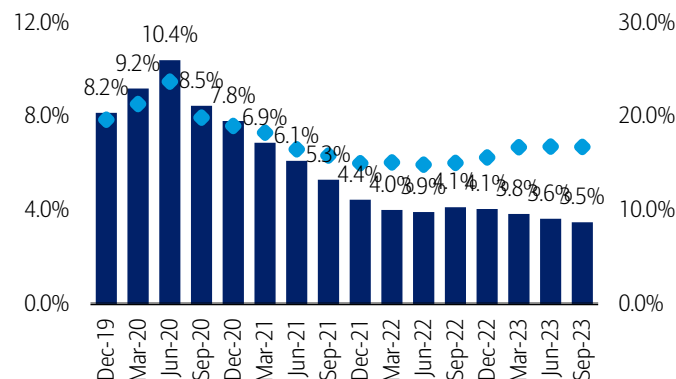
Source: Company filings

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Bear: Supply/NUG – Construction rooms are still slowing

Exhibit 20: Rooms in Construction as % of Existing Supply

Rooms under construction have slowed to a multi-year low

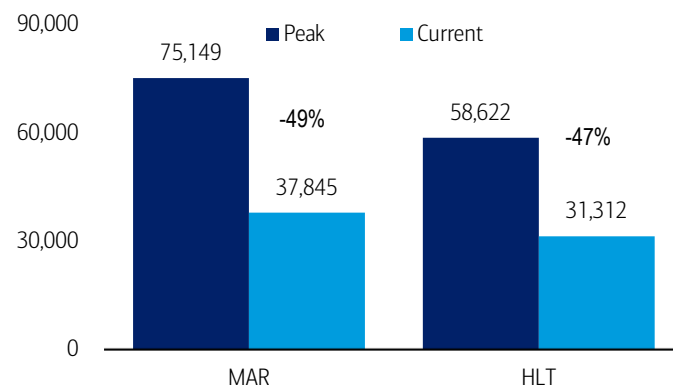


Source: STR Global

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Exhibit 21: Rooms under construction are down materially

Marriott and Hilton's rooms under construction are down -49% and -47% from peak, respectively



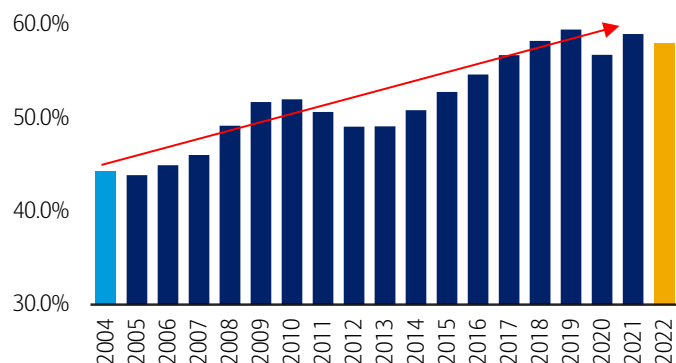
Source: Company filings

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Bull: Supply and NUG – Brands are Taking Market Share

Exhibit 22: HLT/H/MAR Share as % of Top 4 Chain Scales

The broader US industry is expected to grow supply between +0-1.5% for the next 3 years, below the long-term average of +2.0%

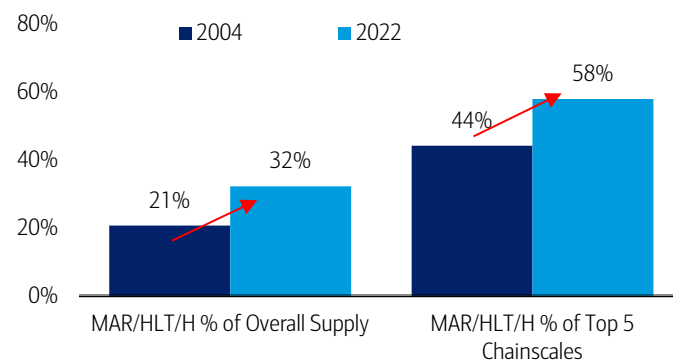


Source: Company filings

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Exhibit 23: Top 3 Share as % of Industry Supply

Despite the tough backdrop, Lodging C-corps are expected to deliver better than industry unit growth, fueled by conversions, new brands



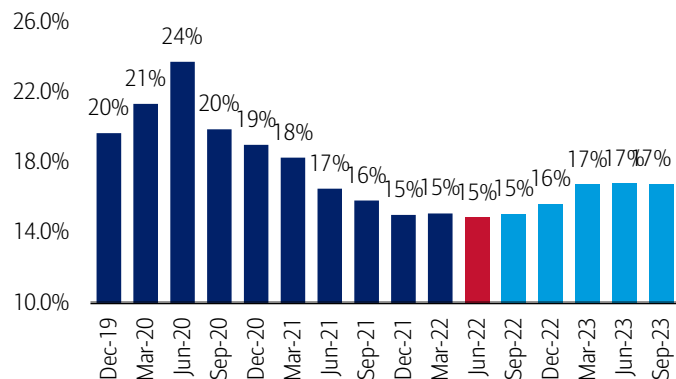
Source: Company filings

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Bull: Supply/NUG – Pipeline may have already bottomed

