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GLOBAL INSIGHT

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Global Lodging

Agentic AI in Travel — Lodging: Distribution Deflation = Lodging Estimate Inflation

Our new analysis on Agentic AI surfaces an opportunity for branded hotel operators to capture a greater share of bookings directly as strong loyalty programs can materially influence LLM recommendations. The potential benefit is not limited to lower OTA costs but extends to lower distribution costs overall. OTAs can also leverage meaningful advantages in inventory breadth, content, and distribution capabilities.

AlphaWise α

Key Takeaways

- The rise of agentic AI will change top-of-funnel distribution dynamics across travel as search is bifurcated among LLMs and personalization enhances marketing.
- In lodging, we estimate $22-55bn is spent on marketing, 40-50% going to GOOG. OTA hotel marketing budgets are $8-11bn; branded & independents spend $14-44bn on 3P distro.
- New AlphaWise analysis surfaces loyalty as key in determining booking channel on LLMs (in US & Europe), but outputs are evolving & still heavily influenced by OTAs' breadth.
- Takeaways — Most positive: large hotel C-corps/REITs with loyalty and branded exposure; Neutral: BKNG/EXPE; longer-term debate: GOOGL/search economics.
- We also factor in 100bps of incremental RevPAR growth and ~10bps of margin expansion across Hotel REITs bull cases in our risk-reward framework along with 100bps of incremental RevPAR growth for C-Corps flowed through, improving the skew for the entire group.

This note serves as a first installment looking at agentic AI in travel and acts as a follow-up to our AI for Hotels: Will the Hotel of the Future Fit in the Palm of Your Hand. Distribution is one of the largest cost components of the space with implications across a variety of large public companies, making agentic AI a key area of debate, particularly on the back of Meta's new Muse product launch. Expect follow-ups as the distribution mix evolves, but also on other subjects: Air / Cruise / Gaming. **Bottom line on Lodging is our new analysis on LLM distribution mix vs. Search points to incremental upside for large brands and Hotel REITs, bolstering our OW on MAR/HLT and driving increased PTs across the group. OTAs have a more nuanced impact, but results confirm our UW rating on EXPE given higher**

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GAMING & LODGING	
North America	
Industry View	In-Line
INTERNET	
North America	
Industry View	Attractive

See our price target changes in Exhibit 7 and Exhibit 8.

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brand exposure.

Key Takeaways:

- **Hotel brands (C-corps) should emerge as net winners from agentic AI.** AI agents increasingly incorporate loyalty benefits, member rates, elite status and personalization into booking decisions, all reinforcing competitive advantages of C-corps as they drive incremental direct bookings. These findings are consistent in both the US and Europe. Scaled players (MAR, HLT, H) should be best positioned to leverage proprietary data, partnerships and pricing power to capture greater economics. IHG, Accor, Wyndham, and Choice could have a bigger opportunity for reduced distribution costs, but their smaller loyalty programs and lower RevPAR Index premiums mean the likelihood of realizing these benefits is lower, hence our limited flow-through to models.
- **Hotel owners and brands should benefit from lower distribution costs.** Incremental competition at the top of the funnel is already leading to lower Search costs and agentic stands to also bolster direct bookings. Every 100bps increase in direct booking mix could drive 10-50bps (owners) / 25-45bps (brands) of EBITDA upside, while every 100bps reduction in OTA commission rates could drive 15-65bps / 25-65bps (owners / brands), assuming brands partially capture the savings.
- **Select independent and boutique hotels should also benefit.** AI agents will better match traveler preferences with differentiated properties, improving discoverability and lowering customer acquisition costs.
- **Raise Hotel REIT (owners) and C-corp estimates and PTs plus raise bull-case in risk-reward framework:** To reflect the upside potential from agentic, we now factor in slightly higher shift to direct (250-400bps) and lower commission costs (50-75bps) compared to the historical trend line (+75bps/yr OTA share and <25bps/yr lower commissions). These assumptions now drive incremental 60-80bps of EBITDA margin expansion for Hotel REITs in our coverage and 7-14bps of royalty rate expansion for C-corps – sensitized based on RevPAR index premium, charge out %, and size of loyalty program. We now sit -4% to +3% vs. consensus 2028 EBITDA on Hotel REITS as we still see greater wage inflation offsetting some upside, and we are above consensus for all but CHH in the C-corps (3-9%) as we embed royalty rate expansion for the larger players whereas consensus is largely flat. Given the direct benefits to hotel REITs we also incorporate an additional 0.5x to our valuation methodology for hotel REITs to reflect a positive skew from different scenarios. These changes support 1-18% overall increases to our price targets across US lodging. We also factor in 100bps of incremental RevPAR growth and ~10bps of margin expansion across Hotel REITs bull-cases in our risk-reward framework along with 100bps of incremental RevPAR growth for C-Corps flowed through, improving the skew for the entire group.
- **OTAs should remain resilient as AI agents reshape customer acquisition rather than the transaction layer.** OTAs can continue to leverage competitive advantages from differentiated supply, loyalty programs, scale in payments and fulfillment, and high direct traffic (~2/3 at BKNG). As agents

