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Lodging

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

Price Objective Change

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Equity
United States
Lodging

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Investment Outlook: Recovery is (finally) over, what next?

We are cyclically neutral on Lodging & Leisure heading into 2024 with 9 Buy ratings, 3 Neutral ratings and 8 Underperform ratings. Lodging climbed a wall of worry in 2023 on net unit growth for C-Corps (franchisors) and on rising rates/inflation for Lodging REITs. Leisure weathered a barrage of skepticism on tough comps. From here, the fundamental outlook is stable but not overly compelling with valuation back in-line with LT averages. Thematically, we like urban, business and group hotels over leisure, high end over low end, full-service over select and will watch debt markets for the return of M&A or LBOs.

Macro and valuation: Did the soft landing just play out?

2023 ended strongly for Lodging (+15% in Q4), and this could be difficult to repeat in 2024. The Fed pivot is positive for cyclicals, but Lodging valuations reflated quickly and are now in-line with long-term averages. Lodging REITs remain the most levered to a soft landing, with our 3 most sensitive stocks being INN, RLJ, and PK. We are changing ratings (see report) for Host (Buy), Apple (Neutral) and Pebblebrook (Underperform).

Fundamentals: Demand recovered but supply a tailwind

For 2024 we expect U.S. RevPAR to grow +2-4%, and should be above that for upper upscale and group hotels, urban locations, and internationally esp. Asia Pac ex. China. Low supply growth (+1% in 24 vs. a 2% LT average) is a tailwind for pricing and domestic RevPAR and should differentiate Lodging vs. other areas in travel (e.g. Airlines, Cruise lines). The setup bodes well for higher end Lodging C-Corps and full-service Lodging REITs, but less well for select service and lower end C-Corps. Margin leverage could be a challenge as inflation lags, supporting our preference for Lodging C-Corps.

Lodging C-Corp: We expect high single to low double digit returns, driven by compounding. Multiple expansion may be hard, but high end HLT, MAR, H should deliver low double digit earnings growth, while the low end (CHH, WH) could be driven by M&A or re-leveraging, should M&A not occur. We raise our PO on Hyatt to $140 (v. $130) as we roll forward to 2025E EBITDA and a 13x multiple, still a 1-2x discount to MAR/HLT.

Lodging REITs: Earnings/AFFO could grow low single digit, powered by LSD-MSD RevPAR and similar cost growth, with modestly contracting margins. M&A could pick up as either multiples expand or int. rates come down with strong bal. sheets (HST, RHP) likely well positioned. Select service has less RevPAR growth and fewer margin levers.

Rating Restack: We are changing some ratings, lowering APLE to Neutral (in-line with our select service theme), PEB to Underperform and raising HST to Buy. We also raise our timeshare sector multiple from 6.0x to 6.5x on steady leisure data and improving Hawaii fundamentals, and raise our POs for HGV, TNL and VAC accordingly.

Themes to watch: Return of M&A and perhaps the LBO?

M&A appeared in pockets following KSL's purchase of Hersha and CHH's ongoing hostile bid for WH. We believe activity favors strategic buyers for the first time in many years, and with multiples expanding for REITs, could be worth watching. Rates coming down could pave the way for the return of M&A and the LBO.

Exhibit 1: Summary of PO changes

We raise our POs for timeshare and Hyatt

Ticker	Rating	Old PO	New PO
H	Buy	$130	$140
HGV	Neutral	$38	$41
TNL	U/P	$33	$35
VAC	U/P	$65	$73

Source: BofA Global Research

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Related research links:

Lodging: REIT restack: 4 for '24 = Buy Ryman and Host, lowering Apple and Pebblebrook

Vail Resorts, Inc: Snow Tracker & Metrics Preview: A lump of coal to start 2024; lowering estimates

Key terms defined:

RevPAR: Revenue per available room
REITs: Real estate investment trust
C-corp: Hilton, Marriott, Hyatt, Wyndham, Choice
AFFO: Adjusted funds from operations
M&A: Mergers & acquisitions
LBO: Leveraged buyouts
LSD: Low-single digits
MSD: Mid-single digits
PO: Price objective

Refer to important disclosures on page 23 to 26. Analyst Certification on page 22. Price Objective Basis/Risk on page 18. 12642417

Timestamp: 08 January 2024 06:16AM EST

Key Reports:

Latest thematic:

[Pre-Year Ahead: Themes and outlook for 2024]
[Q3 Lodging Earnings Wrap: Stocks outperform despite Q4 outlooks below expectations]
[Timeshare: Q3 hardly a vacation: Lowering sector estimates and POs]
[VAC: Lowering Marriott Vacations to Underperform]
[Takeaways from our 2023 Gaming & Lodging Conference]

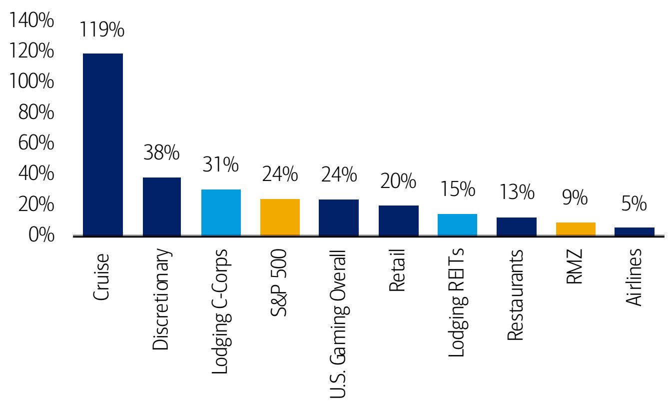
Latest Data:

[November Card Spending and LV Room Survey: Lodging (=); Las Vegas (+)]
[Lodging: Weekly RevPAR: US 6%, EU +16%, APAC -2%, China +35%]
[January Macro Activity Tracker: Another positive month]
[October Leisure Tracker: Trends slightly softer]
[Snow Tracker & MTN Metrics Preview: A lump of coal to start 2024; lowering estimates]

Lodging Stock Performance

Exhibit 2: 2023 Consumer subsector stock performance

Cruise has been the biggest outperformer in 2023. Lodging C-Corps have modestly outperformed while gaming was in-line



Source: BofA Global Research, Bloomberg

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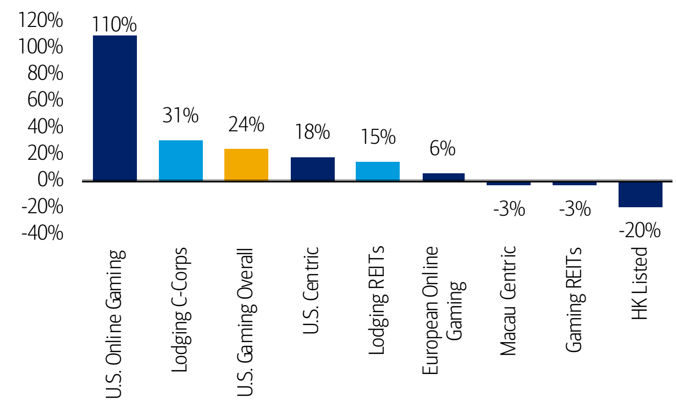
Exhibit 3: 2023 Gaming & Lodging subsector performance

US Online Gaming and Lodging C-Corps been the best performers within our coverage; the Macau recovery has disappointed



Source: BofA Global Research, Bloomberg

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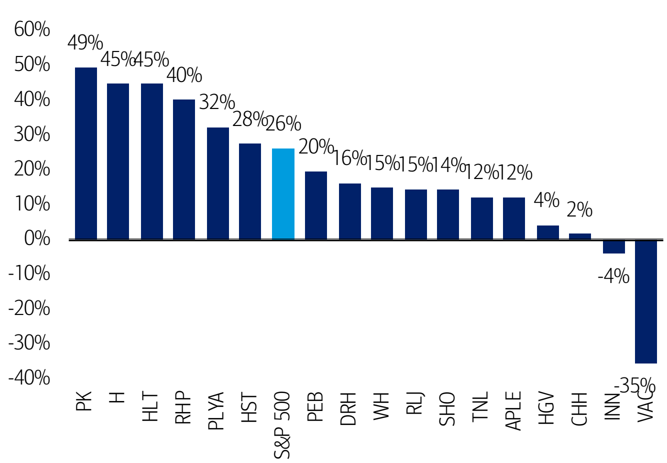
Exhibit 4: 2023 Lodging and Leisure stock performance

Park Hotels, Hyatt and Hilton were the best performers, while Marriott Vacations, Summit and Choice Hotels lagged the most in the group



Source: BofA Global Research, Bloomberg

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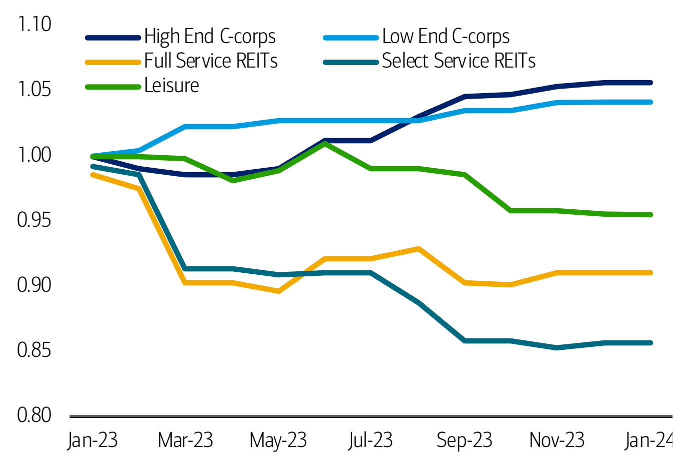
Exhibit 5: 2024E EBITDA estimate revisions across 2023

C-corps saw positive earnings revisions throughout 2023, while Leisure (-4%), Full Service REITs (-9%) and Select Service REITs (-14%) were negative



Source: BofA Global Research, Visibple Alpha

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Fundamental Outlook & Themes

Exhibit 6: Fundamental outlook – Demand, Supply and Key Drivers
We expect a more challenging backdrop in leisure demand and C-corp supply in 2024

	Lodging C-Corp	Lodging REIT	Leisure
Demand	**Positive/Neutral**	**Positive/Neutral**	**Neutral/Negative**
Measure	+LSD (+2-3%) for MAR/HLT/H in US; low end CHH/WH lapping easy comps, but likely flattish	-2 to Flat RevPAR growth	Leisure normalization across destination markets esp. Florida, Orlando, Caribbean
Commentary	*Strength in group, corp. negotiated, and international (APAC/China); tough Europe comps in summer*	*Continued rebound in urban, group, business transient; easy Omicron comps in Q1; tough resort comps*	*Higher income consumer more insulated from macro economic challenges (MTN/MCG)*
Supply	**Neutral/Negative**	**Neutral/Positive**	**Neutral/Positive**
Measure	HLT/H/MAR maintaining NUG at 4%+ despite US supply headwinds is a big positive	Only +1.0% in 2024 well below LT averages	MTN: No supply growth; MCG: rationalizing openings; PLYA: Cancun +13% since 2019
Commentary	*Trough of development post-COVID (T+2 years) combined with high rates and inflation hurt development*	*Trough in supply post-COVID, weak urban demand, construction delays, cost inflation and higher rates*	*Limited number of big M&A opportunities in NA for MTN, more opportunity for small M&A and international expansion.*

Note: LSD = Low single digit; MSD = Mid-single digit, HSD = high single digit, LDD = Low double digit
Source: BofA Global Research, Company Presentations & Filings

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Table 1: Key investment themes by Gaming & Lodging subsector for 2024
Key opportunities center around continued post-COVID recovery, particularly in urban/group, and key risks are focused on the macro environment