Exhibit 24: Top 3 Brand Pipeline as % of Existing Supply

Brand pipelines troughed six quarters ago

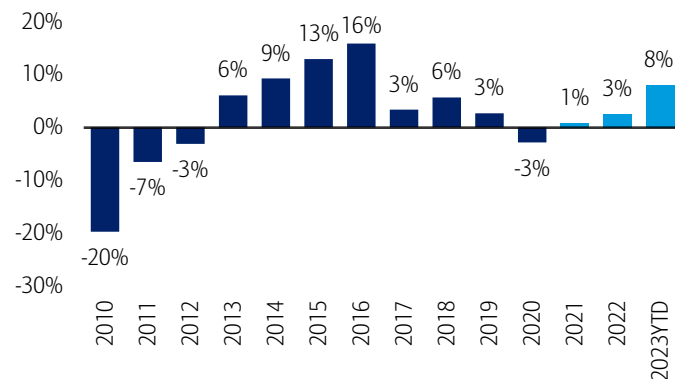


Source: Company filings, BofA Global Research estimates

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Exhibit 25: Total Industry Pipeline as % of Supply

The industry pipeline as a % of existing supply base is accelerating



Source: Company filings, BofA Global Research estimates

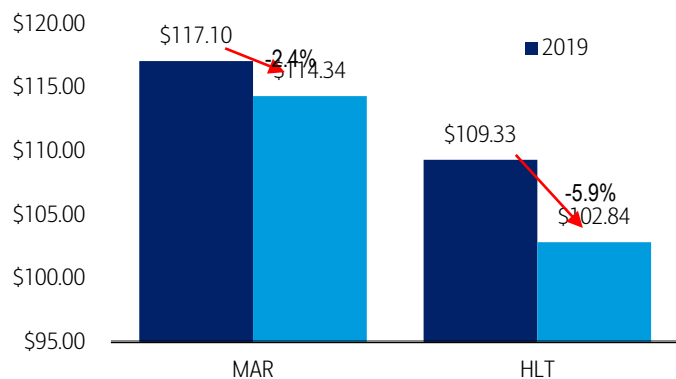
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Bull/Bear: Rest of Algorithm

Bull/Bear: Non-RevPAR fees vs RevPAR dilution

Exhibit 26: Bear: RevPAR Dilution is a Drag

New brand debuts have come in at lower RevPARs, lowering same-store weighted average RevPAR

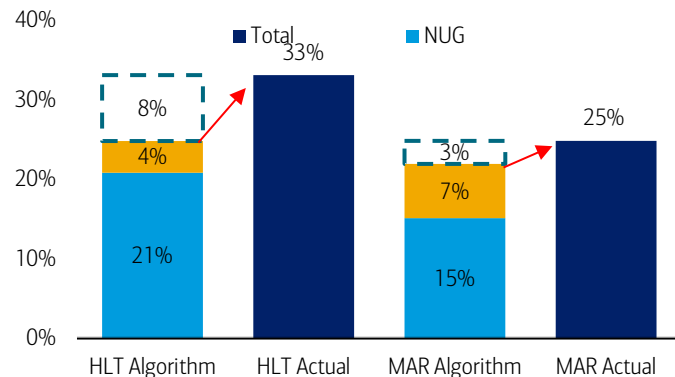


Source: Company filings, BofA Global Research estimates

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Exhibit 27: Bull: Fee Growth Exceeding Algo Despite Dilution

Fee growth has exceeded algorithm despite this RevPAR headwind



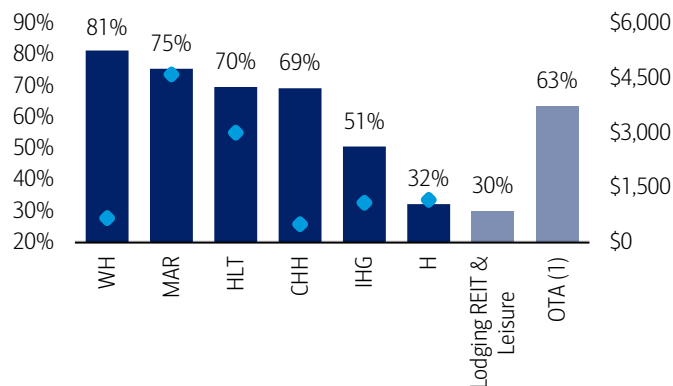
Source: Company filings, BofA Global Research estimates

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Bull: Margins and Operating Leverage

Exhibit 28: EBITDA and EBITDA margins

Marriott as a platform has one of the highest EBITDA margins across both large-scale lodging and OTA competitors

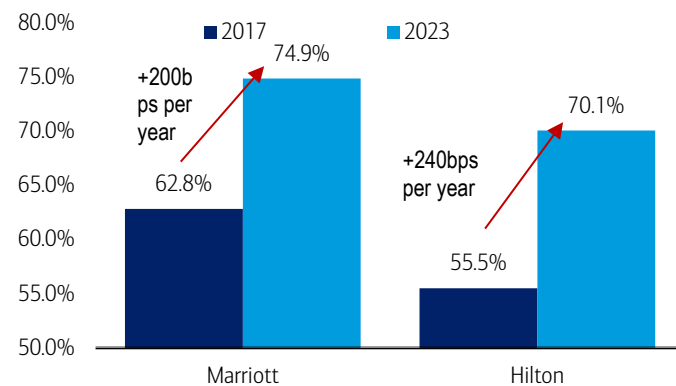


Source: Company filings, BofA Global Research estimates

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Exhibit 29: Adjusted EBITDA margins

