Equity Research Report

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CONSUMER: Lodging

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Reasons for this report

✓ Data-Driven Analysis

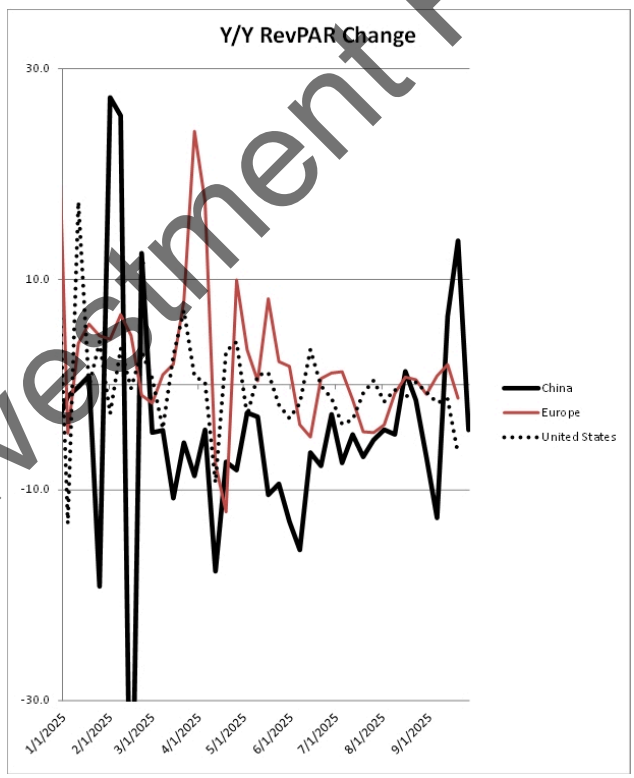
International hotels' RevPAR last week: China -4.3% y/y, Europe -1.3% y/y.

China: Per STR/CoStar for the week ending September 27th, hotel RevPAR in China in local currency was -4.3% y/y vs. +13.7% y/y in the prior week. Last week's RevPAR was up against a -0.7% y/y comparable result in 2024 vs. -15.8% y/y in the prior week. This compares to the 10-week trailing average of -1.8%. We note that the Mid-Autumn Festival begins in 2025 on October 1st and lasts through October 8th.

Europe: RevPAR in Europe in Euros was -1.3% y/y vs. +1.9% in the prior week. Last week's RevPAR was up against a +10.9% comparable result in 2024 and +5.4% in the prior week. This compares to the 10-week trailing average of -1.2%.

Overall U.S. RevPAR was -6.6% y/y, below the prior week's result of -1.4% y/y and below the trailing 10-week average of -1.4% y/y.

Exhibit 1:



Source: STR, Truist Securities Research

RevPAR detail for week ending September 27th vs. trailing 28 days:

China (local currency):

- RevPAR was -4.3% y/y for the week ending September 27th, **lower than** the +0.6% for the trailing 28 days.
- ADR was +2.2% y/y for the week ending September 27th, **higher than** the +1.0% for the trailing 28 days.
- Occupancy was -6.3% y/y for the week ending September 27th, **lower than** the -0.3% for the trailing 28 days.

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Europe (in Euros):

- RevPAR was -1.3% y/y for the week ending September 27th, **lower than** the +0.1% for the trailing 28 days.
- ADR was -1.6% y/y for the week ending September 27th, **lower than** the +0.2% for the trailing 28 days.
- Occupancy was +0.3% y/y for the week ending September 27th, **higher than** the -0.1% for the trailing 28 days.

EBITDA and rooms exposure by region:

EBITDA: Hyatt (H, Buy), InterContinental (IHG, NR), and Marriott (MAR, Hold) are among the Lodging C-corps that have the greatest exposure to Europe and Asia. From Europe, MAR generates approximately 15% of EBITDA, IHG 15%, Wyndham (WH, Buy) less than 5%, H roughly 5%, and Hilton (HLT, Hold) 10% each. Of these companies, H and MAR have the greatest exposure to Asia (~10-20% of EBITDA). HLT is approximately 10%. Each of the other companies generates 5% to 10% of EBITDA from the Asia-Pacific region. Following the Apple Leisure Group acquisition, H has a relatively high ~25% exposure to the Americas ex-US/Canada.

