Revenge Travel and the Fixed Income Markets: Outlook 2022

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Recap

Quick Bio

- Bloomberg Intelligence (“BI”) since Aug 2020
- Leisure, lodging, gaming, restaurants & rental cars
- Prior work
    - Corporate credit analyst – “generalist”
    - Taxable fixed income macro strategist
    - Portfolio strategist
- @JodyLurie
- https://www.linkedin.com/in/jodylurie/

Prior Presentations to PCBE

- Mar 2015: “Exogenous Factors Shaking Outlooks for Firm Fundamentals”
- Nov 2017: “A Credit Perspective: How the Next Downturn Will Be Different”

Bloomberg Intelligence

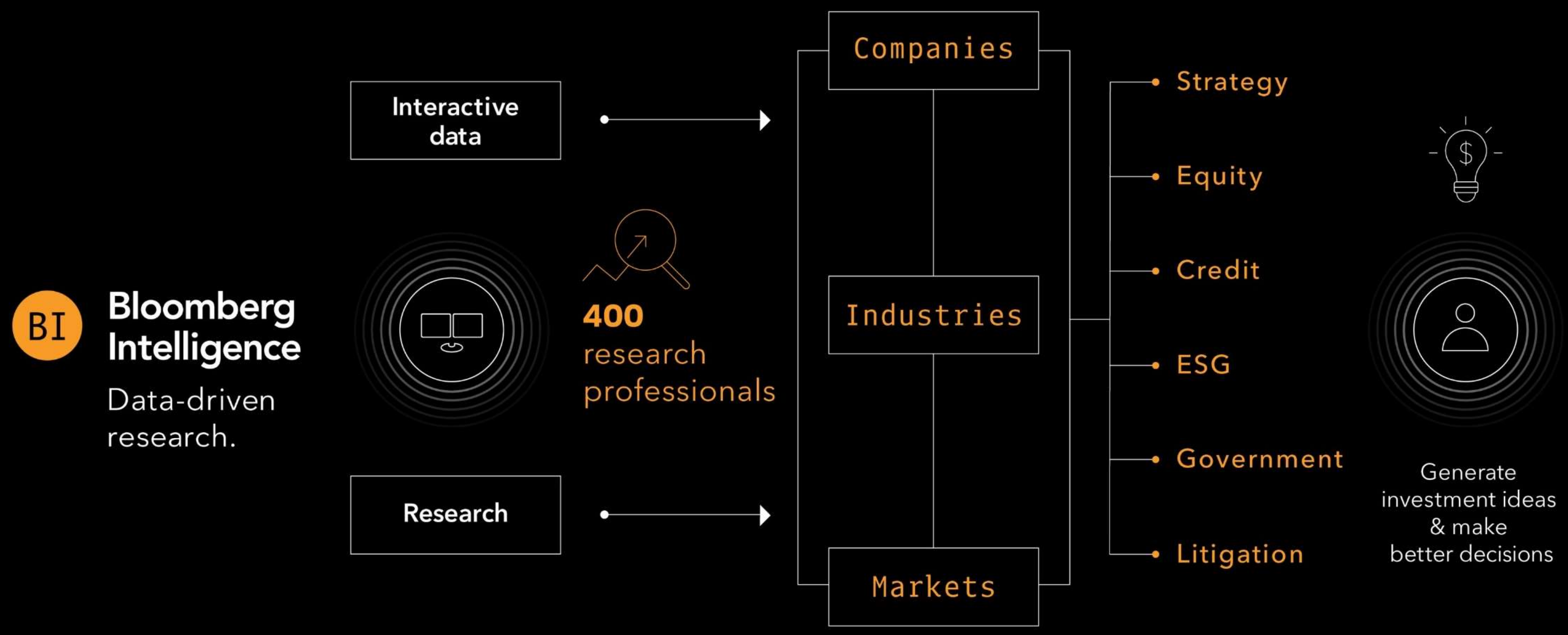
500+ data contributors

135+ industries

2,000+ companies

15yrs avg. analyst experience

Bloomberg Intelligence (BI) research delivers an independent perspective providing interactive data and investment research on companies, industries and global markets. Our team of 400 research professionals help our clients make informed decisions in the rapidly moving investment landscape.



Credits Under Coverage

Rental Cars

AVIS
Hertz

Hotels

CHOICE HOTELS
Marriott
HYATT
Hilton

Restaurants

McDonald's
DARDEN
Starbucks Coffee
Yum!