Even after the asset light transition largely behind them, Marriott and Hilton have been able to grow adj EBITDA margins +200-300bps per year



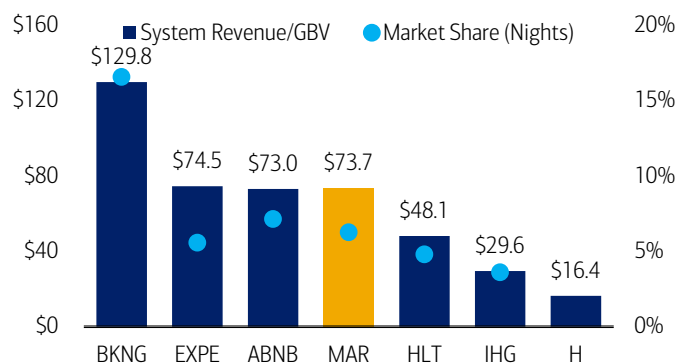
Source: Company filings, BofA Global Research estimates

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Bull/Bear: Scale and Disruption - how safe/big of a moat?

Exhibit 30: Bear: There are even bigger platforms out there

Marriott's system delivery is on par with all of the largest travel platform companies including the OTAs and Airbnb

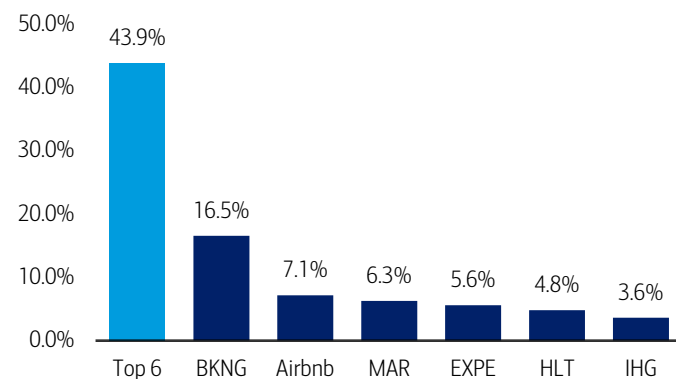


Source: Company filings

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Exhibit 31: Bull: Travel growth supports multiple winners

The travel industry is large enough, fragmented enough and grows fast enough for there to be multiple winners



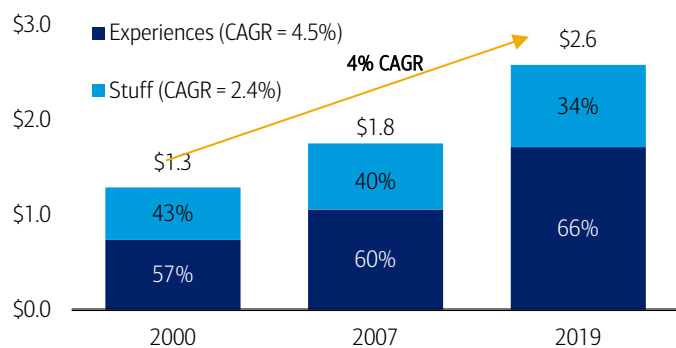
Source: Company filings

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Bull/Bear: Experiences vs Stuff or Stuff vs Experiences

Exhibit 32: Bull: Experiences were ahead of Stuff pre-COVID

Experiences handily outpaced retail growth pre-pandemic

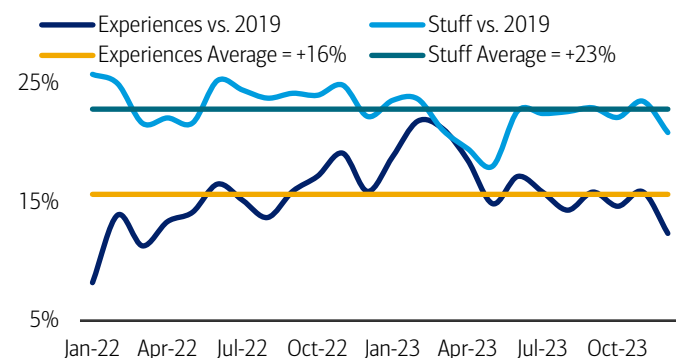


Source: Company filings

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Exhibit 33: Bear: Was "Stuff" a Pandemic Winner?

Stuff has actually outpaced experiences and key services since the pandemic, especially on a traffic or unit basis



