

Company: Hilton	Ticker: HLT	Price: \$156.32	Industry: Hospitality
Target Price: \$156.32 Stop Loss: \$125.06 52 Week High/Low: \$157.14/\$123.74	TTM P/E: 30.32x Forward P/E: 22.47x EPS (FY22): \$4.95	Beta (5Y): 1.21 Credit Rating: Baa3 (Moody's) Rating Outlook: Stable	Market Cap: 38.86B Avg. Vol: 1.65M Dividend Yield: 0.40%

Company Background:

Hilton is a prominent figure in the global hospitality industry, managing a diverse portfolio of approximately 7,165 properties, encompassing over 1,127,430 rooms, and offering a range of 19 distinct brands. The company has an additional 2,821 properties in its development pipeline. Hilton's portfolio covers a spectrum from luxury to midscale and includes timeshare offerings, with a significant emphasis on the upper midscale and upscale segments. Most of Hilton's revenue is derived from franchised hotels, denoting the effectiveness of their franchising model and successful collaborations with independent owners and operators.

Industry Outlook:

The hospitality industry is valued at \$4.7 trillion in 2023, signifying its paramount economic significance. Projections indicate a steady growth trajectory, with CAGR ranging between 5.5% and 5.8%, propelling the industry's overall value to approximately \$5.8 trillion. Europe stands out as a prominent player, boasting the highest average RevPAR at \$93.71 dollars, underscoring its robust market dynamics. Moreover, the industry anticipates a surge in business travel, poised to counterbalance any potential softening in leisure demand. This adaptability and resilience of the hospitality sector positions it for a promising trajectory in the year ahead, affirming its vital role in the global economy and its continued provision of essential services to travelers worldwide.

Investment Thesis:

Hilton was founded in 1919 and has been an innovator in the hospitality industry for over 100 years. Hilton represents a compelling investment opportunity based on two key factors. Firstly, the company boasts an industry-leading portfolio of brands, providing a broad range of accommodation options to a global clientele. With a presence in over 100 countries, Hilton has established itself as a significant player in the hospitality industry, contributing to a robust revenue stream and geographic diversification. Secondly, the company's high-quality pipeline of properties under development is anticipated to yield favorable returns relative to capital investment. Leveraging its brand recognition, Hilton is strategically positioned to allocate resources efficiently to capitalize on emerging market opportunities. This dual strategy of a diverse brand portfolio and a prudent approach to property development underscores Hilton's attractiveness as an investment opportunity within the hospitality sector.

Investment Risks:

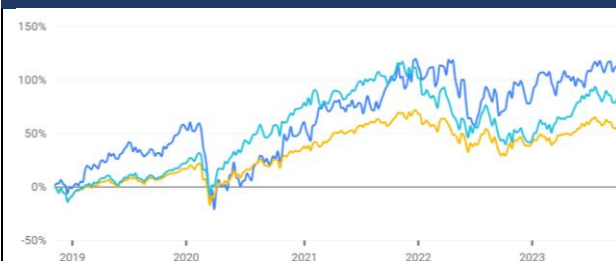
Hilton's operational model leans on third-party entities for critical functions like franchise operations, which, while contributing to its efficiency, may introduce some level of exposure to external factors. In a competitive industry, Hilton actively pursues management contracts, franchise agreements, and customer loyalty, which, though indicative of a dynamic market, may require strategic efforts to maintain market share and profitability. Furthermore, Hilton is not immune to industry cyclicality, with economic fluctuations potentially influencing demand for its services.

3-5 takeaways from last quarter investor call transcript:

- Anticipated RevPAR growth of approximately 12.5% projected for FY23, supported by a record number of room signings in Q3

- Management expresses confidence in driving revenue growth alongside an uptick in franchise fees
- Asia Pacific region emerges as a key focal point for RevPAR expansion, positioning it as the second most promising market after the U.S.
- Introduction of a new luxury brand in the pipeline, aimed at attracting a more diverse consumer base and expanding market reach

5-Year Financial Performance:



■ Hilton Hotels Corp... ■ S&P 500 ■ Nasdaq Composite

DCF Valuation:

Implied Perpetuity Growth Rate	
Terminal Value FCF	\$3,595
Discount Rate	9%
Terminal Value	\$61,722
Perpetuity Growth Rate	3%

Implied Equity Value and Share Price	
PV of FCF	\$11,627
PV of Terminal Value	\$40,115
Enterprise Value	\$51,742
Less: Debt	\$8,719
Add: Cash & Equivalents	\$698
Equity Value	\$43,721
Shares Outstanding	258
Implied Share Price	\$169.54
Current Price	\$156.35
Margin of Safety	8%

		Sensitivity Analysis				
		WACC				
		8.00%	8.50%	9.00%	9.50%	10.00%
PGR	2.50%	98.09	89.37	82.01	75.70	70.24
	2.75%	102.16	92.71	84.70	78.05	72.25
	3.00%	106.63	96.36	87.81	80.58	74.40
	3.25%	111.57	100.35	91.09	83.32	76.71
	3.50%	117.07	104.75	94.67	86.28	79.19

Comparable Companies:

	Mkt Cap (billions)	P/E	EPS	Div Yield	EV/EBITDA	Debt/Ebitda	Rev Par	Occupancy rate	ROE	ROA
Hilton	38.86	30.32x	\$4.95	0.40%	18.30x	3.70x	\$126.37	75%	-114%	8%
Mariott	56.24	21.08x	8.84	1.10%	14.70x	2.70x	124.38	68.70%	415%	10%
Hyatt	10.64	25.02x	4.09	0.60%	13.30x	3.70x	145.40	72%	12%	4%
IHG	9.63	20.30x	2.89	2.00%	15.30x	3.10x	92.59	72%	-23%	9%
Wyndham	6.01	20.97x	3.42	1.90%	14.00x	3.70x	49.71	N/A	37%	9%
Mean	24.27	23.54x	\$4.84	1%	15.12x	3.38x	\$107.69	72%	65%	8%

ESG:

Hilton's "Travel with Purpose" 2030 goals emphasize sustainability and inclusivity. This includes creating 5 million learning opportunities and achieving 50% gender diversity in leadership. They also promote ethical conduct and advocate for purposeful travel policies, while collaborating across industries. Hilton's efforts are reinforced by its top 5% ranking in the 2023 Global Sustainability Yearbook's S&P Global ESG Score.