

## Leisure

## Leisure: Cross-sector themes and outlook for 2024

Industry Overview

## Key themes for 2024

Below, we breakdown key themes for 2024 by leisure subsector: Cruise Lines covered by Andrew Didora ([see Q4 preview](#)); Fitness and Power Sports, covered by Alex Perry ([see year ahead report](#)); Ski and Timeshare, covered by Shaun Kelley ([see year ahead report](#)), and Toys, covered by Jason Haas.

## Cruise: Post-pandemic recovery should continue

We expect another solid year for cruise lines in 2024 after a strong 2023, the first year of the industry's post pandemic recovery. Demand for cruise vacations remains strong with cruise lines pointing to 2024 booked positions ahead of pre-pandemic norms at stronger pricing in recent updates, and [our latest pricing survey \(see report\)](#) and [BAC card spend data \(see report\)](#), reflect stability in the recovery despite macro concerns. This should enable cruise lines to make further progress on ongoing delevering initiatives, and we continue to prefer Buy-rated CCL over Neutral-rated RCL and NCLH, given attractive valuation and delevering potential.

## Fitness and Powersports: Well positioned demographics

We believe multigenerational leisure entertainment concepts including Topgolf (MODG) are well positioned for 2024 driven by increased household formation by a large demographic of millennials that favor the combination of recreational experiences with food/beverage. We see strong momentum for fitness stocks, especially PLNT given a potential price increase, benefits from its new store economic model, and GLP-1 tailwinds. We also believe HOG is well positioned for 2024 given our outlook for a product refresh in its high volume touring lineup, as well as shift to higher margin models such as trikes.

## Ski and Timeshare: Watch out for over-earning

We remain selective on our leisure exposures, especially for areas of potential over-earning risk. This includes both Playa Resorts, Marriott Vacations and the exchange business within timeshares more broadly, which we see as pandemic beneficiaries that could mean revert (pricing for Playa and margins for timeshare). We would note that trends did not deteriorate as much as expected in [Q4 for either \(see report\)](#). We are constructive on the high end and urban leisure consumer via Vail and Soho House, helped by their pricing power and unique supply situations.

## Toys: Cautious for '24 with a preference for MAT

We expect 2024 will be a tougher-than-average year for the toy industry given fewer "toyetic" movies after a backlog of pandemic-delayed movies released in 2023. Mattel will lap the Barbie movie, but the success has unlocked a multi-year pipeline of supportive content using Mattel's IP. Hasbro will lap several movies and also its successful Lord of the Rings Magic set and Baldur's Gate 3. We have a relative preference for Buy-rated Mattel over Neutral-rated Hasbro as we believe Hasbro's Consumer Products turnaround could be more challenging in a tough industry backdrop.

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Equity  
United States  
Leisure

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## Recent Research

### Cruise Lines

Solid cruise spend, stable pricing survey should lead to positive earnings season

Cruise spend in December up +23.2% vs 2019

### Leisure Brands & Retailers

[Year Ahead 2024: Multigenerational leisure entertainment & fitness well positioned](#)

[Local Leisure Spending Update through December](#)

### Ski and Timeshare

[Year Ahead 2024: The recovery is \(finally\) over, what's next?](#)

[Vail Resorts: Metrics Update: Moves to low end as expected, but snow is \(finally\) here](#)

[Q4 Preview: Hawaii or snow? Trends largely stable to end the year](#)

[Timeshare: Q3 hardly a vacation: Lowering sector estimates and POs](#)

[Timeshare lowering Marriott Vacations to Underperform](#)

### Exhibit 1: Stocks mentioned

Rating and price summary

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
CCL	CCL US	Carnival	US\$ 17.28	C-1-9
HOG	HOG US	Harley-Davidson	US\$ 33.84	B-1-7
HAS	HAS US	Hasbro	US\$ 47.66	B-2-7
MAT	MAT US	Mattel	US\$ 17.67	B-1-9
NCLH	NCLH US	Norwegian Cruise	US\$ 17.51	C-2-9
PLNT	PLNT US	Planet Fitness, Inc.	US\$ 74.92	B-1-9
RCL	RCL US	Royal Caribbean	US\$ 125.28	C-2-9
SHCO	SHCO US	Soho House & Co Inc	US\$ 6.42	C-1-9
MODG	MODG US	Topgolf Callaway	US\$ 13.83	C-1-9
MTN	MTN US	Vail Resorts	US\$ 222.08	B-1-7

Source: BofA Global Research

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## Price objective basis & risk

### Carnival Corporation (CCL)

Our \$23 price objective is based on an EV/EBITDA multiple methodology. We apply a 10x multiple to our 2024E EBITDA estimates, which is in-line with the company's historical average. We believe this is appropriate given an improved fleet mix vs pre-pandemic, normalized earnings power next year, and the ability to de-lever after the pandemic.