seek the best overall lodging experience for travelers, OTAs with the strongest and most differentiated supply should be best positioned to capture and monetize demand, much as they did through the rise of paid search, potentially benefiting from lower marketing costs. Our AlphaWise-informed analysis of LLM search results suggests OTA loyalty membership supports meaningful link visibility in AI-driven discovery. We lower our EXPE '27/'28 EBITDA estimates 1%/6% to reflect take rate risk from meaningful exposure to large chain hotels, but leave our PT unchanged at $235, while our BKNG EBITDA/PT remain unchanged. Our '28 BKNG/EXPE EBITDA estimates now fall 0%/2% below consensus. Our $230 BKNG PT reflects a target multiple of ~18X '27/'28 avg EPS, which implies BKNG trades at a ~10% discount to its LT P/E multiple. Our $235 EXPE PT reflects a target multiple of ~10X, which implies a ~44% discount to our BKNG target multiple, in-line with the LT average discount.

- **For LLMs / Search, the impact of AI agents is concentrated in travel discovery rather than booking.** LLMs will directly compete for share of the $22-55 billion lodging market ecosystem currently dominated by Google by matching traveler preferences with unstructured hotel data. Greater competition should lower acquisition costs industry-wide, while any lost travel economics for Google (~5% of revenue) are dwarfed by its broader AI opportunity.

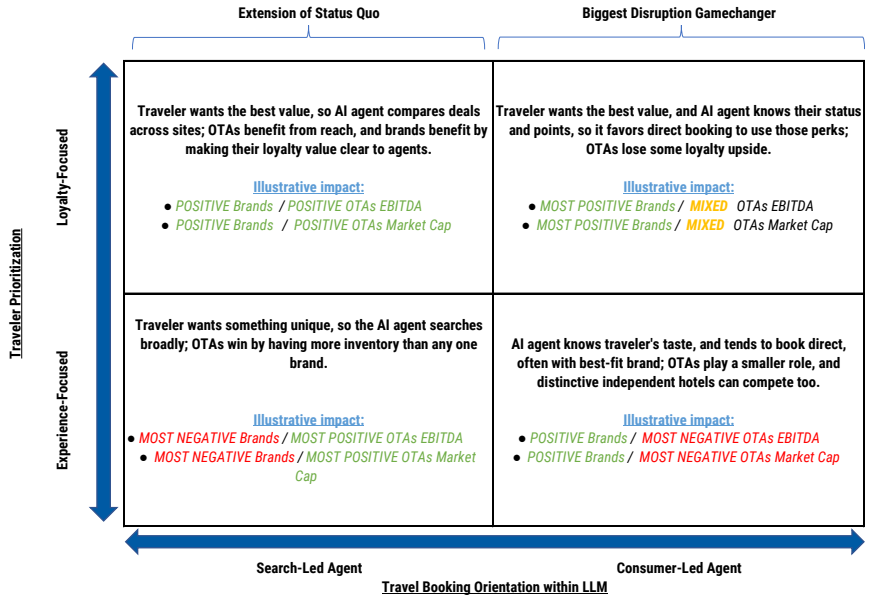
See the following notes for more related views:

- Online Travel: New Itinerary; Assuming Coverage of Online Travel (16 Sep 2026)
- Internet: 10 Debates to Shape the Sector and Key Picks in '26 (12 Jan 2026)
- Booking Holdings Inc: No Direct Detours; Checking in to Upgrade; OW $5,500 PT (23 Feb 2026)
- Alphabet Inc.: Sparking the Agentic Torch (20 May 2026)
- Consumer Discretionary/Retail & Staples: Muse: Rewriting the Retail/ Consumer Playbook (28 Sep 2026).

