

# Revenge Travel and the Fixed Income Markets: Outlook 2022

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Leisure, Lodging, Gaming, Restaurants, & Rental Cars

Bloomberg Intelligence

# Recap

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## 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

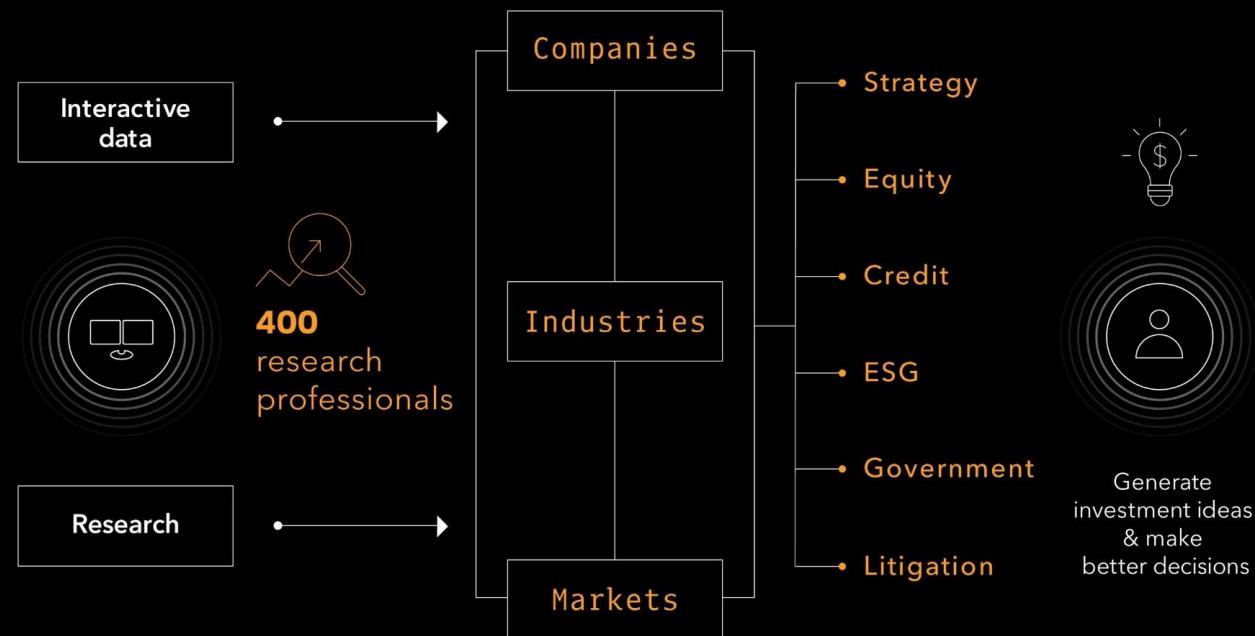
2,000+  
companies

15yrs  
avg. analyst experience

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Intelligence**  
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research.



