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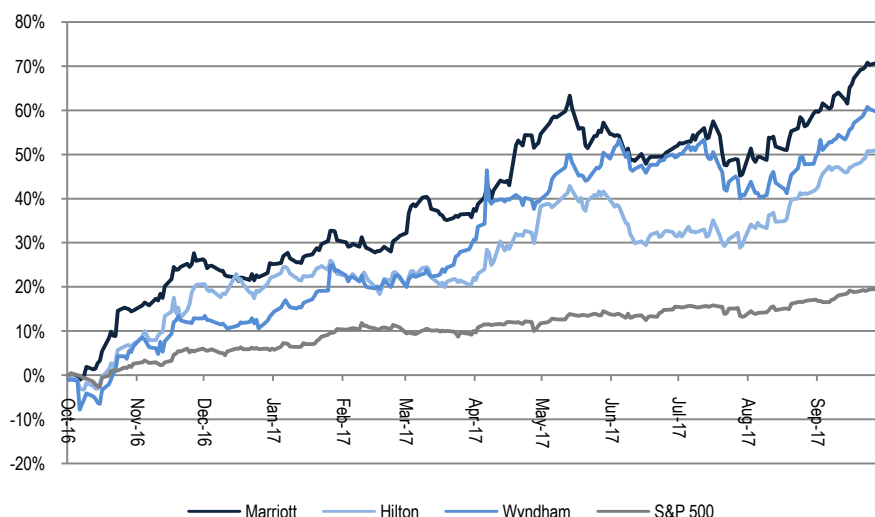
## Hotel Industry Analysis (S&P 500 Companies)

- **Marriott International Inc.** (Bloomberg Ticker: MAR:US, Listed on NYSE)
- **Hilton Worldwide Inc.** (Bloomberg Ticker: HLT:US, Listed on NYSE)
- **Wyndham Worldwide Corp.** (Bloomberg Ticker: WYN:US, Listed on NYSE)

	Marriott	Hilton	Wyndham
Share Price (in \$)	115.02	71.04	109.00
# of Shares (mn)	372.420	324.213	102.786
Market Cap (in \$ mn)	39,249.34	21,602.31	10,426.61
A.D. Volume (p)	756,300	860,742	992,720
Beta Co-efficient	1.33	1.18	1.35

Source: VRS Calculations, Reuters (10/20/2017)

Daily Returns (1Y Cumulative)



### Highlights:

- During the above 1-year period, all three stocks followed an upward trend showing high correlation with the S&P 500 index.
- Marriott International Inc. and Hilton Worldwide Inc. are expensive according to the P/E ratio (70.11x and 66.18x respectively).
- However, there is a remarkable growth potential with 69.96% and 44.81% estimated 2Y EPS CAGR for Marriott International Inc. and Hilton Worldwide Inc. respectively.
- So, by calculating the PEG ratio for both Marriott International Inc. (1.00) and Hilton Worldwide Inc. (1.48), it is clear that the stocks are not overvalued.
- Wyndham Worldwide Corp. is focused on a different business model with limited asset base, high leverage (4.72 Debt to Equity), and exceptional profitability margins (13.93% Net Margin).
- Wyndham Worldwide Corp. offers the highest Dividend Yield (1.83%) among the other two companies, having at the same time the lowest Dividend Payout Ratio of 26.36%.

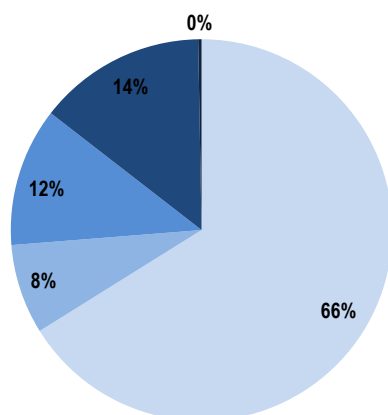
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# Industry Analysis