	Lodging C-Corp	Lodging REIT	Leisure
	Key Opportunities	***Key Opportunities***	***Key Opportunities***
Bull/Upside	Tailwinds from group, special corp. and international recovery	Larger recovery potential than industry on urban, group, citywides	MTN: Pricing power, visiblity, strong KPIs heading into season
	Stable/strong non-RevPAR fee growth	Lower than average supply growth of 1.0% in 2024	PLYA: Positive mix from Jamaica, healthy high season trends; easy FX comps
	Meaningful capital return potential via buybacks, dividends, relevering	Access to equity capital markets provides advantage vs. private equity	Timeshare: Tour flow recovery potential, easy comps on Hawaii
	Steady compounding on average LT EPS multiples		MCG: Grow membership base and in-house revenues
	Potential Risks	***Potential Risks***	***Potential Risks***
Bear/Risks	Recession risks around consumer/corp. spending	Over-earning risks on ADR particularly at resort properties	Labor expense and input cost inflation weighing on EBITDA margins
	Leisure normalization and tough outbound international comps	Cost pressures still rising/margins peaked in Q2 on resort mix	Reopening/competiton from other services categories (concerts etc)
	Slowing development/pipeline/NUG given rates and higher finance costs	Higher rates = mark to market on capital structures	Timeshare: Margin normalization, financing risk on higher rates, rising delinqency risk, low vis.
	Sentiment has improved and gap versus REITs/Gaming is wide		

Source: BofA Global Research

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Lodging Macro Outlook

Table 1: Hotel/Lodging Cycle Fundamental Checklist
Key hotel lodging cycle fundamentals lean bullish with low occupany and low supply/construction; stock prices, valuation and margins lean neutral/bearish

	Bullish	Neutral	Bearish	Explanation
Overall Cycle Duration	✓			In year 4 of a typical 5-9 year lodging cycle (average of last 5 cycles is 7.4 years)
Demand Indicators:				
Occupancy	✓	✓		63.3% LTM occupancy in Dec. 2023 still -4.2% below last cycle peak of 66.3% (May 19)
Nominal ADR			✓	LTM ADR of $155 (Dec. 2023) up +18% vs. last peak of $131 (Feb 2020) and last cycle trough of $97 (Mar 2010)
Real ADR		✓		LTM Real ADR is $75, +3% above last peak of $73 (May 2019) and last cycle trough of $60 (May 2010)
Real RevPAR	✓			LTM Real RevPAR is $47, -1.5% below peak of $48 (May 2019) (Real RevPAR tends to reach new highs)
Hotel EBITDA margins			✓	Lodging REIT margins 30.4% in 2023, ~160bps below 2016-2019 Peak of 32.0%; expect margins down in 2024
Supply Indicators:				
Supply	✓			+1.0% for 2024 vs. long-term avg. +2.0% and 2019 peak (also 2.0%)
Hotel Construction	✓			Currently 147K rooms down 7% from YE 2022 and and -28% from 2019-2020 peak/average (204K)
Market Indicators:				
Lodging Stock Prices			✓	Lodging stocks rose +21% in 2023 with C-Corps +30%/REITs +16% outperfoming S&P500/RMZ at +23%/+8.7%
Lodging Valuations		✓		Lodging valuations are in-line with LT theoretical valuations and +3 to -3% below historical valuations
Hotel Assets vs. Replacement	✓			Asset prices/per key values are at a wide disparity to replacement cost as they have not kept up with inflation
Hotel M&A Activity	✓			Some strategic actions (CHH/WH hostile bid; KSL buying HT) but very limited asset-level deals given high int. rates

Source: BofA Global Research, STR, Bloomberg

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Exhibit 7: Macro Indicators Heatmap Macro indicators

The overall Macro backdrop for lodging has stabilized and is beginning to improve

Indicator	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
BofA LMAT	↑	↓	↓	↔	↔	↔	↑	↔	↔	↔	↔	
BofA Global Wave	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓	
BofA Global Proprietary Signals	↔	↔	↔	↔	↔	↔	↔	↔	↔	↔	↔	
BofA Truckload Demand Indicator	↓	↓	↓	↓	↓	↔	↔	↑	↑	↔	↓	↑
BofA Flight Signals	↔	↔	↔	↓	↓	↓	↑	↑	↑			
Airline Bookings	↑	↔	↓	↔	↔	↔	↑	↑	↔	↓	↓	↑

Source: BofA Global Research, Bloomberg. For additional disclosures please see: BofA Global Wave, BofA Global Proprietary Signals,BofA Truckload Demand Indicators, BofA Flight Signals, Airline Bookings, BofA Lodging Macro Activity Tracker

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Exhibit 8: Lodging Macro Activity Tracker (LMAT) scorecard for September Y/Y

October LMAT indicators accelerated both M/M and vs. the six-month moving average

Data Series/Indicator	Timing	Correlation	6MMA	May	Jun	Jul	Aug	Sep	Oct	M/M Chg.	v. 6MMA
LMAT	**3 Mo. Lead**	**0.91**	**0.4**	**(0.5)**	**(1.3)**	**0.8**	**0.7**	**1.2**	**1.6**	**Positive**	**Positive**
Hotel Supply Growth			*0.4*	*0.3*	*0.3*	*0.3*	*0.5*	*0.5*	*0.7*	*Negative*	*Negative*
LMAT Components											
New Orders ex. Transports	3 Mo. Lead	0.75	0.6	(0.1)	(0.0)	0.6	1.1	1.3	1.0	Negative	Positive
S&P 500 Earnings	3 Mo. Lead	0.75	(0.4)	(3.2)	(3.2)	(1.8)	0.5	1.2	4.0	Positive	Positive
Industrial Production	3 Mo. Lead	0.75	(0.2)	0.1	(0.4)	0.1	(0.0)	(0.2)	(1.0)	Negative	Negative
Retail Sales	Coincident	0.68	0.5	(0.1)	(1.1)	0.1	1.3	2.2	0.8	Negative	Positive
Bloomberg Financial Conditions Index	6 Mo. Lead	0.61	2.0	(0.5)	3.2	5.4	4.4	0.7	(1.0)	Negative	Negative
Personal Consumption Expenditures	Coincident	0.62	5.5	5.9	5.3	5.9	5.4	5.5	5.0	Negative	Negative
US Imports	3 Mo. Lead	0.64	(5.0)	(7.0)	(8.0)	(4.7)	(4.5)	(2.7)	(3.2)	Negative	Positive
Residential Construction Y/Y	6 Mo. Lead	0.52	(5.7)	(11.7)	(9.8)	(7.9)	(3.4)	(2.3)	1.2	Positive	Positive
Non-Residential Construction	Coincident	0.29	20.4	20.1	19.6	18.7	20.9	21.5	21.3	Negative	Positive

Note: The LMAT's back-tested performance reflects application of the indicator prior to its inception date as if the model had been in existence at that time. This performance is back-tested and does not represent the actual performance of any account or fund. Back-tested performance depicts the theoretical (not actual) performance of a particular strategy over the time period indicated. No representation is being made that any actual portfolio is likely to have achieved returns similar to those shown herein.

Source: BofA Global Research, Bloomberg, STR

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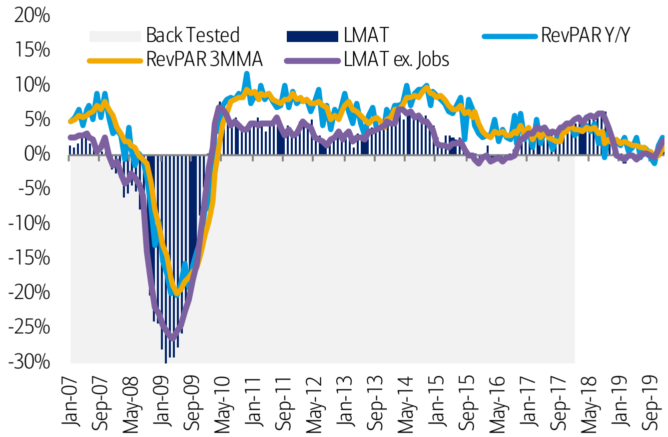
Exhibit 9: Lodging Macro Activity Tracker (LMAT) and RevPAR growth (% chg.) long term time series through 2019

Pre-COVID (2009-2019) LMAT long term avg. of +1%, US RevPAR of +3% Y/Y



Source: STR, BofA Global Research

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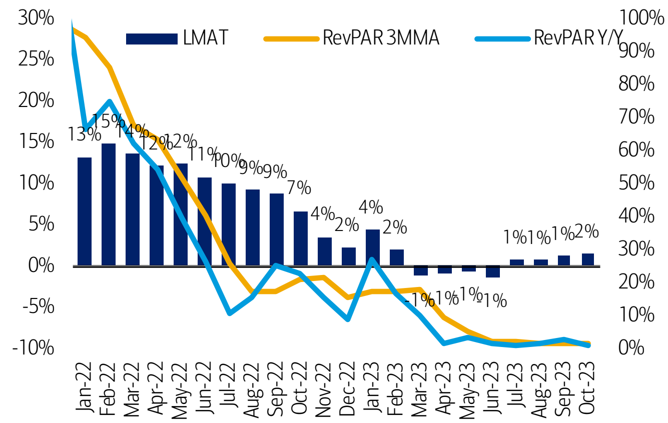
Exhibit 10: Lodging Macro Activity Tracker (LMAT) and RevPAR growth (% chg.) since 2022

In October, the LMAT was +2% and RevPAR was +1%



Source: STR, BofA Global Research

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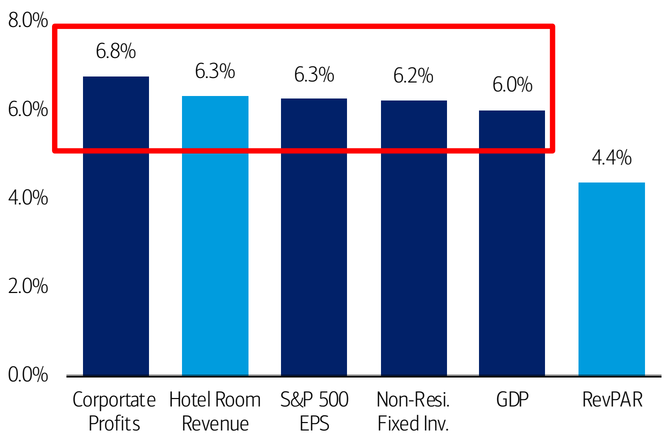
Exhibit 11: 1974-2019 macro demand indicator growth

Hotel room revenue generally grows in line with key macro indicators



Source: BofA Global Research

Note: S&P 500 Earnings growth and retail sales since 1993

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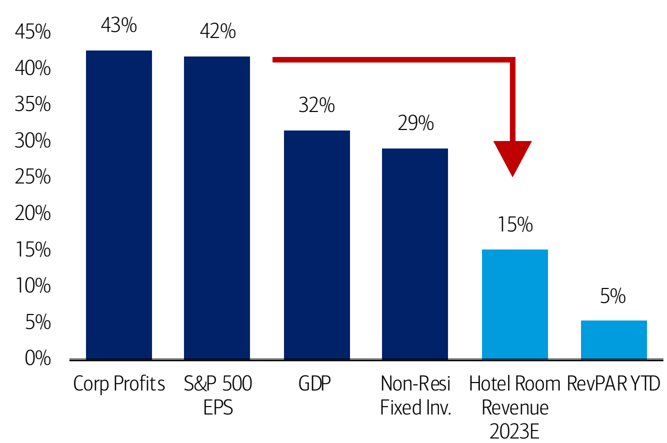
Exhibit 12: 2019-2023 macro demand indictor CAGRs