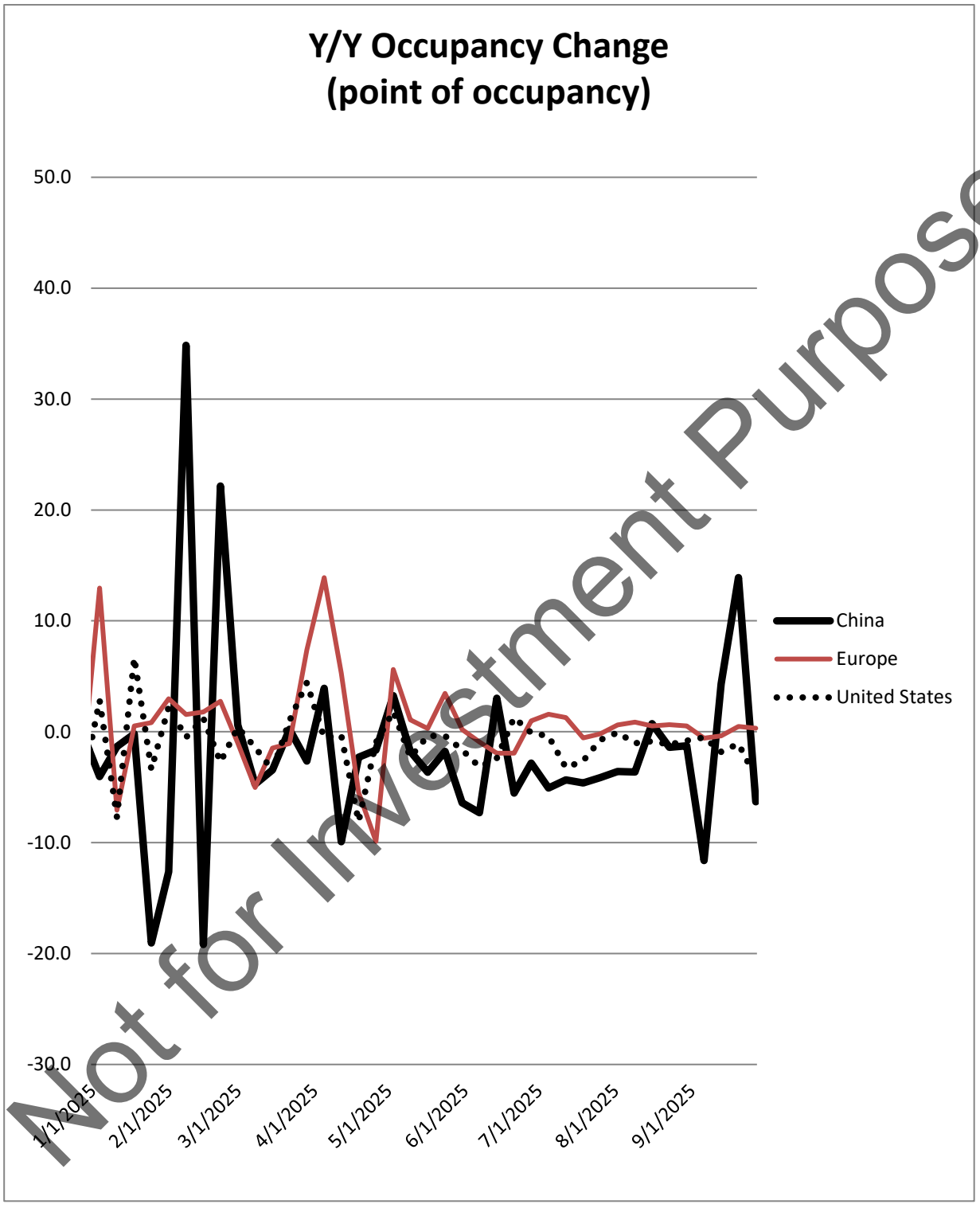
- In a normalized environment, Greater China inclusive of Macau and Hong Kong generally represents half of the Asia-Pacific EBITDA from the C-corps.

