

Investment Analysis of Hotel Industry in the Stock Market

Kaiyue Xu *

School of Auburn University, Auburn, 36832, United States

* Corresponding Author Email: kzx0015@auburn.edu

Abstract. Investment in the hotel industry is highly uncertain, and it is impossible to determine whether the industry will recover. Given that most people are aware of the downturn in the hotel industry, it is worth studying whether it is the right time to re-enter this stock market. Because of Covid-19, business in the hotel industry has not been particularly good. Analyze which stocks are suitable for investment and whether they are the same as I imagined. The three stocks studied in the article are all in the hotel industry. By studying their stock prices over the past year, see what types of investors would invest in these companies. Judging from the research results, these three companies have their corresponding investors. By studying the stocks of these three companies, it can be seen that the industry has taken another upward trend in the past year. This may satisfy the demand of investors.

Keywords: Covid-19, Ratio Analysis, Marriott, Hyatt, Choice Hotels.

1. Introduction

Investment in the hotel industry is full of uncertainties, and we have no way of knowing whether the industry will recover. Since most people know the downturn in the hotel industry, research whether it is time to re-enter this stock market. Due to the impact of COVID-19, it can be seen from Shorter, Gary W.'s paper [1] that the closure of the New York Stock Exchange will affect some people's trust in stocks. From Maheshwari, M., & Loke, R.'s article [2], we can see that because of COVID-19, the stock market has plummeted, and investors have lost confidence in the market. From Takashi Kanamura's article [3-5], it can be seen that COVID-19 has a great impact on the stocks of the hotel industry. In this paper, I will compare three hotel stocks to see whether they are valuable for investment.

The remainder of this paper is organized as follows, Section 2 presents the data we collected and the stock price table. Section 3 presents what result we get from section 2. The conclusion follows in section 4. I chose 3 companies to research.

2. Data Collection

There are Marriott International, Hyatt Hotels Corporation, and Choice Hotels International, Inc. There is all work on hotels.

2.1. Marriott International Inc.

Marriott International is the largest hotel chain in the world, it has 31 brands of hotels in the world. We can see the stock price is raised after April 2023 Figure 1.

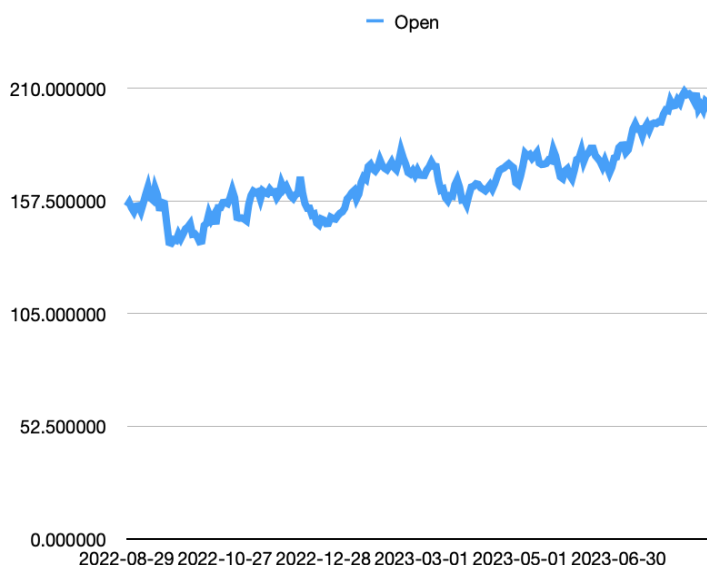


Fig. 1 The stock Price of Marriott International in the last 1 year

Discounted cash flow (DCF) analysis calculates the present value of future cash flows based on the discount rate and period of analysis. If the present value of future cash flow is higher than the current stock price, that means this stock is worth being invested in. Marriott International Inc's DCF is 205.46 USD [6-8], compared to the current market price of 199.61 USD, the stock is undervalued. We can see from the table that Marriott International Inc. meets the requirement. Momentum investors will invest when the 50-day moving average price of the stock is higher than the 200-day moving average price, which means the stock has the potential to rise. The Marriott will be chosen by the momentum investors. For stock buyback investors, they prefer to invest in stocks that have many stock buybacks. The Marriott has a lot of stock buybacks, the stock buyback investor will buy it. Index investors prefer stocks that have low-size risks. So, Marriott International Inc. is the best choice for index investors (Table 1).

Marriott International Inc. is the best choice for DCF, momentum, stock buyback, and index investors.

Table 1. Market Ratio Analysis for Marriott International Inc

		Marriott International, Inc. (MAR)
Price Earnings Ratio		23.43
P/B Ratio		432.52
Trailing Annual Dividend Yield		0.72%
PEG Ratio		1.27
DCF		205.46
Momentum	50-Day Moving Average	181.66
	200-Day Moving Average	167.74
Insider Buying		19.51%
Stock Buyback		1.135B
Price		199.61

2.2. Hyatt Hotels Corporation

Hyatt Hotels Corporation is an American multinational hospitality company that manages and franchises luxury and business hotels, resorts, and vacation properties. We can see the stock of Hyatt Hotels Corporation in Figure 2.