By the numbers….

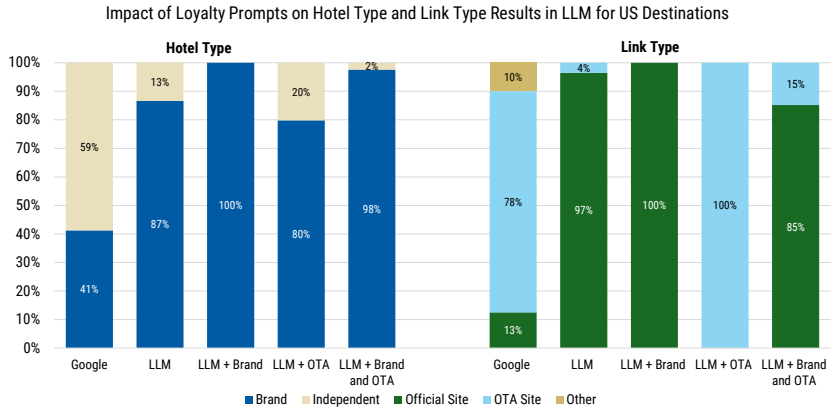
- >$1.6 trillion in global travel bookings
- ~$640 billion in global room revenue
- >$200 billion in OTA lodging bookings
- ~$30 billion in lodging-related OTA fees
- $22-55 billion in lodging marketing spend
- Every 100bps reduction in OTA mix = 10-50bps hotel owner EBITDA upside and 25-45bps hotel C-corp EBITDA upside, while every 100bps change in OTA gross bookings is a -30bp to +65bp impact to OTA EBITDA
- Every 100bps reduction in OTA commission rate = 15-65bps of hotel owner upside and 25-65bps of hotel C-corp EBITDA upside, while every 100bps change in OTA take rate is a 1,700-3,100bp impact to OTA EBITDA
- PT impacts in our coverage related to estimate changes and multiple changes: Hotel REITs +8-18%, Hotel C-Corps +1%, OTAs flat
- Bull case valuation moves: Hotel REITs +4-7%, Hotel C-Corps +1-3%

Exhibit 1: We outline the implications to Brands and OTAs based on adoption of agentic AI — particularly along loyalty vs. experience travel prioritization and search-led vs. consumer-led agent dimensions — with the potential financial impact in each scenario. We could envision a scenario where both ends of the spectrum "win" — large incumbents leverage loyalty to take share / smaller, experiential players gain visibility with consumers, leading to a splitting of the middle.



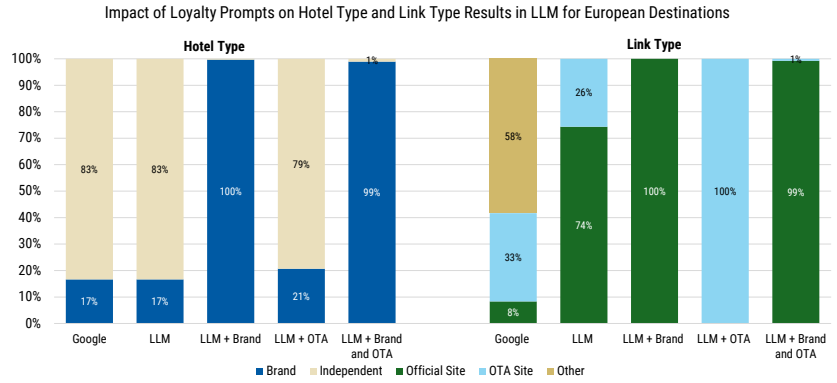
Source: Morgan Stanley Research

Exhibit 2: Current LLM search output has 1) higher degrees of branded hotel and official site surfacing vs. Google and 2) significant impact from loyalty (both branded hotel loyalty membership and OTA loyalty membership). We acknowledge these factors likely change over time, particularly as LLMs seek to monetize traffic in a bigger way.