Casinos

MGM RESORTS INTERNATIONAL
CAESARS ENTERTAINMENT
Sands
Wynn RESORTS

Theme Parks

Six Flags
SeaWorld
Cedar Fair

Cruise Lines

RoyalCaribbean INTERNATIONAL
Carnival
NCL NORWEGIAN CRUISE LINE

Source: Bloomberg Intelligence, company websites

Backdrop for Today

Source: https://openjaw.com/laughs/cartoon/2021/04/15/revenge-travel/

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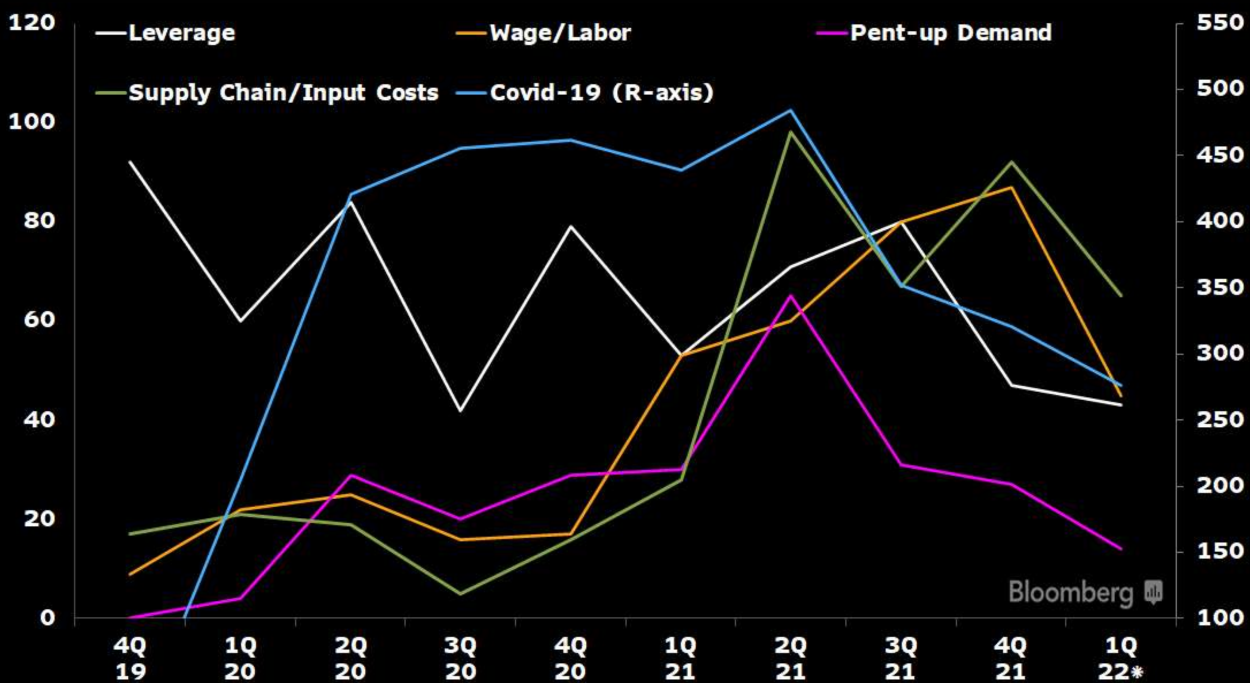
Topics of Focus By Management Teams



Source: Bloomberg Intelligence; Bloomberg transcript analyzer (TA<GO>) in earnings call, conference/presentation, shareholder meeting, M&A call for related words to each category; tickers CAR, CCL, CHH, CZR, DRI, FUN, H, HLT, HTZ, LVS, MAR, MCD, MGM, NCLH, RCL, SBUX, SEAS, SIX, STAY, TNL, WYNN, YUM; *1Q22 through 02/24/2022

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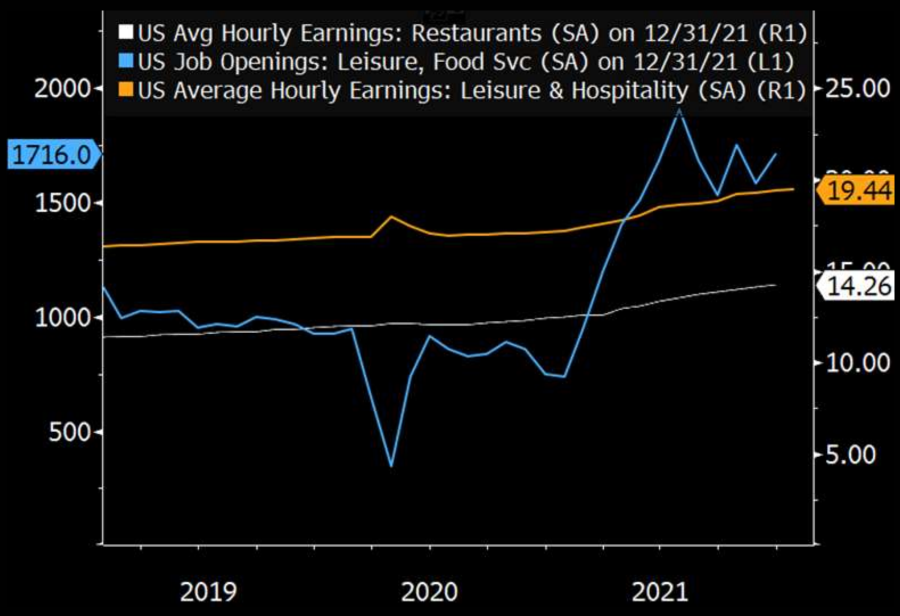
Labor Shortages and Wage Inflation