# Credits Under Coverage



Source: Bloomberg Intelligence, company websites

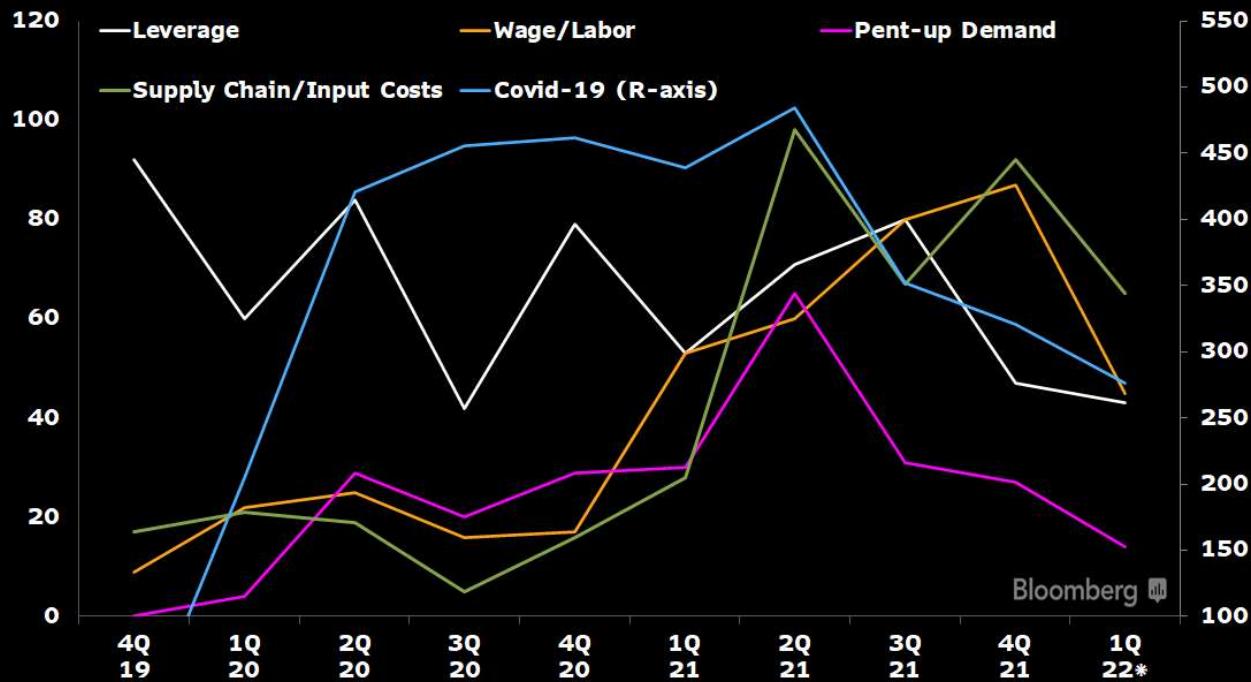
# Backdrop for Today

## REVENGE TRAVEL — OPENJAW.COM



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

# 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

# Labor Shortages and Wage Inflation

Leisure Hourly Earnings vs Job Openings



Leisure & Hospitality Unemployment



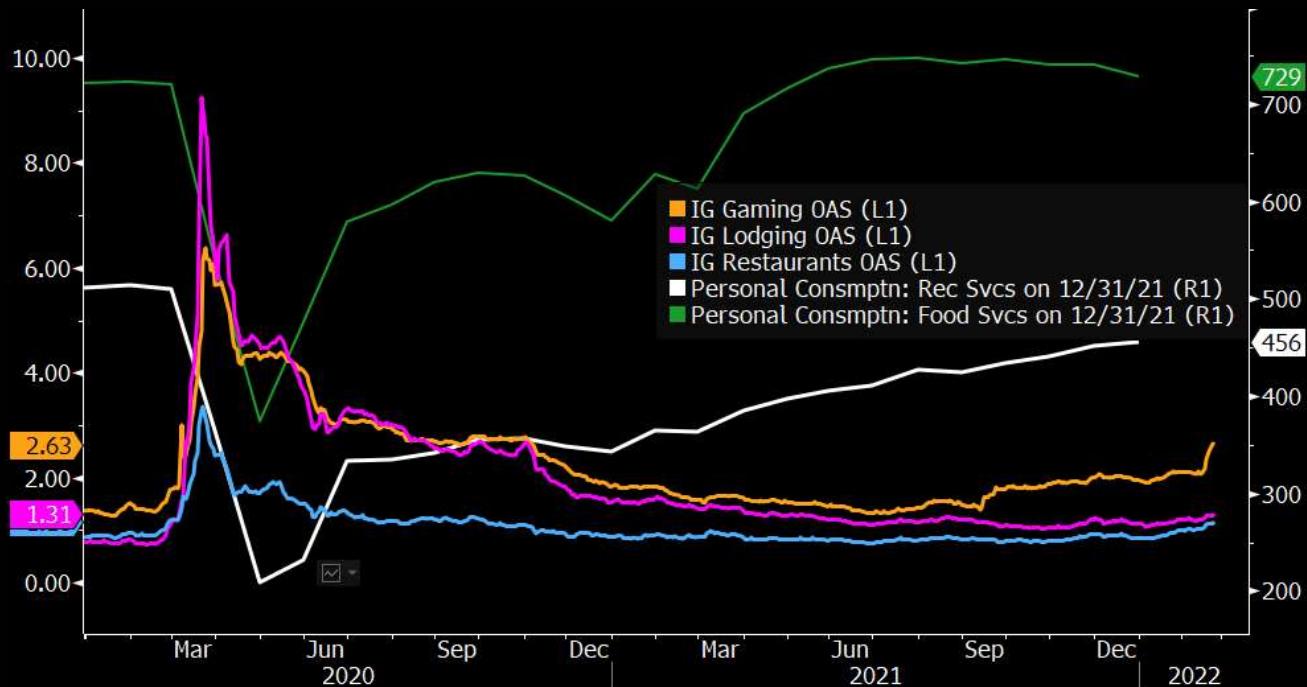
Source: Bloomberg Intelligence; Access left chart G #BI 111215 on the Terminal: <https://bloom.bg/3BrloUw>  
Access right chart UEMPLEIS Index GP on the Terminal: <https://bloom.bg/3bWHTq7>

