Hyatt Hotels(H)

$51.53 (As of 05/01/20)

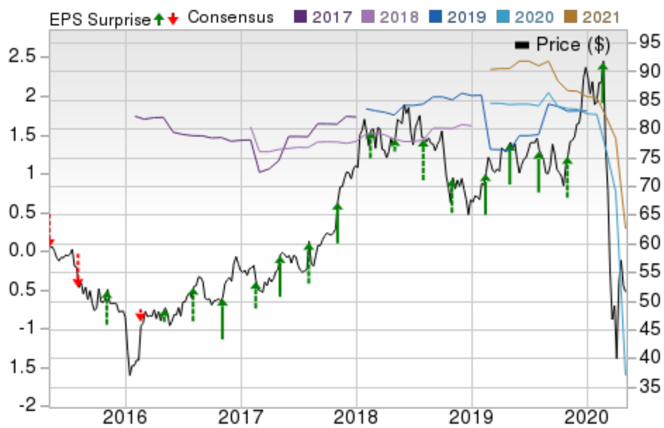
Price Target (6-12 Months): **$54.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 11/13/19) Prior Recommendation: Underperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5) Zacks Style Scores: Value: C | Growth: F | Momentum: F	**3-Hold** VGM:F

Summary

Shares of Hyatt have underperformed the industry in the past year. Of late, the company's shares have declined due to coronavirus scare. Owing to the pandemic and travel restrictions outside Greater China, the company is experiencing decline in near-term transient bookings and an increase in near-term group cancellations in North America and Europe. Moreover, the company has also withdrawn its 2020 guidance. Notably, earning estimates for 2020 have declined in the past 30 days. However, the company's differentiated brand portfolio, strong expansion plans and acquisition strategies are likely to aid the company going forward. Also, its increased focus to strengthen financial flexibility and core operation is noteworthy.

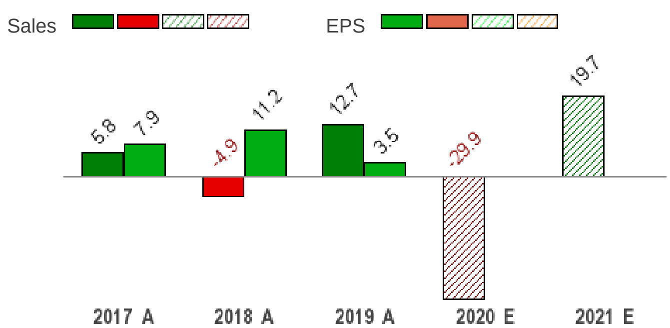
Price, Consensus & Surprise



Data Overview

52 Week High-Low	$94.98 - $24.02
20 Day Average Volume (sh)	1,663,851
Market Cap	$5.2 B
YTD Price Change	-42.6%
Beta	1.44
Dividend / Div Yld	$0.80 / 1.4%
Industry	Hotels and Motels
Zacks Industry Rank	Bottom 8% (233 out of 253)
Last EPS Surprise	135.0%
Last Sales Surprise	7.9%
EPS F1 Est- 4 week change	-419.5%
Expected Report Date	05/06/2020
Earnings ESP	-45.7%
P/E TTM	25.1
P/E F1	NA
PEG F1	NA
P/S TTM	1.0

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	857 E	851 E	939 E	1,031 E	4,211 E
2020	942 E	598 E	819 E	1,083 E	3,517 E
2019	1,241 A	1,289 A	1,215 A	1,275 A	5,020 A

EPS Estimates

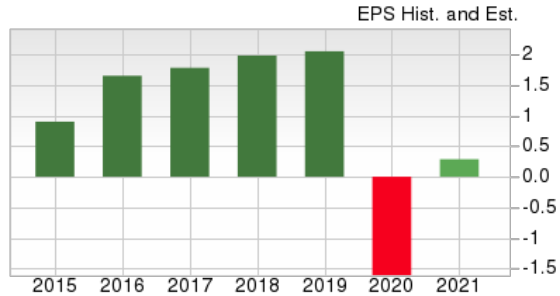
	Q1	Q2	Q3	Q4	Annual*
2021	-$0.24 E	$0.01 E	-$0.06 E	-$0.06 E	$0.29 E
2020	-$0.24 E	-$0.75 E	-$0.41 E	$0.00 E	-$1.61 E
2019	$0.45 A	$0.76 A	$0.37 A	$0.47 A	$2.05 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 05/01/2020. The reports text is as of 05/04/2020.