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



Source: BofA Global Research

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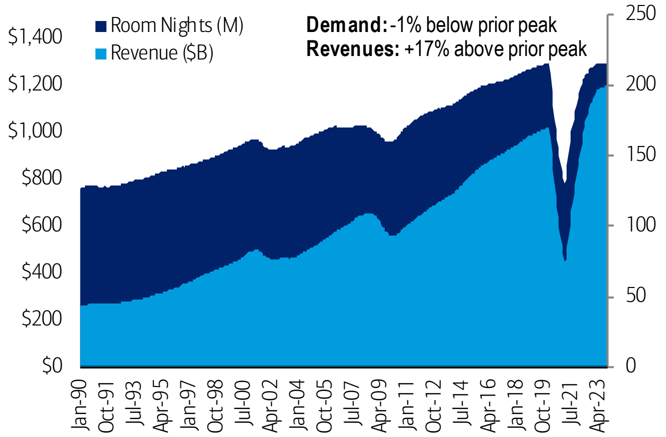
Exhibit 13: Lodging Recovery: Demand and Revenues

Demand is -1% below prior peak but revenues are up +17% above



Source: STR, BofA Global Research

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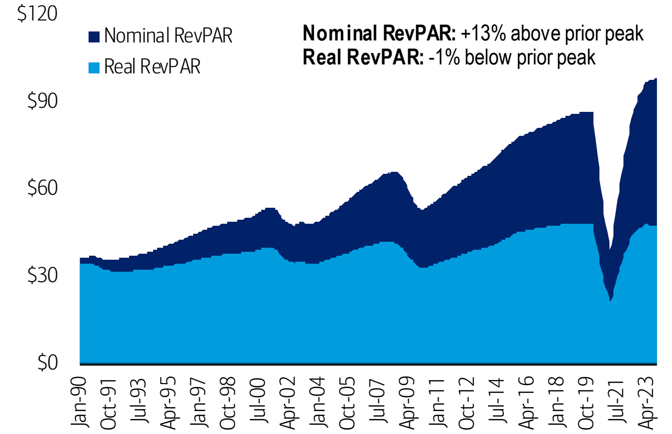
Exhibit 14: Lodging Recovery: Real vs. Nominal RevPAR

Nominal RevPAR is +13% above prior peak but real RevPAR is still -1% below



Source: STR, BofA Global Research

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Lodging Demand Outlook

Exhibit 15: Hotel Industry Recovery Heatmap (vs. 2019)

Domestic RevPAR has held steady throughout most of the year

U.S. Overall (vs. 2019)	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
US Hotel RevPAR	10%	14%	14%	12%	11%	12%	12%	8%	20%	16%	14%
Lodging Card Spend	26%	24%	8%	15%	13%	12%	13%	4%	7%	6%	6%
Airline Card Spend	16%	18%	5%	9%	11%	6%	6%	9%	2%	3%	10%
TSA Check-Ins	4%	3%	-1%	0%	0%	1%	0%	1%	6%	5%	6%
International (vs. 2019)											
China Hotel RevPAR	-17%	-6%	-8%	2%	-8%	-3%	9%	7%	2%	-4%	-12%
Europe Hotel RevPAR	8%	14%	15%	20%	27%	28%	33%	25%	25%	22%	16%
Caribbean Hotel RevPAR	43%	32%	49%	63%	45%	58%	57%	56%	52%	47%	53%

Note: US card spending includes credit and debit card spend which captures retail sales + services which are paid with cards. Does not include ACH payments. Discretionary includes all spending but necessities. Necessities includes groceries, utilities and gasoline.

Source: BAC Internal Card Data, STR Global

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Exhibit 16: Hotel Industry Recovery Heatmap (Y/Y)

However, trends have slowed sequentially on a Y/Y basis

U.S. Overall (Y/Y)	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
US Hotel RevPAR	27%	17%	10%	2%	4%	2%	1%	1%	3%	1%	2%
Lodging Card Spend	9%	0%	-3%	-5%	-6%	-3%	-4%	-8%	-7%	-6%	-6%
Airline Card Spend	54%	22%	3%	1%	-2%	-2%	3%	1%	-2%	-5%	-1%
TSA Check-Ins	33%	19%	11%	10%	10%	11%	12%	11%	10%	10%	9%
International (Y/Y)											
China Hotel RevPAR	48%	52%	107%	136%	85%	53%	38%	39%	48%	74%	47%
Europe Hotel RevPAR	84%	51%	32%	26%	19%	16%	9%	5%	8%	4%	7%
Caribbean Hotel RevPAR	52%	37%	20%	9%	8%	5%	5%	4%	1%	2%	10%

Note: US card spending includes credit and debit card spend which captures retail sales + services which are paid with cards. Does not include ACH payments. Discretionary includes all spending but necessities. Necessities includes groceries, utilities and gasoline.

Source: BAC Internal Card Data, STR Global

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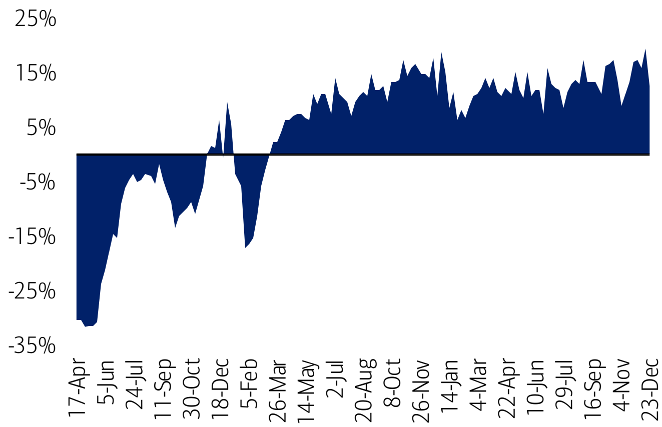
Exhibit 17: US RevPAR vs. 2019 runrate (4-week rolling average)

RevPAR running +12.6% above 2019



Source: BofA Global Research, STR Global

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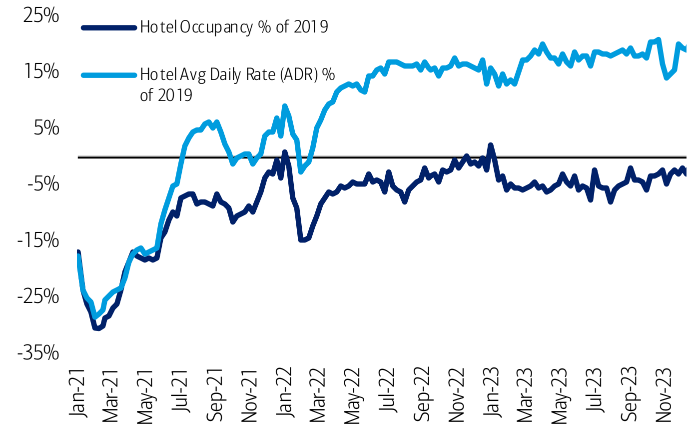
Exhibit 18: US occupancy and rates vs. 2019 (4-week rolling average)

ADR and occupancy running +15.3% and -3% vs. 2019



Source: BofA Global Research, STR Global

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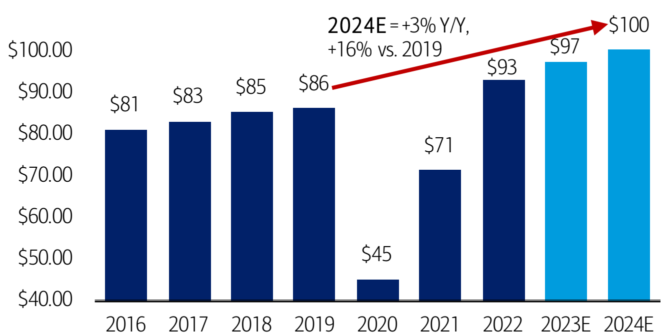
Exhibit 19: Annual US RevPAR (in dollars)

We expect 2024 RevPAR in the US Overall +16% vs. 2019 (+3% Y/Y)



Source: BofA Global Research estimates, STR Global

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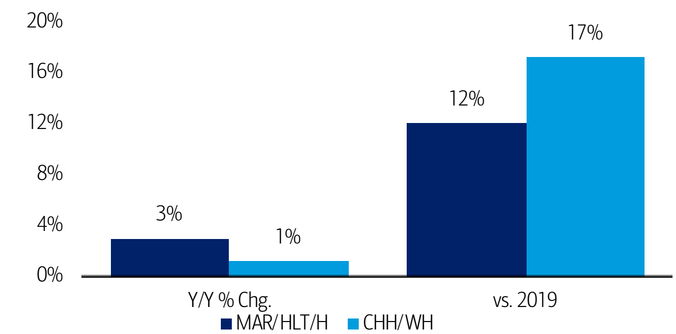
Exhibit 20: Systemwide RevPAR by company

We expect Marriott, Hilton and Hyatt to see the greatest Y/Y RevPAR growth



Source: BofA Global Research estimates

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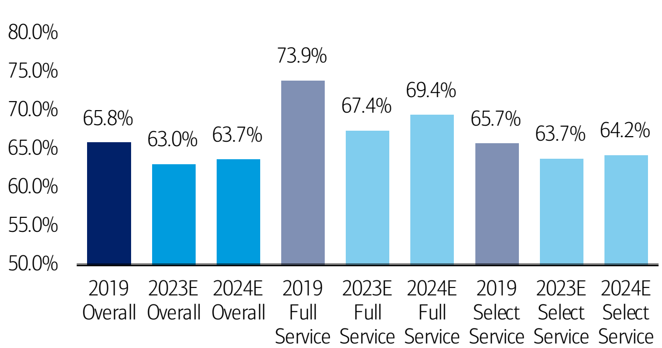
Exhibit 21: US and Full Service hotel occupancy recovery (%)

We expect +1% increase in US occupancy in 2024E, driven by +3% growth in Full Service hotels and +0.7% growth in Select Service hotels



Source: STR Global, BofA Global Research

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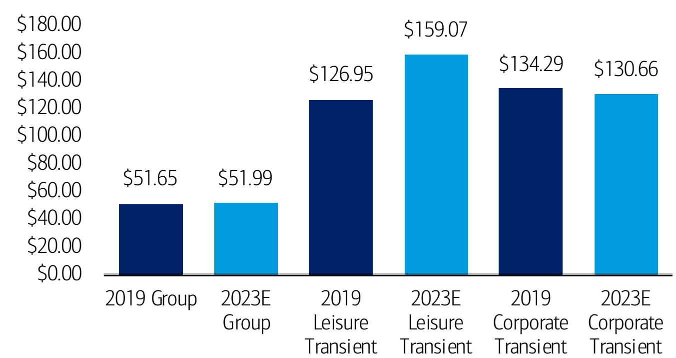
Exhibit 22: RevPAR recovery by segment (2019 vs. 2023)

2023 Leisure was the segment at highest levels vs. 2019 (+25%), followed by Group (+1%) and Corporate transient (-3%)



Note: Leisure transient as measured by Resort locations; Corporate transient as measured by urban locations on weekdays; Group as measured by Top 25 market luxury/upper upscale group RevPAR

Source: STR Global, BofA Global Research

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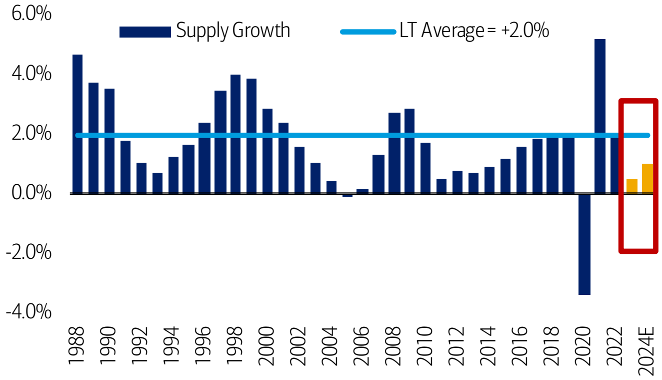
Lodging Supply Outlook