# 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>

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

# High Yield Credit Spreads Over Time

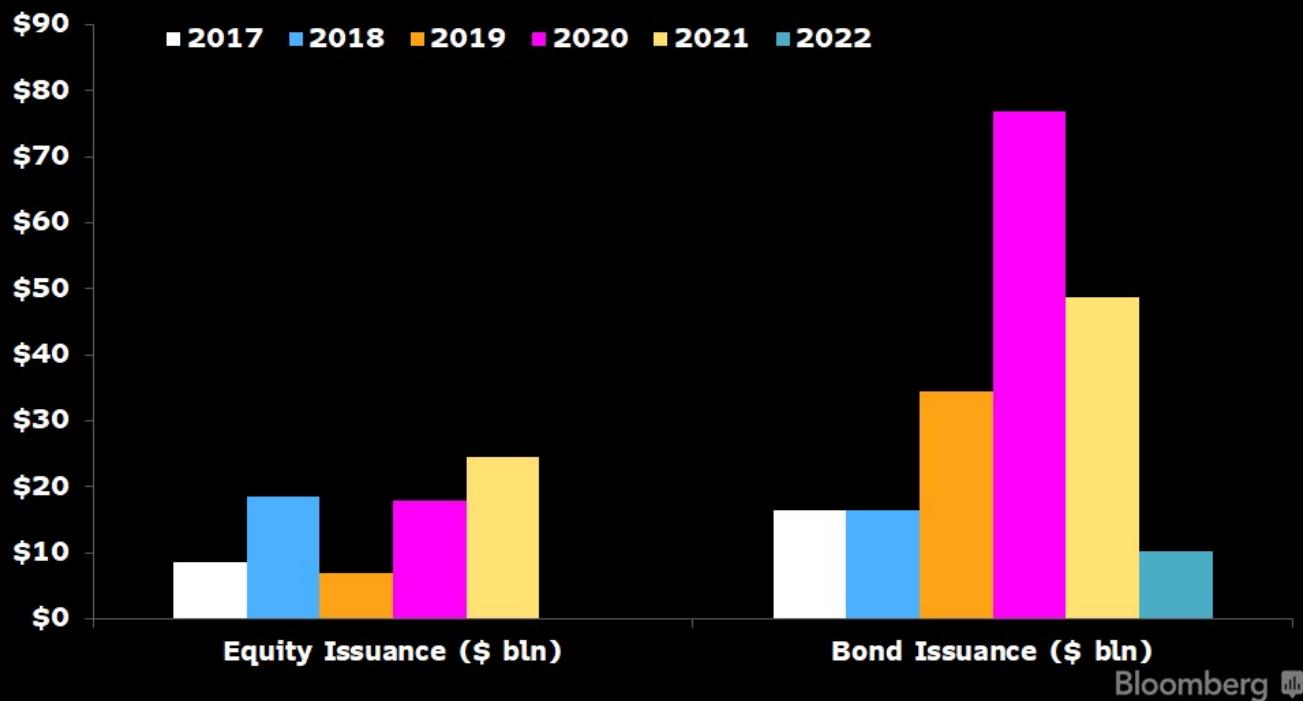
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Source: Bloomberg Intelligence; Access G #BI 109210 chart on the Terminal: <https://bloom.bg/3krgRf7>

