

A modern lounge interior with a bar, a sofa, and a striped rug. The bar is on the left, and the sofa is in the center. The room has a dark ceiling and a striped rug. The text "hotel AVE" is overlaid on the image.

hotel AVE

Q3 2023 EARNINGS CALL SUMMARIES

EXECUTIVE SUMMARY

- ✓ Q3 2023 U.S. RevPAR change was -8.6% to 6.2% driven by growth in occupancy and decline in ADR. Leisure reliant brands reported slowest (zero or negative) RevPAR change.
- ✓ Full year guidance implies Q4 2023 RevPAR change will be negative, despite inflationary growth guidance for the same period.
- ✓ Leisure demand showed softness this quarter, especially for resorts and urban market hotels. Several companies cited rebounding international outbound travel and cruise lines as significant contributing factors.
- ✓ Business demand has recovered 84% to 90% since the pandemic, and more “normal growth” is expected moving forward. Corporate rate growth is in mid- to high-single digits (Marriott, Hyatt).
- ✓ Group Revenue OTB for Q4 2023 is 6% to 18% ahead of STLY and 2024 is 8% to 23% ahead of STLY.
- ✓ 2023 EBITDA margin is declining vs STLY due to higher operating and fixed costs, including property taxes, property insurance costs, incentive management fees, and utilities. Labor rate pressures have gradually eased to 3% to 6%, and labor cost increases are primarily due to change in guest volume.

FORWARD-LOOKING COMMENTARY

3Q23 Performance

- ✓ 3Q23 RevPAR growth primarily driven by strong occupancy growth. Strong global RevPAR performance reflects a surge in international travel.
- ✓ Global brands reported strong 3Q23 RevPAR increases; domestic-focused brands reported continued RevPAR growth driven by occupancy.

RevPAR guidance implies FY23 growth at 8% to 12% except for leisure reliant companies.

- ✓ Most brands increased RevPAR guidance on earnings calls for FY23.
- ✓ Hilton and Marriot YE guidance implies 4.0% and 3.5% RevPAR growth for 4Q23.

RevPAR Guidance									
	Q3 2023 Actual		T9 2023 Actual		Q4 2023 Change vs Q4 2022		FY 2023 Change vs 2022		Geographic Guidance
	US	Global	US	Global	Low	High	Low	High	
Choice	-0.8%	-	1.4%	-	-	-	1.0%	1.0%	U.S.
Wyndham	-1.0%	16.0%	-	-	-1.0%	3.0%	4.0%	6.0%	Global
Hilton	3.0%	6.8%	9.0%	14.9%	4.5%	5.5%	12.0%	12.5%	U.S.
Hyatt	2.9%	8.9%	10.9%	19.8%	-	-	15.0%	16.0%	Global
Marriott	4.3%	8.8%	10.8%	17.5%	3.0%	4.0%	8.0%	9.0%	U.S.
Braemar	-8.9%	-	3.7%	-	-	-	-	-	U.S.
DiamondRock	-1.1%	-	4.2%	-	-	-	-	-	U.S.
Sunstone	0.0%	-	9.7%	-	-6.0%	-3.0%	-	-	U.S.
Host	1.7%	1.8%	9.9%	10.4%	-	-	7.3%	8.8%	Global
Pebblebrook	-1.1%	-	4.0%	-	1.0%	4.0%	3.3%	4.0%	U.S.
Park Hotels	2.8%	-	10.3%	-	-	-	7.5%	9.0%	U.S.
Ryman Hospitality Properties	6.2%	-	18.2%	-	-	-	11.5%	12.5%	U.S.

NOTE: Geographic Guidance determines whether RevPAR projections for future periods is global (systemic) or U.S. (domestic). It applies to the quarterly, full year, and next year low/high growth projections.

LEISURE & BUSINESS TRANSIENT COMMENTARY

Leisure

3Q23

- ✓ Leisure demand declined in resorts and resort markets due to cruises and international travel (PEB, Sunstone, Braemar).
- ✓ Urban properties benefitted from recovering leisure travel to cities with concerts, sporting events, and festivals (PEB).

Forward

- ✓ Multiple brands cited significant RevPAR growth driven by continued strong international performance and healthy global lodging demand. (Marriott, Hilton, Hyatt).
- ✓ ALG's (Hyatt's All-Inclusive Portfolio) 1Q24 pace is 12% ahead of STLY.

Business Transient

3Q23

- ✓ BT recovery has slowed, with demand settling at 84% to 90% of pre-COVID levels. Recovery-based growth has essentially ended, and pre-COVID growth patterns are expected to continue.
- ✓ BT revenue growth averaged +7% to +9% Y/Y in 3Q23, driven by continued success from small-to-medium business focused strategies, but large consulting, audit, and tech firms are beginning to return (Hilton, Host, DiamondRock).
- ✓ Marriott reported 4% Y/Y growth in 3Q23.