Rooms (as of 4Q24; figures may not round to 100%):

- Choice Hotels (CHH, Hold):
  - Domestic: 78%
  - Asia-Pacific: 4%
  - Europe/Middle East: 9%
  - Latin America & Canada: 8%
- H (includes owned/leased hotels):
  - United States: 46%
  - Americas (ex U.S.): 17%
  - Greater China: 13%
  - Asia Pacific (ex Greater China): 10%
  - Europe: 11%
  - Middle East/Africa: 3%
- HLT:
  - US: 65%
  - Americas: 6%
  - Europe: 10%
  - Middle East/Africa: 3%
  - Asia Pacific: 16%
- IHG:
  - Americas: 55%
  - EMEAA: 27%
  - Greater China: 20%
- MAR (ex-timeshare):
  - North America: 62%
  - Europe: 9%
  - Middle East/Africa: 5%
  - Asia Pacific: 19%
  - Caribbean/Latin America ("CALA"): 5%
- WH:
  - US: 56%
  - Canada: 4%
  - Greater China: 20%
  - Rest of Asia: 4%
  - Europe/Middle East/Africa: 10%
  - Latin America: 5%

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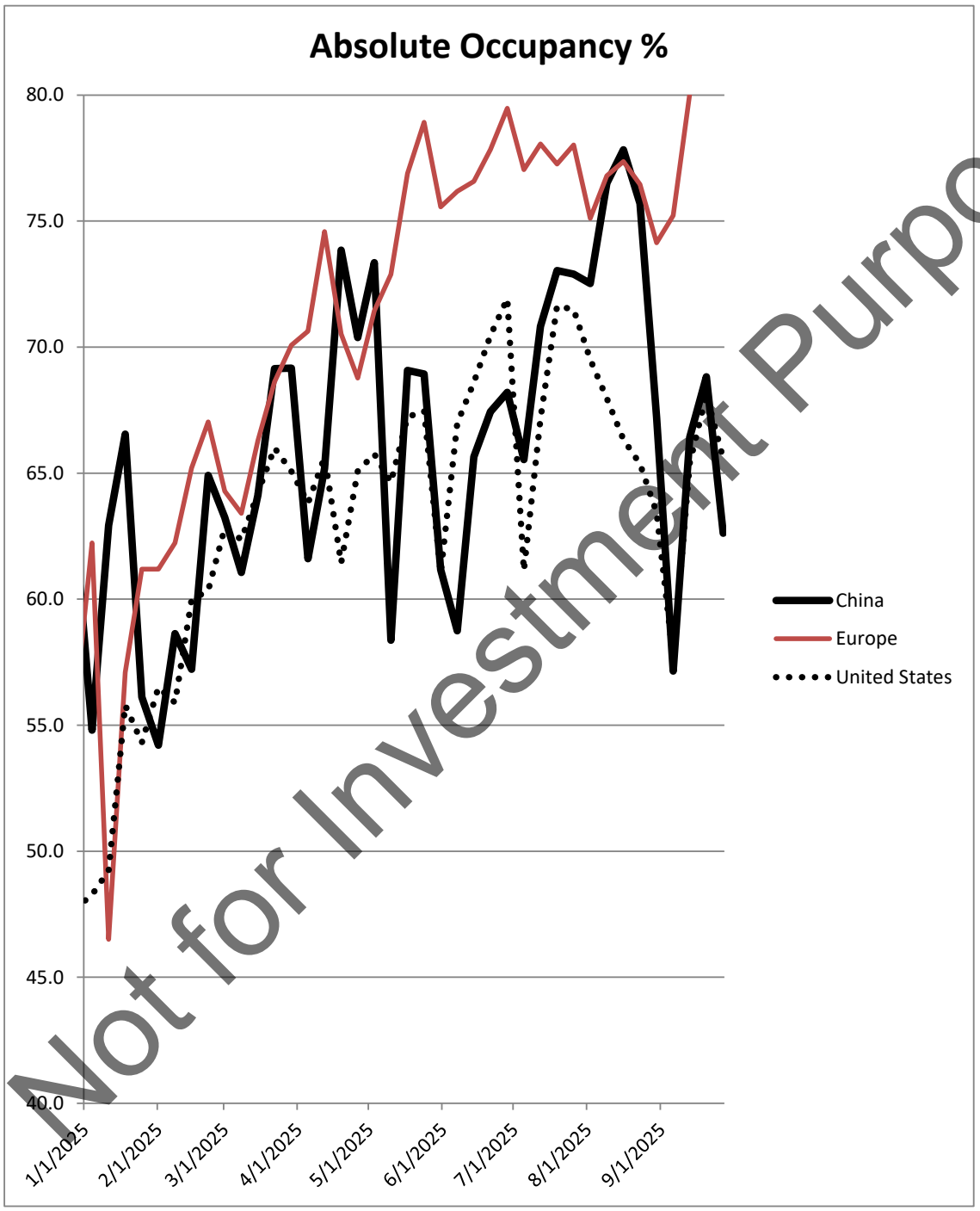
Exhibit 2: Y/Y Occupancy change for China, Europe, US