# Sector Issuance Volumes Since 2017

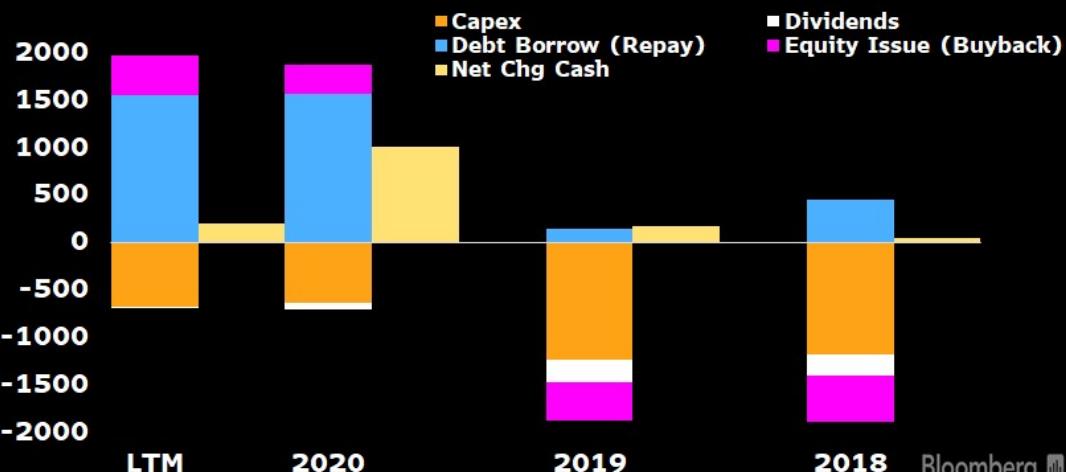
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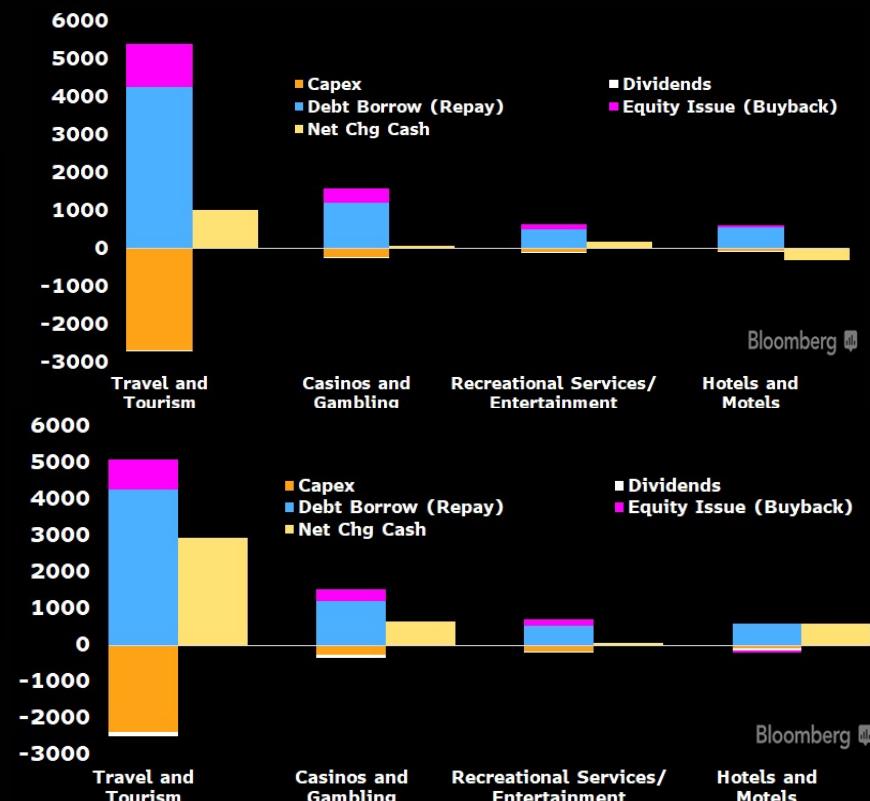
Source: Bloomberg Intelligence; SRCH<GO> and LEAG<GO> custom searches from 01/01/2017 to 02/27/2022

# Cash Sources and Uses

## Average Leisure Sector Cash Sources/Uses



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



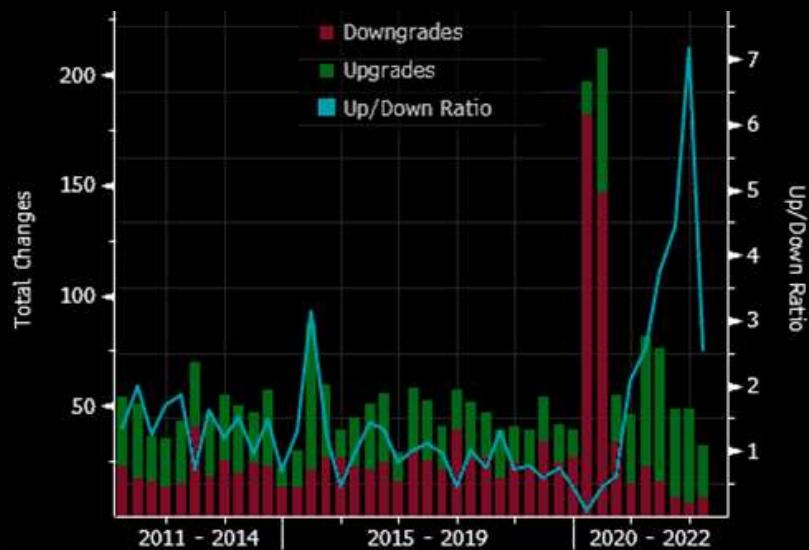
Source: Bloomberg Intelligence; Used FA<GO> data and screened in EQS<GO> on the Terminal for companies based in the U.S. with at least \$1B in long-term debt outstanding in the following sectors: Restaurants and Bars, Travel and Tourism, Casinos and Gambling, Hotels and Motels, Recreational Services,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

