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Gaming & Lodging | North America

Ambling with Grambling #27: Agentic AI coming to a hotel near you

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GAMING & LODGING

North America

Industry View **In-Line**

Key Takeaways

- Performance: GLL stocks stayed positive over the past two weeks but lagged the S&P (+1% vs. +4%). PENN/Lodging led vs. SRAD/TNL/Cruise lagged.
- Debate: With agentic AI rising in ecommerce, we review our latest proprietary survey for leisure & business travel plus frame potential changes in distribution
- 2 wks behind: Spring Break (Puerto Vallarta due dili), LVS/TNL/BYD/PENN earnings. Marketing in Boston & Atlanta.
- 2 wks fwd: Registration deadline is coming for our Travel & Leisure Conference; Earnings earnings and more earnings across Gaming, Lodging & Leisure.
- Investor Sentiment: Uneasy. Concerns over durability of accelerating demand along with unwillingness to move down risk spectrum in melt-up.

Agentic AI and Hotels

Exhibit 1: AI adoption is on the rise in the leisure travel process...

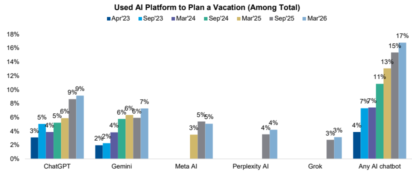

Exhibit 2: ...and expected to be play more of a role in business travel processes.

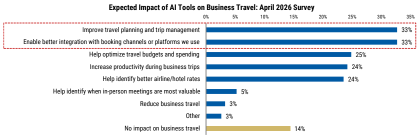

Exhibit 3: Efficiencies in distribution could drive upside to owners & brands: We estimate that every 100bps mix shift from OTAs could equate to as much as 40-110bps of EBITDA contribution to brands if they captured half the economics

Distribution Cost Analysis (OTA Mix Lower by 100bps)	Marriott	Hilton	Hyatt	Wyndham	Choice
Original Distribution Costs (%)	6.6%	6.6%	7.3%	8.8%	8.2%
New Distribution Costs (%)	6.5%	6.5%	7.2%	8.7%	8.1%
Difference (bps)	**6**	**7**	**7**	**10**	**10**
Original Daily Costs per Property ($k)	$564	$409	$941	$149	$144
New Daily Costs per Property ($K)	$559	$405	$931	$147	$142
Difference ($k)	**$5**	**$4**	**$10**	**$2**	**$2**
Number of Properties	9,800	9,200	1,528	8,300	7,575
Annual Cost Savings ($m)	**$48**	**$37**	**$15**	**$14**	**$13**
Assumed % to Hotel Owners	50%	50%	50%	50%	50%
Assumed % to Brand PnL	50%	50%	50%	50%	50%
Brand PnL Uplift ($m)	$24	$19	$7	$7	$7
2026E Revenue	$7,390	$5,426	$3,143	$926	$1,600
2026E EBITDA ($m)	$6,016	$4,132	$1,172	$751	$637
Brand PnL Uplift as % of 2026E Revenue	**0.3%**	**0.3%**	**0.2%**	**0.7%**	**0.4%**
Brand PnL Uplift as % of 2026E EBITDA	**0.4%**	**0.5%**	**0.7%**	**0.9%**	**1.1%**

Source: STR, Company Data, MS Research.

Proliferation of Agentic AI and hotels: As we have previously noted (Hotels & Travel: AI for Hotels: Will the Hotel of the Future Fit in the Palm of Your Hand? (18 Aug 2023)), we expect AI to have a multi-pronged impact on lodging and be transformational for online travel. To this end, our recent survey data suggests that AI adoption is taking meaningful hold in both leisure and business travel processes. On the leisure side, our Internet team survey shows AI usage in planning a vacation on the rise across various AI platforms over the past three years (Exhibit 1). Overall, 17% of March 2026 respondents report using any AI chatbot to plan a vacation vs. 4% in April 2023. On the business side, about one-third of respondents in our 2026 Mid-Year Corporate Travel Survey, conducted in March and April, anticipate using AI tools to 1) improve travel planning and trip management and 2) enable better integration with booking channels and platforms (Exhibit 2).

What does this mean for brands? In our c-corps 4Q25 lodging check-out, we examined the potential revenue and EBITDA impacts of an OTA mix shift to lower cost distribution that AI-related distribution should offer (Gaming & Lodging: Lodging 4Q25 Check-out – Still offering high visibility even as conflict creates uncertainty (10 Mar 2026)). For added context, OTA commissions range for brands between 10-15% vs. direct distribution and/or LLM costs more likely in the LSD, so a OTA mix shift could result in cost savings that, in this example, we assume are evenly split between brands and hotel owners. We estimate that every point of shift from OTA to another channel could be ~20-70bps of revenue and ~40-11bps of EBITDA (Exhibit 3) for brands. While our focus here centers around the brands, we would be remiss to not highlight an important potential benefit of agentic AI to independent hotels. Namely, agentic AI could also help provide incremental scale to independent hotels. This could, in turn, end up being a risk to brands taking share. However, this may be outweighed by the potential for incremental fees in the existing base.

What does this mean for brands/owners? In Exhibit 3 we examine the potential revenue and EBITDA impacts of lower cost distribution that AI-related distribution could offer. For added context, OTA commissions range for brands between 10-15% vs. direct distribution and/or LLM costs more likely in the LSD, so an OTA mix shift could result in cost savings that, in this example, we assume are evenly split between brands and hotel owners. More likely, lower distribution costs and marketing would manifest themselves in lower charge outs associated with system funds and brands could seek to capture incremental royalty rate. We estimate that every point of shift from OTA to another channel could be ~20-70bps of revenue and ~40-11bps of EBITDA (Exhibit 3) for brands. While our focus here centers around the brands, we would be remiss to not highlight an important potential benefit of agentic AI to independent hotels. Namely, agentic AI could also help provide incremental scale to independent hotels. This could, in turn, end up being a risk to brands taking share and boost OTAs. However, this may be outweighed by the potential for incremental fees in the existing base. These benefits should accrue to owners regardless of mix shift from efficiencies in distribution, marketing and technology, which could in turn, point to added benefits from consolidation.

We have an email distribution over the weekend with additional details on the calendar of events, other themes, sentiment, and more… *let us know if you want to be added*.