Upside risks to our price objective are a faster-than-expected volume / cruise demand recovery, better pricing environment and lower competitive supply. Downside risks to our price objective are an economic slowdown, terrorism/geopolitical events, safety concerns, weaker-than-expected demand recovery.

### Harley-Davidson (HOG)

Our \$40 PO is based on 8-9x our F24 adj. EPS of \$4.60 (including Livewire), slightly below its historical multiple of 10-15x given: (1) potential EPS upside on new model launches, (2) accelerating brand momentum, supported by a reset to a "Pull" market strategy (under new CEO Jochen Zeitz), (3) newly established leadership in Electric motorcycles and the creation of a dedicated EV division, and (4) the long-term opportunities for motorcycle division EBIT margin recovery to peak 15%+ and stronger International growth (incl. China).

Risks to the downside are (1) Aggregate on-highway new motorcycle units have been challenged historically, (2) The timing of a launch of a premium low displacement motorcycle for China remains uncertain, (3) Rider safety remains a top concern for new joiners, and (4) HOG global dealerships are declining.

### Hasbro (HAS)

Our \$53 PO is based on 14x '24E P/E, in-line with its toy company comp set average which we think is fair given similar growth prospects.

Upside risks to our PO are a better-than-expected content lineup driving toy demand, upside from successful Magic: The Gathering and other releases in Hasbro's Wizards of the Coast and Digital Gaming segment, and lower input costs.

Downside risks to our PO are a prolonged downturn in consumer spending, share losses to video games or other competing products, weak fan engagement with Hasbro's brands, fading appetite for Magic releases, poor performance of a key customer, and higher input costs.

### Mattel (MAT)

Our \$23 PO is based on 15x '24E P/E, a premium to the toy company comp set average given Mattel's higher growth prospects driven by its strategy to leverage its IP through content to drive toy and game sales.

Upside risks to our PO are a strong reception to Mattel's content lineup, better-than-expected performance of Mattel's Disney Princess license, a continued rebound in American Girl and stronger margins on lower input costs.



Downside risks to our PO are a prolonged downturn in consumer spending, a lower birth rate negatively impacting toy sales, share losses to video games or other competing products, weak fan engagement with Mattel's owned and licensed brands, poor performance of a key customer and margin pressure on higher input costs.

#### **Norwegian Cruise Line Holdings (NCLH)**

Our \$18 price objective is based on approximately 10.0x multiple on our 2024 estimates. This is a trough multiple below NCLH's long-term average of 11.5x, which we think is appropriate given our 2024 EBITDA is above prior peak levels and NCLH has a balance sheet that would be levered nearly 6.0x at the end of 2024E compared to 3.4x at the end of 2019.

Upside risks to our price objective are a better pricing environment, faster-than-expected recovery in the economy or in cruise demand, and lower competitive supply.

Downside risks to our price objective are an economic slowdown, terrorism/geopolitical events, safety concerns, and a deteriorating net yield environment.

#### **Planet Fitness, Inc. (PLNT)**

Our \$90 price objective is based on an EV of 17-18x our 2025E EBITDA estimate, at the high-end of a broader group of highly franchised companies (10-20x EV/EBITDA). We believe a multiple at the high-end of the average for franchise peers is justified for Planet Fitness, given: (1) significant club growth opportunity and rising royalty rate, (2) differentiated business model that should continue to gain share and grow the market by targeting underserved consumers, and (3) growth in its equipment segment.

Downside risks to our PO are: 1) the fitness club industry is competitive, 2) execution risks related to club growth, 3) risks associated with franchise model, 4) PLNT's brand image is key to retaining and attracting new members, 5) high financial leverage, 6) a challenging macroeconomic environment could pressure membership growth, & 7) same-store sales growth is largely dependent on expanding membership base.

#### **Royal Caribbean Group (RCL)**

Our \$126 price objective is based on approximately 10.5x our 2024 EBITDA estimate, which is lower than its historical average of 10.6x. We believe a target multiple below the historical average is appropriate given macro uncertainty, but we see a more balanced risk-reward going forward.