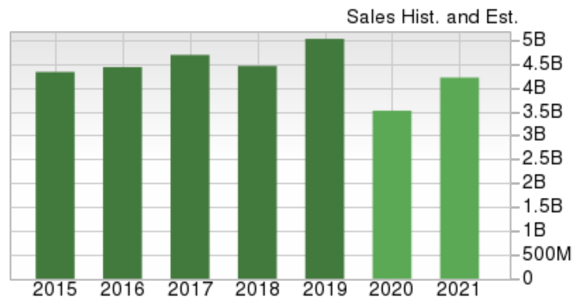
Overview

Hyatt Hotels Corporation is a leading global hospitality company engaged in the development, ownership, operation, management, franchising and licensing of a portfolio of properties, including hotels, resorts and residential and vacation ownership properties around the world. As of Dec 29, 2019, the company's portfolio included more than 900 properties in 65 countries across six continents.



Hyatt manages its business within four reportable segments:

The Owned and Leased Hotels segment consists of the company's owned and leased hotel properties, located mostly in the Unites States and also across few international locations.



The Americas Management and Franchising segment includes management and franchising of the company's properties located in the United States, Latin America, Canada and the Caribbean. The segment revenues also include the reimbursement of costs incurred for managed and franchised properties.

The ASPAC Management and Franchising segment comprises the company's management and franchising of properties located in Southeast Asia, as well as greater China, Australia, South Korea, Japan and Micronesia. The segment revenues also include the reimbursement of costs incurred for managed and franchised properties.

The EAME/SW Asia Management and Franchising segment encompasses the company's management and franchising of properties located primarily in Europe, Africa, the Middle East, India, Central Asia and Nepal. The segment revenues also include the reimbursement of costs incurred for managed and franchised properties.

Notably, in 2017, Hyatt acquired Exhale Enterprises from an unrelated third party for a price of $16 million. Also, in Jan 2017, the company acquired Miraval, the renowned provider of wellness and mindfulness experiences, for $239 million, subject to working capital adjustments.

In November 2018, Hyatt completed the acquisition of Two Roads for $405 million. As of Dec 31, 2018, the acquisition of Two Roads added 65 hotel properties or approximately 12,000 rooms, along with 10 condominium ownership properties comprising approximately 1,500 units, to the company's portfolio. The current pipeline comprises of approximately 5,000 rooms, and the addition of five new brands.

Reasons To Buy:

We expect Hyatt's differentiated brand portfolio, strong expansion plans and acquisition strategies to spur growth

- **Robust Earnings Trend:** The company delivered positive earnings surprise in the preceding 16 quarters. In fourth-quarter 2019, its adjusted earnings were 47 cents per share that outpaced the Zacks Consensus Estimate of 20 cents. Given strong brand recognition, efforts to enhance guest experience and increased focus on operational excellence, Hyatt is likely to perform well in the quarters ahead.

- **Strong Brand Recognition Across the Globe:** Hyatt aims to differentiate its brands from one another by providing distinct travel experiences. Hyatt is also consistently trying to expand its presence worldwide and has expansion plans in Asia-Pacific, Europe, Africa, Middle East and Latin America. Expansion in these markets should help the company gain market share in the hospitality industry, thus boosting business. Thus, an essential aspect of the company's riveting growth potential is its strong brand presence and continual expansion in higher growth and under-penetrated markets such as India and China. Apart from these, the company has also announced expansion plans in diverse international markets like Australia, Brazil, Germany, the U.K., Indonesia, Japan, Mexico, Saudi Arabia, Singapore, Thailand, Netherlands and others. Meanwhile, the company's new signings across its brands globally have consistently outpaced openings. This trend is anticipated to continue in 2020 and beyond. In 2018 and 2019, Hyatt registered net room growth of 13.6% and 7.4%, on a year-over-year basis, respectively. For 2020, it expects unit growth of roughly 6.5-7%, which indicates 80 new hotel openings.