Leisure Hourly Earnings vs Job Openings



Leisure & Hospitality Unemployment

Source: Bloomberg Intelligence; Access left chart G #BI 111215 on the Terminal: https://bloom.bg/3BrloUw
Access right chart UEMPLEIS Index GP on the Terminal: https://bloom.bg/3bWHTq7

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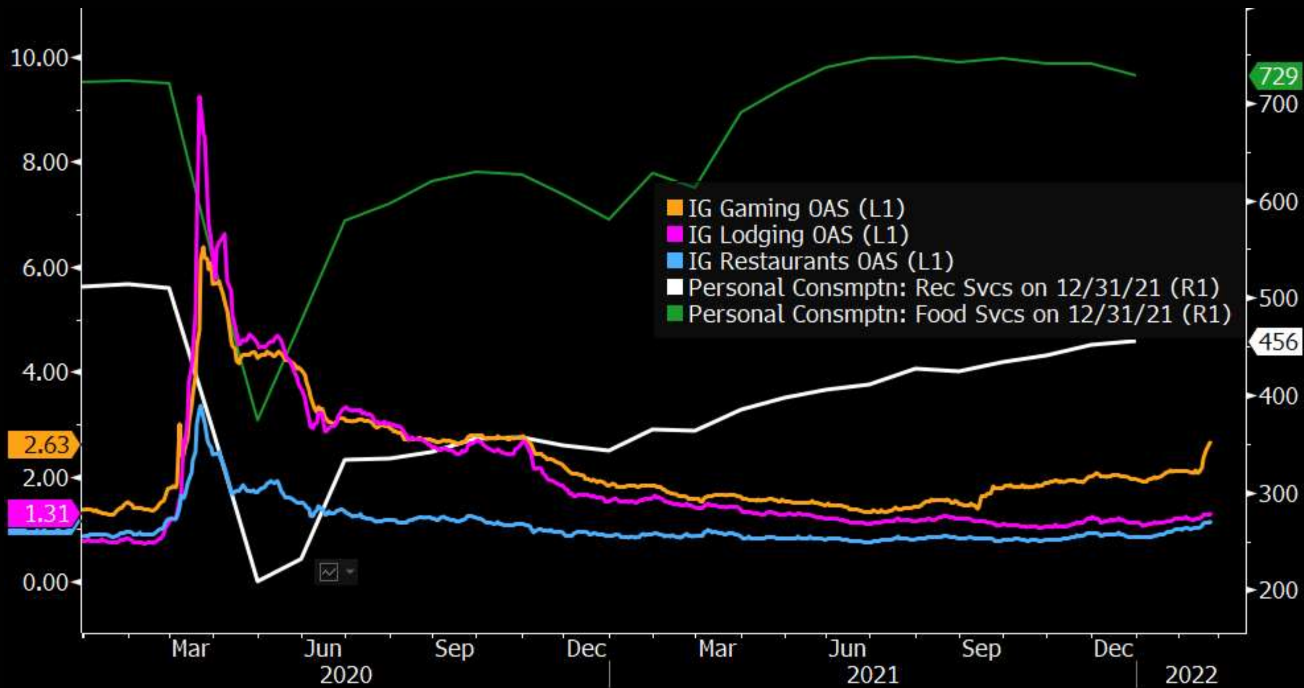
Russia’s Invasion of Ukraine

Name	Exposure
Marriott	30 hotels in Russia and 2 hotels in Ukraine
Hilton	Roughly 20-30 in Russia and another 30-40 in Baltics
Hyatt	Roughly 6 in Russia and under 5 in Ukraine
McDonald's	847 locations in Russia
Starbucks	132 locations in Russia
YUM! Brands	7% of KFC system sales in Russia, Central & Eastern Europe in 2020
Darden	International locations are all franchised in Latin America & U.S.
Avis Budget	EMEA revenue accounted for 15% of consolidated sales in 2021; Europe data not separated
Hertz	International revenue accounted for 13% of consolidated sales in 2020; Europe data not separated
Carnival	Indirect from energy prices and typically don't hedge; select cruises in Russia and Baltics
Norwegian	Indirect from energy prices, but 40% hedged this year; select cruises in Russia and Baltics
Royal Caribbean	Indirect from energy prices, but 54% hedged this year; select cruises in Russia and Baltics