Upside risks to our price objective are a better pricing environment, faster-than-expected recovery in the economy or in cruise demand, and lower competitive supply.

Downside risks to our price objective are an economic slowdown, terrorism/geopolitical events, safety concerns, or a deteriorating net yield environment.

#### **Soho House & Co Inc (SHCO)**

Our \$9 PO is based on approx. 10x our 2025E EBITDA, in line with leisure peer comps.

Downside risks are: 1) construction and opening delays, 2) unproven other revenue membership model, and 3) execution challenges given management's targeted growth initiatives.

#### **Topgolf Callaway Brands Corp (MODG)**

Our \$18 price objective is based on an enterprise value of 8-9x our C2024 adj. EBITDA estimate of \$620MM, a premium to other Leisure Brands & Experience models (trading at 7x) reflecting stickiness in new customer acquisition and pricing opportunity across both golf equipment and Topgolf.

Risks to the downside are: 1) tough comparisons as MODG laps surge in demand for golf equipment, (2) slowdown in golf participation as consumers return to other forms of entertainment in a post-COVID environment, (3) resurgence in COVID-19 cases could pressure recovery trends for Topgolf, and (4) risk from increasing supply chain headwinds including from Vietnam Factory shutdowns, elevated freight costs, & rising raw material input costs.

**Vail Resorts, Inc (MTN)**

Our \$285 PO is based on approximately 13x our FY2025E Resort EBITDA estimate, in-line with the mid point of its historical range of 8-17x (2010-19).

We believe this is warranted by 1) limited supply, 2) pent-up demand potential, and 3) a strong data driven model in addition to market wide multiple inflation.

Upside risks to our PO are better-than-anticipated pass sales and stronger destination visitation given pent-up demand. Downside risks to our PO are worse-than-expected skier visitation and spending, snowfall and weather hurting results, higher-than-expected operating leverage that could negatively affect operating results in a weak macro environment, and finally key management risk.

**Analyst Certification**

We, Shaun C. Kelley, Alexander Perry, Andrew G. Didora, CFA and Jason Haas, CFA, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

**US - Airlines and Cruise Coverage Cluster**

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Air Canada	YAC	AC CN	Andrew G. Didora, CFA
	Air Canada	ACDVF	ACDVF US	Andrew G. Didora, CFA
	Alaska Air Group	ALK	ALK US	Andrew G. Didora, CFA
	Carnival Corporation	CCL	CCL US	Andrew G. Didora, CFA
	Carnival Plc	CUKPF	CCL LN	Andrew G. Didora, CFA
	Delta Air Lines	DAL	DAL US	Andrew G. Didora, CFA
	United Airlines Holdings	UAL	UAL US	Andrew G. Didora, CFA
<b>NEUTRAL</b>				
	Frontier Airlines	ULCC	ULCC US	Andrew G. Didora, CFA
	Norwegian Cruise Line Holdings	NCLH	NCLH US	Andrew G. Didora, CFA
	Royal Caribbean Group	RCL	RCL US	Andrew G. Didora, CFA
	Southwest	LUV	LUV US	Andrew G. Didora, CFA
<b>UNDERPERFORM</b>				
	Allegiant Travel Company	ALGT	ALGT US	Andrew G. Didora, CFA
	American Airlines Group	AAL	AAL US	Andrew G. Didora, CFA
	JetBlue Airways	JBLU	JBLU US	Andrew G. Didora, CFA
	Spirit Airlines	SAVE	SAVE US	Andrew G. Didora, CFA
<b>RSTR</b>				
	Hawaiian Holdings	HA	HA US	Andrew G. Didora, CFA