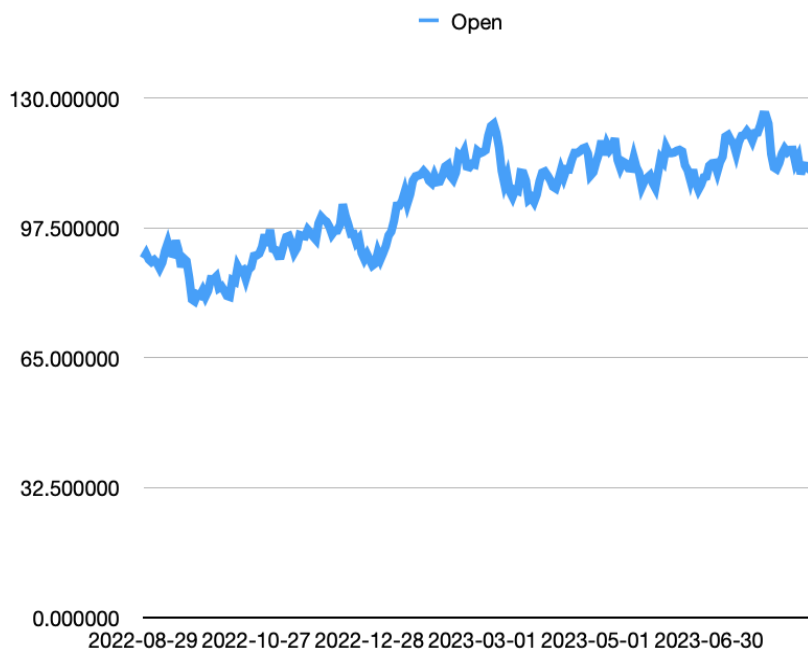


Figure 2: The stock price of Hyatt Hotels Corporation in the last 1 year

Hyatt Hotels Corporation's DCF is 145.4 USD, compared to the current market price of 125.18 USD, the stock is undervalued. So, the DCF investor will buy Hyatt Hotels Corporation's stock. Momentum investors will invest when the 50-day moving average price of the stock is higher than the 200-day moving average price, which means the stock has the potential to rise. The Hyatt Hotels Corporation will be chosen by the momentum investors [9-10] (Table 2).

Hyatt Hotels Corporation is the best choice for DCF and momentum investors.

Table 2: Market Ratio Analysis for Hyatt Hotels Corporation

		Hyatt Hotels Corporation (H)
Price Earnings Ratio		23.66
P/B Ratio		3.58
Trailing Annual Dividend Yield		0.49%
PEG Ratio		2.08
DCF		145.4
Momentum	50-Day Moving Average	114.87
	200-Day Moving Average	106.72
Insider Buying		2.15%
Stock Buyback		106.00M
Price		125.18

2.3. Choice Hotels International Inc.

Choice Hotels International, Inc. is an American multinational hospitality company. The company, which is one of the largest hotel chains in the world, owns several hotel brands ranging from upscale to economy. We can see the Choice Hotel's stock price is shown in Figure 3.

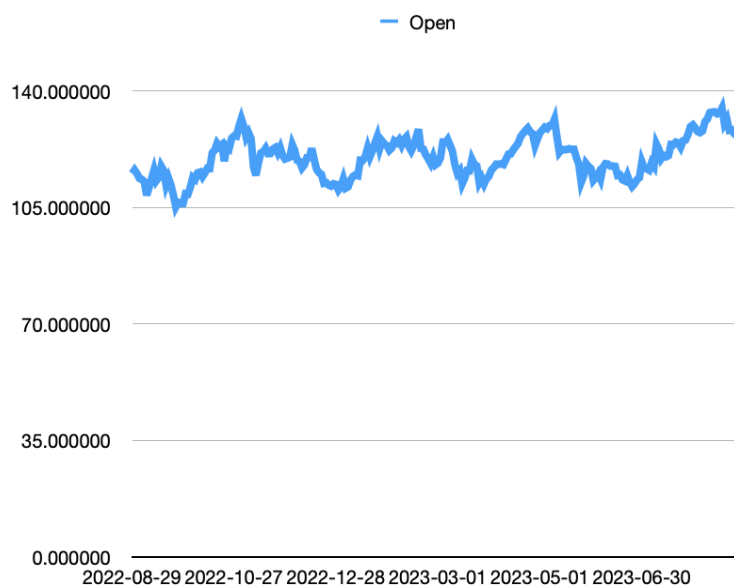


Figure 3: The stock price of Choice Hotels International, Inc. in the last 1 year

For insider buying investors, they prefer to invest in stocks that the company insiders buy more. It shows that Choice Hotels International, Inc. has more insider buying than the other 2 companies. So, Choice Hotels International, Inc. is the best choice for insider-buying investors. For ratio analysis investors, they prefer to choose Choice Hotels International, Inc. over Marriott International Inc., and Marriott International Inc is better than Hyatt Hotels Corporation (Table 3).