Bloomberg Intelligence BI

# Sector Perceptions in the Market

# Ratings Trends: Consumer Cyclicals

Moody's



S&P



Source: Bloomberg Intelligence; RATT<GO>

# Investment Grade Universe Ratings Matrix

Company	LT Issuer Rating			Recent Report			Outlook			Leverage
	Moody's	S&P	Fitch	Moody's	S&P	Fitch	Moody's	S&P	Fitch	
DARDEN RESTAURAN	Baa2 / BBB / BBB	View	View	View	●	●	●	●	●	1.1x
MCDONALDS CORP	Baa1 / BBB+ / WD	View	View	View	●	●	●	●	●	2.8x
STARBUCKS CORP	Baa1 / BBB+ / BBB	View	View	View	●	●	●	●	●	2.2x
CHOICE HOTELS	Baa3 / BBB- / N.A.	View	View	View	●	●	●	●	●	2.4x
HYATT HOTELS-A	Baa3 / BB+ / BBB-	View	View	View	●	●	●	●	●	5.9x
MARRIOTT INTL-A	Baa3 / BBB- / WD	View	View	View	●	●	●	●	●	3.0x
LAS VEGAS SANDS	Baa3 / BB+ / BBB- *-	View	View	View	●	●	●	●	●	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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Intelligence 

# High Yield Universe Ratings Matrix

Company	LT Issuer Rating Moody's / S&P / Fitch	Recent Report			Outlook			Leverage
		Moody's	S&P	Fitch	Moody's	S&P	Fitch	
CAESARS ENTERTAI	B2 / B / N.A.	View	View	View	●	●	●	4.6x
MGM RESORTS INTE	Ba3 / B+ *- / BB- *-	View	View	View	●	●	●	3.9x
WYNN RESORTS LTD	B2 / B+ / N.A.	View	View	View	●	●	●	10.3x
AVIS BUDGET GROU	B2 / BB - / N.A.	View	View	View	●	●	●	7.6x
HERTZ GLOBAL HLD	Caa1 / B / N.A.	View	View	View	●	●	●	4.3x
CARNIVAL CORP	B1 / B / NR	View	View	View	●	●	●	12.4x
NORWEGIAN CRUISE	B2 / B / N.A.	View	View	View	●	●	●	10.7x
ROYAL CARIBBEAN	B1 / B / N.A.	View	View	View	●	●	●	13.1x
CEDAR FAIR LP	B2 / B / N.A.	View	View	View	●	●	●	4.2x
SEAWORLD ENTERTA	B2 / B+ / N.A.	View	View	View	●	●	●	2.7x
SIX FLAGS ENTERT	B2 / B+ / N.A.	View	View	View	●	●	●	4.5x
YUM! BRANDS INC	Ba2 / BB / WD	View	View	View	●	●	●	4.5x
HILTON WORLDWIDE	Ba2 / BB / N.A.	View	View	View	●	●	●	3.7x

Source: Company Filings, Bloomberg

Note: Using Issuer LT rating unless otherwise noted.

\* FFO Adjusted Leverage

Outlook Key:

● Negative   ● Stable   ● Positive   ● Not Applicable

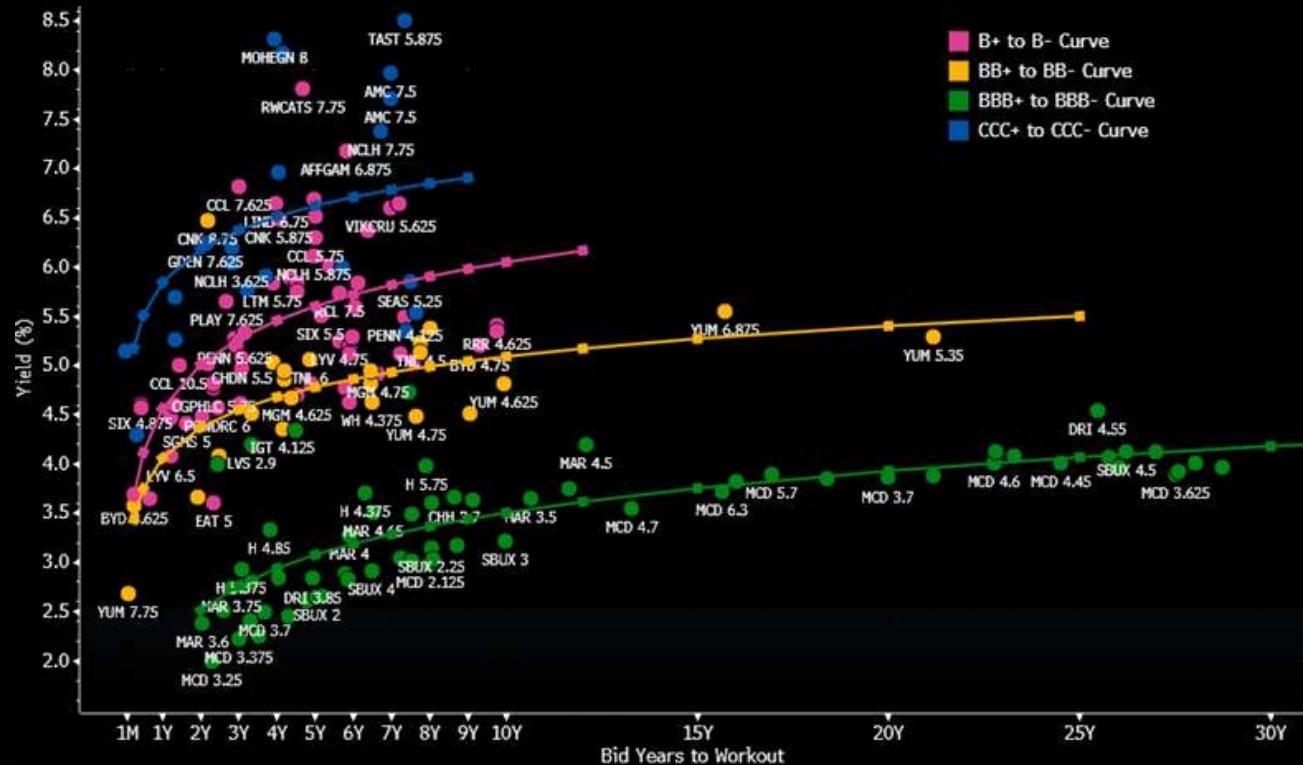
Bloomberg

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

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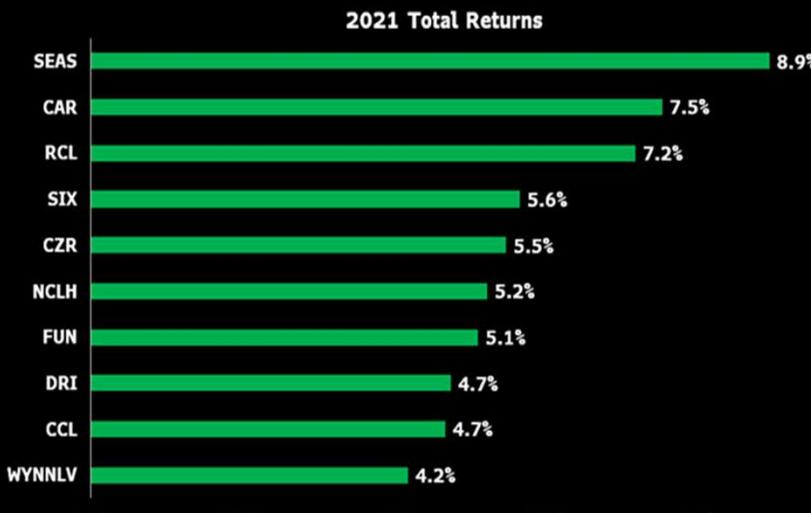
## FIW: Leisure, Lodging, Gaming Restaurant Bonds