Source: Bloomberg Intelligence, company reports/transcripts/websites

Consumer Spending vs. Credit Spreads



Source: Bloomberg Intelligence; Access G #BI 109050 on the Terminal: https://bloom.bg/3H8PnVy

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Leisure, Lodging, Gaming, Restaurants, & Rental Cars: The Details

High Yield Credit Spreads Over Time

Source: Bloomberg Intelligence; Access G #BI 109210 chart on the Terminal: https://bloom.bg/3krgRf7

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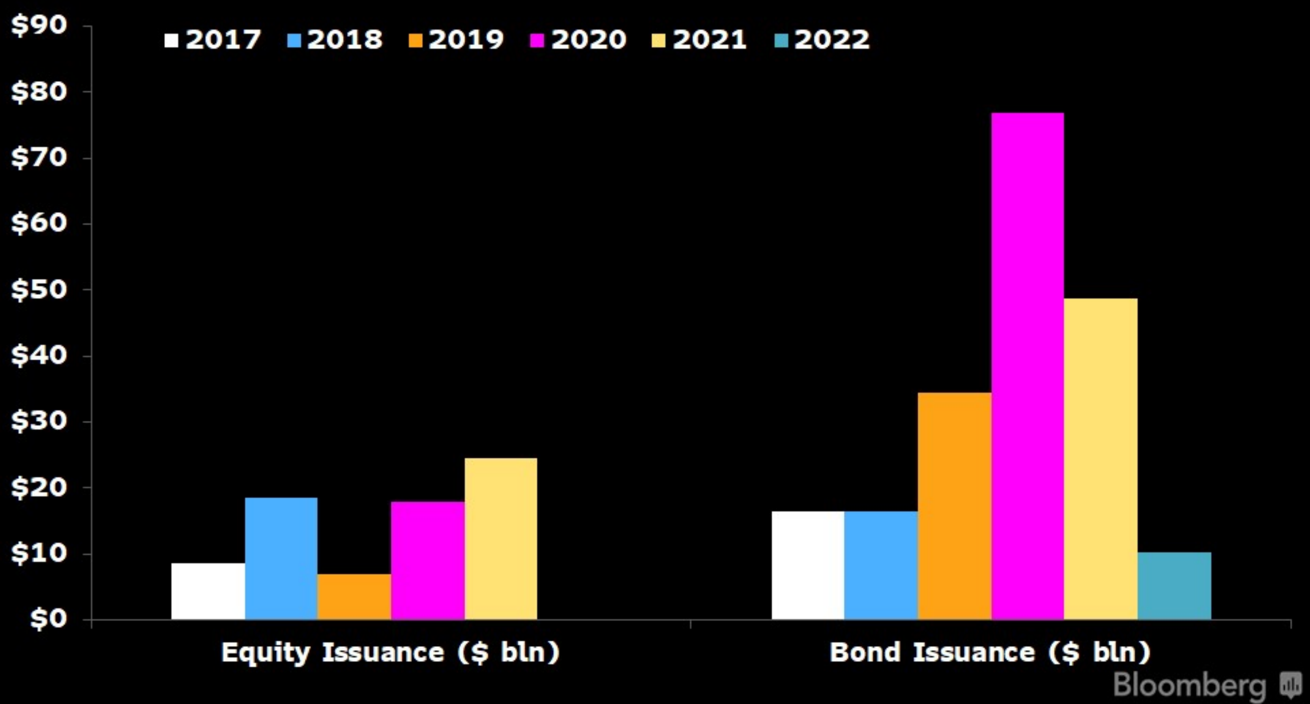
Sector Issuance Volumes Since 2017



Source: Bloomberg Intelligence; SRCH<GO> and LEAG<GO> custom searches from 01/01/2017 to 02/27/2022

