

Lodging

Q4 Earnings Wrap: Leisure/C-Corp stocks outperform as 15 out of 18 beat

Price Objective Change

15 beats, 3 in-line; Leisure and C-Corp stocks outperform

In wrapping up Lodging earnings, 18 Lodging and Leisure companies reported 15 beats, and 3 in-line. 2024 guidance ranges were +4% ahead of the Street for C-corps, +1% ahead for Lodging REITs and -1% below for timeshare, but stocks outperformed on lowered investor expectations, particularly for leisure names. We tweak our estimates but maintain our ratings, and raise our PO for Park (PK) to \$17.50 from \$16 and Hilton Grand Vacations (ticker: HGV) to \$49 from \$41 on the same multiple for both. HGV's 2024 EBITDA goes to \$1,228M from the prior \$1,023M, now including the acquisition of Bluegreen Vacations and 50% of the targeted cost synergies of \$100M.

C-Corps: Core fees stable/ahead, leisure surprises

As we highlighted in our [Hilton recap \(see report\)](#), [Marriott recap \(see report\)](#) and [Hyatt recap \(see report\)](#), C-corps delivered results +3% ahead of our expectations on core fees and 2024 outlooks +4% ahead. Group, urban/corporate and international should help drive RevPAR for the higher-end C-corps in 2024, but the surprise came from the resiliency of leisure which Hyatt, Hilton, Marriott and Playa all called out on their earnings calls. That said, investors continue to struggle with elevated valuations relative to midcycle but Hilton, Marriott and Hyatt are all compounders that should [CAGR ahead of peers and the S&P \(see our Bull/Bear report\)](#).

CHH/WH: Slow start to low end RevPAR; letter to FTC

Economy and midscale RevPAR are tracking down -6.4% and -5.6% Y/Y, respectively, so far this year. This implies an acceleration from here to achieve both company outlooks ([see our Feb 22 report](#)). On Wednesday, Senator Elizabeth Warren issued a letter to the FTC Chair expressing concerns regarding [Choice's hostile takeover bid \(see report\)](#) for Wyndham and asking for a closer scrutiny of the deal. Wyndham's view is that this combination faces regulatory risk. This recent development could potentially further reduce chances of moving forward without increased regulatory risk protections or mitigants.

REITs: Margins -152bps Y/Y, ongoing pressure in 2024

REIT margins were down -152bps Y/Y in Q4, in-line with Q3's -158bps but better than 1H23 as we lap ramping costs. Pressure will moderate in 2024 (margins -60bps on avg.) but overall outlooks were very close to our models (RevPAR/EBITDA +40bps/ +90bps ahead of us resp). As costs normalize, investor focus is turning back to RevPAR which has started slow to start the year and requires some acceleration to hit most outlooks. We remain very selective and reiterate our Buy ratings on Host (HST) and Ryman (RHP).

Development: Pipelines up; NUG outlooks steady Y/Y

Lodging C-corp pipelines were sequentially up +2.3% Q/Q, on average and a similar cadence of growth to Q3. C-corp pipelines have been supported by new brand launches, conversions and partnership deals (incl. Marriott/MGM, Hilton/SLH). That said, unit growth outlooks/expectations for some have been moderating. Excluding partnership deals (+50bps Y/Y), Hilton, Marriott, Hyatt, Wyndham and Choice's 2024 net unit growth outlooks are in-line (+30bps Y/Y) with 2023, on average.

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Exhibit 1: We raise our POs for HGV, PK

Summary of price objective changes

Company	Price Objectives	
	New	Old
Hilton Grand Vacations (HGV)	\$49	\$41
Park Hotels & Resorts (PK)	\$17.50	\$16.00

Source: BofA Global Research

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Q4 Lodging/Leisure Wrap

Exhibit 2: Q4 EBITDA was +4% ahead of us and consensus, on average
Reported Q4 Adj. EBITDA variance to BofA and Street estimates

Stock	Reported EBITDA	BofA	% Var	Cons.	% Var
C-Corps					
MAR	\$1,197	\$1,140	5%	\$1,146	4%
HLT	\$803	\$759	6%	\$759	6%
H	\$241	\$236	2%	\$237	2%
CHH	\$125	\$123	2%	\$121	3%
WH	\$154	\$156	-1%	\$153	1%
Lodging REITs					
HST	\$378	\$372	2%	\$374	1%
DRH	\$57	\$56	2%	\$57	0%
PEB	\$63	\$61	5%	\$58	9%
APLE	\$91	\$87	4%	\$89	2%
PK	\$163	\$163	0%	\$160	2%
SHO	\$55	\$52	4%	\$50	9%
RHP	\$187	\$187	0%	\$183	3%
INN	\$46	\$45	4%	\$44	6%
RLJ	\$79	\$79	1%	\$77	3%
Leisure					
PLYA	\$61	\$52	18%	\$53	16%
VAC	\$186	\$170	9%	\$179	4%
HGV	\$282	\$268	5%	\$262	8%
TNL	\$240	\$236	2%	\$237	1%