Source: BAC Card data

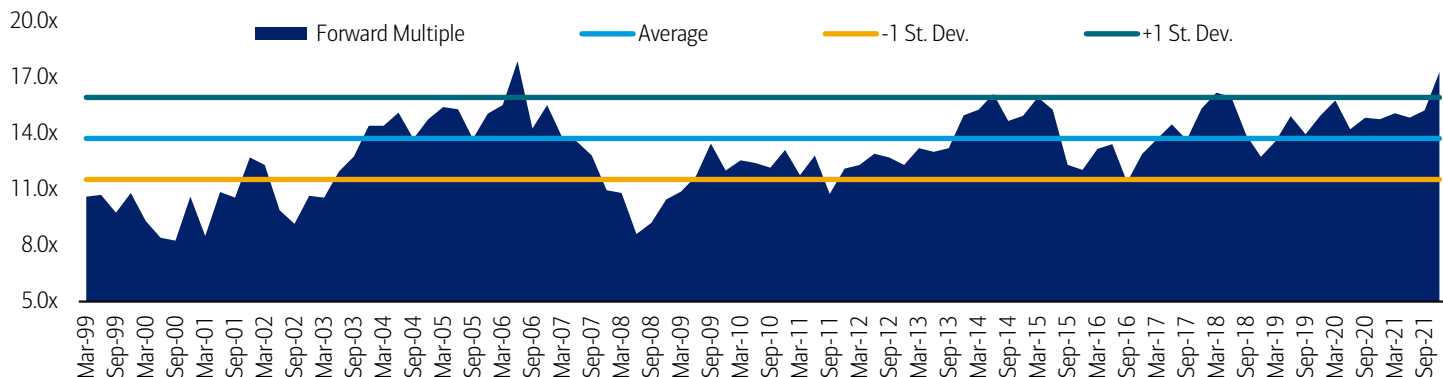
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Bull/Bear: Valuation (The Fun Stuff)

Debate: Long-Term Perspective – EV/EBITDA and P/E

Exhibit 34: Lodging C-Corp Forward EV/EBITDA Multiple

Lodging C-corps are more than 1 standard deviation above their historical average EV/EBITDA valuation multiples on a 12-month forward basis

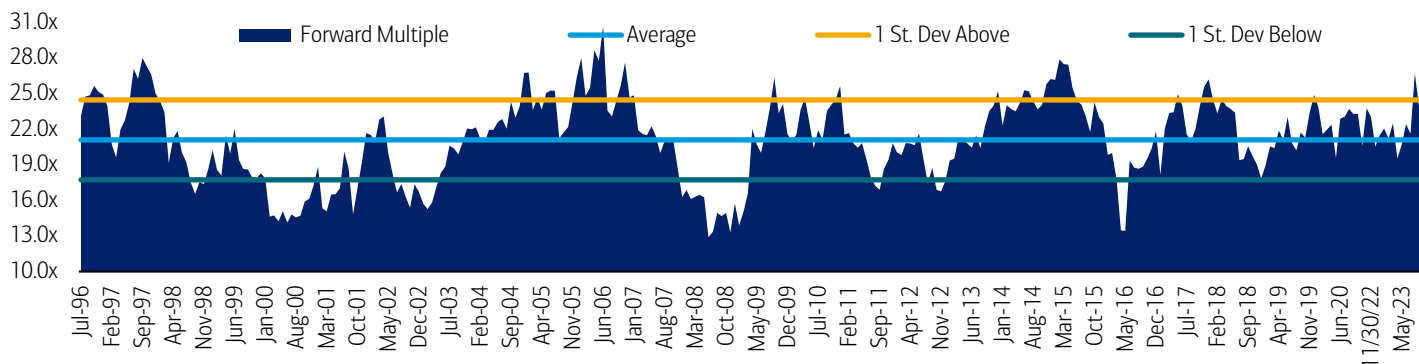


Source: Company filings, BofA Global Research estimates

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Exhibit 35: Lodging C-Corp Forward P/E Multiple

Lodging C-corps are more than 1 standard deviation above their historical average P/E valuation multiples on a 12-month forward basis



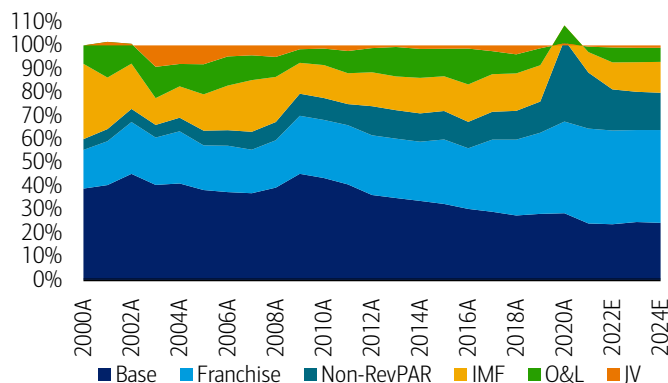
Source: Company filings, BofA Global Research estimates

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Bull: Multiples Should be Higher – It's a Better Business

Exhibit 36: Case Study: Marriott's Fee Mix Over Time

Marriott's franchise and non-RevPAR fee mix have increased over time and reduced earnings volatility

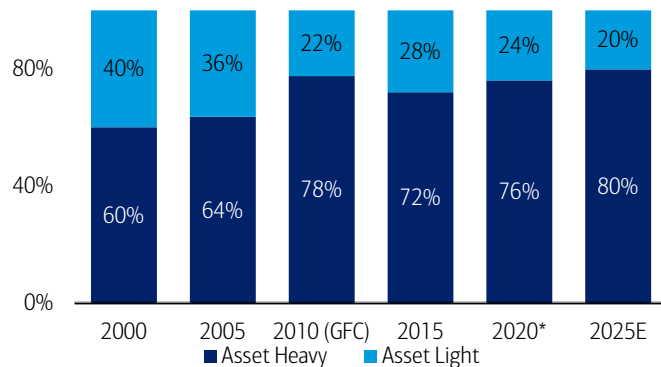


Source: Company filings, BofA Global Research

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Exhibit 37: Case Study: Shift of Asset Heavy to Asset Light