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

# Sector Bond Returns in 2021

## Ten Best Performers



## Ten Worst Performers

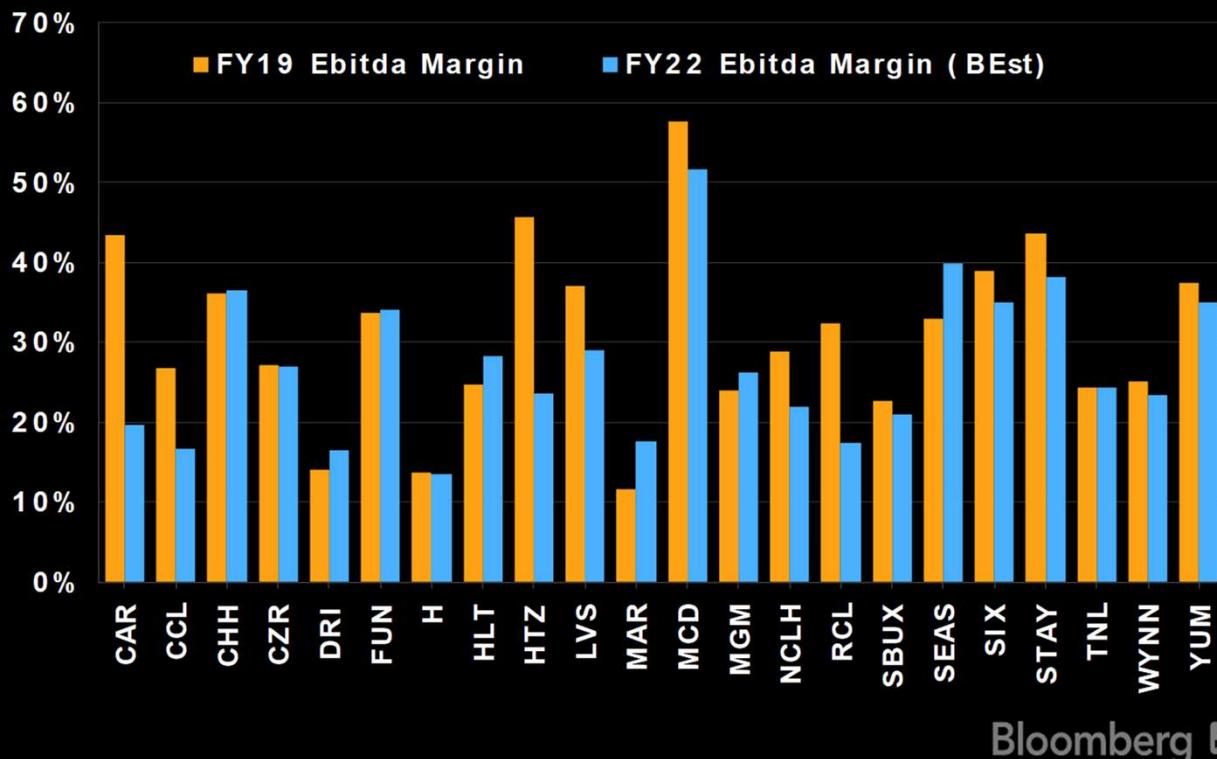


Top-10 Best Performers

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# What the Future Might Hold