Exhibit 23: Annual US Hotel supply growth (Y/Y % chg.)
2024E supply (+1%) is below the long term average; 2019-2024E CAGR only +1% per year



Source: BofA Global Research, STR Global

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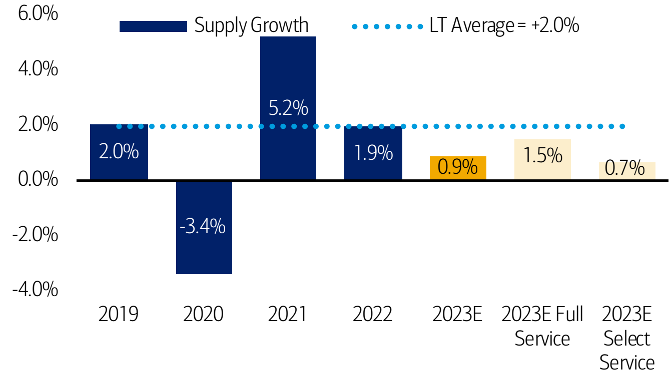
Exhibit 24: Annual US Hotel supply growth by chain scale
We estimate 2023 Full service supply growth was +1.5% in 2023E, while select service was +0.7% Y/Y



Source: BofA Global Research, STR Global

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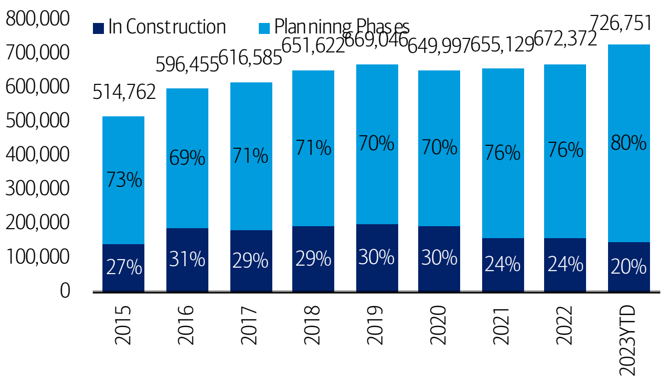
Exhibit 25: US Industry pipeline rooms by development stage ('000s)
Pipeline is up but rooms in construction mix is down to 20% from ~30%



Source: BofA Global Research, STR Global

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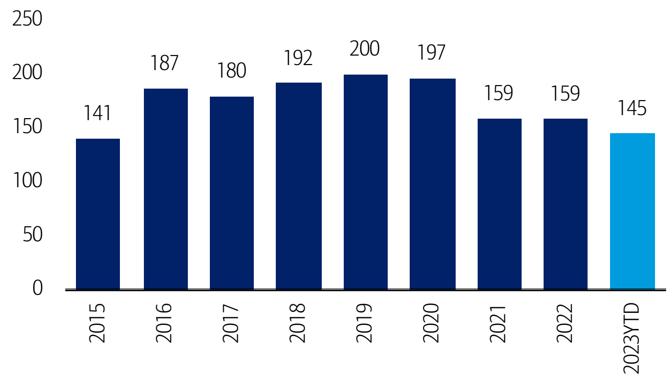
Exhibit 26: Hotel rooms under construction ('000s)
Absolute rooms in construction are down -9% Y/Y and -27% below 2019



Source: BofA Global Research, STR Global

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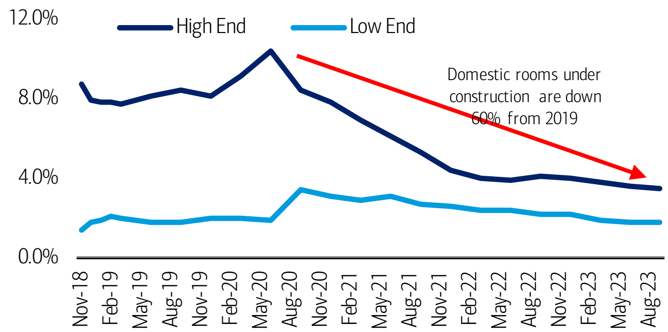
Exhibit 27: Total US rooms under construction as % of existing supply
In the US, high end (MAR/HLT/H) rooms under construction have slowed since the start of the pandemic, with the low end (CHH/WH) steady



Source: BofA Global Research, STR

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Exhibit 28: US Rooms in construction as % of supply by company
As of 3Q23, high end rooms under construction is -22% below '21 and -66% from cycle peaks; Low end rooms are -33%/-45%, respectively

	H	MAR	HLT	CHH	WH	High End	Low End
Peak in construction	13,635	74,204	58,384	24,609	7,853		
Existing Supply	110,072	760,505	643,910	452,050	498,283		
Cycle Peak	**12.4%**	**9.8%**	**9.1%**	**5.4%**	**1.0%**	**10.4%**	**3.2%**
YE21 in construction	6,708	40,390	31,683	19,145	5,015		
Existing Supply	148,343	880,461	748,839	454,039	480,820		
YE2021	**4.5%**	**4.6%**	**4.2%**	**4.2%**	**1.0%**	**4.4%**	**2.6%**
3Q23 in construction	3,068	38,329	33,129	13,158	3,936		
Existing Supply	156,429	904,873	777,119	486,090	479,066		
3Q23	**2.0%**	**4.2%**	**4.3%**	**2.7%**	**0.8%**	**3.5%**	**1.8%**
3Q23 vs. Peak	-84%	-57%	-53%	-50%	-16%	**-66%**	**-45%**
3Q23 vs. YE21	-57%	-8%	1%	-36%	-21%	**-22%**	**-33%**

Source: BofA Global Research, STR

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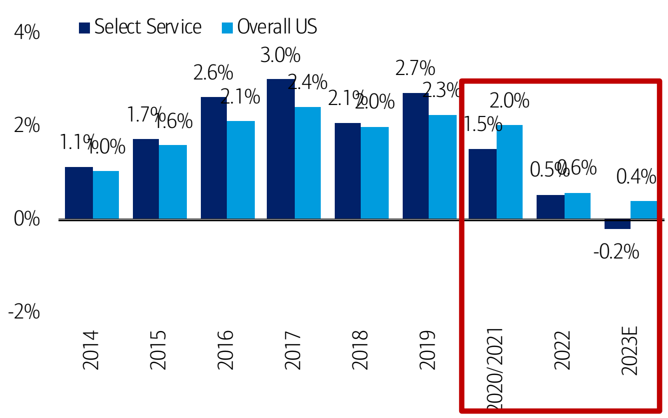
Exhibit 29: Overall US vs. select service supply growth
Select service supply growth has trailed the overall industry post-COVID after 6+ years of above average supply



Source: BofA Global Research, STR Global

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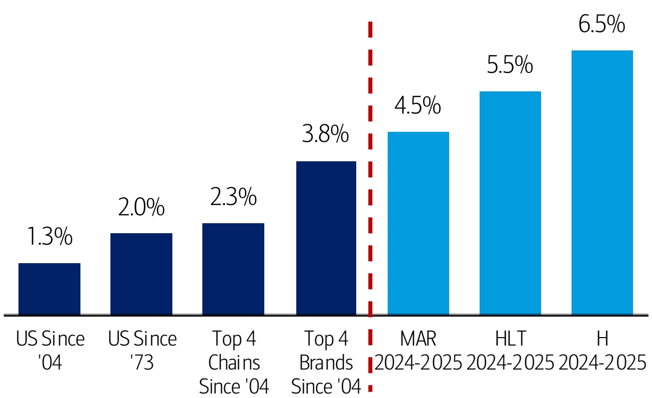
Exhibit 30: Lodging C-corps organic unit growth forecasts
Lodging C-corps are expected to deliver better than industry unit growth, fueled by conversions, new brand launches and share gains



Source: BofA Global Research, STR Global, Company documents

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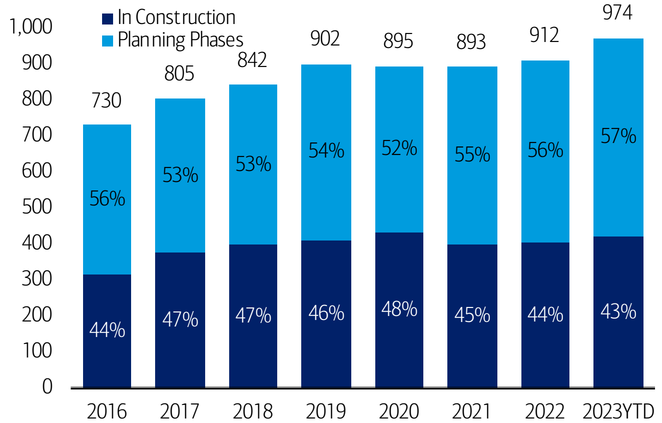
Exhibit 31: Marriott & Hilton global pipeline rooms ('000s)
Marriott/Hilton pipelines have been steady



Source: BofA Global Research, company documents

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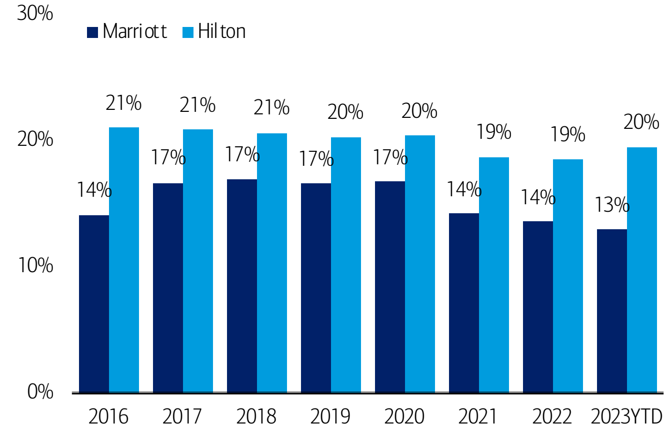
Exhibit 32: MAR/HLT global in construction as % of existing supply
Marriott/Hilton pipelines have been steady, but construction is slowing



Source: BofA Global Research, company documents

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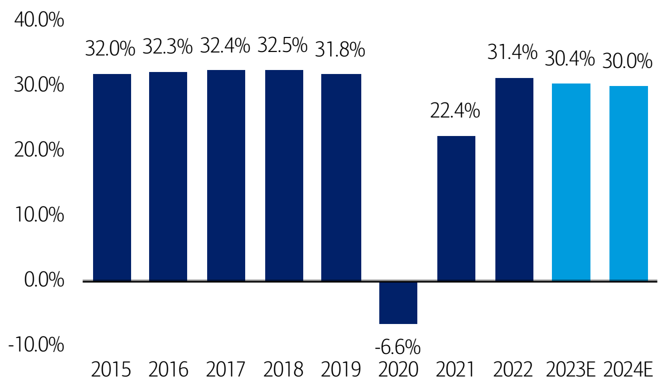
Margins and cost analysis

Exhibit 33: Lodging REIT Hotel-Level EBITDA margins
We expect margins to be down -40bps Y/Y in 2024 after -110bps in 2023