**FLASH NOTE**  
October 20, 2017

**Geographical Breakdown**  
(Based on the number of rooms)



- US
- Americas (excluding US)
- EMEA
- Asia Pacific
- Other

Source: 2016 Annual Reports

## BUSINESS MODEL

### Hotel Classification

Category	Marriott		Hilton		Wyndham	
	Rooms	Properties	Rooms	Properties	Rooms	Properties
Timeshare	25,936	128	7,657	47	-	-
Economy	-	-	-	-	439,887	6,069
Midscale	-	-	-	-	180,085	1,562
Upper Midscale	119,304	1,245	236,463	2,350	18,541	136
Upscale	372,123	2,652	267,589	1,629	54,143	247
Upper Upscale	567,282	1,684	270,593	833	4,951	21
Luxury	105,959	371	19,757	55	-	-
Other	-	-	112	1	-	-
<b>Total</b>	<b>1,190,604</b>	<b>6,080</b>	<b>802,059</b>	<b>4,914</b>	<b>697,607</b>	<b>8,035</b>

Source: 2016 Annual Reports

- Marriott International Inc. reports the **highest number of rooms** among the 3 companies, counting 1.19 million by 2016.
- The majority of Marriott's International Inc. rooms can be classified as Luxury and Upper Upscale, in contrast with Hilton Worldwide Inc. which is oriented mostly to Upper Upscale, Upscale and Upper Midscale rooms.
- Wyndham Worldwide Inc. is mainly **focused on Economy and Midscale** class rooms, a segment that neither Marriott International Inc. nor Hilton Worldwide Inc. operate in.

### Geographical Breakdown

Region	Marriott		Hilton		Wyndham	
	Rooms	Properties	Rooms	Properties	Rooms	Properties
US	757,205	4,314	592,774	4,029	429,020	5,525
Americas (excl. US)	98,814	440	43,283	237	62,736	695
EMEA	159,339	757	99,041	420	57,786	409
Asia Pacific	175,246	569	59,304	181	148,065	1,406
Other	-	-	7,657	47	-	-
<b>Total</b>	<b>1,190,604</b>	<b>6,080</b>	<b>802,059</b>	<b>4,914</b>	<b>697,607</b>	<b>8,035</b>

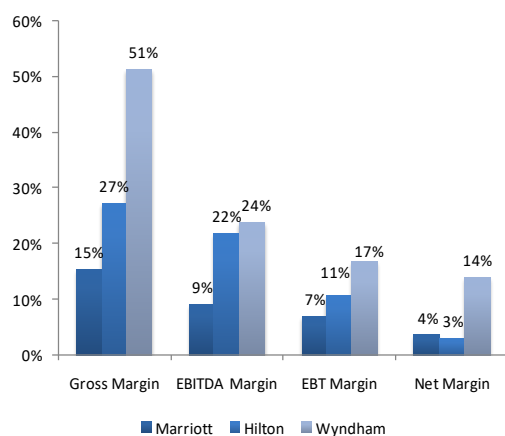
Source: 2016 Annual Reports

- On average, **66% of the available rooms are located in the US**, the most important market for all three companies operating in the hotel Industry.

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## Profitability Margins



Source: VRS Calculations, 2016 Annual Reports

## Ratio Analysis

(in \$ mn)	Marriott	Hilton	Wyndham
Revenue	17,072	11,663	5,599
Gross Revenue	2,626	3,169	2,867
<b>Gross Margin</b>	<b>15.38%</b>	<b>27.17%</b>	<b>51.21%</b>
EBITDA	1,551	2,558	1,331
<b>EBITDA Margin</b>	<b>9.09%</b>	<b>21.93%</b>	<b>23.77%</b>
EBT	1,184	1,255	940
<b>EBT Margin</b>	<b>6.94%</b>	<b>10.76%</b>	<b>16.79%</b>
Net Profit	611	348	780
<b>Net Margin</b>	<b>3.58%</b>	<b>2.98%</b>	<b>13.93%</b>
Dividend	428	272	206
<b>Dividend Payout</b>	<b>70.10%</b>	<b>78.26%</b>	<b>26.36%</b>