**US - Broadlines, Hardlines, Food Retailers & Leisure Coverage Cluster**

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Academy Sports + Outdoors	ASO	ASO US	Robert F. Ohmes, CFA
	BJ's Wholesale Club Holdings	BJ	BJ US	Robert F. Ohmes, CFA
	Costco Wholesale Corporation	COST	COST US	Robert F. Ohmes, CFA
	Fox Factory Holding Corp	FOXF	FOXF US	Alexander Perry
	Grocery Outlet Holding Corp.	GO	GO US	Robert F. Ohmes, CFA
	Harley-Davidson	HOG	HOG US	Alexander Perry
	Life Time	LTH	LTH US	Alexander Perry
	Planet Fitness, Inc.	PLNT	PLNT US	Alexander Perry
	Sysco Corporation	SY	SY US	Kendall Toscano
	Target Corp.	TGT	TGT US	Robert F. Ohmes, CFA
	The Kroger Co.	KR	KR US	Robert F. Ohmes, CFA
	Topgolf Callaway Brands Corp	MODG	MODG US	Alexander Perry
	Walmart Inc	WMT	WMT US	Robert F. Ohmes, CFA
<b>NEUTRAL</b>				
	Dick's Sporting Goods	DKS	DKS US	Robert F. Ohmes, CFA
	Xponential Fitness	XPOF	XPOF US	Alexander Perry
	YETI Holdings, Inc.	YETI	YETI US	Robert F. Ohmes, CFA
<b>UNDERPERFORM</b>				
	Canada Goose Holdings Inc	YGOOS	GOOS CN	Alexander Perry
	Canada Goose Holdings Inc	GOOS	GOOS US	Alexander Perry
	Columbia Sportswear	COLM	COLM US	Alexander Perry
	Dollar General Corporation	DG	DG US	Robert F. Ohmes, CFA
	Dollar Tree, Inc.	DLTR	DLTR US	Robert F. Ohmes, CFA
	Hibbett Sports, Inc.	HIBB	HIBB US	Alexander Perry
	National Vision	EYE	EYE US	Robert F. Ohmes, CFA
	Sprouts Farmers Market, Inc.	SFM	SFM US	Robert F. Ohmes, CFA

**US - Retail Hardline Coverage Cluster**

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Arhaus, Inc	ARHS	ARHS US	Jason Haas, CFA

**US - Retail Hardline Coverage Cluster**

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Boot Barn	BOOT	BOOT US	Jason Haas, CFA
	Driven Brands	DRVN	DRVN US	Jason Haas, CFA
	Five Below Inc.	FIVE	FIVE US	Jason Haas, CFA
	Floor and Decor Holdings, Inc.	FND	FND US	Elizabeth L Suzuki
	Genuine Parts	GPC	GPC US	Jason Haas, CFA
	Lowe's Companies, Inc.	LOW	LOW US	Elizabeth L Suzuki
	Mattel	MAT	MAT US	Jason Haas, CFA
	Mister Car Wash	MCW	MCW US	Jason Haas, CFA
	Ollie's	OLLI	OLLI US	Jason Haas, CFA
	O'Reilly Automotive, Inc.	ORLY	ORLY US	Jason Haas, CFA
	Petco	WOOF	WOOF US	Jason Haas, CFA
	PROG Holdings Inc	PRG	PRG US	Jason Haas, CFA
	Rollins Inc.	ROL	ROL US	Jason Haas, CFA
	Tempur Sealy International Inc.	TPX	TPX US	Jason Haas, CFA
	The Home Depot, Inc.	HD	HD US	Elizabeth L Suzuki
	Upbound Group Inc.	UPBD	UPBD US	Jason Haas, CFA
<b>NEUTRAL</b>				
	AutoZone Inc.	AZO	AZO US	Jason Haas, CFA
	Hasbro	HAS	HAS US	Jason Haas, CFA
	Sonos, Inc.	SONO	SONO US	Jason Haas, CFA
	Williams-Sonoma	WSM	WSM US	Jason Haas, CFA
<b>UNDERPERFORM</b>				
	Advance Auto Parts, Inc.	AAP	AAP US	Jason Haas, CFA
	Best Buy Co., Inc.	BBY	BBY US	Robert F. Ohmes, CFA
	Snap-on	SNA	SNA US	Elizabeth L Suzuki
	Tractor Supply Company	TSCO	TSCO US	Jason Haas, CFA
	Whirlpool	WHR	WHR US	Jason Haas, CFA

**US - Gaming, Lodging and Leisure Coverage Cluster**

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	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
<b>NEUTRAL</b>				
	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
<b>UNDERPERFORM</b>				
	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

**US - Gaming, Lodging and Leisure Coverage Cluster**

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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

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Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	16	55.17%	Buy	9	56.25%
Hold	7	24.14%	Hold	5	71.43%
Sell	6	20.69%	Sell	4	66.67%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	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: Retailing Group (as of 31 Dec 2023)**

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	96	57.83%	Buy	39	40.63%
Hold	32	19.28%	Hold	12	37.50%
Sell	38	22.89%	Sell	18	47.37%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	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%

<sup>R1</sup> 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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Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup> 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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