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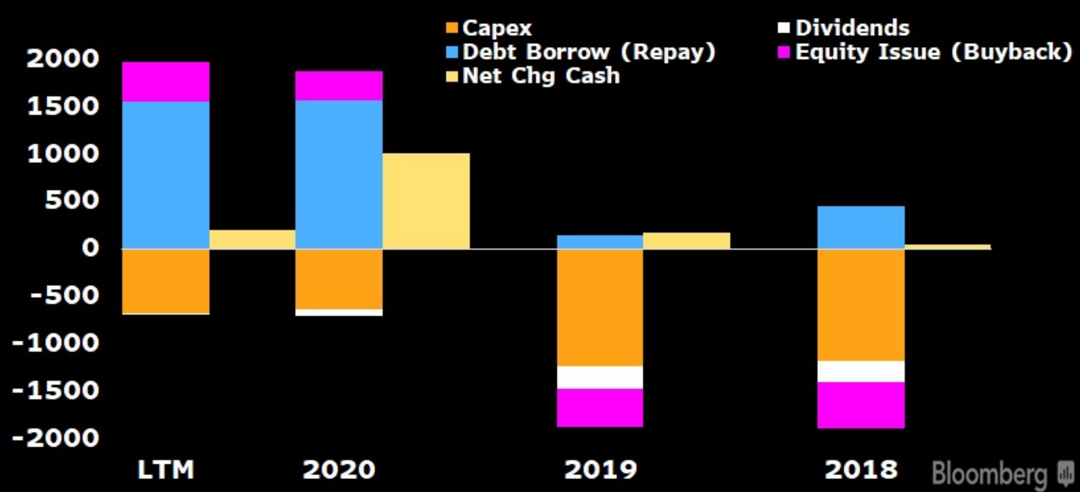
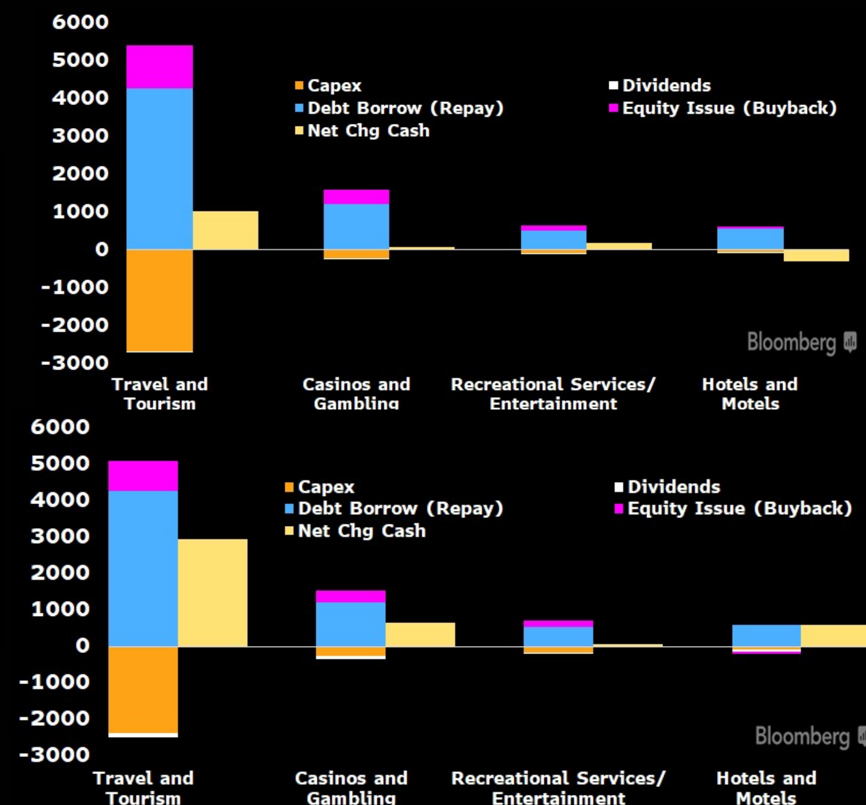
Cash Sources and Uses

Average Leisure Sector Cash Sources/Uses



Subsector Cash Sources/Uses: 2021 (Above), 2020 (Below)



Source: Bloomberg Intelligence; Used FA<GO> data and screened in EQS<GO> on the Terminal for companies based in the U.S. with at least $1B in long-term debt outstanding in the following sectors: Restaurants and Bars, Travel and Tourism, Casinos and Gambling, Hotels and Motels, Recreational Services, Rental and Leasing Services: Consumer

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Sector Perceptions in the Market

Ratings Trends: Consumer Cyclicals

Moody's

S&P

Source: Bloomberg Intelligence; RATT<GO>

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Investment Grade Universe Ratings Matrix