- **Focus on Expanding Select Service Presence:** The Hyatt Place and Hyatt House brands allow to expand Hyatt's presence globally in a bid to further strengthen its fast-growing select service category. The company strongly believes that the opportunity for properties that offer selected services at a lower price than full-service hotels is particularly compelling in certain markets, including India, China and the Middle East. This is because there is a large and growing middle-class population in these markets along with a significant number of local business travelers. Notably, the company intends to grow its select service presence via third-party construction of new franchised properties, conversion and renovation of existing non-Hyatt properties, and in certain cases, participation in the development of new managed properties.

- **Acquisition & Divestitures as Growth Strategies:** Hyatt is strongly invested in the strategies related to various acquisitions and divestitures that can drive growth for the company. In 2017, the company acquired Miraval Group, which extended the Hyatt brand beyond traditional hotel stays into a wellness category that resonates well with the high-end travelers. Moreover, the company is also increasing its focus on private accommodations, another fast-growing travel segment, which has the potential to extend the Hyatt brand beyond traditional hotel space and is a fantastic fit to the Hyatt portfolio and its brand positioning. The company has also acquired Exhale for $16 million and the 693-room Hyatt Regency Phoenix, Arizona, for roughly $140 million. In 2018, the company also acquired lifestyle hotel management company Two Roads Hospitality. These buyouts are part of Hyatt's ongoing asset recycling program. In an effort to strengthen financial flexibility and focus more on core operation, the company is also focusing on the sale of assets. The sale of assets is helping Hyatt grow through management and licensing arrangements instead of direct ownership of selective assets.

- **Loyalty Program and Other Initiatives to Increase Occupancy:** In order to survive in a tough economic environment, Hyatt is continuously devising newer ways to enhance guest experience and raise occupancy. Successful innovation has been a trademark of Hyatt, with a commitment to impactful architectural design of hotels in both the large-scale convention and smaller leisure markets. The company also has a creative approach to food and beverage at its hotels worldwide and has created profitable and popular venues that build and enhance demand for its hotel properties. Meanwhile, in 2017, the company launched a new loyalty program, World of Hyatt, which replaced its Gold Passport loyalty program. Notably, World of Hyatt is a platform for guest engagement. The company is witnessing a higher level of guest satisfaction owing to the enhancements.

- **Share Buybacks:** To boost shareholders' value, Hyatt repeatedly raises share repurchase authorization. The company repurchased 12.2 billion shares of common stock for $723 million in 2017 compared with 5.6 billion shares for $272 million in 2016. In 2018, the company repurchased $966 million shares of common stock. In 2019, Hyatt repurchased 5,621,281 shares for $421 million.

Reasons To Sell:

Lingering political uncertainty in key operating regions, along with competition and coronavirus woes might limit revenue growth.

- **Coronavirus Likely to Hurt 2020 Results:** The Hotel and Motels industry is currently grappling with the coronavirus outbreak in China and Hyatt isn't immune to the trend. The coronavirus outbreak, which has taken the shape of a global pandemic, has forced Hyatt Hotels to withdraw 2020 outlook. The company announced that it is rescinding its outlook on earnings sensitivity based on Greater China RevPAR.

- **Higher SG&A Expenses:** The company has been bearing the brunt of high expenses, stemming from mergers. In 2019, selling, general, and administrative expenses rose 85.6%, inclusive of rabbi trust impact and stock-based compensation. Adjusted selling, general and administrative expenses rose 3.9%.

- **Valuation Looks Inappropriate:** Hyatt's valuation looks a bit stretched when compared with the industry average. Looking at the company's EV/EBITDA ratio (Enterprise Value/ Earnings before Interest Tax Depreciation and Amortization), investors might not want to pay any further premium. The company currently has a trailing 12-month EV/EBITDA ratio of 87.96, which makes it overvalued compared with its peers as the industry average EV/EBITDA currently is 11.28x.