(in \$ mn)	Marriott	Hilton	Wyndham
Total Assets	24,410	26,211	9,819
<b>ROA</b>	<b>2.50%</b>	<b>1.33%</b>	<b>7.94%</b>
Total Equity	5,357	5,899	714
<b>ROE</b>	<b>11.41%</b>	<b>5.90%</b>	<b>109.24%</b>
Total Debt	8,506	10,812	3,371
<b>Debt to Equity</b>	<b>1.59x</b>	<b>1.83x</b>	<b>4.72x</b>
Cash	858	1,418	185

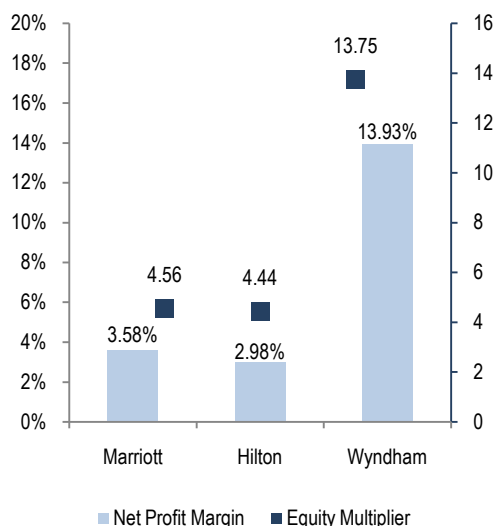
Source: 2016 Annual Reports, VRS Calculations

- The high margins of Wyndham Worldwide Inc. are attributed to its different business model which is **not based on owned hotels while it depends highly on franchised ones**.
- Although Marriott International Inc. and Hilton Worldwide Inc. have **similar business models**, the latter reports higher profitability margins due to **more efficient operation of the owned/leased and timeshared properties**.
- Hilton Worldwide Inc. incurred an **aggregate tax charge of \$513 million** during Q4 2016 related to a corporate restructuring which **burdened significantly the Net Margin (2.98%)**.
- Wyndham Worldwide Inc. has a remarkable **7.94% ROA due to the limited asset base** deriving from its flexible business model.
- Wyndham Worldwide Inc. is **highly leveraged** compared to Marriott International Inc. and Hilton Worldwide Inc. with a **4.72x Debt to Equity Ratio**

### Important Note:

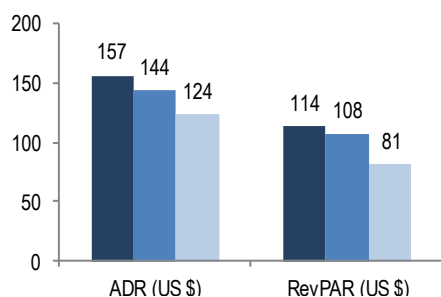
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## Net Profit Margin – Equity Multiplier



Source: VRS Calculations, 2016 Annual Reports

## Room Revenue Analysis



Source: VRS Calculations, 2016 Annual Reports

## Du Pont Analysis

	Marriott	Hilton	Wyndham
Net Profit Margin [A]	3.58%	2.98%	13.93%
Asset Turnover [B]	0.70	0.44	0.57
Equity Multiplier [C]	4.56	4.44	13.75
<b>ROE [AxBxC]</b>	<b>11.41%</b>	<b>5.90%</b>	<b>109.24%</b>

Source: 2016 Annual Reports, VRS Calculations

- Wyndham Worldwide Inc. has an **outstanding 109.24% ROE** driven by the **elevated Net Profit Margin (13.93%)** and the **impressive Equity Multiplier of 13.75**. Wyndham Worldwide Inc. is based on a flexible business model with **limited asset base, high leverage, low equity and high marginality**.
- The ROE of Hilton Worldwide Inc. is **the lowest among the three companies** mainly due to the **limited asset turnover (0.44)** compared to these of Marriott International Inc. (0.70) and Wyndham Worldwide Inc. (0.57).