Marriott's asset light shift over 25 years reduced its earnings volatility



Source: Company filings, BofA Global Research

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Bull: Valuation Is Normal Relative to the Market

Exhibit 38: P/E Multiple Premium to the S&P 500

At a 5.6x premium to the S&P 500 P/E, the group is above the 4.6x long term average premium but inside 1 standard deviation (6.8x premium)

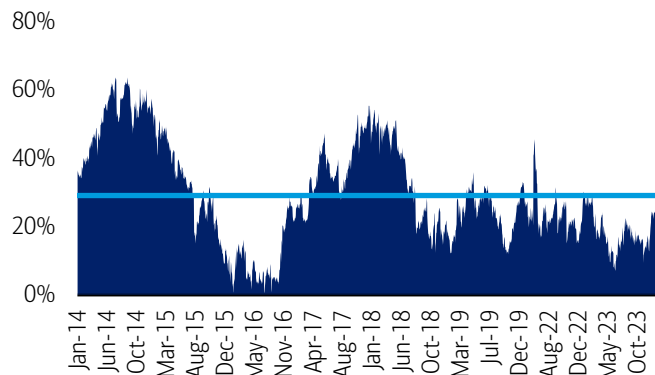


Source: Company filings, BofA Global Research estimates, Bloomberg

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Exhibit 39: Multiple Premium % Relative to the S&P 500

The group is trading at a +30% premium to the S&P 500, dead in-line with its long-term average



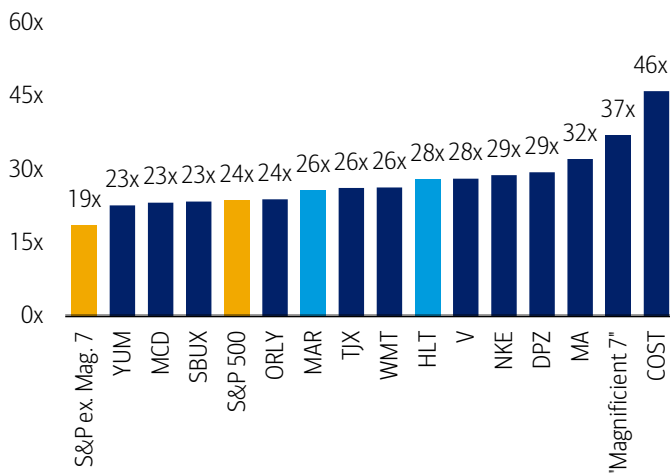
Source: Company filings, BofA Global Research estimates, Bloomberg

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Bull: Valuation is attractive vs what Investors want to own

Exhibit 40: Lodging C-Corp vs Consumer: Compounding wins

Marriott and other Lodging C-corps are smaller in size, though comparable in growth and more profitable than peers

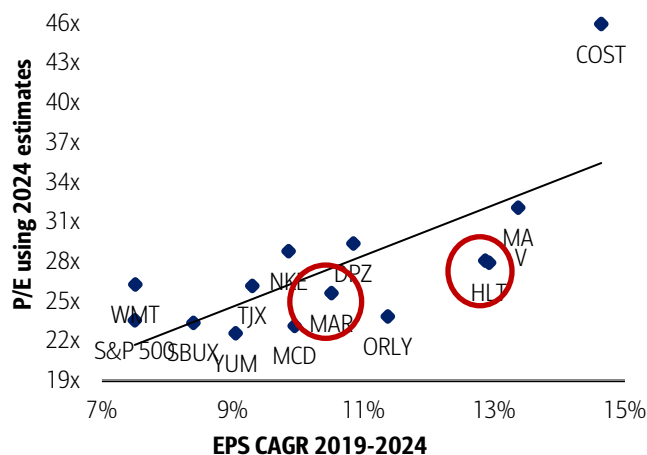


Source: Company filings, Bloomberg

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Exhibit 41: Lodging C-Corp vs Consumer: P/E vs Growth

In the context of global consumer compounding companies, Marriott and Hilton valuations are attractive/below trendline



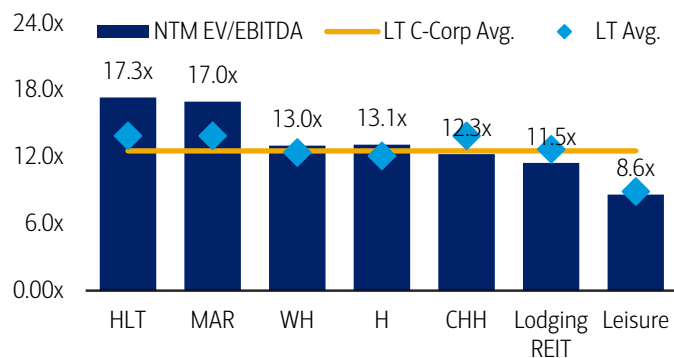
Source: Company filings, Bloomberg

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Bear: Expensive Relative to History AND Peers

Exhibit 42: Valuation multiples vs LT History

Hilton and Marriott currently trade at premiums to their LT multiple and other Lodging/Leisure sub-sectors