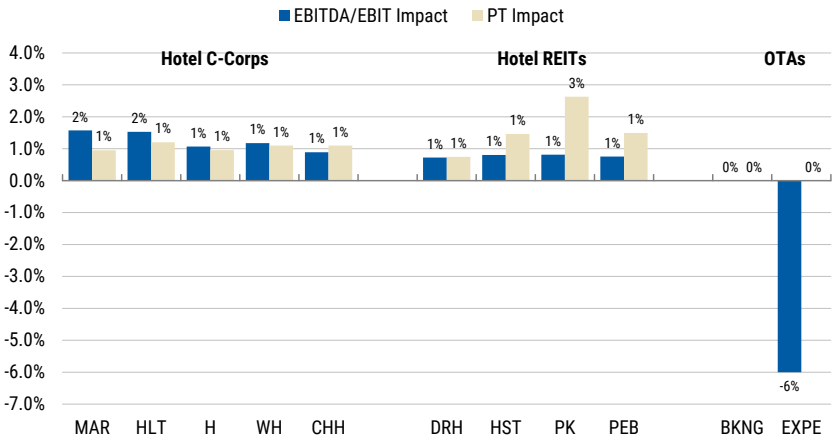
Note: For links with multiple listings, we take the hotel type of the top listing. Other includes websites like blogs. Aggregate results across Dallas, Denver, Las Vegas, Los Angeles, Marco Island, Minneapolis, New York City, and Virginia Beach. Source: Google, Morgan Stanley Research.

Exhibit 3: These shifts between LLMs and traditional Search are also observed in Europe – higher brand / direct skew, and significant influence of loyalty on output.



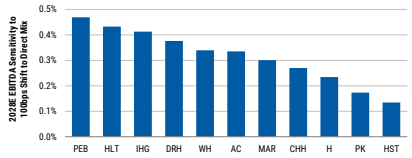
Note: Aggregate results across London, Nice, and Florence. Source: Google, Morgan Stanley Research.

Exhibit 4: We see potential for agentic AI usage to lead to improvements in margins for hotel owners, which could ultimately lead to incremental EBITDA for C-corps as well. We assume 15-25bps of margin uplift / 5-15bps of royalty increase on average for owners/C-corps from improved distribution costs in 2028. The price target impacts of estimate changes alone range from 1-3%, while our overall hotel REIT price target changes ultimately amount to 8-18% due to changes in applied EV/EBITDA multiple. While our OTA PTs remain unchanged, we lower EXPE EBITDA estimates by 6% given exposure to large chain hotels and risk of these bookings moving direct.



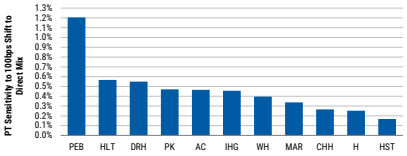
Note: The above hotel C-corp and hotel REIT financial and price target impacts are those only associated with agentic AI related financial benefits (i.e., royalty rate changes for hotel brands and distribution cost savings for REITs). Full lodging and price target impacts in this note include changes in applied EV/EBITDA multiples for REITs. Source: Company data, Morgan Stanley Research

Exhibit 5: Every 100bps increase in direct booking mix could drive ~10-50bps (owners) / 25-45bps (brands) of EBITDA upside, assuming brands partially capture the savings...



Source: Company data, Morgan Stanley Research

Exhibit 6: ...and in turn could drive 20-120bps (owners) / ~30-60bps (brands) of price target upside, assuming multiples stay the same



Source: Company data, Morgan Stanley Research

Exhibit 7: Our C-corp estimate changes, which leave us broadly above 2028E consensus, coupled with unchanged applied EV/EBITDA multiples, lead us to ~1% overall changes in price targets

