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Earnings Recaps

Hotel companies raise guidance after strong Q1

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Strong first-quarter numbers and confidence going forward led to full-year guidance changes for many public hotel companies.

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REPORT FROM THE U.S.—The overall tone on first-quarter earnings calls from C-corps and real estate investment trusts was mostly positive, with many companies revising full-year guidance up and rethinking current expectations.

Here’s a look at comments from public-company executives to investors and analysts on first-quarter earnings calls.

Jon Bortz, chairman, president and CEO, Pebblebrook Hotel Trust, on adjusting outlook in Q2:
“Overall, we continue to believe industry (revenue per available room) is likely to grow between 1% and 3% for the year, though as of today, we’ve leaned toward the top of that range. We’ve not yet adjusted our outlook for improved business travel other than the first quarter is better-than-expected performance.

“We will adjust after Q2 if we see the current positive signs continue and turn into positive trends. We continue to expect urban RevPAR to underperform the industry and do so by as much as 200 basis points versus the overall industry in 2018. If business travel continues to improve, we would expect this underperformance by the urban markets to narrow and maybe narrow significantly as business travel positively impacts the urban markets more so than the industry overall. This forecast also doesn't anticipate any improvement in international inbound travel, which would have a very positive impact on the urban markets if the trends turned positive."

Arne Sorenson, president and CEO, Marriott International:
Revised RevPAR guidance: 3% to 4%
"As you may recall last quarter, we were hopeful we would see a pickup in North America economic growth. Our hopes have been realized. It's time to take the numbers up a bit. Recall that in 2017, our North American RevPAR increased 2.1%. If adjusted for calendar and event anomalies, such as the inauguration, shifting holidays and the 2017 hurricanes, we estimated 2017 RevPAR would have increased 1.7%. In the first quarter of 2018, North American RevPAR rose 2%, at the high end of our guidance. Excluding the impact of the shifting Easter holiday, last year's presidential inauguration and the lingering impact of the hurricanes, we estimate RevPAR would have been up 2.7%, a full point higher than 2017's adjusted numbers. This acceleration is encouraging."

Kevin Jacobs, EVP and CFO, Hilton:
"For full-year 2018, we expect RevPAR growth of 2% to 4%, and adjusted (earnings before interest, taxes, depreciation and amortization) of $2.06 billion to $2.1 billion, representing a year-over-year increase of 9% at the midpoint. We forecast diluted EPS adjusted for special items of $2.62 to $2.71. For the second quarter, we expect system-wide RevPAR growth of 3% to 4%, including an 80-basis-point benefit from the Easter calendar shift. We expect adjusted EBITDA of $530 million to $550 million, and diluted EPS adjusted for special items of $0.66 to $0.70. Please note that our guidance ranges do not incorporate incremental share repurchases."

Tom Baltimore, president and CEO, Park Hotels & Resorts:
Revised RevPAR guidance: 0.5% to 2.5%, up 0.5% at the midpoint
"We remain encouraged by the improved sentiment since the passage of tax reform late last year. With consumer confidence at a near 18-year high and economic indicators for non-residential fixed investment and corporate profits estimated in the mid-single digits for 2018 and 2019, we feel optimistic that fundamentals will continue to fuel hotel demand across key segments."

James Risoleo, president, CEO and director, Host Hotels & Resorts:
Revised RevPAR guidance: 1.5% to 2.5%
"This combination of better-than-expected first-quarter results and increased macroeconomic optimism is driving the across-the-board raise to our full-year guidance. The global economy continues to exhibit strength and appears supportive of industry growth. The economic indicators we closely follow, corporate profits and non-residential fixed investments continue to remain strong.

"As mentioned earlier, the pickup in business transient travel is positive and gives us further reason to be optimistic. Leisure demand continues to be strong, given record levels of consumer confidence. We also began to see some improvements in international travel to the U.S. in the first quarter. Although this is a smaller part of our overall business, improved international visitation should bode well for demand in some of our major gateway markets.

"As a result, we are raising the midpoint of our comparable RevPAR growth guidance by 50 basis points to 2% on a revised range of 1.5% to 2.5%. This is predicated on our continued belief that the first quarter will be the weakest quarter of the year and that the second half of the year should be stronger than the first. The support for this outlook is the visibility provided by solid group pace for the remaining three quarters of 2018."

David B. Wyshner, EVP and CFO, Wyndham Worldwide:
No significant changes to full-year outlook
"If we weren't separating into two independent companies, my comments on our outlook would be simple. There is no change to our adjusted EBITDA projections, either in total or by segment. There is no change to our projection of 2018 adjusted net income. Our forecast of adjusted diluted earnings per share is approximately $0.06 higher than it was previously due to our repurchase of nearly 650,000 shares in the first quarter. And our revenue forecast is down around $65 million, which is entirely due to our required adoption of the new revenue recognition standard, the EBITDA impact of which is immaterial. In short, there are no significant changes to Wyndham Worldwide's full-year 2018 outlook."

Patrick Grismer, CFO, Hyatt Hotels Corporation:
Revised RevPAR guidance: 2% to 3.5%
"I will conclude my prepared remarks by providing an update on our outlook for the year. As Mark and I mentioned this morning, we are very pleased with our better-than-expected results for the quarter. And with an improved pace of group bookings in the quarter, we are confidently increasing our outlook in a few key areas. With respect to RevPAR, we are increasing our full-year growth expectation to a range of 2% to 3.5%. Although it's possible that we could exceed this range, we believe it's prudent to guide more conservatively at this point in the year.

"Additionally, due to un-forecasted conversion activity, we are also increasing our net rooms growth expectations to a range of 6.5% to 7%, which makes us a leader among our primary competitive set with respect to net rooms growth rate. You'll recall that our prior adjusted EBITDA guidance range of $805 million to $825 million for 2018 excluded the impact of the adoption of the new revenue recognition standard and also excluded the impact of hotel dispositions in 2018. We expect the revenue recognition standard will result in a $32 million reduction in adjusted EBITDA, while the recent asset sales will further reduce adjusted EBITDA by $40 million."

Pat Pacious, president and CEO, Choice Hotels International:
Revised RevPAR guidance: 1.5% to 3.5%
"Our growth this quarter shows that our strategy is working. Overall, a strong labor market, combined with tax reform, gives us continued optimism for the remainder of 2018. As last week's jobs report indicates, we continue to see unemployment at a record low of 3.9%, consumer spending continues to be solid and consumer confidence is high.

"All of this reinforces that the lodging cycle, and more importantly, Choice Hotels still has runway for growth."