Investment Grade Universe Rating Matrix

Company	LT Issuer Rating Moody's / S&P / Fitch	Recent Report Moody's	Recent Report S&P	Recent Report Fitch	Outlook Moody's	Outlook S&P	Outlook Fitch	Leverage
DARDEN RESTAURAN	Baa2 / BBB / BBB	View	View	View	Stable	Stable	Stable	1.1x
MCDONALDS CORP	Baa1 / BBB+ / WD	View	View	View	Stable	Stable	Not Applicable	2.8x
STARBUCKS CORP	Baa1 / BBB+ / BBB	View	View	View	Stable	Stable	Stable	2.2x
CHOICE HOTELS	Baa3 / BBB- / N.A.	View	View	View	Stable	Stable	Not Applicable	2.4x
HYATT HOTELS-A	Baa3 / BB+ / BBB-	View	View	View	Negative	Negative	Negative	5.9x
MARRIOTT INTL-A	Baa3 / BBB- / WD	View	View	View	Stable	Positive	Not Applicable	3.0x
LAS VEGAS SANDS	Baa3 / BB+ / BBB- *-	View	View	View	Negative	Negative	Not Applicable	7.4x

Source: Company Filings, Bloomberg
Note: Using Issuer LT rating unless otherwise noted.
* FFO Adjusted Leverage

Outlook Key: Negative Stable Positive Not Applicable

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Source: Bloomberg Intelligence, Moody's, S&P, Fitch

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High Yield Universe Ratings Matrix

High Yield Universe Rating Matrix

Company	LT Issuer Rating	Recent Report			Outlook			Leverage
	Moody's / S&P / Fitch	Moody's	S&P	Fitch	Moody's	S&P	Fitch	
CAESARS ENTERTAI	B2 / B / N.A.	View	View	View	Stable	Stable	Not Applicable	4.6x
MGM RESORTS INTE	Ba3 / B+ *- / BB- *-	View	View	View	Negative	Not Applicable	Not Applicable	3.9x
WYNN RESORTS LTD	B2 / B+ / N.A.	View	View	View	Negative	Negative	Not Applicable	10.3x
AVIS BUDGET GROU	B2 / BB - / N.A.	View	View	View	Stable	Stable	Not Applicable	7.6x
HERTZ GLOBAL HLD	Caa1 / B / N.A.	View	View	View	Stable	Stable	Not Applicable	4.3x
CARNIVAL CORP	B1 / B / NR	View	View	View	Negative	Negative	Not Applicable	12.4x
NORWEGIAN CRUISE	B2 / B / N.A.	View	View	View	Negative	Negative	Not Applicable	10.7x
ROYAL CARIBBEAN	B1 / B / N.A.	View	View	View	Negative	Negative	Not Applicable	13.1x
CEDAR FAIR LP	B2 / B / N.A.	View	View	View	Stable	Stable	Not Applicable	4.2x
SEAWORLD ENTERTA	B2 / B+ / N.A.	View	View	View	Stable	Positive	Not Applicable	2.7x
SIX FLAGS ENTERT	B2 / B+ / N.A.	View	View	View	Stable	Positive	Not Applicable	4.5x
YUM! BRANDS INC	Ba2 / BB / WD	View	View	View	Stable	Stable	Not Applicable	4.5x
HILTON WORLDWIDE	Ba2 / BB / N.A.	View	View	View	Negative	Positive	Not Applicable	3.7x

Source: Company Filings, Bloomberg
Note: Using Issuer LT rating unless otherwise noted.
* FFO Adjusted Leverage

Outlook Key: Negative Stable Positive Not Applicable

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Source: Bloomberg Intelligence, Moody's, S&P, Fitch

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FIW: Leisure, Lodging, Gaming Restaurant Bonds

Source: Bloomberg Intelligence; Access FIW@LEISLODGREST<GO> chart on the Terminal: https://bloom.bg/3oh8LXB