## Room Revenue Analysis

	Marriott	Hilton	Wyndham
<b>ADR (US \$) – Average Daily Rate</b>	<b>156.53</b>	<b>143.63</b>	<b>123.67</b>
Occupancy Rate	72.50%	75.00%	65.50%
<b>RevPAR (US \$) – Revenue Per Available Room</b>	<b>113.50</b>	<b>107.65</b>	<b>81.19</b>

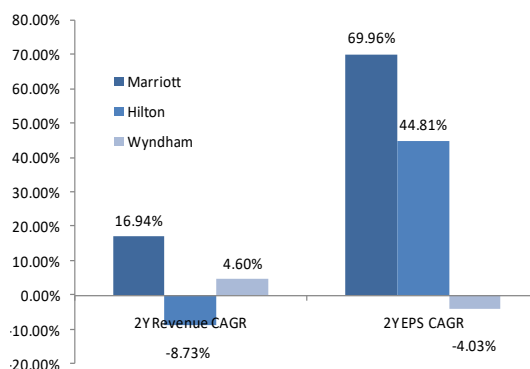
Source: 2016 Annual Reports, VRS Calculations

- Marriott International Inc. has **the highest ADR (\$156.53)** because its business model is **focused on Luxury and Upper Upscale class**. In contrast, Wyndham Worldwide Inc. reports the **lowest ADR (\$123.67)** as a result of **its orientation to Economy class**.
- Although occupancy rates for Marriott International Inc. (72.50%) and Hilton Worldwide Inc. (75%) are similar, Wyndham Worldwide Inc. reports a **significantly lower figure of 65.5%**.
- As a result, Marriott International Inc. has **the highest RevPAR of \$113.5**, followed by Hilton Worldwide Inc. with a **slightly lower RevPAR of \$107.65** and Wyndham Worldwide Inc. with **the lowest RevPAR of \$81.19**. Wyndham's low RevPAR is attributed to both **low ADR (\$123.67)** and **limited Occupancy Rate (65.50%)**.

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## Growth Potential



Source: Reuters, VRS Calculations

## Projections

(in \$ mn)	Marriott	Hilton	Wyndham
2017 Revenue Estimate	22,432	9,004	5,868
<b>2016/2017 Revenue Growth Rate</b>	<b>31.40%</b>	<b>-22.80%</b>	<b>4.81%</b>
2018 Revenue Estimate	23,345	9,716	6,126
<b>2017/2018 Revenue Growth Rate</b>	<b>4.07%</b>	<b>7.91%</b>	<b>4.38%</b>
<b>2Y Revenue CAGR</b>	<b>16.94%</b>	<b>-8.73%</b>	<b>4.60%</b>
(in \$)			
2016 EPS	1.64	1.07	7.59
2017 EPS Estimate	4.13	1.83	6.18
<b>2016/2017 EPS Growth Rate</b>	<b>151.68%</b>	<b>70.55%</b>	<b>-18.57%</b>
2018 EPS Estimate	4.74	2.25	6.99
<b>2017/2018 EPS Growth Rate</b>	<b>14.77%</b>	<b>22.95%</b>	<b>13.11%</b>
<b>2Y EPS CAGR</b>	<b>69.96%</b>	<b>44.81%</b>	<b>-4.03%</b>

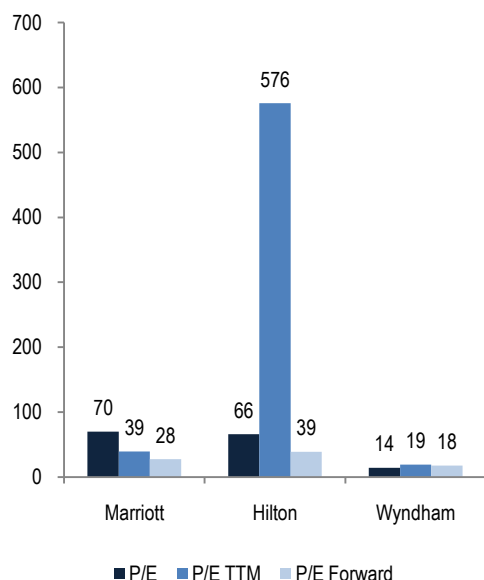
Source: 2016 Annual Reports, Reuters, VRS Calculations