Source: BofA Global Research estimates, company documents

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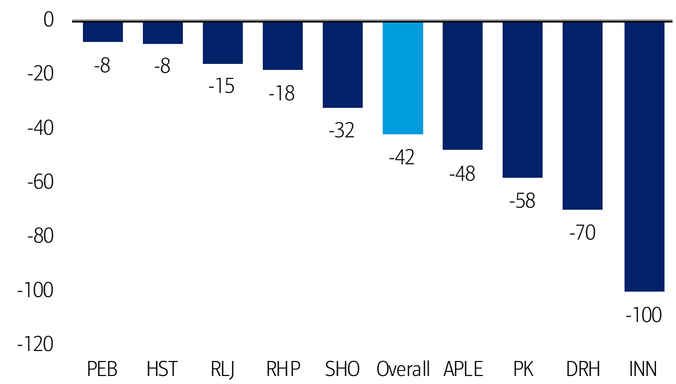
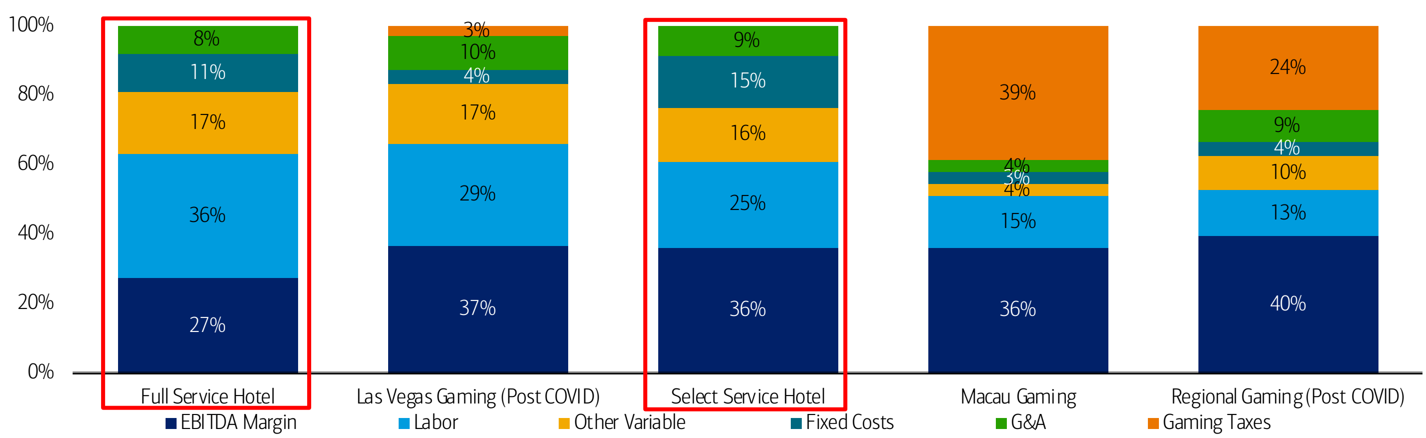
Exhibit 34: 2023E Lodging REIT Hotel-Level EBITDA margin growth
We expect margins to be down -42bps Y/Y in 2024, on average



Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 35: Margin and labor expense structure for Gaming & Lodging subsectors
Full-service hotels have the most labor expense exposure of all of our sub-sectors at 36%; Select-service hotels are in the middle at 25% but offer fewer offsets, like closing or changing hours for F&B area.

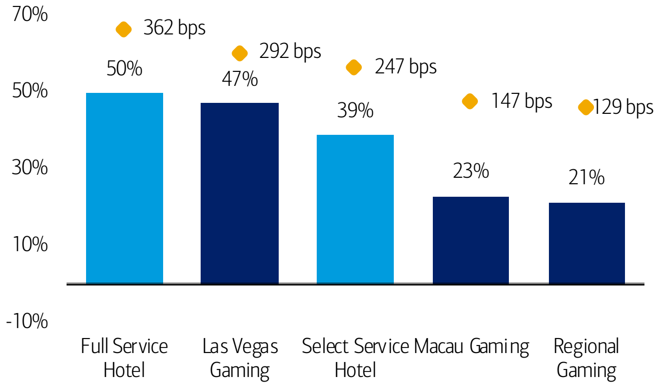


Source: BofA Global Research, STR Global, company documents

BofA GLOBAL RESEARCH

Exhibit 35: Margin and labor expense structure for Gaming & Lodging subsectors
Full-service hotels have the most labor expense exposure of all of our sub-sectors at 36%; Select-service hotels are in the middle at 25% but offer fewer offsets, like closing or changing hours for F&B area.

Exhibit 36: Labor as mix of cost; margin impact of 10% wage increase
A 10% increase in wages impacts full service hotels most, followed by Las Vegas casinos and select service hotels



Source: BofA Global Research, STR Global, company documents

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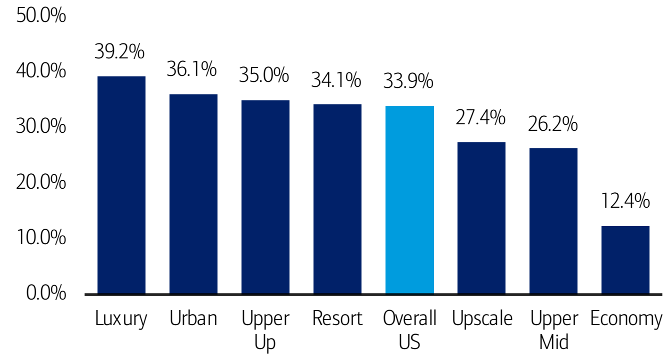
Exhibit 37: 2019 labor expense as a % of total revenue
Urban, full service and resort properties have a greater labor expenses as a % of revenues than the overall industry



Source: BofA Global Research, HOST Almanac, STR

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Leisure Demand

Exhibit 38: Leisure Heatmap
Leisure trends generally softened through 2023, but the Craibbean and Timeshare markets are starting to improve

	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
Vail Resorts (MTN) and Ski Tracking Data										
MTN Overall Data	-5%	7%	10%	4%	-4%	1%	0%	7%	4%	-7%
Placer Visitation	-4%	-4%	32%	6%	-7%	-5%	-8%	-4%	-10%	-17%
AirDNA Demand Growth	5%	7%	4%	2%	8%	6%	0%	1%	5%	5%
Epic Pass Web Traffic	-16%	18%	-6%	3%	-13%	3%	8%	25%	18%	-10%
Playa Resorts (PLYA) and Caribbean Tracking Data										
PLYA Overall Data	65%	24%	8%	7%	4%	9%	9%	7%	7%	11%
RevPAR	37%	20%	9%	8%	5%	5%	4%	1%	2%	10%
Visitation	33%	14%	8%	4%	4%	7%	3%	-2%	5%	6%
Flight Search	126%	38%	7%	9%	1%	15%	20%	23%	14%	17%
Soho House & Co (SHCO) Tracking Data										
SHCO Overall Data	21%	21%	12%	11%	12%	8%	8%	6%	6%	8%
RevPAR	26%	18%	18%	13%	13%	9%	11%	12%	8%	8%
Flight Search	33%	29%	11%	11%	6%	3%	0%	-4%	8%	10%
Transit	22%	33%	15%	17%	22%	14%	20%	9%	10%	15%
Timeshare Market Tracking Data										
Timeshare Overall Data	8%	6%	-2%	-2%	-1%	0%	-8%	-7%	-6%	-3%
AirDNA Average	3%	1%	0%	-5%	-1%	-3%	-11%	-10%	-9%	-6%
Airport Visitation	16%	12%	4%	3%	3%	2%	-3%	1%	1%	6%
RevPAR	22%	14%	-1%	1%	1%	1%	1%	2%	0%	2%

Source: STR, AirDNA, Google Trends,, Hawaii Department of Travel, MTA, LA Metro, Similar Web

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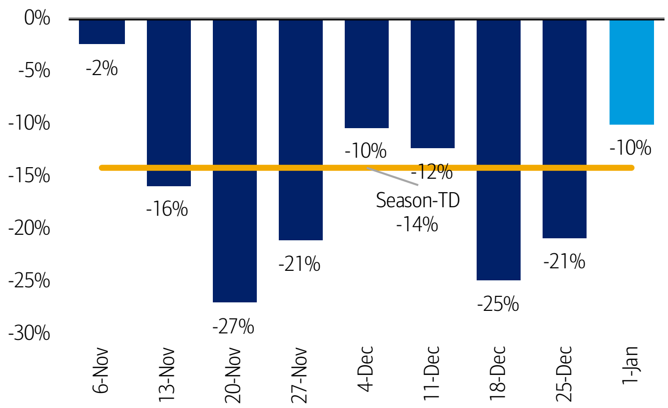
Exhibit 39: Vail Resorts Placer Visitation Data

Lack of snow has challenged visitation to Vail Resorts this ski season



Source: Placer AI

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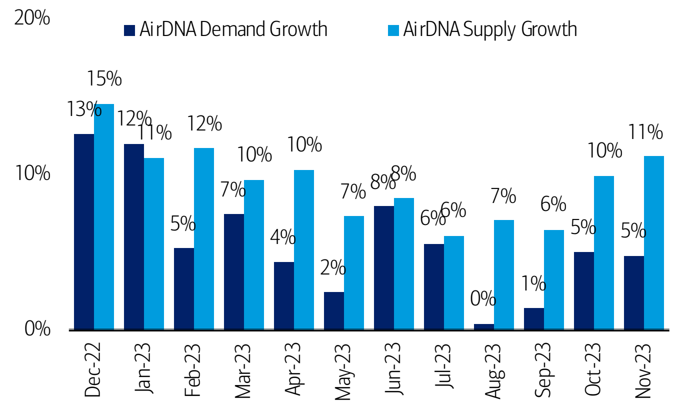
Exhibit 40: AirDNA Mountain Supply and Demand

AirDNA demand was up +5% in Mountain regions in November



Source: AirDNA

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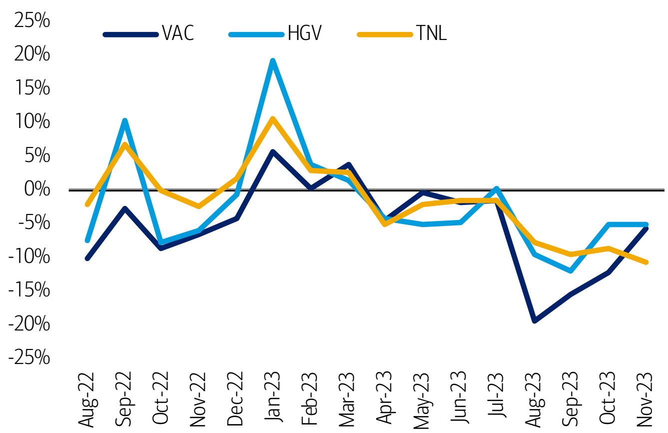
Exhibit 41: Foot traffic to timeshare properties

VAC and HGV saw a slight improvement in foot traffic in November, but trends are still down Y/Y



Source: Placer AI

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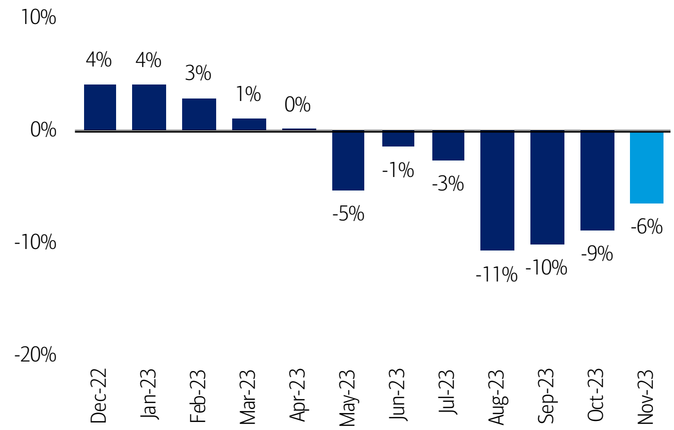
Exhibit 42: AirDNA demand growth in key timeshare markets

