MOORE

Hotels Quarterly

A NEW BEGINNING

INTERNATIONAL HOTEL MARKET ASSESSMENT BASED ON FRESH-RELEASED DATA

FY 2022

OPENING REMARKS

Welcome to the first edition of Moore Hotels Quarterly, our worldwide hotel market snapshot, based on the latest data of internationally branded hotels, delivered quarterly.

This is the first edition of the Moore Hotels Quarterly, „A New Beginning", our newly launched recurring information piece. This short report is based on quarterly earnings reports of select leading, internationally branded hotel companies. We compiled and analysed data to draw conclusions that can be projected to the global hotel industry at large. This series will be published quarterly with the intention to become a new source of credible and interesting information for industry stakeholders of all kinds.

For data compatibility we have picked and analysed companies traded on U.S. stock exchanges, namely Marriott International (NASDAQ: MAR), Hilton Worldwide Holdings (NYSE: HLT), InterContinental Hotels Group (NYSE:IHG and LON:IHG), and Hyatt Hotels Corporation (NYSE: H).

While not being the traditional source of data for the hotel industry, quarterly earnings reports can offer valuable information when analysed thoroughly. Through careful data processing, these reports can reveal meaningful conclusions, performance indicators, and even provide limited outlooks that may not have been previously available to the public.

We hope our quarterly reports will be valuable resources, providing you with a new angle on the evolution of the industry, its news and trends.

You can subscribe to our e-mail list to receive the Hotels Quarterly at the time of its publishing.

We, at Moore, are committed to promoting sustainability, sustainable growth and inclusion in the hotel real estate and tourism industries, and looking forward to continue collaborating and encouraging interaction with industry leaders to achieve these goals.

Moore Hotel and Leisure specialises in industry-specific strategic and development advisory, working closely with owners, developers, financiers, hotel brands, hotel operators and other industry stakeholders. We lead innovation in everything we do, promoting growth and enjoying cooperation with all stakeholders from credit institutions to innovative start-ups. Drawing on our extensive global reach and local industry expertise, Moore is well-equipped to identify practical solutions for any challenge.

Thank you for choosing to be part of our journey.

Sincerely,

Marton Takacs

Global Sector Leader:
Hotel and Leisure
at Moore Global
and
Head of Hotel and Tourism Advisory
at Moore Hungary

E-mail us at: hotels@mooreglobal.hu

Global tourism exceeded all expectations in 2022, with Europe and the Middle East leading the recovery, experiencing a significant rebound in international arrivals.

In spite of the lingering effects of the pandemic and current geopolitical uncertainties in 2022, the tourism sector has displayed remarkable adaptability and has been showing robust recovery in all key performance indicators. However, the recovery was uneven, with variations observed in different markets and segments.

Domestic and short-haul tourism remained strong, sustainability was prioritised, and technology and innovation continued to shape the industry. Coordinated efforts among stakeholders have continued to be crucial for a sustainable and resilient recovery of global tourism.

Business travel started to rebound, although at a slower pace compared to leisure travel. Many businesses and organizations resumed in-person meetings, conferences, and events, leading to an increase in corporate demand, particularly in the latter half of the year.

Looking ahead to this year, the industry is cautiously optimistic and expects further recovery and growth, although uncertainties remain, including the short-term trajectory of the global economy, changing consumer behaviors, and the shadow that military conflicts cast. Hotel operators need to closely monitor the market dynamics and adapt their strategies accordingly to thrive in the evolving landscape.

Despite the experienced global disruptions, the foundations of the travel and lodging industries have held strong and the sector keeps on delivering to stakeholders.

The conclusions drawn in this report are the result of meticulous data analysis from a diverse group of randomly selected companies, as depicted below. These selected companies together represent a total geographic coverage of 108 countries across the globe and collectively comprise 22,914 internationally branded properties at the time of the preparation of this study. This robust dataset serves as a representative sample, providing valuable insights into the performance of the global hotel market.

- Marriott International
- Hilton Worldwide
- InterContinental Hotels Group
- Hyatt Hotels Corporation

108
COUNTRIES

22 914
PROPERTIES

COVERED IN THIS STUDY

Evolution of the number of branded properties in the selected companies

20 324 Properties

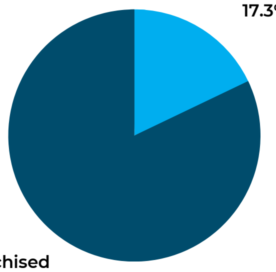
2019

12.74%

22 914 Properties

2022

Operating Structure – All properties in 2022 (%) (excluding Hyatt).