	2028 Estimate Changes					Multiple Changes			PT Changes		
	New	Prior	% Change	Consensus	New vs. Cons	New	Prior	% Change	New	Prior	% Change
MAR	$7,133	$7,022	2%	$6,871	4%	18.3x	18.3x	0%	$384	$380	1%
HLT	$5,145	$5,067	2%	$4,866	6%	18.7x	18.7x	0%	$336	$332	1%
H	$1,585	$1,565	1%	$1,454	9%	15.9x	15.9x	0%	$211	$209	1%
WH	$867	$857	1%	$840	3%	12.0x	12.0x	0%	$92	$91	1%
CHH	$634	$629	1%	$672	-6%	9.7x	9.7x	0%	$92	$91	1%

Note: Estimate changes refer to adjusted EBITDA. Source: Visible Alpha, Morgan Stanley Research

Exhibit 8: Meanwhile we pair estimate changes with multiple changes, the latter of which reflects optionality for improved distribution costs for owners, to arrive at 8-18% overall PT changes for hotel REITs

	2028 Estimate Changes					Multiple Changes			PT Changes		
	New	Prior	% Change	Consensus	New vs. Cons	New	Prior	% Change	New	Prior	% Change
DRH	$337	$335	1%	$334	1%	10.5x	10.0x	5%	$12	$11	9%
HST	$1,844	$1,829	1%	$1,876	-2%	11.0x	10.6x	4%	$24	$22	8%
PEB	$361	$358	1%	$374	-4%	12.5x	12.0x	4%	$14	$13	8%
PK	$637	$632	1%	$649	-2%	10.5x	10.0x	5%	$13	$11	18%
RHP	$1,146	$1,137	1%	$1,115	3%	++	++	++	++	++	++

Note: Estimate changes refer to adjusted EBITDA. Source: Company data, Visible Alpha, Morgan Stanley Research. ++ The price target for this company has been removed from consideration in this report because, under applicable law and/or Morgan Stanley policy, Morgan Stanley may be precluded from issuing such information with respect to this company at this time.

What's New / What Is the Market Missing?

- Analysis of how AI could reshape hotel distribution costs across brands, OTAs and search. Includes quantification of each layer of the distribution chain.
- Brands & Hotel Owners stand to benefit from lower distribution costs not reflected in estimates or multiples. Consensus models effectively flat margins on average for hotel REITs and limited core royalty rate expansion for c-corps.
- AlphaWise analysis of how LLMs currently recommend hotels and booking channels. Loyalty is currently paramount with traditional search surfacing

official sites 8-13%, LLMs 74-97%, and then LLMs knowing loyalty preference 100%.
- Competitive analysis of Brands to surface pricing power and likelihood of success in agentic AI based on KPIs (RevPAR Index Premium, System Charges, Loyalty charges, size of Loyalty program, current distribution mix, etc.).
- EBITDA and price target sensitivities tied to changes in distribution economics for hotel C-corps, hotel REITs, and OTAs.

What Could Change Our View?

The main downside risk is AI agents optimizing for commercial incentives or becoming agents of record; the main upside risk is faster loyalty/direct integration driving larger-than-modeled distribution savings.

- **Agent autonomy:** Travelers delegate booking decisions more completely to AI, including a willingness of LLMs to be agents of record. This outcome could create disintermediation risk for OTAs *and* Brands.
- **Recommendation models:** AI agents optimize for commercial incentives rather than traveler value / preferences, especially those that are loyalty-related. This outcome would be closer to status quo and potentially reinforce OTA pricing power / competitive positioning.
- **Industry adoption:** AI monetization, loyalty integration and supplier connectivity evolve faster or slower than anticipated — we currently model in changes to distribution and royalty rates in our models beginning in 2H27/2028.
- **Independent hotel usage:** Independents are able to leverage lower cost in a way that erodes brands and/or intermediaries like OTAs entirely.
- **LLM concentration surpasses search:** While the rise of LLMs as part of inspiration & booking should increase competition and fragment top of funnel, we could see consolidation over time. This could result in the LLM "winner" taking pricing up and capturing more of the economics in hotel distribution.

