

BEATING THE BENCHMARK

INTERNATIONAL HOTEL MARKET
ASSESSMENT BASED ON FRESH-
RELEASED DATA



Second Edition
Q1 2023

OPENING REMARKS

Welcome to the second edition of Moore's Hotels Quarterly, "Beating The Benchmark", a worldwide hotel market snapshot, based on the latest available comparable data of internationally branded hotels, delivered quarterly.

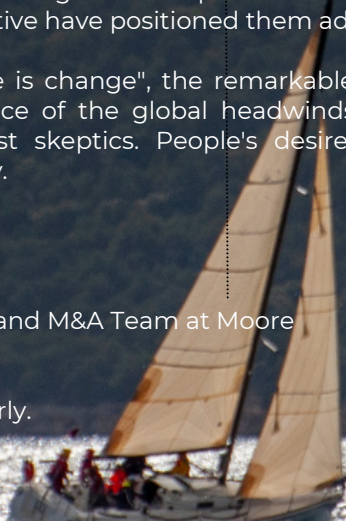
Fortune favors the bold, was the theme of the the 2023 International Hotel Investment Forum in Berlin, a sentiment that rings resoundingly true for asset managers and hoteliers who have been navigating the post-COVID recovery with unwavering determination. These individuals have exhibited courage by consistently and confidently pricing their properties, not only benefiting their own assets but also bolstering the entire hotel market. Their commitment to maintaining value and seizing opportunities has been a driving force behind the industry's resurgence.

Also deserving commendation are the hotel owners who have demonstrated resilience by refraining from selling their properties at discounted prices. Instead, they have adopted a steadfast approach, capitalizing on the prevailing strong financial performance of their assets. Their prudent decision-making and long-term perspective have positioned them advantageously.

While "the only constant in life is change", the remarkable progress and rebound achieved by the sector is undeniable. In defiance of the global headwinds, hotels worldwide continue to flourish, surprising even the staunchest skeptics. People's desire to travel remains unwavering, further reinforcing the industry's vitality.

Warm Regards,

The Hotel and Leisure Advisory and M&A Team at Moore
and
Marton Takacs,
the Author of the Hotels Quarterly.



ABOUT THE HOTELS QUARTERLY

These short reports are 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 is published quarterly with the intention to serve as 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).

The conclusions drawn in this report are the result of data analysis from a diverse group of randomly selected companies. These selected companies, as of today, together represent a total geographic coverage of 108 countries across the globe and collectively comprise 23,026 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.

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 at hotels@mooreglobal.hu to receive the Hotels Quarterly at the time of its publishing.

Moore Hotels and Leisure specialises in industry-specific strategic, development and M&A advisory, working closely with owners, developers, financiers, hotel brands & operators and other industry stakeholders.

Thank you for choosing to be part of our journey.

Marton Takacs

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Marriott International

Hilton Worldwide

InterContinental Hotels Group

Hyatt Hotels Corporation

The hotel industry's performance in Q1 2023 has been nothing short of remarkable, showcasing unprecedented growth and surpassing pre-pandemic levels. Despite a heavily inflationary environment internationally, hotels have **not only delivered strong topline performance but have also safeguarded profits**. In this chapter, we explore the factors contributing to this exceptional expansion and examine the **strategic appeal of global hotel brands for investors and stakeholders** in the commercial real estate asset class.

Q1 2023 has continued the positive trajectory witnessed throughout 2022, with hotels outperforming expectations.

In just three months, more than one hundred branded properties entered the respective systems of the select hotel companies, growing our scope of properties from 22,914 to 23,026. A significant part of this growth has come from conversions (existing non-affiliated hotels joining the systems primarily through franchise agreements) complemented by new build projects worldwide. Global hotel brands have played a significant role in driving the success



108

COUNTRIES



↑ 23 026

PROPERTIES

COVERED IN THIS STUDY

of the industry, showcasing strategic approaches that resonate with investors. These brands leverage their strong brand awareness, capitalize on global intellectual properties, and possess robust sales and marketing capabilities. By doing so, **they effectively mitigate project-level risks** and offer a range of advantages to owners, operators, and property-level colleagues. Seeking guidance from legal, financial, and hotel advisors can provide valuable insights and help owners make informed choices in the competitive landscape of branded hotels.