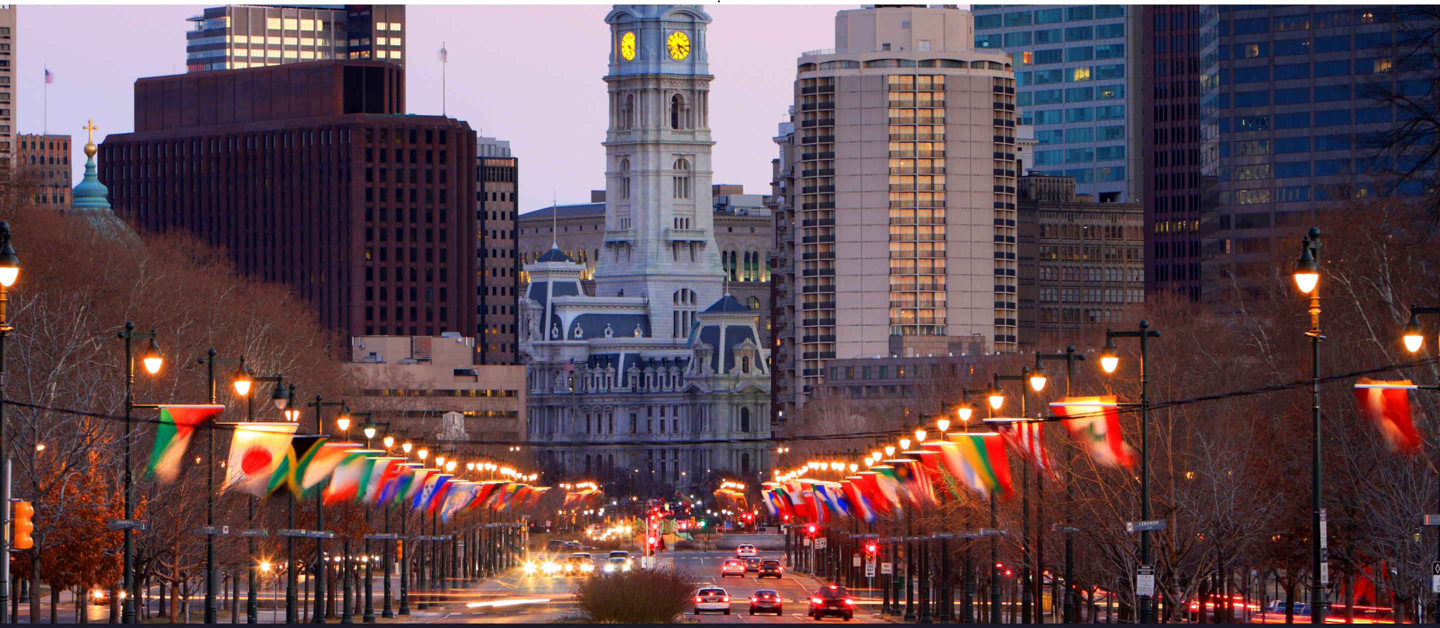


Despite the headwinds, the four hotel companies under study have defied the odds, delivering a notable surge in their combined number of branded properties. From 20,324 in 2019 (pre-pandemic), the count of these properties has soared to an impressive 22,914 by 2022, showcasing an unwavering commitment to growth and adaptability in the face of adversity. This remarkable expansion underscores the strategic approach of both global brands and the overall appeal of these hotel chains to investors. All stakeholders of the commercial real estate asset class experienced that capitalising on global brand IPs, the strength of brand awareness, and a robust sales and marketing background mitigates certain project level risks and can potentially provide a mix of advantages to owners, operators and property-level colleagues as well.

Whilst there is still diversity in the prevalent business models in the industry, the foothold of franchised properties seems to be ever expanding. While white label operators already have a significant presence in the upper-upscale and luxury supply segments, the share of brand and management agreements are still notably higher as global hotel companies are running a higher reputation risk if an operator would prove to be less diligent in these markets. White label operators must demonstrate a proven track record and credentials of the highest tier to become approved operators.

The uninterrupted rise of the franchise model is not coincidental. Leading brands have a clear value proposition to owners and operators - without them, white label operators may have limited access to centralised reservation systems, loyalty programs, a complex people operations support, and other resources that branded hotels offer. These factors all impact a hotel's visibility, distribution channels, and at the end of the day, its ability to compete with branded hotels.