Short term rental demand improved slightly to -6% in November



Source: Placer AI

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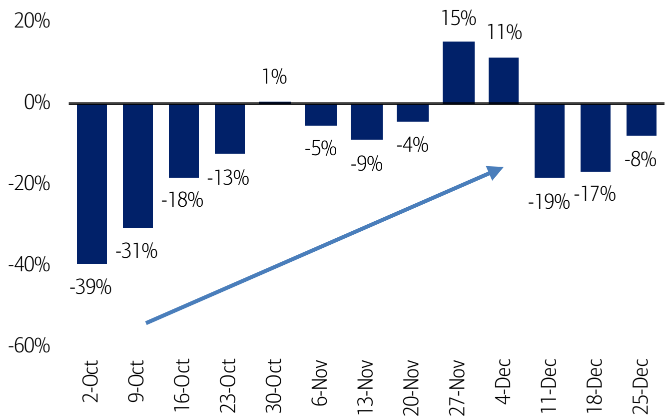
Exhibit 43: Weekly Hawaiian timeshare visitation data
Visitation to Hawaii improved from lows after the wildfires, but was still down Y/Y for most of December



Source: Placer AI

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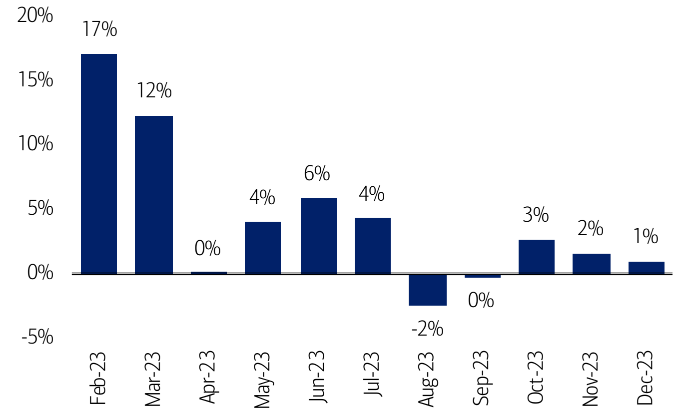
Exhibit 44: Statewide Hawaii Air Passengers Y/Y
Air traffic was up modestly Y/Y in December, but decelerated sequentially



Source: Hawaii Department of Tourism

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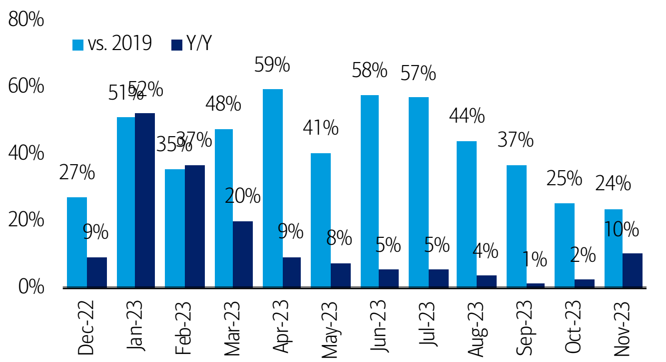
Exhibit 45: Weighted average RevPAR in PLYA end markets
RevPAR improved meaningfully Y/Y, but slowed vs. 2019



Source: STR, BofA Global Research

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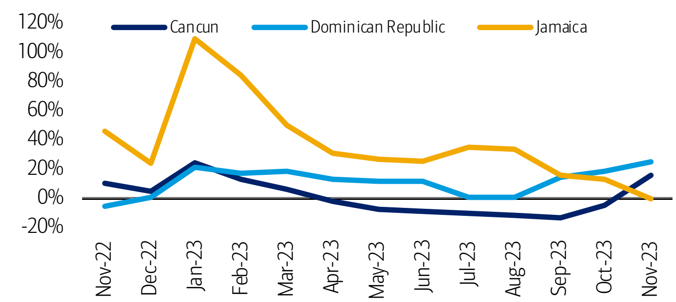
Exhibit 46: PLYA RevPAR by market Y/Y
Cancun RevPAR reaccelerated through October and November, an encouraging sign into the peak season



Source: STR, BofA Global Research

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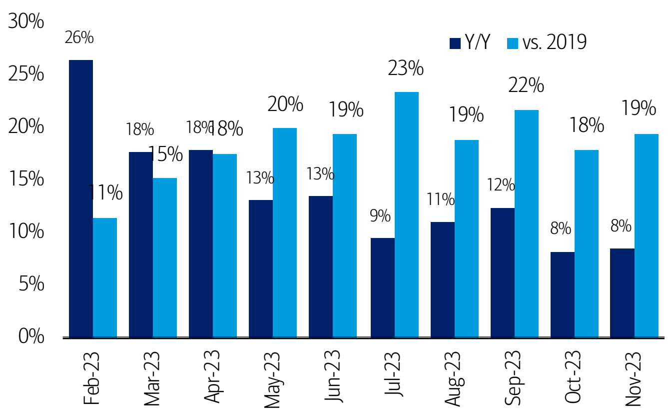
Exhibit 47: SHCO Weighted Average RevPAR
RevPAR was stable Y/Y in November and accelerating slightly vs. 2019



Source: STR

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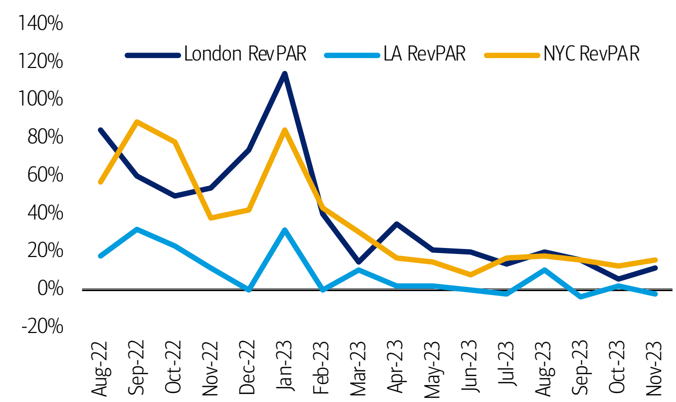
Exhibit 48: SHCO RevPAR by city Y/Y
RevPAR remains challenged in Los Angeles, but NYC and London are both healthy, up double digits Y/Y



Source: STR

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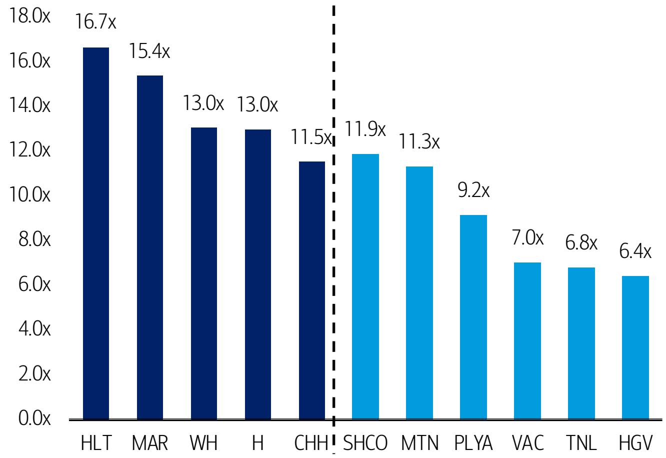
Lodging Valuation Summary and Estimate Changes

Exhibit 49: C-Corp and Leisure 2024 EV/EBITDA
C-Corps are trading at an average of 13.9x 2024 EBITDA, Leisure 8.8x



Source: BofA Global Research estimates
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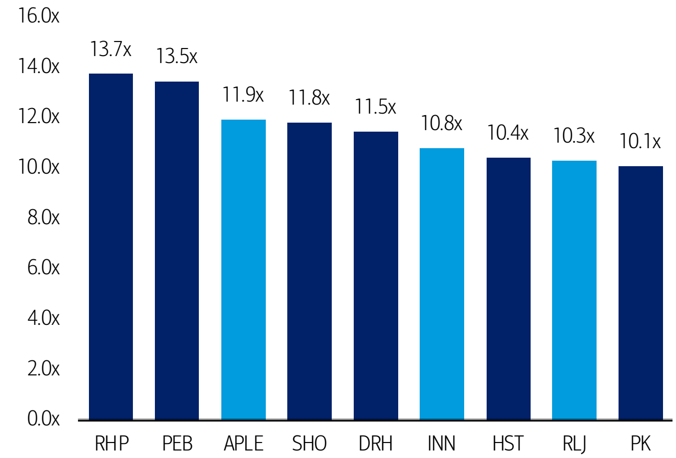
Exhibit 50: Lodging REIT 2024 EV/EBITDA
REITs are trading at an average of 11.6x 2024 EBITDA



Source: BofA Global Research estimates
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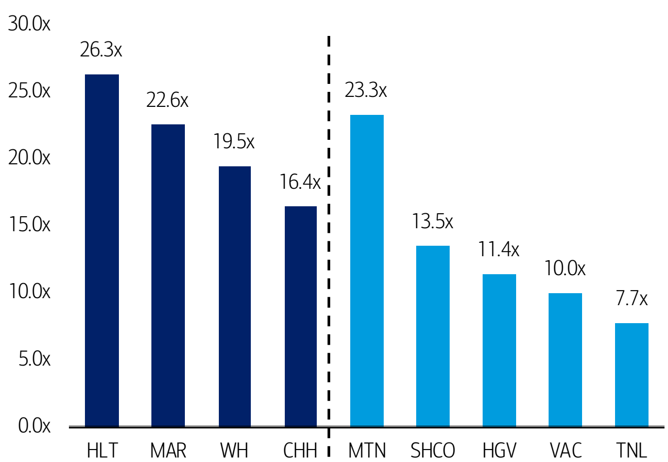
Exhibit 51: C-Corp and Leisure 2024 PE
C-Corps are trading at an average 2024 P/E of 21.2x, Leisure trades at 13.2x



Source: BofA Global Research estimates
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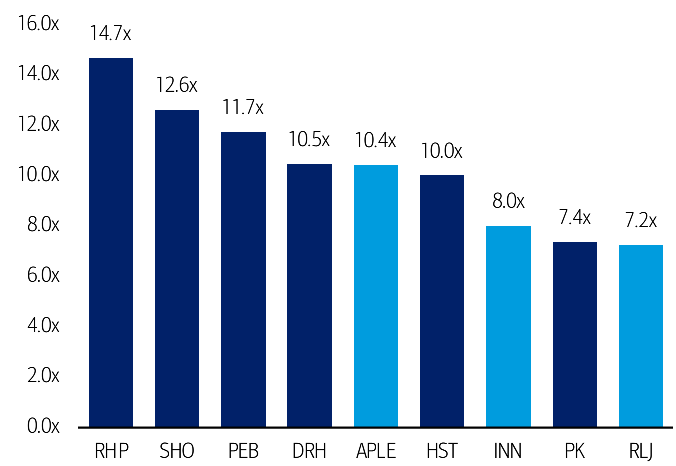
Exhibit 52: Lodging REIT 2024 Price to AFFO
REITs are trading at an average of 10.3x 2024 Price to AFFO



Source: BofA Global Research estimates
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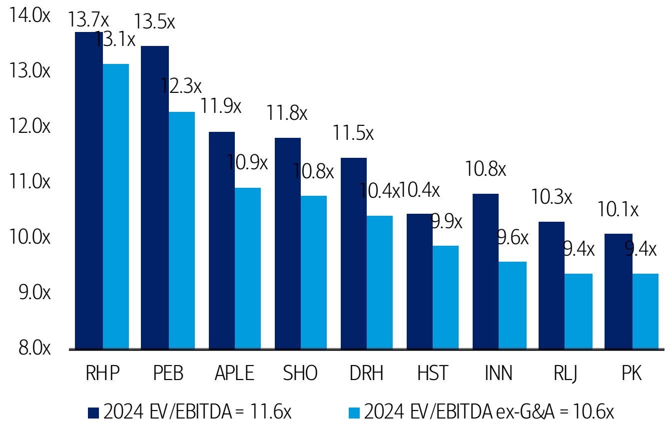
Exhibit 53: Lodging REIT 2024 EV/EBITDA ex-G&A
The group trades at 10.6x excluding cash G&A, vs. 11.6x included