The outstanding performance of the hotel industry in Q1 2023, surpassing pre-pandemic levels, highlights its resilience and ability to adapt to changing market conditions. Global hotel brands have played a pivotal role in driving this success, offering strategic advantages to investors and stakeholders. As the industry moves forward, hotel owners are encouraged to carefully evaluate their options, seek expert advice, and leverage the opportunities presented by the strategic appeal of global hotel brands in the commercial real estate asset class.

GLOBAL AVERAGE KEY PERFORMANCE INDICATORS : SYSTEM-WIDE

We have calculated the Key Performance Indicators (KPIs) for Q1 2023 and made comparisons to Q1 2022 and Q1 2019, respectively, based on the previously described representative sample. Unless explicitly stated otherwise, RevPar, Occupancy, and Average Daily Rate (ADR) figures and comments pertain to average system-wide (all hotels, all brands, all segments) results in constant currency (US\$), inclusive of hotels that have been temporarily closed for any reason.

US\$102.17

RevPar

Q1 2023

US\$156.36

Average Rate

65.18%

Occupancy

Key Performance Indicators / Years	2019 Q1	2022 Q1	2023 Q1
Average RevPAR, Global, in USD	98.1	78.5	102.2
Average ADR-System-wide, in USD	142.6	143.1	156.4
Average Occupancy Rate (%)	68.5%	54.8%	65.2%

Q1 2023 Compared to Q1 2019:

- + 4.19% in RevPar ■
- + 9.62% in ADR ■
- 4.86% in occupancy ■

Q1 2023 Compared to Q1 2022:

- + 30.13% in RevPar ■
- + 9.30% in ADR ■
- + 18.84% in occupancy ■

The systemwide hotel data for Q1 2023 not only demonstrates positive growth trends but also surpasses pre-pandemic results. When comparing Q1 2023 to Q1 2019, the industry shows an impressive 4.19% increase in RevPar, a notable 9.62% growth in ADR, and despite a slight decline in occupancy by 4.86%, the overall performance indicates a substantial rebound from the pandemic's impact.

When analyzing Q1 2023 against Q1 2022, the hotel industry showcases remarkable progress with RevPar surging by an impressive 30.13%, ADR increasing by 9.30%, and occupancy soaring by a substantial 18.84%: a stellar performance.

Performance Analysis by Supply Segments

Although the distribution of hotel tiers varies significantly, with the upper midscale and upscale categories hosting the largest volume of keys, it is noteworthy that investor interest in all categories remains evident, as sectoral supply expansion was evenly distributed across different scales. The midscale segment appears to be the only outlier, experiencing a slight decline in the number of branded properties on average among the subject hotel brands.

This could be attributed to the combined effects of refurbishments where the renewed hotel products could also be strategically repositioned through their new product offering and a subsequent rebranding from midscale to upper midscale or upscale tiers. On the other hand, properties where owners were unable to address longstanding CapEx backlogs to meet brand standards cause significant brand reputation risks on the side of IP providers. Consequently, tired and obsolete hotels are eventually removed from their respective systems if no reasonable agreement is reached to secure the much-needed renovation. This highlights the critical importance for hotel owners to allocate and strategically use CapEx reserves and invest in necessary upgrades to align with brand standards and preserve their affiliation with reputable hotel brands.