Hotel owners are advised to carefully evaluate their specific needs and objectives, and thoroughly review the commercial terms and legal conditions of franchise or management agreements before making a decision. Seeking guidance from legal, financial, and a hotel advisor can also be invaluable in making an informed choice between lease, franchise and hotel management agreements in the competitive landscape of branded hotels.



GLOBAL AVERAGE KEY PERFORMANCE INDICATORS : SYSTEM-WIDE

We have calculated the Key Performance Indicators (KPIs) for the full year of 2022 and made comparisons to 2019 and 2021, respectively, based on a representative sample. Unless explicitly stated otherwise, RevPar, Occupancy, and Average Daily Rate (ADR) figures and comments pertain to average system-wide (all hotels, all segments) results in constant currency, inclusive of hotels that have been temporarily closed due to the pandemic's effects.

US$99.8
RevPar

US$154.6
Average Rate

64%
Occupancy

Key Performance Indicators / Years	2019	2021	**2022**
Average RevPAR, Global, in USD	106.5	69.8	**99.8**
Average ADR-System-wide, in USD	165.1	130.9	**154.6**
Average Occupancy Rate (%)	73%	53%	**64%**

2022 Compared to 2019:

- -6.36% in RevPar
- -6.37% in ADR
- -12.05% in occupancy

2022 Compared to 2021:

- + 42.95% in RevPar
- + 18.11% in ADR
- + 20.58% in occupancy

The branded hotels under our study demonstrated an impressive performance in 2022. Our **sample of the seleceted hotel companies surpassed the global average occupancy rate of 60% in 2022, reported by STR, by a substantial margin of 4 percentage points.**

While occupancy rates alone do not provide a complete picture of a hotel's performance, when paired with ADR figures, they do serve as a reflection of a brand's ability to attract guests and maintain higher levels of occupancies during challenging times as well.

The relevant hotel market is exhibiting signs of strong resilience as it bounces back from the pandemic-induced challenges, with key performance metrics pointing to a promising recovery. Based on the 2022 full year data of hotel companies, the average systemwide global Revenue Per Available Room (**RevPAR**) surged by an impressive 43% in 2022, rising from $69.8 in 2021 to $99.8. This recovery comes after a steep decline in 2021, when RevPAR plummeted by 34% from $106.5 in 2019 to $69.8 in 2021. The robust growth in RevPAR in 2022 underscores the hotel industry's ability to rebound from the pandemic downturn.

A similar trend was observed in the Average Daily Rate (**ADR**). Our analysis revealed that the average systemwide ADR increased by 18% in 2022, reaching $154.6, up from $130.9 in 2021. This recovery follows a decline of 21% in 2021, when ADR dropped from $165.1 in 2019 to $130.9 in 2021. The rebound in ADR in 2022 indicates that hotels have successfully regained pricing power and are able to command higher rates, reflecting improved market conditions.

Hotel **occupancy rates**, which were the most severely impacted by the pandemic, also showed positive growth in 2022. We found that the average hotel occupancy rates increased by 21%, rising from 53% in 2021 to 64% in 2022. Although still below the pre-pandemic level of 73% in 2019, the steady recovery in occupancy rates signals a gradual return of travellers to hotels.

We would like to highlight that systemwide hotel performances notably improved in spite of the significant addendum in the supply of hotel rooms (a 12.47% increase) during the same period.

The hotel market is demonstrating resilience with strong RevPAR and ADR growth in 2022, signaling a recovery from the impact of the pandemic. The rebound in key performance metrics, along with the growth in supply, reflects a positive outlook for the hotel industry. While uncertainties may persist, the data suggests a hopeful trajectory for the market as it emerges from the challenges of the past year(s).

All companies under review share the strategic priorities for 2023 that include further expanding their global footprints, accelerating digital transformation initiatives, and capitalizing on emerging growth opportunities. With robust financial positions, diversified business portfolios, globally leading hotel companies are well-positioned to navigate the evolving business landscape and deliver sustainable value to their stakeholders.

Consistent Trends with Slight Disparities in Demand Dynamics Observed in Hotel Supply Segments

Hotels show mixed supply growth in segments, with Midscale segment leading at 25% increase, and other categories at average growth rates of between 13% and 15%. Average Occupancy rates vary, with Midscale Segment reaching 73% in 2022, while Luxury Category lagged behind at 56.51%. At the same time, Average Daily Rates (ADR) surpassed 2019 levels in all segments, with Midscale and Luxury Categories exhibiting strongest growth.