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Source: STR, Truist Securities research

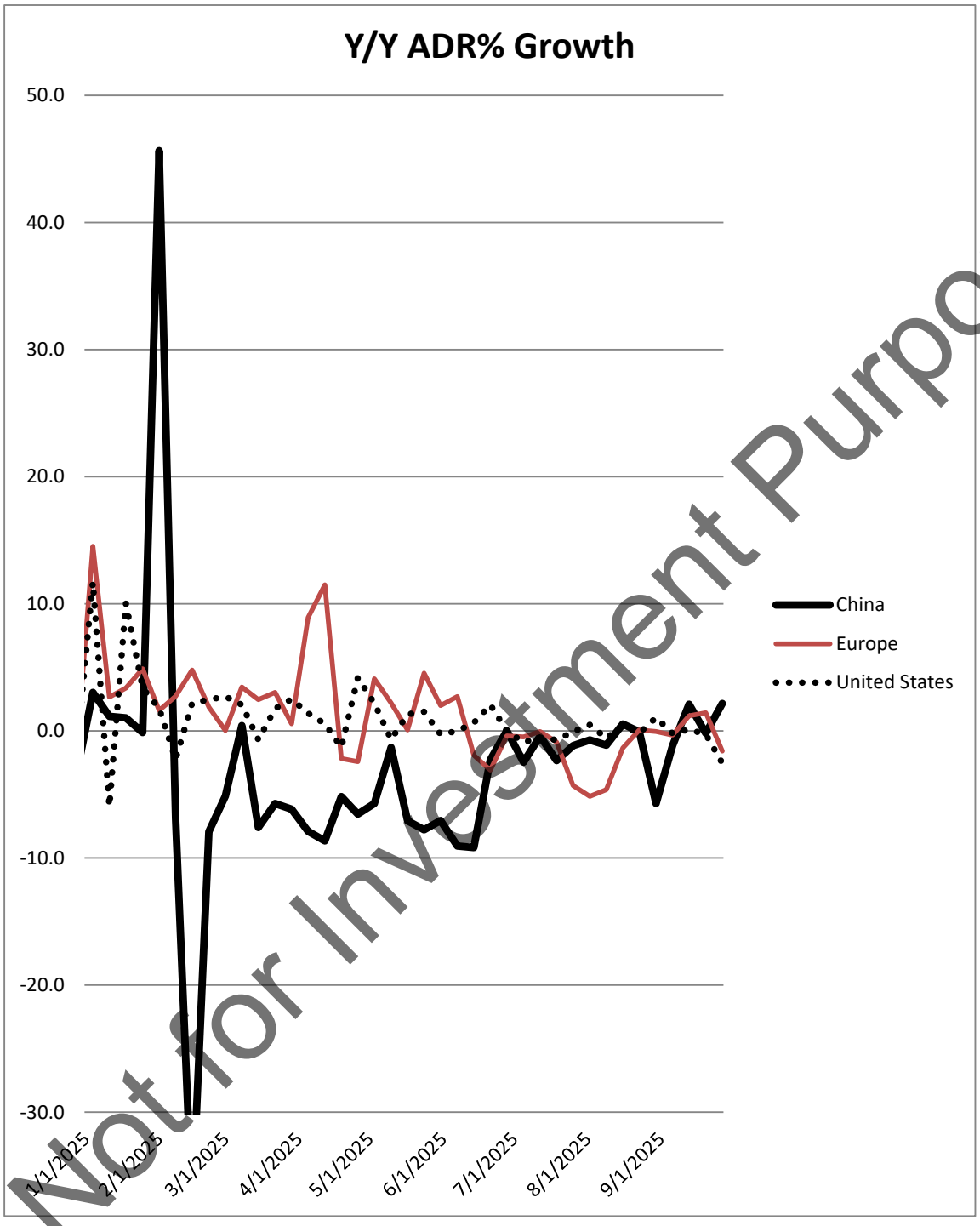
Exhibit 3: Absolute Occupancy % for China, Europe, US