Source: Bloomberg, BofA Global Research

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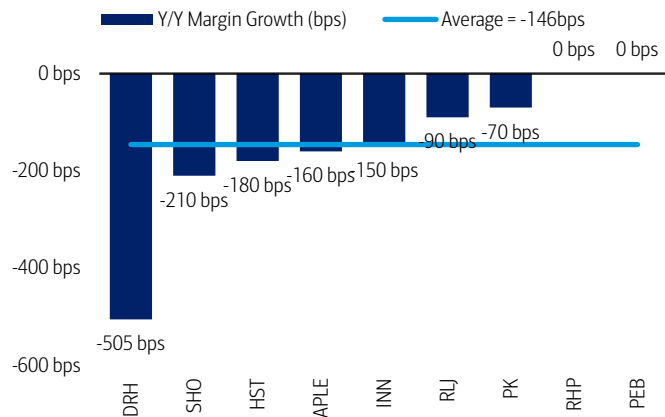
Exhibit 3: Hyatt and leisure outperformed since earnings
Stock performance by company

Stock	1 Day Return	vs. S&P 500	Since Earnings	vs. S&P 500	YTD Return	vs. S&P 500
H	11%	11%	13%	13%	20%	12%
TNL	6%	5%	8%	6%	15%	6%
VAC	10%	7%	6%	4%	10%	2%
PLYA	3%	3%	4%	4%	10%	2%
PK	5%	5%	4%	4%	7%	-1%
HLT	1%	0%	5%	2%	14%	6%
RLJ	-1%	-1%	2%	2%	2%	-6%
SHO	0%	0%	1%	1%	4%	-4%
DRH	0%	0%	1%	0%	2%	-7%
HST	2%	0%	3%	0%	6%	-2%
MAR	-6%	-4%	0%	-1%	14%	6%
APLE	0%	0%	-1%	-1%	-4%	-12%
RHP	-1%	-1%	-2%	-2%	7%	-1%
INN	-3%	-3%	-3%	-3%	-4%	-13%
WH	2%	1%	-2%	-4%	-3%	-12%
CHH	-3%	-2%	-5%	-6%	-1%	-9%
PEB	-3%	-5%	-5%	-7%	3%	-5%
HGV	-8%	-8%	-8%	-8%	12%	4%

Source: Bloomberg, BofA Global Research

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Exhibit 4: Lodging REIT EBITDA margins were flat to down in Q4
Hotel EBITDA margins 4Q23 vs. 4Q22



Note: Sunstone margin decline excludes a -50bps impact from the conversion of the Confidante Miami Beach to the Andaz

Source: Company filings, BofA Global Research

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Exhibit 5: C-Corp guides were +4% ahead, REITs +1%, leisure -1%
2024E Adj. EBITDA company outlooks vs. BofA/consensus

Company	2024 EBITDA Guidance	BofA	% Var.	Cons.	% Var.
H	\$1,200	\$1,080	11%	\$1,112	8%
CHH	\$590	\$581	2%	\$566	4%
RHP	\$763	\$730	4%	\$741	3%
WH	\$695	\$674	3%	\$676	3%
HLT	\$3,355	\$3,216	4%	\$3,283	2%
HST	\$1,635	\$1,621	1%	\$1,610	2%
APLE	\$463	\$447	4%	\$456	1%
SHO	\$243	\$243	0%	\$239	1%
RLJ	\$375	\$374	0%	\$371	1%
PK	\$665	\$660	1%	\$659	1%
MAR	\$4,945	\$4,961	0%	\$4,936	0%
DRH	\$275	\$265	4%	\$276	0%
HGV	\$1,230	\$1,228	0%	\$1,237	-1%
PEB	\$347	\$351	-1%	\$350	-1%
TNL	\$920	\$834	10%	\$933	-1%
INN	\$194	\$202	-4%	\$197	-1%
VAC	\$780	\$757	3%	\$792	-1%

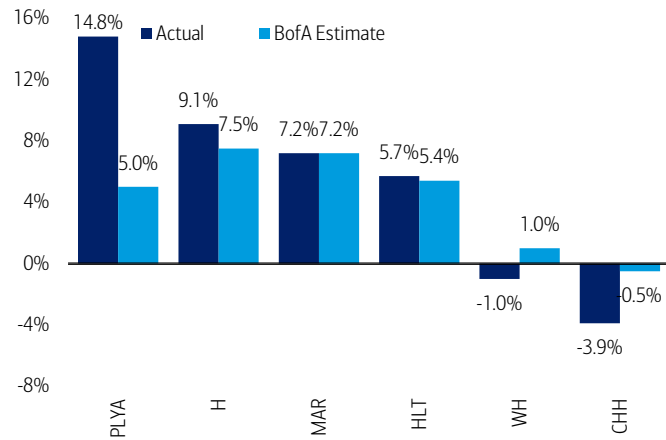
Note: HGV BofA and consensus estimates adjusted for \$150-160M of legacy BVH EBITDA and \$50M of incremental cost synergies