Global Average Key Performance Indicators of All Hotels Under Study

Tier	Share of Tiers **	Evolution of supply***	Average Occupancy Rate			Average ADR			Average RevPAR		
			2019	2021	2022	2019	2021	2022	2019	2021	2022
Luxury	3.6%	13.3%	**73.5%**	43.4%	**56.5%**	**237.1**	228.6	**266.0**	**174.8**	99.4	**152.1**
UPPER UPSCALE	11.5%	16.0%	**75.4%**	47.4%	**63.2%**	**175.5**	158.2	**189.7**	**133.5**	75.0	**119.9**
UPSCALE	25.9%	14.4%	**75.4%**	59.1%	**67.9%**	**130.4**	117.1	**138.0**	**98.6**	69.5	**94.3**
UPPER MIDSCALE	54.8%	14.9%	**72.0%**	60.5%	**67.1%**	**114.0**	107.8	**122.3**	**82.2**	66.0	**83.0**
MIDSCALE	4.2%	24.6%	**72.9%**	70.8%	**72.7%**	**91.0**	94.2	**107.0**	**66.2**	66.3	**77.5**

*(excluding Marriott) ** Internal share of properties by tier *** Change in the number of properties by tier in per cent, between 2019 and 2022

Market data by supply segments reveal intriguing insights through key performance indicators that are sure to captivate hotel stakeholders, hiding many subtle and not so subtle trends.

Notably, revenue per available room stands out as a significant metric to gauge the industry's recovery. In particular, the Midscale, Upper Midscale, and Upscale tiers, which collectively comprise a substantial 54 percent of the total supply analysed, have displayed remarkable overall resilience. These segments has not only rebounded to pre-pandemic levels but has also surpassed them in most cases. The Midscale tier has shown remarkable growth, surging from $66.2 to $77.5, while the Upper Midscale tier has fully rebounded to its pre-pandemic value at $83 compared to $82.2 in 2019. Although the Upscale tier lags slightly behind its 2019 figures, with RevPar at $94.3 as opposed to $98.6, it already is in very close proximity to its pre-pandemic performance.

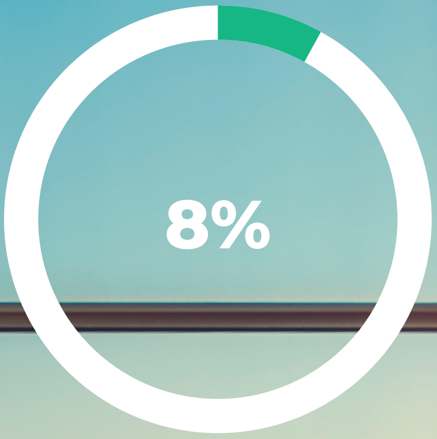
Thanks to the exceptional discipline of operators who have diligently upheld rate integrity in the face of headwinds, overall industry performance stayed resilient. Despite the setback of pandemic-induced occupancy declines, Average Daily Rates have already surpassed 2019 levels in 2021, and increased further reflecting hotels' exceptional pricing power in 2022.

The most exciting segments, as always in the hotel business, are the upper-upscale and luxury markets where a notable duality is displayed in demand patterns - traveller volumes seem to be recovering slightly slower than anticipated, but the recovery of ADRs in these segment is surpassing other market segments, achieving all-time high figures: a development that warrants close attention.

OUTLOOK: 2023 WHAT DO BRANDS ANTICIPATE

Anticipated Performance Indicators for Global Hotel Brands in 2023

As the hospitality industry navigates the post-pandemic landscape, hotel brands eagerly anticipate what lies ahead in terms of key performance indicators. In this chapter, we present an outlook for two important metrics that are shaping the industry this year: systemwide revenue per available room (RevPAR) change and net rooms growth which is a forecast of the number of branded guest rooms in the development pipeline.



The Hotels Quarterly
REVPAR GROWTH
forecast
For 2023 , Y-O-Y

The Hotels Quarterly
NET ROOMS GROWTH
forecast
For 2023, Y-O-Y

Global RevPAR Forecast

Based on our analysis and processing of publicly available data, leading hotel companies anticipate further increase in global Revenue Per Available Room (RevPAR) for their branded hotel inventories in 2023.

With an estimated weighted average RevPAR growth rate of approximately 8%, these companies are leveraging innovative strategies to stimulate demand and rebound from the lingering aftermath of the pandemic.

The notable advantages of international brand recognitions afford these companies the opportunity to engage with prospective hotel guests proactively, positioning them ahead of non-branded competitors and empowering property managers to reach for a rate premium in their respective local markets.