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Sector Bond Returns in 2021

Ten Best Performers

Ten Worst Performers

Top-10 Best Performers

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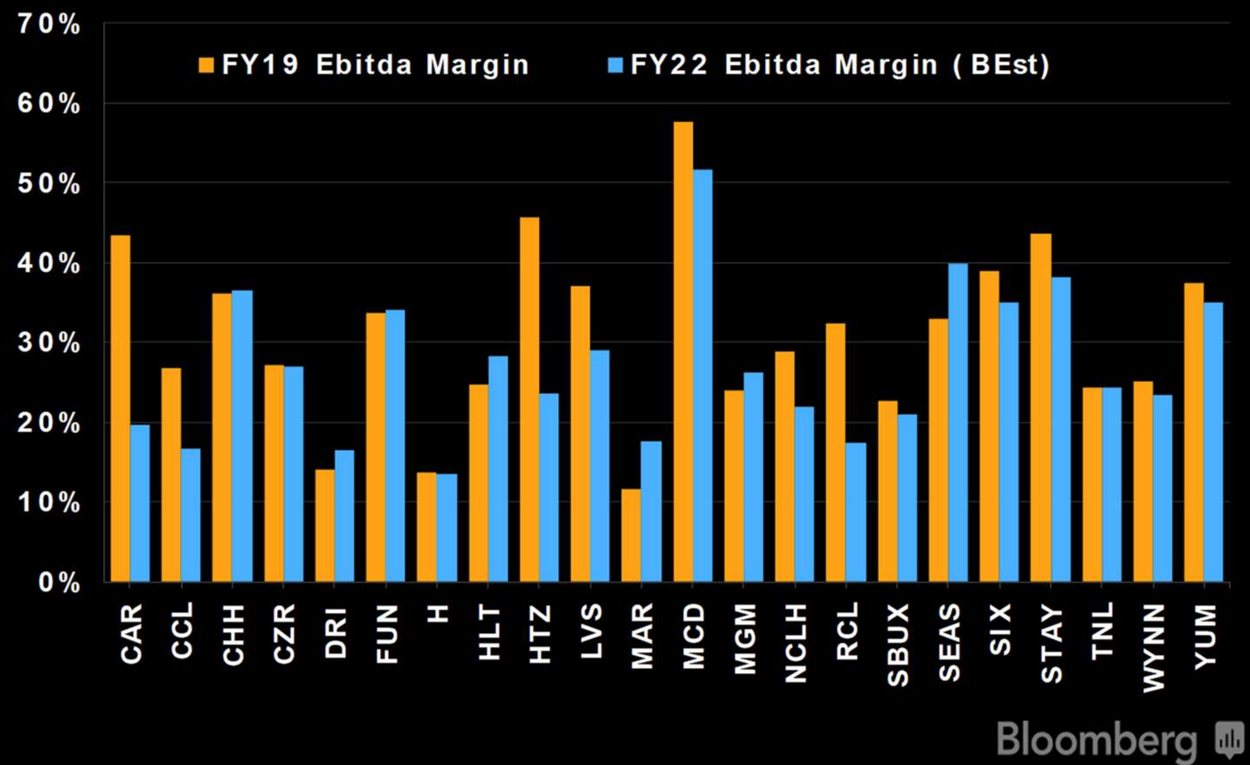
What the Future Might Hold

Margins: 2019 vs 2022 Estimates



Source: Bloomberg Intelligence; EEO<GO> and MODL<GO> screens on the Terminal for BEst numbers

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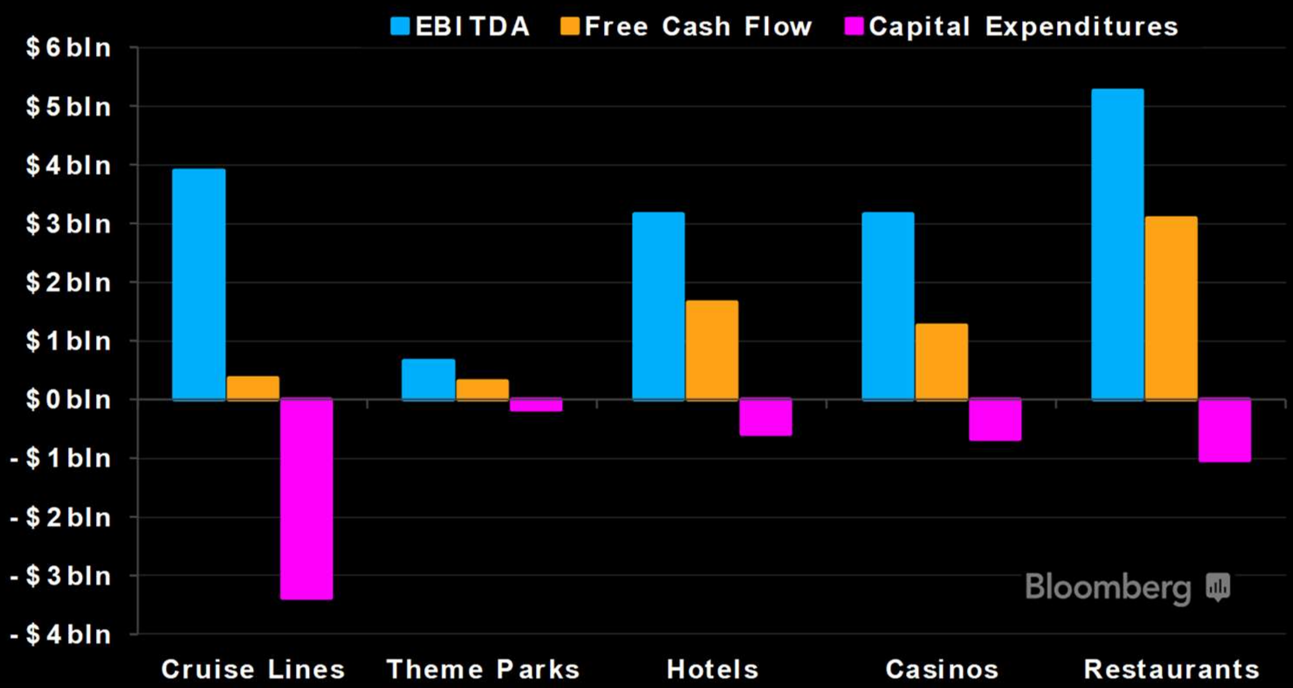
2023 Analyst Estimates: Ebitda, Cash Flow, Capex