Source: BofA Global Research estimates, Bloomberg

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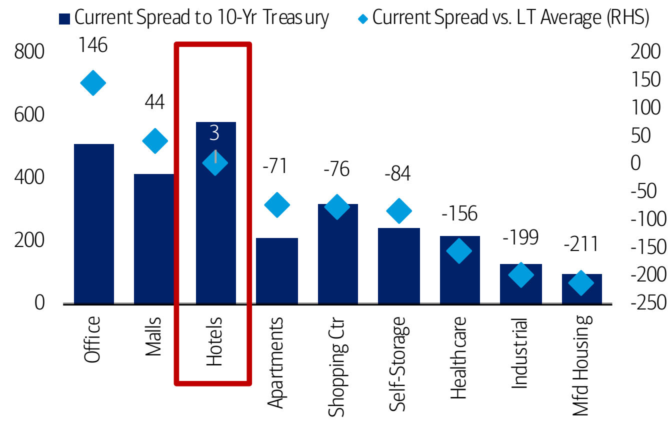
Exhibit 54: REITs cap rate spreads vs. 10-Year Treasury
Spreads to the 10-Year Treasury are in-line with LT averages for Lodging REITs but -73bps below for all other asset classes of real estate, largely driven by manufactured housing, industrial, healthcare and self-storage



Source: BofA Global Research estimates, Bloomberg

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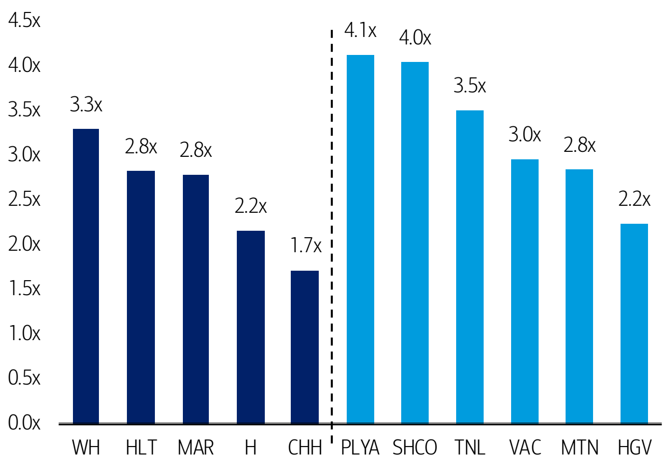
Exhibit 55: Lodging C-Corp and Leisure 2024 Leverage
C-corps have an average leverage of 2.6x and 3.3x for leisure companies



Source: BofA Global Research estimates
Note: Leverage calculaton ex-leases

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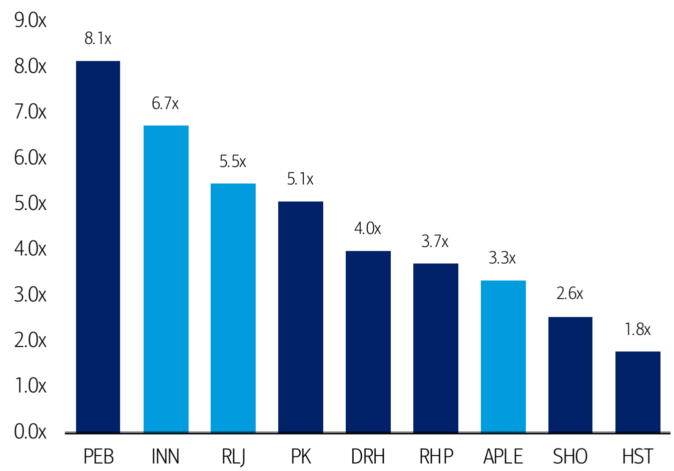
Exhibit 56: Lodging REIT 2024 Leverage
Lodging REITs have an average leverage of 4.5x on 2024 EBITDA



Source: BofA Global Research estimates

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Exhibit 57: Lodging C-corp midcycle sensitivity

Lodging C-corps are trading between midcycle and peak as is usually the case at the start of the year when the market prices in compounding growth for the year

Company	Ticker	Current Price	Trough	Midcycle	Peak
Marriott	MAR	$223	$167	$209	$252
Hilton	HLT	$180	$123	$154	$199
Hyatt	H	$127	$90	$115	$139
Choice	CHH	$114	$108	$125	$161
Wyndham	WH	$80	$61	$75	$90

Source: BofA Global Research estimates

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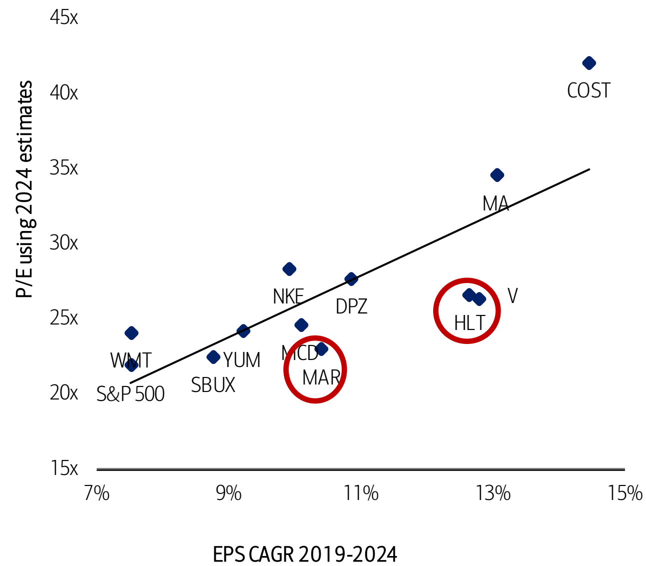
Exhibit 58: Lodging C-corp vs. Consumer – P/E vs. Growth

In the context of global consumer compounding companies, which are trading at a 30% premium to the S&P 500 (in-line with history), HLT and MAR's trade at a ~12% discount to the group. Closing in on this group's valuation could add another ~16% upside, on average for MAR and HLT



Source: BofA Global Research estimates

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Exhibit 59: Historical Valuation by Gaming, Lodging & Leisure sub-sector

Lodging C-corps and REITs are trading -3% and +1% vs. their theoretical long-term averages on EBITDA

Subsector	EV/EBITDA 2024	Long-Term Average	Last Cycle Average	2024 Difference	Cumulative Distribution	Theoretical (1) LT Avg.	2024 Difference	Cumulative Distribution
All Gaming	10.2x	10.3x	10.7x	-5%	66%	10.6x	-4%	64%
Macau	10.2x	13.9x	13.4x	-24%	98%	12.0x	-15%	89%
Las Vegas	7.2x	10.2x	10.6x	-32%	100%	8.0x	-10%	74%
Regionals	8.2x	8.9x	8.8x	-7%	69%	7.9x	3%	41%
Gaming REITs	15.5x	14.7x	14.7x	5%	23%	14.7x	5%	23%
All Lodging	12.1x	12.0x	12.4x	-2%	57%	12.4x	-2%	57%
Lodging C-Corp* (EBITDA)	14.1x	13.1x	13.7x	3%	44%	14.4x	-3%	57%
Lodging C-Corp* (P/E)	21.4x	21.1x	21.6x	-1%	53%	21.6x	-1%	53%
Lodging REITs	12.0x	11.9x	12.7x	-5%	64%	11.9x	1%	49%
Timeshare	7.2x	7.5x	7.5x	-4%	58%	7.5x	-4%	50%

Source: BofA Global Research estimates, company documents, Bloomberg

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Exhibit 60: Lodging and Leisure midcyle analysis

Lodging and Leisure stocks are trading in-line with midcycle levels, led by REITs

Company	Midcycle EBITDA	Midcycle EPS	Current	Trough	Midcycle	Peak	% Delta	Risk Factor	Risk Adj.
Lodging C-Corps									
HLT	$3,145	$6.63	$180	$123	$154	$199	-14%	0.80	4%
MAR	$4,774	$9.24	$223	$167	$209	$252	-6%	0.77	15%
H	$1,167		$127	$90	$115	$139	-10%	0.83	4%
CHH	$567	$6.57	$114	$108	$125	$161	10%	0.71	37%
WH	$647	$3.80	$80	$61	$75	$90	-6%	0.86	6%
Lodging REIT									
HST	$1,474		$20	$17	$21	$24	7%	0.82	23%
PK	$595		$16	$12	$18	$22	15%	1.17	-5%
SHO	$224		$11	$8	$10	$12	-4%	0.83	11%
RHP	$661		$110	$84	$110	$128	0%	0.97	1%

Exhibit 60: Lodging and Leisure midcyle analysis
Lodging and Leisure stocks are trading in-line with midcycle levels, led by REITs

	Midcycle	Midcycle							
PEB	$315		$16	$8	$14	$18	-10%	1.39	-52%
DRH	$240		$9	$7	$9	$11	-4%	1.03	-10%
RLJ	$343		$12	$11	$14	$17	20%	1.20	-4%
INN	$182		$7	$5	$7	$9	7%	1.33	-29%
APLE	$406		$17	$13	$15	$17	-13%	0.90	-5%
Leisure									
MTN	$922		$209	$186	$227	$269	9%	0.88	18%
PLYA	$231		$8	$4	$6	$9	-24%	1.03	-30%
MCG	$167		$7	$6	$7	$9	10%	1.05	3%
						Average:	**-1%**	**0.98**	**-1%**

Source: BofA Global Research estimates, company documents, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 61: Summary of estimate changes
We tweak our estimates for RLJ and SHO to more closely align with our Lodging outlook for the year

	2023		2024		2025	
Ticker	**Old**	**New**	**Old**	**New**	**Old**	**New**
RLJ	$364	$364	$359	$374	$362	$377
SHO	$258	$258	$243	$239	$243	$249

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 62: Stocks mentioned
Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
APLE	APLE US	Apple Hospitality	US$ 16.86	B-2-7
CHH	CHH US	Choice Hotels	US$ 114.62	B-1-7
DRH	DRH US	DiamondRock	US$ 9.36	C-3-7
HGV	HGV US	Hilton Grand Vacatio	US$ 40.46	C-2-9
HLT	HLT US	Hilton Worldwide	US$ 180.5	B-1-7
HST	HST US	Host Hotels	US$ 19.83	B-1-7
H	H US	Hyatt Hotels	US$ 128.37	B-1-9
MAR	MAR US	Marriott Intl.	US$ 222.42	B-1-7
VAC	VAC US	Marriott Vacations	US$ 86.14	C-3-7
PK	PK US	Park Hotels & Resort	US$ 16.03	C-2-7
PEB	PEB US	Pebblebrook	US$ 15.68	C-3-8
PLYA	PLYA US	Playa Hotels	US$ 8.3	C-3-9
RLJ	RLJ US	RLJ Lodging Trust	US$ 11.62	B-3-7
RHP	RHP US	Ryman	US$ 111.88	C-1-9
SHCO	SHCO US	Soho House & Co Inc	US$ 6.53	C-1-9
INN	INN US	Summit Hotel Prop	US$ 6.76	C-3-7
SHO	SHO US	Sunstone Hotel Inv	US$ 10.91	B-3-7
TNL	TNL US	Travel + Leisure	US$ 39.98	B-3-7
MTN	MTN US	Vail Resorts	US$ 210.14	B-1-7
WH	WH US	Wyndham Hotels	US$ 80.03	B-1-7

Source: BofA Global Research

BofA GLOBAL RESEARCH

Investment Rationale

Apple Hospitality REIT Inc.