Forward

- ✓ More companies are pushing return-to-office mandates, and there is a high historical correlation between business travel growth and GDP growth (PEB).
- ✓ BT revenue is nearing pre-COVID revenue, with anticipated growth to come from rate (Sunstone, Ryman).

GROUP COMMENTARY

Group revenue growth shows strong Q4 2023

- ✓ Booking windows are still extending to accommodate growing demand.
- ✓ Group bookings are being driven by both corporate group recovery and social.
- ✓ The return of “mega-group” bookings and pent-up demand allowed RevPAR to exceed 2019 peak levels for the first full quarter since the pandemic (Hilton).
- ✓ There is a 10% Y/Y increase in definite room nights booked for all future dates (Ryman).

2024 group revenue growth will be strong, albeit decelerating from 2023

- ✓ Group demand and revenue for 2024 continues with solid forward bookings.
- ✓ 2024 and 2025 revenue is ahead of STLY by 10% and 12%, respectively (Ryman).
- ✓ U.S. group revenue for 4Q23 is ahead by 6 to 12% vs STLY.
- ✓ U.S. group revenue for 2024 is ahead by 8% to 23% vs STLY, with rate growth ranging 2% to 5%.

	Group Demand & Rate vs. Comparable Period							Geographic Guidance
	Q4 2023	Full Year 2023			Full Year 2024			
	Revenue	RN Pace	ADR	Revenue	RN Pace	ADR	Revenue	
Braemar	-	-	-	+15%	-	-	+17%	U.S.
Pebblebrook	+18%	-	-	-	+9%	+2%	+11%	U.S.
DiamondRock	-	-	-	-	-	-	+23%	U.S.
Host	+10%	+10%	+7%	+20%	-	-	+13%	Global
Ryman	-	+13%	+1%	-	-	-	+10%	U.S.
Sunstone	+6%	-	-	-	-	-	-	U.S.
Hilton	-	-	-	-	-	-	+18%	Global
Hyatt	+7%	-	-	-	-	-	+8%	U.S.
Park Hotels	-	-	-	-	-	-	+18%	U.S.
Marriott	+12%	-	-	+19%	+9%	+5%	+14%	U.S.

Percentages are provided by the public companies or inferred from transcripts by hotelAVE

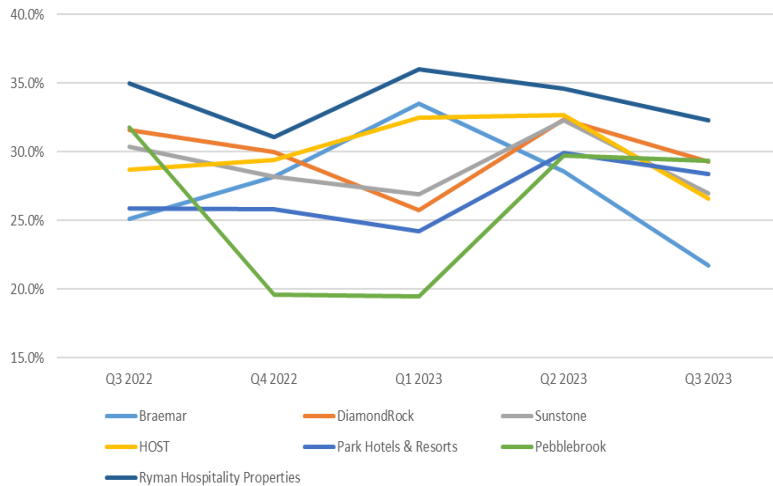
NOTE: Geographic Guidance determines whether Group Demand & Rate projections for future periods are global (systemic) or U.S. (domestic). It applies to all figures listed in the same row.

INDUSTRY MARGINS CONTRACTING IN 2023

3Q23 EBITDA margins show Y/Y declines ranging from -210 to -340 basis points.

EBITDA MARGIN									
	FY 2023 Forecast	Q4 '23 vs Q4 '22 (Forecast)	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q3 '23 vs Q3 '22 Y/Y Margin Chg.	Q3 '23 vs Q3 '22 Basis Points Chg
Braemar	-	-	21.7%	28.6%	33.5%	28.2%	25.1%	-13.5%	-340 bps
DiamondRock	-	-	29.3%	32.4%	25.8%	30.0%	31.6%	-7.3%	-230 bps
Sunstone	-	-	27.0%	32.3%	26.9%	28.2%	30.4%	-11.2%	-340 bps
HOST	29.7% to 30.1%	-	26.6%	32.7%	32.5%	29.4%	28.7%	-7.3%	-210 bps
Park Hotels & Resorts	-0.4% to 0.1%	-	28.4%	29.9%	24.2%	25.8%	25.9%	9.7%	250 bps
Pebblebrook	-5.4% to -3.7%	-9.8% - 0.3%	29.4%	29.7%	19.5%	19.6%	31.8%	-7.6%	-242 bps
Ryman Hospitality Properties	-	-	32.3%	34.6%	36.0%	31.1%	35.0%	-7.7%	-270 bps

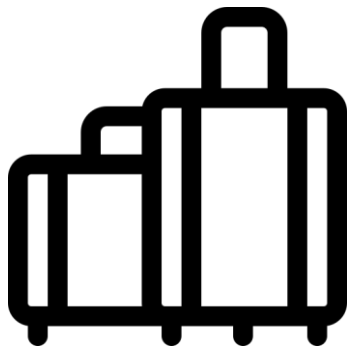
EBITDA Margins for REITs



REITs reported sharp rises in non-labor expenses.