Source: Bloomberg Intelligence; Averages of 2023 estimates shown, 3-5 largest U.S. companies by asset size per sector; ([Ticker] Equity EEO<GO>)

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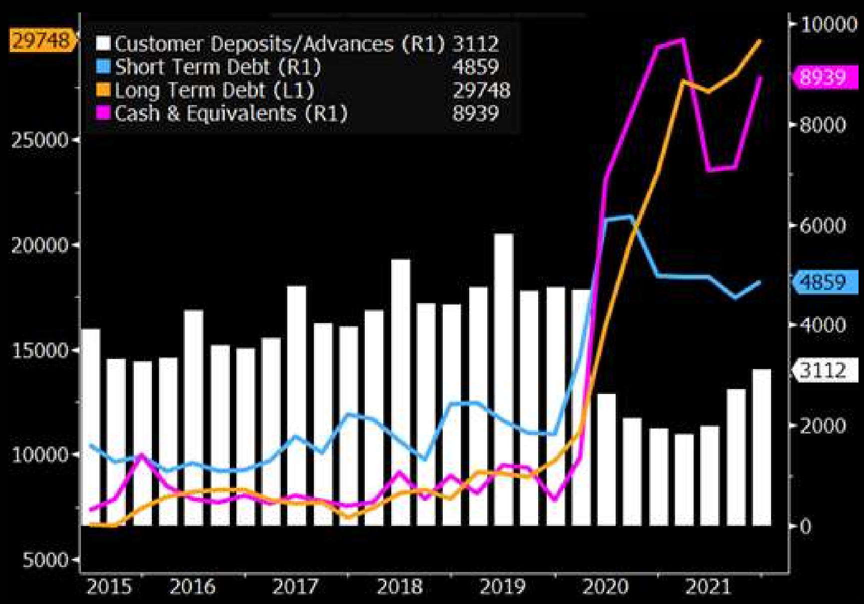
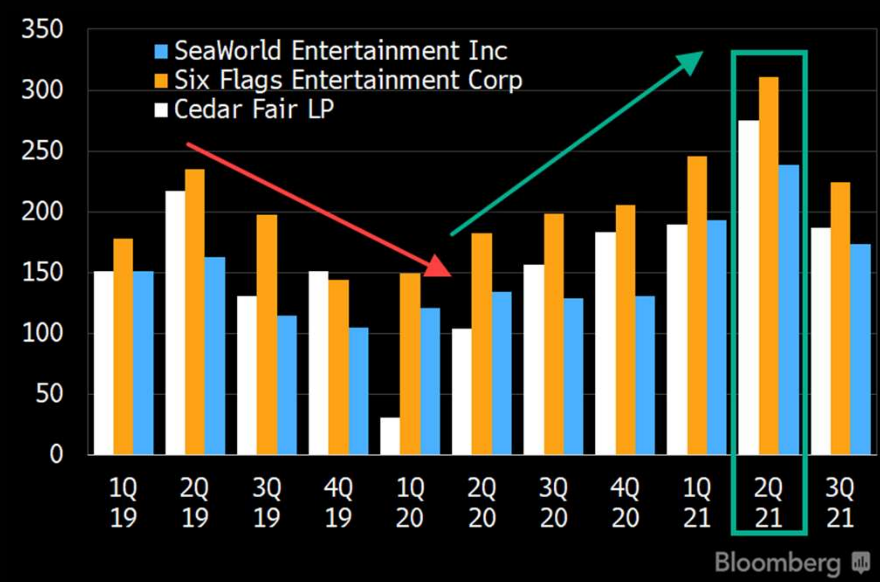
Deferred Revenue, Bookings, and Capital Markets Dependency

Customer Deposits Rising as Source of Cash



Deferred Revenue Ramped Up in Recent Quarters



Source: Bloomberg intelligence; in $mm; left chart: G #BI 112501 == https://bloom.bg/3K5qGKh; right chart sourced from FA data and displays quarterly ST unearned revenues

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"'Anywhere' is very popular right now."

Source: https://www.cartoonstock.com/directory/g/green_list.asp

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