- **Geopolitical Concerns:** The company has a considerable international presence, which makes it vulnerable to the economic conditions in the region. In the Middle East, political unrest, lower government spending, new hotel supply and a tough oil market continue to hurt tourism and is a cause of concern. Also, the slowdown in the Chinese economy might continue to hurt discretionary spending as well as travel.

  Moreover, since the company's operations outside the United States represent approximately 20% of net revenues, in 2018, the costs of complying with laws, regulations and policies (including taxation policies) of foreign governments relating to investments and operations, may affect the company's profitability. Also, volatility in exchange rates is likely to hurt results similar to the past few quarters. Moreover, Donald Trump's stringent policies on immigration and tourist visa seem to have impelled international visitors to rethink about their vacation plans in the United States. Evidently, there has been a continued slowdown in U.S.-bound air travel bookings ever since Trump took charge. The ongoing trade spat between China and the United States had led to a demand slump in greater China.

- **Cutthroat Competition:** The hotel industry is highly competitive, as major hospitality chains with well-established and recognized brands are continuously expanding their global presence. Hyatt is continuously facing intense competition from both large hotel chains and smaller independent local hospitality providers.

  Increasingly, the company also faces competition from new channels of distribution in the travel industry. Additional sources of competition include large companies that offer online travel services as part of their business model such as Alibaba, search engines such as Google and peer-to-peer inventory sources that allow travelers to book stays on websites that facilitate the short-term rental homes and apartments from owners, thereby providing an alternative to hotel rooms, such as Airbnb and HomeAway. Unless Hyatt counters these competitions with appropriate strategies, it may pose a concern to the company's future profitability.

Last Earnings Report

Hyatt Q4 Earnings & Revenues Beat Estimates

Quarter Ending	12/2019
Report Date	Feb 19, 2020
Sales Surprise	7.90%
EPS Surprise	135.00%
Quarterly EPS	0.47
Annual EPS (TTM)	2.05

Hyatt Hotels reported better-than-expected fourth-quarter 2019 results. Notably, the company's bottom line has surpassed the Zacks Consensus Estimate for the 16th straight quarter, while the top line has outpaced the same for the fourth consecutive quarter.

Adjusted earnings came in at 47 cents per share, which outpaced the Zacks Consensus Estimate of 20 cents. In the prior-year quarter, the company reported earnings of 62 cents per share.

Total revenues were $1,275 million, beat the Zacks Consensus Estimate of $1,182 million and improved 12% from the prior-year quarter.

Despite reporting better-than-expected earnings, the company's shares declined 3.1% in after-hour trading session on Feb 19 due to cautious 2020 outlook.

RevPAR Details

In the reported quarter, comparable system-wide revenues per available room (RevPAR) were down 0.5%. RevPAR in the quarter under review was impacted by political turbulence in Hong Kong and the timing of Jewish holiday. Comparable owned and leased hotels RevPAR improved 1.4%. However, comparable U.S. hotel RevPAR fell 1.3%. While full-service hotel RevPAR was down 1.1%, that of select service hotel declined 1.8%.

Operating Highlights

Net income increased 621.5% to $321 million in the fourth quarter. However, adjusted EBITDA increased 5.3% to $191 million (up 5.7% at constant currency). Moreover, adjusted EBITDA margin expanded 100 bps to 29.7%. Meanwhile, comparable owned and leased hotels' operating came in at 24.6%, flat year over year.

Segmental Details

Hyatt manages business through four reportable segments — Owned and Leased Hotels; Americas Management and Franchising; Southeast Asia, Greater China, Australia, South Korea, Japan and Micronesia (ASPAC) Management and Franchising; and Europe, Africa, Middle East and Southwest Asia (EAME/SW Asia) Management and Franchising.

Revenues at **Owned and Leased Hotels** totaled $444 million, down 3.7% from the year-ago quarter number. Comparable owned and leased hotels RevPAR were up 1.4%. While ADR was up 1.4%, occupancy increased by 10 basis points. Meanwhile, adjusted EBITDA decreased 8.6% to $96 million. At constant currency, the same declined 8.3%.