- ✓ Labor finally stabilized. Wage growth has slowed, ranging from 4% to 5% in 2Q23 and 3% to 6% in 3Q23. Increased labor costs correlate with increased guest volume.
- ✓ Credit card commissions, franchise fees, and management fees have increased by 10% to 45%.
- ✓ Property tax, real estate tax, incentive fee, and utility cost increases impacted EBITDA margins by 90 to 140 basis points.
- ✓ Insurance renewal costs represent 90 to 100 bps of GOP margin due to hurricanes and the Wailea fires (Ryman).
- ✓ Ryman said it needs 3.6% RevPAR growth to maintain flat margins in 2024.

AIRLINE INDICATORS



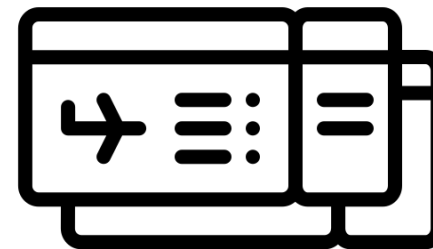
Business / Leisure Travel

- ✓ JetBlue, American Airlines, and Southwest reported business travel recovery at 10% to 20% below pre-pandemic levels. American Airlines' business demand grew 2% in Q323.
- ✓ JetBlue, American Airlines, and Southwest are utilizing points and loyalty programs to incentivize business travel recovery.
- ✓ American Airlines sees growing lift in leisure markets.



International Travel / ESG

- ✓ International demand is driving growth for U.S. airlines.
- ✓ United Airlines will bring capacity back to Chinese routes as demand slowly recovers. Asia Pacific is expected to show the strongest short-term results.
- ✓ United Airlines' international capacity increased 22%.
- ✓ JetBlue will start new routes to Paris, Dublin, and Edinburgh.



Capacity

- ✓ JetBlue projects its fares will increase by 30% once the acquisition of Spirit Airlines is complete.
- ✓ Delta will add 35K seats to its LATAM/Caribbean winter 2023 schedule.
- ✓ All airlines forecast strong holiday performance, surpassing pre-pandemic volumes.
- ✓ All airlines reported continued capacity growth vs. STLY:
 - ✓ American: +7.1%
 - ✓ Delta: +11.0%
 - ✓ JetBlue: +7.1%
 - ✓ United: +15.7%
 - ✓ Southwest: +21.0%

THANK YOU

We continue to work at the forefront of trends affecting the future of the hospitality sector. During our 20 year tenure, we have consistently delivered value added and insightful advice to our owners and clients to help them maximize their asset's performance.

Asset Management

- ✓ Ongoing
- ✓ Pre-opening
- ✓ All-inclusive
- ✓ Investment Management
- ✓ Condo and Residential Association
- ✓ Restaurant Asset Mgt
- ✓ Revenue Management
- ✓ New Development
- ✓ Project Mgt Oversight
- ✓ Owner & Pension Fund Accounting



MICHELLE RUSSO

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Advisory

- ✓ Acquisition Due Diligence
- ✓ Brand/Operator Selection and HMA negotiation
- ✓ Capital Planning /PIP Review
- ✓ Development Services
- ✓ Facility Programming
- ✓ Equity & Debt Underwriting
- ✓ Disposition Services
- ✓ Refinancing and Capital Markets
- ✓ Closing Prorations



CHRIS HAGUE

Chief Operating Officer

Asset Management

Operational Efficiency

- ✓ Labor Efficiency
- ✓ Food & Beverage Profitability
- ✓ Pre-opening Staffing Optimization
- ✓ Revenue Optimization
- ✓ Purchasing & Contract Negotiation
- ✓ Expense Reductions
- ✓ COVID-19 Operational Recovery Plan
- ✓ Carbon Footprint Calculation & Benchmarking

Lender Services

- ✓ Loan Underwriting
- ✓ Cash Flow Management
- ✓ Loan Collateral Review/Strategic Options
- ✓ Lender/Workout Strategy
- ✓ Foreclosure & Claims Breach
- ✓ Foreclosure Due Diligence
- ✓ Receivership
- ✓ REO Asset Management
- ✓ Appraisal Review
- ✓ Litigation Support



LOREN BALSAM

Chief Investment Officer

Advisory, Lender Services