# Margins: 2019 vs 2022 Estimates



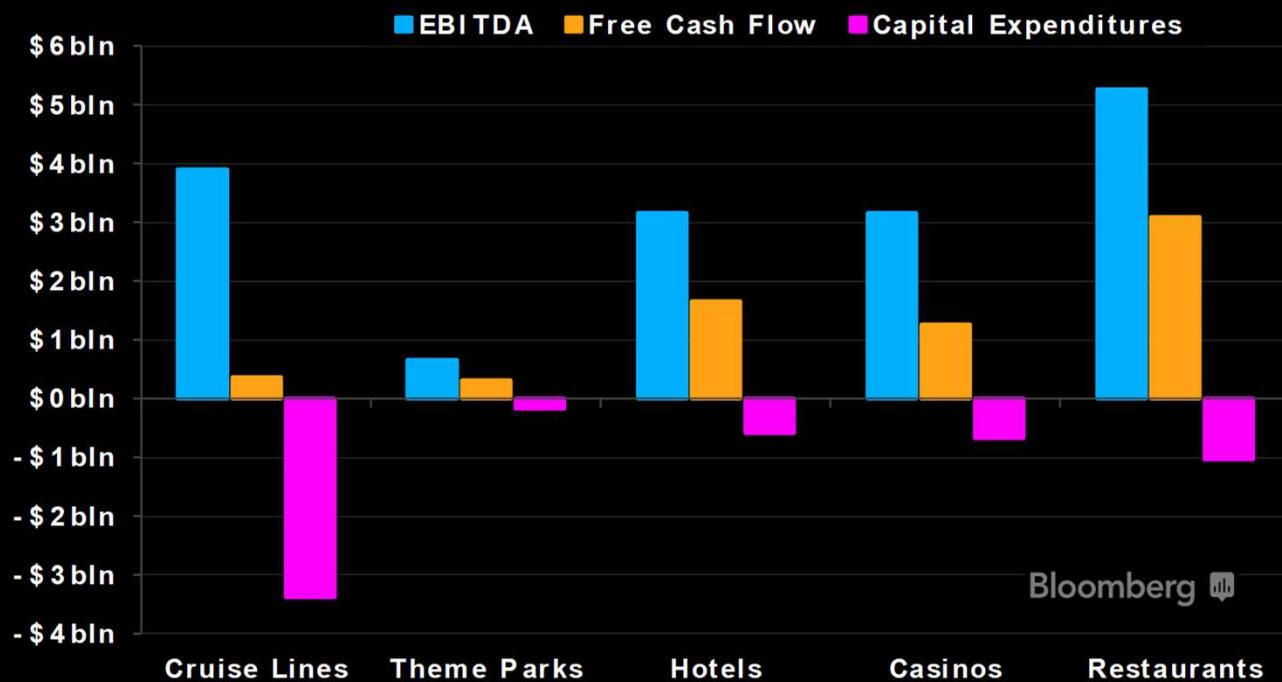
Bloomberg

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

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Intelligence

# 2023 Analyst Estimates: Ebitda, Cash Flow, Capex

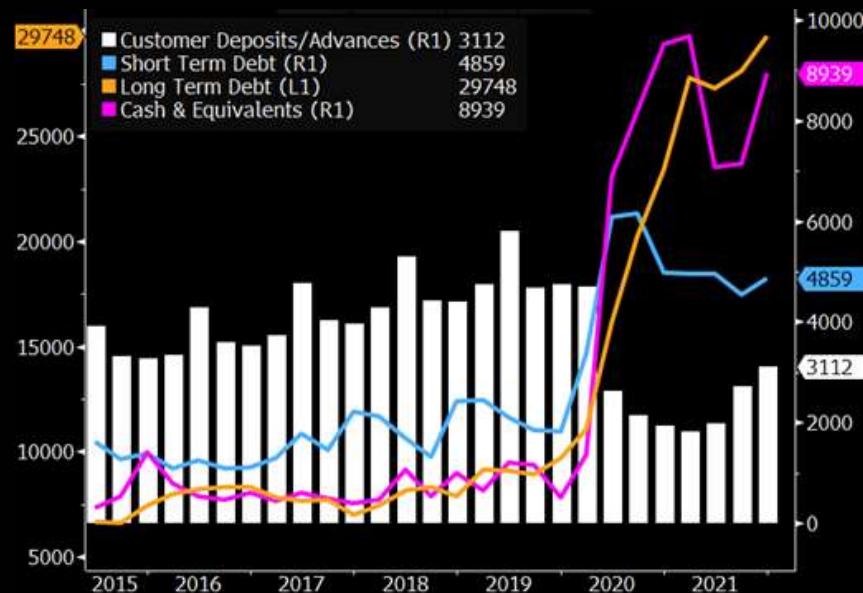
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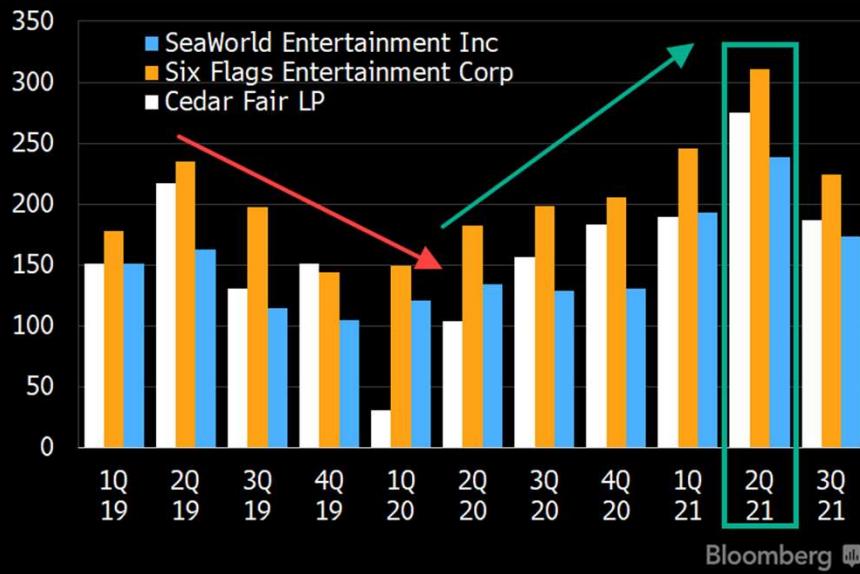
Source: Bloomberg Intelligence; Averages of 2023 estimates shown, 3-5 largest U.S. companies by asset size per sector; ([Ticker] Equity EEO<GO>)

# 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



*“‘Anywhere’ is very popular right now.”*

Source: [https://www.cartoonstock.com/directory/g/green\\_list.asp](https://www.cartoonstock.com/directory/g/green_list.asp)

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The screenshot shows the Bloomberg Intelligence web interface. At the top, a navigation bar includes a back/forward arrow, a search bar with 'HELLENIC TELECOM Equity' as the query, a 'BI' dropdown, and a 'Related Functions Menu'. Below the bar, a secondary navigation menu has 'Actions' and 'Events & Chatrooms' as top items, followed by a 'Browse All of BI' link and a 'Popular Searches' section with 'Coronavirus, Oil, China'. A 'Settings' link is also visible. The main content area features a 'Featured Research' section with five numbered items: 1) BI Focus: Private Equity Dry Powder Deployment, 2) Global Aluminum Covid-19 Outlook, 3) TV Ad Declines May Worsen as Rating Boost Moderates, 4) EU 1Q Preview: Balance Sheet, and 5) Waiting for... A 'Bloomberg Intelligence' logo is in the top right, along with 'Spotlight | More' and 'GE Default Probabilities'. A pie chart is partially visible on the right side of the screen.