We are Neutral rated on Apple Hospitality REIT as we think this best of breed select service REIT is 1) less levered than peers, 2) has more growth potential and 3) has industry-leading margins. We are however concerned by lower RevPAR growth risk, coupled with higher margin pressure given fewer cost offsets in select service.

Host Hotels & Resorts Inc.
We are Buy rated on HST as we believe the current valuation and strong balance sheet are attractive, combined with a better outlook for group and corporate demand, favoring full service portfolios. HST has steadily improved capital allocation under current management and we think there is room for growth based on the balance sheet should M&A activity pick up.

Pebblebrook Hotel Trust
We are Underperform rated on Pebblebrook as we think its heavy West Coast and business transient exposure, which were an asset in the early- to mid-2010s, have turned into a challenge post-COVID among union, labor and social issues. We see risks from continued exposure to challenged markets with less operating flexibility.

Price objective basis & risk

Apple Hospitality REIT Inc. (APLE)
Our $18 PO on APLE is based on approx 12x our 2025E EV/EBITDA, a slight premium to the historical averages of peers. This is supported by APLE's solid balance sheet, higher than peer margins, and better fundamentals in the early stages of the recovery. This is however partly offset by less RevPAR growth as the recovery is now largely behind us, and our favoring of group and full service portfolios over select service.

Downside risks to our PO are 1) a longer recovery than expected, 2) a second peak of the COVID-19 outbreak, 3) rate pressure across the industry from lower than anticipated demand.

Choice Hotels International (CHH)
Our $140 price objective is based on approximately 20x our 2024E EPS. We think this multiple is justified as it is generally in line with CHH's mid-cycle levels as well as other fee-driven lodging companies in our universe, where it has generally traded.

Upside risks to our price objective are: 1) an accelerating macroeconomic environment, and 2) a faster than expected recovery in corporate demand stemming from a therapeutic or vaccine for COVID-19.

Downside risks to our price objective are: 1) greater-than-expected US economic weakness, which may impede on a travel recovery, particularly leisure travel demand, and 2) the potential for a resurgence in COVID-19 cases, which may make individuals more reluctant to travel.

DiamondRock Hospitality (DRH)
Our $9 12-month price objective is based on approximately 10x our 2024E adjusted EBITDA estimate, in-line with historical averages for the group.

Upside risks are a quicker economic recovery, which would accelerate lodging demand, resulting in above-average industry pricing and asset-level margins.The downside risks are a slower than expected recovery of the US economy and/or corporate demand, which would weigh on the travel demand DiamondRock typically attracts.

Hilton Grand Vacations Inc (HGV)
Our $41 price objective is 6.5x our 2024E Adj. EBITDA estimate, a discount to historical average peer trading multiples given pricing and rate pressures as well as global macro economic uncertainty.

Upside risks to our PO are a healthier leisure pricing environment, greater lift from the rebranding and integration of legacy Diamond estate into HGV and a faster than expected return of the international inbound traveler.

Downside risks to our PO are: 1) an economic slowdown and/or geopolitical strife, negatively impacting demand for leisure and travel and impacting the consumer's credit quality, 2) loan loss provisions reverting back to historical norms and weighing on net VOI sales, 3) a significant private equity shareholder selling their position down and increasing pressure on the stock.

Hilton Worldwide (HLT)
Our $190 price objective is based on approximately 17.5x our 2024E 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.

Host Hotels & Resorts Inc. (HST)
Our $23 PO is based on approx. 12x our 2025E adjusted EBITDA, a midcycle multiple consistent with the group's multiple range and history. We believe this multiple is warranted given HST's asset quality, best-in-class management team and significant equity market liquidity, which helps differentiate the company from peers.

Risks to the downside are: 1) a weakening in the overall economic environment, leading to lower levels of business travel and depressed leisure spending, 2) higher-than-expected room supply growth, and 3) unforeseen circumstances, such as war or acts of terrorism.

Hyatt Hotels (H)
Our $140 PO is based on approximately 13x 2025E EBITDA, 1-2 multiple turns below more asset-light peers. We view Hyatt as a way to chase the Lodging cycle recovery and see several positives: 1) majority exposure to fee-based revenue, 2) strongest net unit growth (NUG) in the sector, 3) recovery potential and operating leverage through group/corporate owned-hotel exposure, 4) incentive management fee recovery and 5) multiple expansion

Upside risks to our PO: 1) Hyatt's asset sales continue to exceed expectations 2) The acquisition of Apple Leisure Group provides additional upside 3) Group recovery and pent up demand comes back stronger than expected in 2H 22 4) Net Unit Growth continues to outperform lodging c-corp peers
Downside risks to our PO: 1) Hyatt's EBITDA to FCF conversion lags peers 2) H maintains 47% of exposure to China/APAC, which may face headwinds to COVID policies 3) COVID cases pushes return to office further out and acts as a headwind to corporate travel 4) H's more heavy exposure to the luxury segment, which has lagged the rest of the industry

Marriott International Inc. (MAR)
Our $235 PO is based on approx. 16x our 2024E 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.

Marriott Vacations Worldwide (VAC)
Our PO of $73 is based on 6.5x our 2024E EBITDA, towards the low end of VAC's historical trends of timeshare peers.

Upside risks to our PO are: 1) continued healthy leisure/resort demand and pricing, 2) an accelerating demand environment driven by better macroeconomic data, and 3) greater than expected margin sustainability.

Downside risks to our PO are: 1) pressure on VPG as tour flow (specifically in-person tours) recover, 2) greater than expected rises in interest rates, 3) an economic slowdown impacting discretionary consumer spending, and 4) margin pressure from normalizing business segments to pre-pandemic levels.

Park Hotels & Resorts Inc. (PK)
Our $16 PO is based on 10x our 2024E adjusted EBITDA estimate, which is in-line with peers and consistent with historical Lodging REIT trading levels.

Risks to the upside are: 1) better than expected RevPAR growth, and 2) better than expected macroeconomic conditions and accelerated corporate demand recovery. Risks to the downside are: 1) weakening in the overall economic environment leading to a delay in the re-starting of business travel and depressed leisure spending, 2) a resurgence in cases of COVID-19 both of which can delay Park's RevPAR recovery.

Pebblebrook Hotel Trust (PEB)
Our $13.50 PO is based on approximately 13x our 2025E EBITDA estimate, a premium to Lodging REITs peers that is consistent with historical trends. We believe this is supported PEB's highly flexible portfolio that is largely unencumbered by debt or brands.

Upside risks to our PO are: 1) an accelerating RevPAR environment, driven by better macroeconomic data, 2) greater-than-expected margin expansion, and 3) accretive acquisitions.

Downside risks to our PO are: 1) a longer than expected recovery, 2) structural decline in urban gateway lodging demand, 3) greater than expected inflationary cost pressures, and 4) rate pressure across the industry from lower than anticipated demand.

Playa Hotels & Resorts (PLYA)
Our $8 price objective is based on 9x 2024E EBITDA, which remains largely in-line with the company's avg. historical 9x one-year forward EBITDA.

Upside risks to our price objective are: 1) uptick in visitation to the Caribbean during the Covid recovery is more sustainable than we expect 2) the Caribbean lodging market holds pricing integrity better than it has historically and 3) margin expansion from channel mix shift to direct distribution.

Downside risks to our price objective are: 1) new supply coming online, particularly in Cancun challenging rate integrity, 2) uptick in number of hard-to-underwrite exogenous shocks, such as hurricanes and tropical storms, Zika virus, and tourist safety concerns and 3) increased operational and financial risk factors resulting in internal control weaknesses.

RLJ Lodging Trust (RLJ)
Our $12 PO is based on approximately 9x our 2024E EBITDA forecast, in line with lodging REIT peers.

Upside risks to our PO are: 1) an accelerating RevPAR environment, driven by better macroeconomic data, 2) greater-than-expected margin expansion, and 3) accretive acquisitions.

Downside risks to our PO are: 1) a longer than expected recovery, 2) a second wave of the COVID-19 outbreak, 3) structural decline in urban gateway lodging demand, and 4) rate pressure across the industry from lower than anticipated demand.

Ryman Hospitality Properties (RHP)
Our $125 price objective is based on approximately 14.5x multiple on our 2025E EBITDA forecast, in line Ryman's long term midcycle multiple average. We think this multiple is justified by RHP's growth opportunities, relatively attractive valuation and significant group exposure which we expect to perform solidly once a therapeutic/vaccine is available to the general public.

Downside risks: 1) further weakening of macro trends, 2) a resurgence in cases of COVID-19, and 3) threat/acts of terrorism.

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.

Summit Hotel Properties (INN)
Our $7.50 PO for INN is based on approx 10.5x our 2024E EV/EBITDA, in-line with select service peer targets and a slight discount to limited-service historical averages. This is supported by INN's above average margins, breakeven occupancies and ability to recover ahead of peers in this cycle offset by relative supply and INN's elevated leverage.

Upside risks to our PO: 1) quicker than expected recovery, 2) better than anticipated hotel-level economics. Downside risks to our PO: 1) a longer than expected recovery in occupancy, 2) a second peak in COVID-19 cases in the United States, and 3) higher financial leverage than peers which adds risk in a decelerating RevPAR environment and impacts INN's ability to reinstate its dividend in a slower than expected recovery.

Sunstone Hotel Investors (SHO)
Our $10 price objective is based on approx 12x our 2024E adjusted EBITDA estimate versus SHO's historical range of 6-17x, which is in-line with peers and consistent with historical Lodging REIT trading levels.

Upside risks to our price objective are: 1) accretive acquisitions and 2) a better than expected economic recovery. Downside risks to our PO are: 1) greater-than-expected economic weakness, which may lead to further declines in travel demand, 2) overpaying for hotel acquisitions, and 3) acts or threats of terrorism.

Travel + Leisure Co (TNL)
Our $35 price objective is based on 6.5x our 2024E Adj. EBITDA estimate, a discount to historical trading multiples given pricing and rate pressures but in-line with the spread to peer multiples.

Upside to our PO include a healthier than expected ramp of the subscription and exchange segments, and better than expected leisure pricing environment.

Downside risk to our PO includes economic slowdown and/or geopolitical strife negatively impacting demand for leisure and travel.

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.

Wyndham Hotels & Resorts, Inc. (WH)

Our $85 price objective is based on approximately 15x our 2023E EBITDA estimate, a discount to trading peers and in-line with the long term average of asset-light lodging C-corps. We believe this multiple is warranted given WH's competitive advantage in scale and stability in earnings from its pure franchised business. We think the market is discounting WH to factor in a historically significant amount of deletions every year, offset by a business that's almost entirely fee-based. The price objective is also in-line with a midcycle multiple on recovery earnings discounted back to 2022E

Upside risks to our PO are: 1) an accelerating RevPAR environment, driven by better macroeconomic data, 2) greater-than-expected margin expansion, and 3) net-unit-growth (NUG) ahead of expectations.

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 business/consumer spending, which may lead to declines in overall travel demand.

Analyst Certification

We, Shaun C. Kelley and Dany Asad, 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.

Special Disclosures

BofA Securities is currently acting as financial advisor to HiltonGrand Vacations Inc. in connection with its proposed acquisition of BluegreenVacations, which was announced on November 6, 2023.The proposed transaction is subject to approval byshareholders of Bluegreen Vacations.This research report is not intended to providevoting advice, serve as an endorsement of the proposed transaction, or resultin the procurement, withholding or revocation of a proxy.

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
	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

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

Coverage Universe	Count	Percent	Inv. Banking Relationships [R1]	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 [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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