- Outstanding growth potential for Marriott International Inc. with an estimated **69.96% 2Y EPS CAGR** attributed to both **16.94% 2Y Revenue CAGR** and efficiency maximization.
- We expect a **-8.73% 2Y Revenue CAGR** for Hilton Worldwide Inc. due to the "spin-off" of 2 major brands "Park" and "HGV". However, **EPS** is estimated to increase from **\$ 1.07 (2016) to \$ 2.25 (2018E)** driven by the extended cost minimization resulting from the "spin off".
- Wyndham Worldwide Inc. despite the **4.6% estimated 2Y Revenue CAGR**, is expected to report **18.57% lower Net Profit in 2017 due to a non-cash impairment charge**. However, from 2018 onwards it seems to have a significant growth potential in terms of EPS.

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P/E vs TTM P/E vs Forward P/E



Source: 2016 Annual Reports, VRS Calculations

## Valuation Ratios

	Marriott	Hilton	Wyndham
P/E	70.11x	66.18x	14.36x
P/B	8.00x	3.90x	15.69x
EV/EBITDA	32.55x	12.68x	10.81x
PEG	1.00	1.48	-3.57
Dividend Yield	1.00%	1.18%	1.83%
P/E TTM	39.19	575.80	19.35
P/E Forward	27.85	38.82	17.64
PEG TTM	0.56	12.85	-4.80

Source: 2016 Annual Reports, VRS Calculations

- Wyndham Worldwide Inc. stock trades at **14.36x its EPS** which is **the cheapest** among the three companies (using the P/E ratio). Marriott International Inc. and Hilton Worldwide Inc. stocks trade at **70.11x and 66.18x their EPS** respectively, being by far **more expensive** compared to the stock of Wyndham Worldwide Inc.
- The calculation of PEG ratio for each company using the 2Y EPS CAGR provides a completely different assessment of the stocks. In more detail, Marriott International Inc., **despite being the most expensive in terms of P/E (70.11x), is the cheapest stock (1.00) in terms of PEG** due to the outstanding 70% estimated 2Y EPS CAGR.
- PEG ratio** for Wyndham Worldwide Inc. is **negative (-3.57)** due to the estimated -4% 2Y EPS CAGR.
- EV/EBITDA** for Marriott International Inc. (**32.55x**) is considerably higher compared to that of the other two companies (12.68x and 10.81x) **due to the relatively low EBITDA margin of 9%**.
- Wyndham Worldwide Inc. has an **elevated P/B ratio (15.69x)** compared to the other two companies **due to the significantly restricted asset base**.
- Hilton Worldwide Inc. has an **unusually high TTM P/E (575.8x)** due to an extraordinary tax charge of \$513 million during Q4 2016 and the additional income from discontinued operations reported during FY 2016.

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## DISCLOSURE CHECKLIST

Covered Company	Bloomberg	Reuters	Stock Price	Date	Disclosure
MARRIOTT INTERNATIONAL INC.	MAR:US	MAR.OQ	\$ 115.02	October 20, 2017	----
HILTON WORLDWIDE HOLD. INC.	HLT:US	HLT.N	\$ 71.04	October 20, 2017	----
WYNDHAM WORLDWIDE CORP.	WYN:US	WYN.N	\$ 109.00	October 20, 2017	----

1. VRS has acted as financial consultant for the covered company within the past 24 months.
2. VRS has sent the research report to the covered company, prior to publication or dissemination, for factual verification.
3. VRS has changed the contents of the initially sent report, with respect to: factual changes have been made.
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5. VRS produces research reports for this company on systematic basis.
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