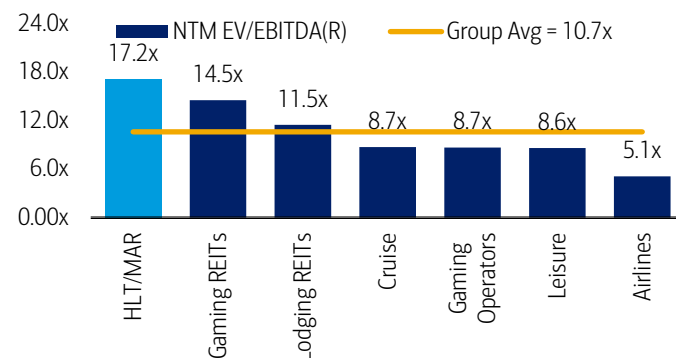


Source: Company filings, BofA Global Research estimates, Bloomberg

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Exhibit 43: Valuation Multiples vs Peer Groups

Hilton and Marriott trade at premiums to all other sub-sectors of Lodging and Leisure



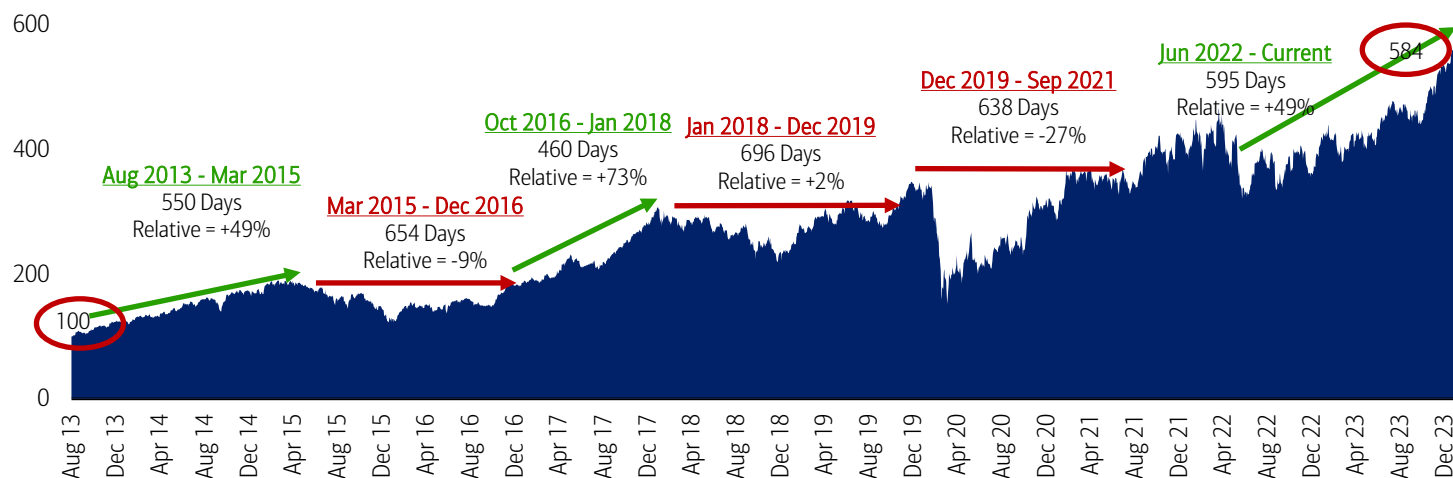
Source: Company filings, BofA Global Research estimates, Bloomberg

BofA GLOBAL RESEARCH

Bear: It's NOT "Different This Time"

Exhibit 44: Marriott/Hilton stock performance (index = 100, Aug 2013)

Marriott and Hilton's rallies have lasted 505 days on average, outperforming the S&P 500 by +61pts; periods of selloffs and recoveries have historically lasted 675 days (1.3x longer) and relatively underperform the S&P 500 by -3pts



Source: BofA Global Research, Bloomberg

gggBofA GLOBAL RESEARCH

Exhibit 45: Relative stock performance vs the S&P 500 across cycles

Marriott and Hilton typically outperform the S&P 500 by 61 percentage pts during rallies, trail the S&P 500 by 3 percentage points during selloffs and recoveries, and are currently up a relative +49pts so far in the current rally

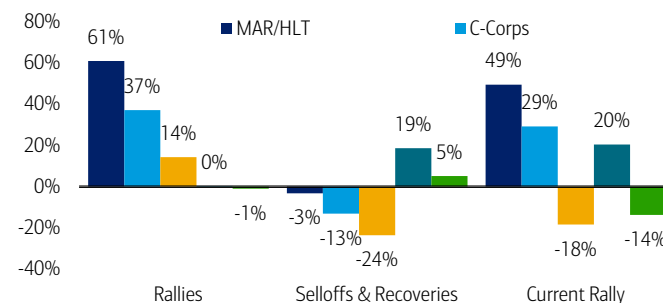
	Rallies	Selloffs & Recoveries	Current Rally
Average Length (days)	505	675	595
MAR/HLT	61%	-3%	49%
C-Corps	37%	-13%	29%
REITs	14%	-24%	-18%
Defensive Staples	0%	19%	20%
Restaurant Franchisors	-1%	5%	-14%

Source: BofA Global Research, Bloomberg

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Exhibit 46: Relative stock performance vs the S&P 500 across cycles

MAR/HLT typically outperform in rallies and are up a relative +49pts so far



Source: BofA Global Research, Bloomberg

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Can we still get upside from here?