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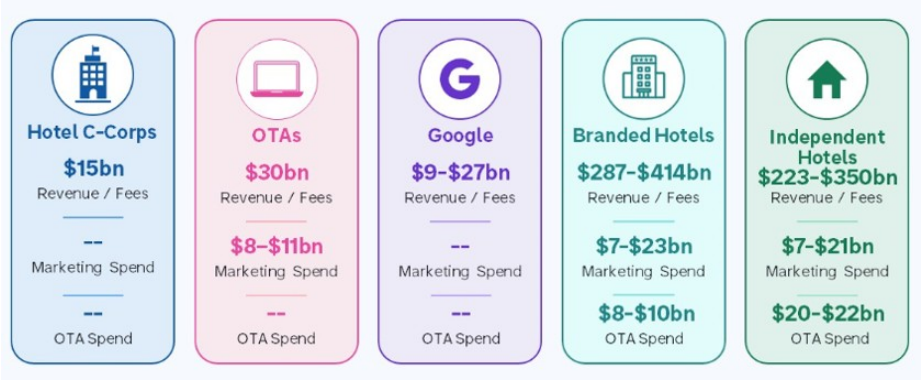
1. Executive Summary
2. Background: Sizing the Prize & the Players
3. Initial Insights from AI Prompts and Current Company Strategies
4. Implications of AI Findings for Distribution and Fees
5. Lodging Model Changes
6. Appendix

Executive Summary

Agentic AI in lodging will influence ~$640 billion in global room revenue, $55-85 billion of spend (marketing & OTA commissions), and ~$15 billion of C-corp Fees. Incremental competition at top of funnel points to lower distribution costs broadly, but our new work finds larger loyalty programs are well positioned to drive incremental direct bookings, leading to higher hotel owner margins and potential for incremental royalty rate expansion for major hotel brands (C-corps). The near-term impact on OTAs is likely more balanced, reflecting lower distribution costs and uncertainty around booking mix shifts, but their breadth and access to content could still be positive longer-term.

Agentic AI has the potential to reshape one of the largest revenue sources in travel. Of the >$1.6 trillion of global travel bookings annually, we estimate that ~$640 billion is associated with lodging. Within ~$640 billion of global room revenues, we estimate that ~ $220 billion is associated with OTAs, who generate approximately $30 billion in lodging-related fees and spend $8-11 billion on lodging-related marketing ($7-11 billion, or 85-95%, to Search alone). Factoring in the $14-44 billion of marketing spend from branded and independent hotels collectively, we arrive at $22-55 billion of lodging industry marketing spend. All in, between the ~$30 billion in OTA lodging-related fees and the $22-55 billion of lodging industry marketing spend, we see agentic AI as having the potential to shape $55-85 billion of industry spend through more direct bookings and new top-of-funnel competition. Importantly, agentic AI can also shape the top-line, with ~$15 billion at play in hotel C-corps.

Exhibit 9: Sizing the lodging distribution opportunity points to $55-85bn in lodging distribution-related spend and ~$640bn in global hotel bookings that agentic AI could shift



Note: Hotel C-Corps include Marriott, Hilton, Hyatt, Wyndham, Choice, IHG, and Accor. Source: STR, Phocuswright, Morgan Stanley Research

The current industry structure predominantly starts with Search / OTAs direct / Brands Direct in leisure bookings (estimated 35-40%/25-30%/30-35%) and Corporate Booking Tools / Direct for business bookings (estimated ~30%/40%). With the rise of agentic AI, a