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Source: STR, Truist Securities research

Exhibit 4: Y/Y ADR % change for China, Europe, US



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Source: STR, Truist Securities research

CHH: Valuation and Risks

Our price target of $128 for CHH is derived by applying a 13.0x target EV/EBITDA multiple (slightly above industry average and in the midpoint of CHH's historical trading multiple range) to our estimate for 2026 EBITDA.

Risks to our rating and price target include: Upside risks: conservative guidance, if the economy performs better than expected, outperformance by Radisson. Downside risks: slowdown in development opportunities, high construction costs, newly created brands grow slower than expectations, and underperformance by Radisson.

H: Valuation and Risks

Our price target of $159 is derived by applying a 15.4x target EV/EBITDA multiple (a blended average of the industry multiples for each business segment) to our estimate for 2026 EBITDA. Our sum-of-the-parts analysis on our 2026 segment multiple assumptions include (12.5x owned EBITDA u/c, 16.5x fees EBITDA (up from 16.0x prior)) and other segments/ALG (10-12x, u/c).

Risks to our rating and price target: Material labor issues to owned hotels. Regional risks to the Caribbean including material new competitive supply growth. H pipeline growth slower than expected. Apple Leisure Group underperforms Hyatt's guidance.

MAR: Valuation and Risks

Our $278 price target is based on a 16.7x blended multiple on our 2026E EBITDA. In the parts, we assign a 12.0x multiple of EBITDA to the Owned segment and 17.0x fees EBITDA (the fees EBITDA also includes credit card branding fees, a 10x multiple business) to the managed/franchised business. The multiple is towards the higher end of the historical range of 9-18x.

Risks to our rating and price target:

Upside Risks: Significant U.S macroeconomic improvement results in large recovery in transient corporate and group/convention demand. Owned assets sell for premium prices relative to MAR expectations. Supply growth is stronger than expectations. Consolidation in the lodging industry benefits MAR.

Downside Risks: Deep macroeconomic recession. Geopolitical, inflation, and policy risks negatively impact lodging demand. Inability to grow pipeline in line with Street expectations.

HLT: Valuation and Risks

We apply a blended multiple of 17.6x (11.0x for Owned/leased and 18.0x for Managed/franchised) to our 2026 adjusted EBITDA estimate to derive a price target of $246. This multiple is above the high end of the historical range of 10x-16x which we view as appropriate based on current trading fundamentals/flight to quality consumer stocks and HLT's improved EBITDA margins since 2019.

Risks to our rating and price target:

Upside risks include: Higher than expected pipeline growth, material RevPAR growth (macroeconomic improvement beyond expectations), material market share gains.
Downside risks include: Growth trajectory could disappoint. Pipeline growth could either slow down or projects scheduled for construction could be canceled, which would diminish system growth for the firm and disappoint investors.

WH: Valuation and Risks

Our price target of $101 for WH is based on a 14.0x target EV/EBITDA multiple (in line with portfolio quality/RevPAR relative to peers) of our 2026 EBITDA estimate.

Risks to our rating and price target: Slowdown in development opportunities. Macro demand/pipeline headwinds.