Net Rooms Growth Forecast

Additionally, a steady upward trend in net rooms growth is anticipated in 2023, as hotel brands continue to expand their global presence. The weighted average net rooms growth rate for the subject major hotel companies is estimated to be around a remarkable **5%**, reflecting their unabated expansion efforts and a fierce competition in all hotel supply tiers between leading hotel brands globally. The sought market share expansion is accomplished through a strategic approach of penetrating increasingly diverse sub-markets in terms of tiers and product market positionings, while also continuously entering new or emerging markets, as well as secondary or even tertiary destinations within established markets. This strategy enables businesses to capture greater market share by leveraging their strengths in existing markets while also exploring new opportunities for growth. These expansion efforts are expected to contribute to the overall growth of the industry this year again, generating further investment activity in the real esate asset class.

2022: SUMMARY OF FINANCIAL DATA OF PUBLICLY TRADED HOTEL COMPANIES

Published Financial Data of All Hotel Groups Under Study

2022, Full Year	Hilton		MARRIOTT		IHG		Hyatt	
Total Revenue	8 773	mUSD	20 773	mUSD	3 892	mUSD	5 891	mUSD
Net income	1 257	mUSD	2 358	mUSD	568	mUSD	455	mUSD
Adjusted EBITDA	2 599	mUSD	3 853	mUSD	896	mUSD	908	mUSD
Operating Profit	2 094	mUSD	3 462	mUSD	828	mUSD	674	mUSD
Earnings per share (diluted)	4.53	USD	7.24	USD	2.06	USD	4.09	USD
Number of repurchased shares (pc.)	12.3	million	16.8	million	9.1	million	4.23	million

Selected key financial data for the hotel groups under study are presented in the table above. It is crucial to note that the disclosed figures are limited to the financial information of the subject publicly traded hotel companies and do not include the comprehensive systemwide operating performance of the branded hotel portfolios. Furthermore, it is essential to acknowledge that the earnings reports published by these companies may still be unaudited, and hence may differ from the official audited figures that are released annually. **In 2022, an impressive surge was witnessed across the board for the hotel groups under study. With remarkable gains in total revenue, net income, and Adjusted EBITDA, averaging at highly significant growth rates of 32%, 60%, and 38% respectively, compared to the previous year. Operating Profit outshined 2021 by a staggering 46%, and Diluted Earnings per Share soared by an impressive 57%. Moreover, all hotel groups successfully executed share buybacks in 2022, as reflected in the table. Overall, these hotel groups exhibited substantial growth and a positive trajectory shift in key financial metrics, as analysed from 2021 to 2022.**

So, what does all of this mean for us in 2023? Is this an easy year? The answer is no. But the urge to travel, to see new places, to experience different cultures, to rest, recharge, to move and explore, and the curiosity that resides within all of us are deeply ingrained human traits. These traits are not easily shaken by external factors or market volatility. They are enduring and resilient, shaping the future of the travel and lodging industries.

This concludes our report.

DID YOU KNOW?

When it comes to hotel properties, Moore Hotels, Legal, Financial and M&A transaction advisory practices help owners, investors and financiers as one professional team to get around all obstacles and explore new business opportunitites - from delivering a global hotel brand for your project, to financing your investment and helping you in a successful exit.

At Moore, our purpose is to help people thrive – our clients, our people, and the communities they live and work in. We're a global accounting and advisory family with over 29,000 people in 547 offices across 113 countries, connecting and collaborating to take care of your needs – local, national and international.

When you work with Moore firms, you'll work with people who care deeply about your success and who have the drive and dedication to deliver results for you and your business. You'll have greater access to senior expertise than with many firms. We'll be here for you whenever you need us – to help you see through the maze of information, to guide you in your decisions, and to make sure you take advantage of every opportunity. To help you thrive in a changing world.

Gabriella Huth
Partner,
Moore Hungary,
Partner,
Corporate Finance

Akos Boross
Managing Partner
Moore Hungary,
and Partner
M&A Advisory

Marton Takacs
The Author of this Report.
Global Sector Leader:
Hotel and Leisure
at Moore Global

Dr. Marton Kovacs
Managing Partner
Moore Legal Kovacs,
International
Hotel Lawyer

Peter Hajnal
Partner,
Moore Hungary
Partner,
Business Solutions

E-mail us at:
hotels@mooreglobal.**hu**

CONTACT US

Moore provides insight from global leaders on the key challenges of modern business. Find us at
Home (mooreglobal.hu) or
Hotel and Leisure | Moore (moore-global.com) .

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