Choice Hotels International, Inc. is the best choice for insider buying and ratio analysis investors.

Table 3: Market Ratio Analysis for Choice Hotels International, Inc.

		Choice Hotels International, Inc. (CHH)
Price Earnings Ratio		22.06
P/B Ratio		139.77
Trailing Annual Dividend Yield		0.79%
PEG Ratio		1.72
DCF		116.4
Momentum	50-Day Moving Average	118.21
	200-Day Moving Average	120.15
Insider Buying		38.27%
Stock Buyback		160.49M
Price		128.85

3. Analysis

The 3 companies all have an increase in the stock price in this year. In summary, Marriott International Inc. is the best choice for DCF, momentum, stock buyback, and index investors. Hyatt Hotels Corporation is the best choice for DCF and momentum investors. Choice Hotels International, Inc. is the best choice for insider buying and ratio analysis investors.

There are no value, income, and PEG investors will choose these 3 companies. For value investors, they tend to invest in stocks that have PB ratios lower than 1, but the 3 companies are all higher than 1. The value investor will not invest in the 3 companies. For Income investors, the dividend Yield is bigger than 4%. The Income investors will not invest in the 3 companies. For PEG ratio investors,

they tend to invest in stocks that have PEG ratios lower than 1. The 3 companies are all higher than 1. The PEG investor will not invest in the 3 companies.

I chose these three companies because the hotel industry has been hit hard during the COVID-19 outbreak, and people in high-end hotels generally only book in bulk when they travel. So it can be seen that only Choice Hotels International, Inc.'s stock price has not risen significantly. During the holidays, we can clearly see that Marriott's stock price rises rapidly because of the increase in travel.

I think all three companies are worthy of investment, because of Covid-19, their stock prices should fall. They have been repurchasing many of their own stocks in recent years, and the companies will not let themselves lose money. The three companies I've included in this article are in the hospitality industry, which isn't a great market right now. But in the past six months, it has been picking up one after another.

4. Conclusion

This paper talks about 3 companies' stock prices and ratio analysis to know what can be invested. We look at the stock price and know the data of each company, compare different data, to see which investor will buy the stock.

The hotel industry is rising back to normal because of the Covid-19 is not as strong as before. The hotel industry's stock price becomes easy to see, it is not stocked with a big profit but is not easy to lose money.

My paper lacks a large number of model samples for comparison, and I will do more in-depth research in a future article.

References

- [1] Shorter, G.W. (2020) *The closing of the New York Stock Exchange's trading floor due to COVID-19*. [Library of Congress public edition]. Congressional Research Service (IN: 11447). Available at: <https://search.ebscohost.com/login.aspx?direct=true&db=cat07161a&AN=aul.5744112&site=eds-live&scope=site> (Accessed: 6 September 2023).
- [2] Maheshwari, M., & Loke, R. (2023). Impact of Covid-19 on Stock Returns: An Event Study of G20 Countries. *IUP Journal of Accounting Research & Audit Practices*, 22(2), 53–67.
- [3] Takashi Kanamura. (2023). An impact assessment of the COVID-19 pandemic on Japanese and US hotel stocks. *Financial Innovation*, 9(1), 1–51. <https://doi.org/10.1186/s40854-023-00478-2>
- [4] Tidwell, A., (Olivia) Lu, Y., Lee, J., & Banerjee, P. (2023). Nature of co-movements in US state and MSA Housing Prices. *Real Estate Economics*, 51(4), 959–989.
- [5] McGurk, Z. (2022). US bilateral capital inflows and housing price return predictability. *SSRN Electronic Journal*.
- [6] Radner, P. (2017). IPOs and Seos in the US Real Estate Industry.
- [7] Hwang, G.-B. (2022). The effect of social capital's community facilities on the housing stability of social housing. *KOREA REAL ESTATE INDUSTRY SOCIETY*, 5(1), 18–42.
- [8] MJ, Brennan, N, Jegadeesh, B, & Swaminathan. (1993). Investment analysis and the adjustment of stock prices to common information. *Rev.financ.stud*.
- [9] Zhang Yichi, Wang Run, Feng Liyan & Ouyang Yan. (2023). Comprehensive Evaluation of New Energy Investment in the Maritime Silk Road(I). *China Oil & Gas* (03), 30-33.
- [10] ZHAO Shengbo, WANG Xingping, LI Kailun & LI Yingcheng. (2022). Evolution and influencing factors of the transnational investment network of China–Africa international cooperation parks. *Journal of Geographical Sciences* (11), 2205-2228.