Revenues at **Americas Management and Franchising** amounted to $125 million, reflecting an increase of 25.5% and 25.9% from the year-ago figure and constant currency, respectively. RevPAR for comparable Americas full-service hotels decreased 0.6%. ADR advanced 0.3%, occupancy decreased 60 bps from the year-ago quarter number. Meanwhile, RevPAR for comparable Americas select-service hotels was down 1.8%. Occupancy increased 10 bps but ADR declined 2% in the quarter under review. Adjusted EBITDA increased 6% (up 6.3% at constant currency) to $91 million.

Revenues at **ASPAC Management and Franchising** rose 8.2% year over year (up 8.3% at constant currency) to $40 million. RevPAR for comparable ASPAC full-service hotels declined 3.5% on account of political unrest in Hong Kong, which offset growth in Japan and South Korea. While occupancy was down 70 bps, ADR declined 2.7% in the quarter. Adjusted EBITDA jumped 20.2% (up 20.2% at constant currency) to $28 million.

Revenues at **EAME/SW Asia Management and Franchising** improved 17.5% to $25 million. Comparable EAME/SW Asia full-service hotels' RevPAR increased 7.2% due to robust demand in most of the European markets. While ADR decreased 1.9%, occupancy rose 500 bps. Adjusted EBITDA rose 25.9% (were up 27.6% at constant currency) to $16 million.

Balance Sheet

As of Dec 31, 2019, Hyatt reported cash and cash equivalents of $893 million. The total debt was $1.623 billion as of Dec 31, 2019. During fourth-quarter 2019, Hyatt repurchased 1,791,854 Class A shares for nearly $141 million. The company ended the fourth quarter with 36,109,179 Class A and 65,463,274 Class B shares issued and outstanding.

Recent News

Hyatt Withdraws 2020 Outlook on Coronavirus Scare - Mar 2, 2020

The coronavirus outbreak, which has taken the shape of a global pandemic, has forced Hyatt Hotels to withdraw 2020 outlook. The company announced that it is rescinding its outlook on earnings sensitivity based on Greater China RevPAR.

Valuation

Hyatt's shares are down 42.5% year-to-date and 33.5% in the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Discretionary sector are down by 38.4% and 20.5% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are down 32.2% and 17.1%, respectively.

The S&P 500 index is down 12% in the year-to-date period and 3.7% in the past year.

The stock is currently trading at 25.14X trailing 12-month earnings, which compares to 15.32X for the Zacks sub-industry, 20.5X for the Zacks sector and 17.67X for the S&P 500 index.

Over the past five years, the stock has traded as high as 73.82X and as low as 17.83X, with a 5-year median of 38.82X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $54 price target reflects 26.47X trailing 12-month earnings.

The table below shows summary valuation data for H.

Valuation Multiples - H

		Stock	Sub-Industry	Sector	S&P 500
P/E TTM	Current	25.14	15.32	20.5	17.67
	5-Year High	73.82	33.79	32.64	22.17
	5-Year Low	17.83	15.32	19.68	15.91
	5-Year Median	38.82	23.68	25.45	18.95
P/S F12M	Current	1.39	1.88	1.94	3.19
	5-Year High	2.11	2.25	3.19	3.44
	5-Year Low	0.75	1.13	1.67	2.54
	5-Year Median	1.56	1.64	2.52	3.01
EV/EBITDA TTM	Current	87.96	11.28	9.62	10.37
	5-Year High	148.1	23.07	17.6	12.86
	5-Year Low	N/A	9.3	8.26	8.28
	5-Year Median	15.23	14.44	12.24	10.77

As of 05/01/2020

Industry Analysis Zacks Industry Rank: Bottom 8% (233 out of 253)

Top Peers

Company (Ticker)	Rec	Rank
China Lodging Group, Limited **(HTHT)**	Neutral	3
Intercontinental Hotels Group **(IHG)**	Neutral	4
MGM Resorts International **(MGM)**	Neutral	4
Extended Stay America, Inc. **(STAY)**	Neutral	2
Marriot Vacations Worldwide Corporation **(VAC)**	Neutral	5
Choice Hotels International, Inc. **(CHH)**	Underperform	4
Hilton Worldwide Holdings Inc. **(HLT)**	Underperform	5
Marriott International, Inc. **(MAR)**	Underperform	5