KPIs of the first quarter of 2023 per supply segments were as follows (ADRs and RevPars in US\$):

Global Average Key Performance Indicators per Supply Segments											
All Brands - Systemwide - All Locations											
Tier	Share of Tiers **	Evolution of supply ***	Average Occupancy Rates			Average ADR			Average RevPAR		
			2019 Q1	2022 Q1	2023 Q1	2019 Q1	2022 Q1	2023 Q1	2019 Q1	2022 Q1	2023 Q1
Luxury	4,1%	1,06%	71%	45%	66%	238	254	293	170	118	194
Upper Upscale	13,0%	1,06%	72%	52%	65%	174	177	193	126	91	126
Upscale	29,3%	1,03%	71%	60%	67%	128	126	139	92	75	94
Upper Midscale	49,0%	1,03%	66%	58%	67%	111	110	116	73	65	79
Midscale	4,6%	0,98%	68%	68%	71%	86	99	107	58	67	76

* (excluding Marriott) ** Internal share of properties by tier *** Change in the number of properties by tier in per cent, between from Q12022 to Q12023

Since the lifting of travel restrictions, hotels have displayed remarkable adaptability to volatile market conditions, capitalizing on their pricing power to navigate the ever-changing landscape successfully. However, hotel occupancy figures and overall guest volumes have experienced a slower rebound. This can be attributed, in part, to the notably growing costs of air travel, which have posed a significant hindrance to the pace of volume recovery.

It is indeed a great professional pleasure to report that despite the continued high flight price levels and other headwinds, hotels in all quoted categories experienced a full RevPar rebound from the effects of the COVID-19 pandemic in Q1 2023. Their remarkable recovery encompasses not only their price levels but also an impressive increase in roomnight volume. This resurgence underscores the industry's fortitude in overcoming challenges, reaffirming its position as a resilient and thriving sector.

Quarterly hotel occupancies in both the midscale and upper midscale segments (together representing approximately 55% of the systemwide total room supply) surpassed Q12019, the "golden" pre-pandemic benchmark, whilst the upscale, upper upscale and luxury segments trailed only a few percentage points behind the pre-pandemic era registering significant increases compared to the same period of 2022. The robust performance of these segments are signaling a positive trajectory for the hotel asset class as a whole.

The luxury segment experienced a dream-like surge in registered price increases, with an impressive 23.3% growth in average daily rate (ADR) during Q1 2023. Additionally, occupancy rates soared, climbing by an astounding 21 percentage points, from an average of 45% in Q1 2022 to an impressive 66% in the first quarter of this year.

The hotel asset class has demonstrated exceptional inflationary hedge capability, solidifying its comparative advantage over other commercial real estate asset classes, particularly offices, making it an attractive investment option for those seeking to safeguard profits and navigate market volatility effectively.

Q1 2023: SUMMARY OF FINANCIAL DATA OF PUBLICLY TRADED HOTEL COMPANIES

Published Financial Data of All Hotel Groups Under Study						
2023, Q1	Hilton		MARRIOTT		Hyatt	
Total Revenue	2 293	mUSD	5 615	mUSD	1 680	mUSD
Net income	209	mUSD	757	mUSD	58	mUSD
Adjusted EBITDA	641	mUSD	1 098	mUSD	268	mUSD
Operating Profit	498	mUSD	951	mUSD	-	mUSD
Earnings per share (diluted)	0.77	USD	2.43	USD	0.53	USD
Number of repurchased shares (pc.)	3.2	million	6.8	million	1.0	million

*(excluding IHG as relevant quarterly data was not published)

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, the hotel industry showcased impressive financial results across the board, as highlighted in our last study. This positive trend continued into the first quarter of 2023, with further growth observed compared to the corresponding period in 2022. Notably, there were significant gains in total revenue, net income, and Adjusted EBITDA, with average growth rates exceeding 20%, reaching highly encouraging levels of 25%, 42%, and 31%, respectively, compared to Q1 2022. Operating Profit also outperformed 2022 by a remarkable 35%, while Diluted Earnings per Share experienced a notable increase of 41%. Additionally, all hotel groups successfully executed share buybacks in Q1 2023, further reinforcing their financial strength. These financial results reflect the industry's substantial growth and positive trajectory shift, showcasing its resilience and strong performance in Q1 2023 compared to the previous year.

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 opportunities - from delivering a global hotel brand, to project financing 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.



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