Exhibit 47: Hilton Peak Cycle Sensitivity

Blending mid/peak multiples on peak earnings can drive HLT shares to \$220+

Hilton (HLT) Valuation Scenarios

Multiple:	Midcycle	Peak	Peak	
Earnings:	Peak	Midcycle	Peak	
EBITDA Valuation				
Multiple	14.5x	17.5x	17.5x	Average: 16.5x
EBITDA	\$3,807	\$3,514	\$3,807	\$3,709
Implied Px	\$190	\$217	\$239	\$215
P/E Valuation				
Multiple	23.5x	29.5x	29.5x	Average: 27.5x
EPS	\$7.71	\$7.71	\$8.87	\$8.10
Implied Px	\$208	\$228	\$262	\$232
Average Px				
Upside	3%	15%	29%	15%

Blended Multiple (EBITDA / PE)				
Earnings		Trough	Mid	Peak
	Trough	\$114	\$154	\$194
	Midcycle	\$131	\$177	\$222
	Next Peak	\$148	\$199	\$250

Source: Company filings, BofA Global Research estimates, Bloomberg

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Exhibit 48: Marriott Peak Cycle Sensitivity

Blending mid/peak multiples on peak earnings can drive MAR shares to \$285+

Marriott (MAR) Valuation Scenarios

Multiple:	Midcycle	Peak	Peak	
Earnings:	Peak	Midcycle	Peak	
EBITDA Valuation				
Multiple	14.5x	17.5x	17.5x	Average: 16.5x
EBITDA	\$5,118	\$5,118	\$5,540	\$5,259
Implied Px	\$239	\$273	\$300	\$270
P/E Valuation				
Multiple	23.5x	29.5x	29.5x	Average: 27.5x
EPS	\$10.06	\$10.06	\$11.48	\$10.53
Implied Px	\$270	\$297	\$339	\$302
Average Px				
Upside	3%	15%	29%	16%

Blended Multiple (EBITDA / PE)				
Earnings		Trough	Mid	Peak
	Trough	\$147	\$199	\$250
	Midcycle	\$168	\$226	\$285
	Next Peak	\$190	\$254	\$319

Source: Company filings, BofA Global Research estimates, Bloomberg

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Exhibit 49: Stocks mentioned

Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
HLT	HLT US	Hilton Worldwide	US\$ 194.55	B-1-7
MAR	MAR US	Marriott Intl.	US\$ 249.58	B-1-7

Source: BofA Global Research

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Price objective basis & risk

Hilton Worldwide (HLT)

Our \$215 price objective is based on approximately 17x our 2025E EBITDA forecast, a premium to historical multiples for this type of hotel business given improving share gains and a leaner/more efficient business model that we believe can sustain historically high EBITDA margins. The price objective is also in-line with a midcycle multiple on 2027 earnings discounted back to 2024E.

Downside risks to our price objective are 1) greater-than-expected economic weakness, which may lead to declines in travel demand, 2) greater-than-expected delays in hotel development, which may slow system growth, 3) worse-than-expected consumer spending, which may lead to declines in demand for timeshare product, and 4) acts or threats of terrorism.

Marriott International Inc. (MAR)

Our \$275 PO is based on approx. 17x our 2025E EBITDA estimate, a premium to historical multiples for this type of hotel business but in-line with the group given the reduced volatility of the company's fee stream over time.

Downside risks to our PO are 1) greater-than-expected economic weakness, which may

lead to declines in travel demand, 2) the potential for terrorism, which may make individuals more reluctant to travel, 3) greater-than-expected delays in new hotel development, which may slow growth in Marriott's system, and 4) worse-than-expected business/consumer spending, which may lead to declines in overall travel demand.