Source: Company filings, BofA Global Research

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Exhibit 6: 3 out of 6 C-corps reported RevPAR ahead of our estimates

4Q23 C-Corp RevPAR Variance vs BofA estimates

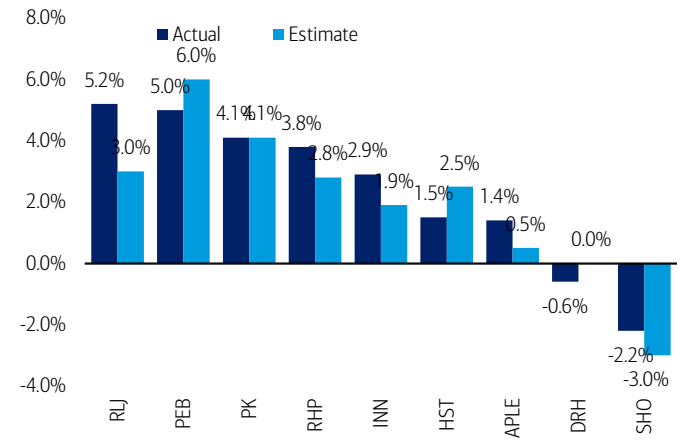


Source: Company filings, BofA Global Research

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Exhibit 7: Lodging REIT RevPAR was in-line with our estimates

4Q23 Lodging REIT RevPAR Variance vs BofA estimates

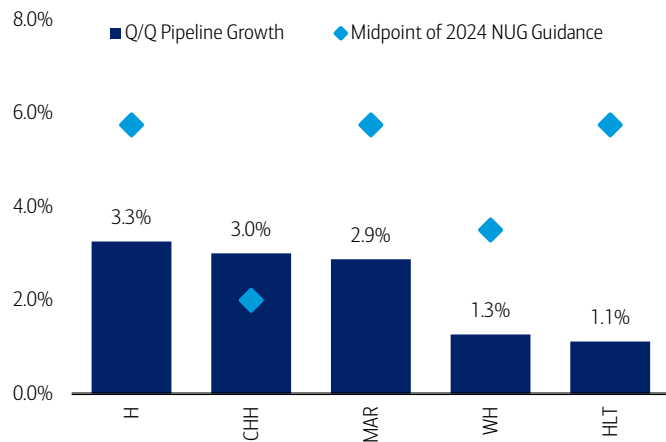


Source: Company filings, BofA Global Research

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Exhibit 8: All 5 C-corps grew their pipelines sequentially

4Q23 sequential pipeline growth and 2024E unit growth outlooks



Note: Choice (CHH) net unit growth outlook and pipeline data is domestic only

Source: Company filings, BofA Global Research

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Exhibit 9: We tweak our models to account for recent earnings and guidance

Summary of estimate changes (\$M)

	2024E			2025E		
	New	Old	% Chng.	New	Old	% Chng.
PK	\$663	\$660	1%	\$680	\$671	1%
RLJ	\$381	\$374	2%	\$385	\$377	2%
INN	\$194	\$202	-4%	\$189	\$197	-4%
WH	\$678	\$681	0%	\$700	\$703	0%
HGV	\$1,228	\$1,023	20%	\$1,240	\$1,022	21%

Source: BofA Global Research estimates

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Exhibit 10: Stocks mentioned

Rating and price summary

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
HGV	HGV US	Hilton Grand Vacations	US\$ 45.13	C-2-9
HLT	HLT US	Hilton Worldwide	US\$ 204.88	B-1-7
HST	HST US	Host Hotels	US\$ 20.95	B-1-7
H	H US	Hyatt Hotels	US\$ 157.85	B-1-7
MAR	MAR US	Marriott Intl.	US\$ 250	B-1-7
PK	PK US	Park Hotels & Resort	US\$ 17.3	C-2-7
RLJ	RLJ US	RLJ Lodging Trust	US\$ 12.18	B-3-7
RHP	RHP US	Ryman	US\$ 119.24	C-1-9
INN	INN US	Summit Hotel Prop	US\$ 6.55	C-3-7
WH	WH US	Wyndham Hotels	US\$ 75.97	B-1-7

Source: BofA Global Research

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Price objective basis & risk

Hilton Grand Vacations Inc (HGV)

Our \$49 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 \$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.

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 \$165 PO is based on approximately 15x 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 \$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.

Park Hotels & Resorts Inc. (PK)

Our \$17.50 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.

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 14x 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.

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.

Wyndham Hotels & Resorts, Inc. (WH)

Our \$85 price objective is based on approximately 13x our 2025E 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.

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.

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

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.

INCOME RATINGS, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. *Coverage Cluster* is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Global Research report referencing the stock.

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