Industry Comparison Industry: Hotels And Motels

Industry Peers

	H	X Industry	S&P 500	HTHT	MAR	VAC
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Underperform	Neutral
Zacks Rank (Short Term)	3	-	-	3	5	5
VGM Score	F	-	-	D	D	A
Market Cap	5.22 B	2.57 B	20.61 B	9.68 B	27.48 B	3.15 B
# of Analysts	9	7	14	2	10	6
Dividend Yield	1.55%	1.20%	2.11%	0.97%	2.27%	2.81%
Value Score	C	-	-	D	F	B
Cash/Price	0.21	0.10	0.06	0.29	0.01	0.23
EV/EBITDA	4.39	12.96	11.87	21.51	16.74	13.14
PEG Ratio	NA	4.75	2.47	NA	5.04	NA
Price/Book (P/B)	1.32	1.69	2.67	8.98	39.41	1.07
Price/Cash Flow (P/CF)	8.94	9.57	10.66	26.69	12.31	6.87
P/E (F1)	NA	26.95	19.01	NA	30.52	14.48
Price/Sales (P/S)	1.04	1.29	2.10	5.98	1.31	0.71
Earnings Yield	-3.12%	2.97%	5.05%	-0.30%	3.28%	6.90%
Debt/Equity	0.51	0.58	0.72	3.54	15.43	1.35
Cash Flow ($/share)	6.29	3.11	7.01	1.35	7.39	12.08
Growth Score	F	-	-	B	C	A
Hist. EPS Growth (3-5 yrs)	20.42%	19.12%	10.88%	23.54%	20.88%	19.57%
Proj. EPS Growth (F1/F0)	-178.32%	-37.86%	-7.32%	-111.76%	-53.72%	-32.12%
Curr. Cash Flow Growth	5.97%	6.82%	5.92%	69.11%	-2.82%	82.73%
Hist. Cash Flow Growth (3-5 yrs)	2.61%	4.04%	8.55%	22.85%	21.40%	32.34%
Current Ratio	1.57	1.10	1.23	1.06	0.47	3.16
Debt/Capital	33.57%	56.24%	43.84%	77.98%	93.91%	57.42%
Net Margin	15.26%	9.32%	11.08%	15.70%	6.07%	3.13%
Return on Equity	5.81%	5.81%	16.44%	24.55%	181.84%	10.90%
Sales/Assets	0.61	0.49	0.54	0.24	0.84	0.48
Proj. Sales Growth (F1/F0)	-23.43%	-13.03%	-1.42%	5.40%	-28.33%	-13.00%
Momentum Score	F	-	-	F	C	C
Daily Price Chg	-4.22%	-2.78%	-2.39%	0.98%	-5.26%	-4.20%
1 Week Price Chg	-7.76%	-2.05%	-1.74%	-6.80%	-4.21%	-4.92%
4 Week Price Chg	40.13%	32.82%	17.07%	23.45%	44.35%	66.03%
12 Week Price Chg	-36.77%	-30.15%	-18.53%	5.82%	-37.81%	-32.22%
52 Week Price Chg	-27.28%	-29.28%	-9.82%	-14.77%	-33.57%	-20.82%
20 Day Average Volume	1,663,851	500,000	2,641,413	1,937,828	6,149,063	686,645
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	-33.33%	0.00%	0.00%
(F1) EPS Est 4 week change	-419.48%	-29.26%	-6.62%	-140.54%	-32.98%	-24.88%
(F1) EPS Est 12 week change	-169.43%	-48.49%	-13.28%	-110.79%	-51.77%	-32.96%
(Q1) EPS Est Mthly Chg	-414.09%	-42.11%	-11.97%	-22.22%	-66.14%	-38.37%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	C
Growth Score	F
Momentum Score	F
VGM Score	F

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

Disclosures

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