Companies Mentioned in This Note

Choice Hotels International, Inc. (CHH, $106.91, Hold, C. Patrick Scholes)
Hyatt Hotels Corporation (H, $141.93, Buy, C. Patrick Scholes)
Hilton Worldwide Holdings Inc. (HLT, $259.44, Hold, C. Patrick Scholes)
Marriott International, Inc. (MAR, $260.44, Hold, C. Patrick Scholes)
Wyndham Hotels & Resorts, Inc. (WH, $79.90, Buy, C. Patrick Scholes)
InterContinental (IHG, Not Rated)

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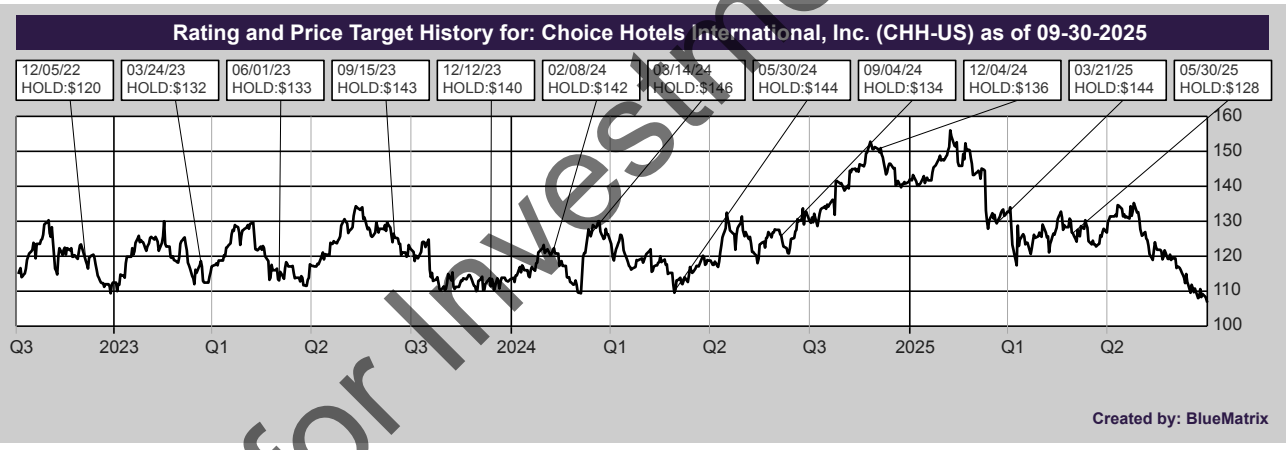
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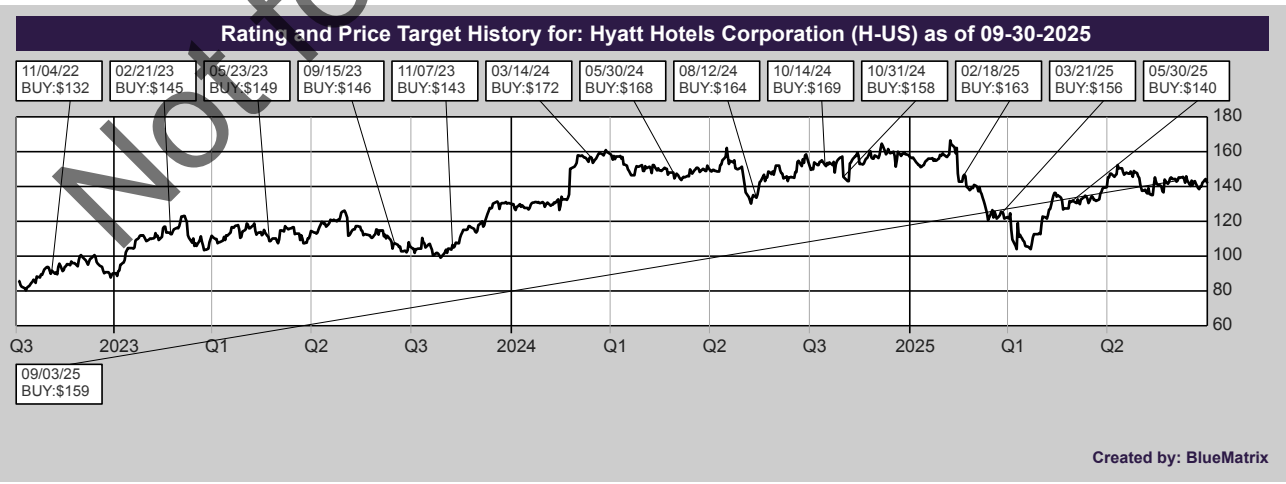
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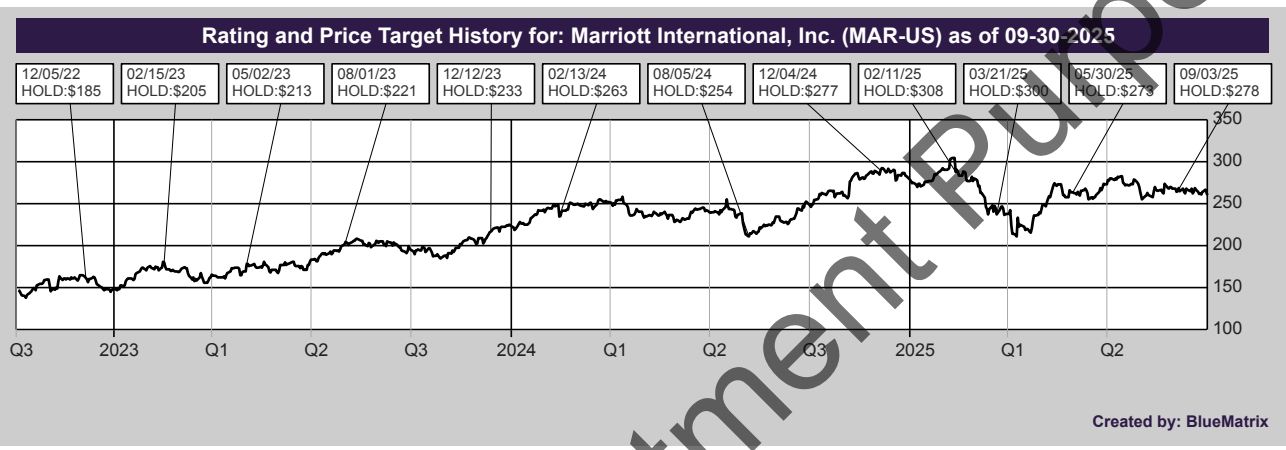
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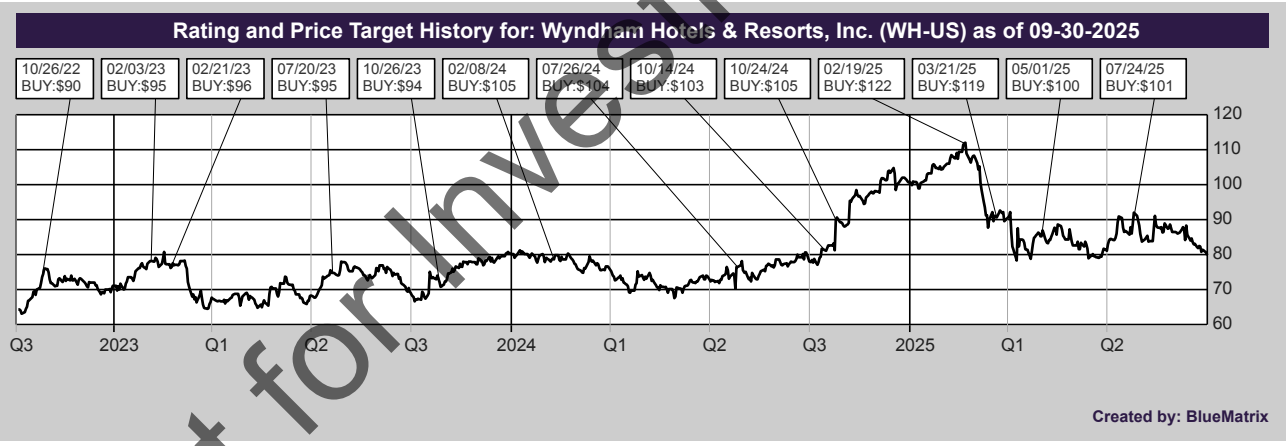




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