Analyst Certification

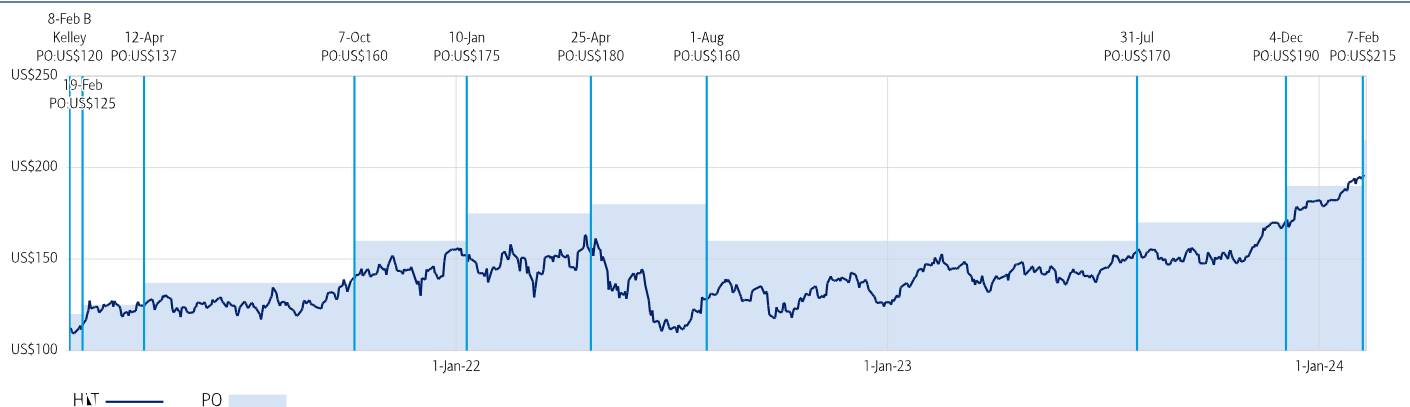
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US - Gaming, Lodging and Leisure Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Boyd Gaming Corp	BYD	BYD US	Shaun C. Kelley
	Choice Hotels International	CHH	CHH US	Dany Asad
	DraftKings, Inc.	DKNG	DKNG US	Shaun C. Kelley
	Hilton Worldwide	HLT	HLT US	Shaun C. Kelley
	Host Hotels & Resorts Inc.	HST	HST US	Shaun C. Kelley
	Hyatt Hotels	H	H US	Shaun C. Kelley
	Marriott International Inc.	MAR	MAR US	Shaun C. Kelley
	Penn Entertainment	PENN	PENN US	Shaun C. Kelley
	Ryman Hospitality Properties	RHP	RHP US	Shaun C. Kelley
	Soho House & Co Inc	SHCO	SHCO US	Shaun C. Kelley
	Vail Resorts, Inc	MTN	MTN US	Shaun C. Kelley
	VICI Properties	VICI	VICI US	Shaun C. Kelley
	Wyndham Hotels & Resorts, Inc.	WH	WH US	Dany Asad
NEUTRAL				
	Apple Hospitality REIT Inc.	APLE	APLE US	Dany Asad
	Caesars Entertainment Inc	CZR	CZR US	Shaun C. Kelley
	Churchill Downs Incorporated	CHDN	CHDN US	Shaun C. Kelley
	Hilton Grand Vacations Inc	HGV	HGV US	Dany Asad
	Las Vegas Sands	LVS	LVS US	Shaun C. Kelley
	MGM Resorts International	MGM	MGM US	Shaun C. Kelley
	Park Hotels & Resorts Inc.	PK	PK US	Dany Asad
	Wynn Resorts Ltd	WYNN	WYNN US	Shaun C. Kelley
UNDERPERFORM				
	DiamondRock Hospitality	DRH	DRH US	Dany Asad
	Gaming & Leisure Properties, Inc.	GLPI	GLPI US	Shaun C. Kelley
	Marriott Vacations Worldwide	VAC	VAC US	Shaun C. Kelley
	Pebblebrook Hotel Trust	PEB	PEB US	Shaun C. Kelley
	Playa Hotels & Resorts	PLYA	PLYA US	Shaun C. Kelley
	Red Rock Resorts, Inc.	RRR	RRR US	Shaun C. Kelley
	RLJ Lodging Trust	RLJ	RLJ US	Dany Asad
	Sportradar Holding AG	SRAD	SRAD US	Shaun C. Kelley
	Summit Hotel Properties	INN	INN US	Dany Asad
	Sunstone Hotel Investors	SHO	SHO US	Dany Asad
	Travel + Leisure Co	TNL	TNL US	Dany Asad

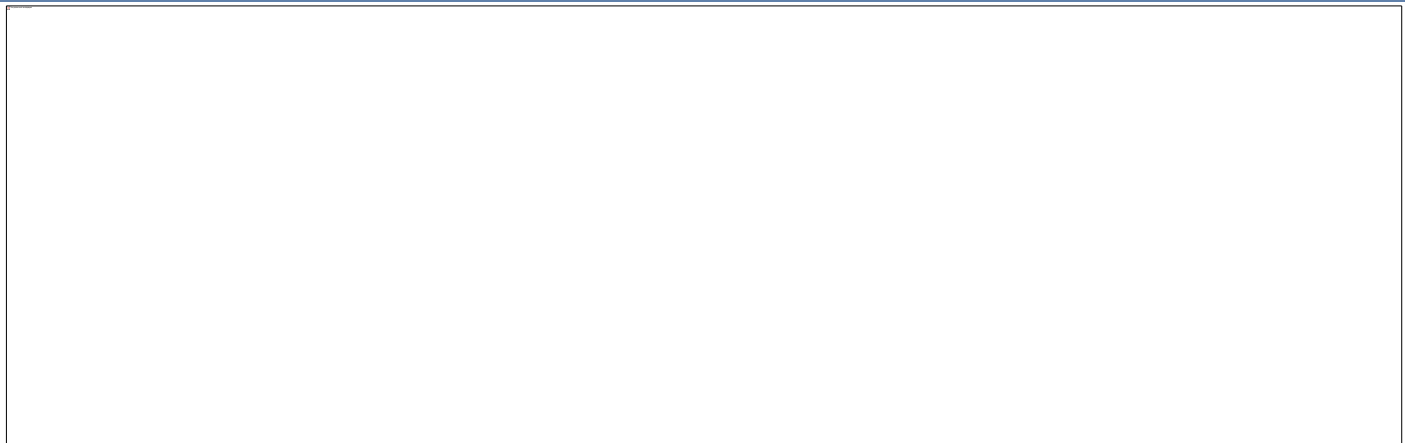
Disclosures

Important Disclosures

Hilton Worldwide (HLT) Price Chart

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Marriott Intl. (MAR) Price Chart

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Equity Investment Rating Distribution: Leisure - Hotel/Lodging Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	16	61.54%	Buy	12	75.00%
Hold	3	11.54%	Hold	2	66.67%
Sell	7	26.92%	Sell	5	71.43%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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