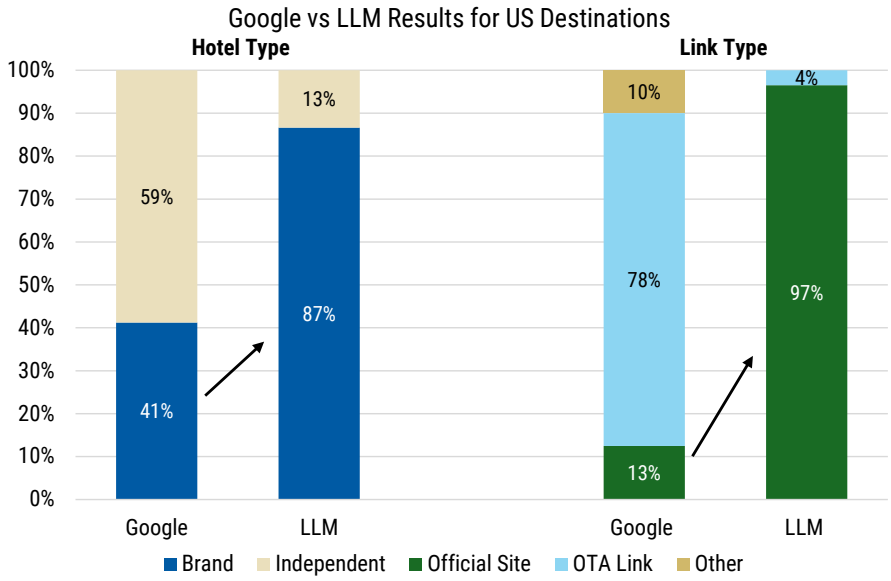
new competitor for Search and potentially direct is introduced with not only Gemini (Google), but similar products from a host of companies. To better assess how this shift may influence where bookings go and how pricing power may shift, we leverage new work from our AlphaWise team along with a deeper dive into KPIs on direct bookings and loyalty for both C-corps and OTAs.

Key Findings — Agentic Leading to More Direct Booking, Increased Value of Loyalty, Lower Distribution Costs

1. LLMs currently favor brands over independents and Brand.com over OTAs

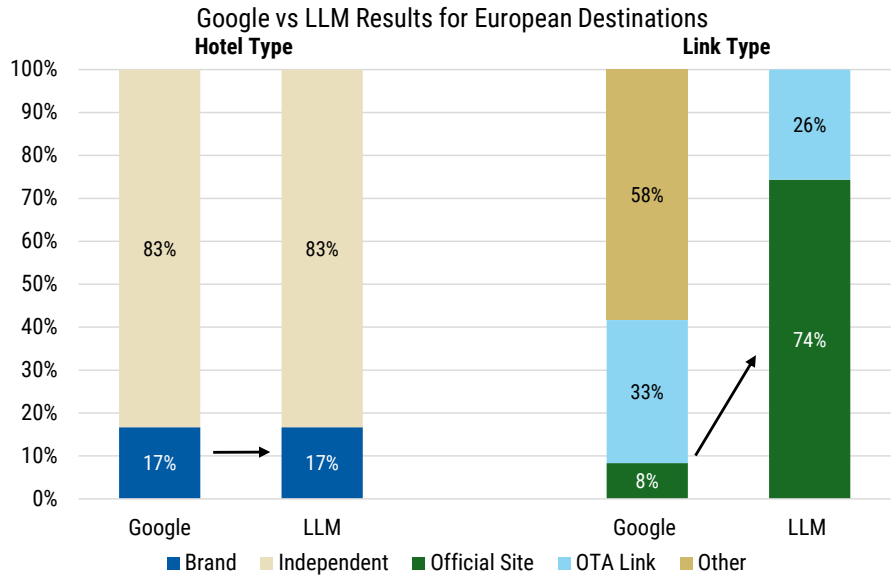
Initial indications from LLM search suggest that branded hotels and Brand.com links are more likely to surface on LLMs vs. Google than independent hotels and OTA links. As shown below, LLMs have more than double the mix of brand vs. independent in trip planning compared to search, and the link type skews even more materially toward direct. This finding from our baseline travel prompt suggests further LLM adoption for travel planning should be conducive for more branded hotel stays and more direct booking on Brand.com sites. Given that OTAs typically charge 10–20% commissions, compared with ~5% for Brand.com, the mix shift should lower commissions for branded hotel owners.

Exhibit 10: Comparing hotel type and link type results on Google Search for our baseline trip planning prompt vs. results on LLMs, we see branded hotels and official site links appear materially more frequently in LLM search results



Note: For links with multiple listings, we take the hotel type of the top listing. Other includes websites like blogs. Aggregate results across Dallas, Denver, Las Vegas, Los Angeles, Marco Island, Minneapolis, New York City, and Virginia Beach. Source: Google, Morgan Stanley Research.

Exhibit 11: In Europe, which skews more to independent hotels vs. the US, the European LLM output is similar to Search in terms of hotel type. Compared to the US, the European LLM output also shows a shift toward more direct, but more muted than the US.

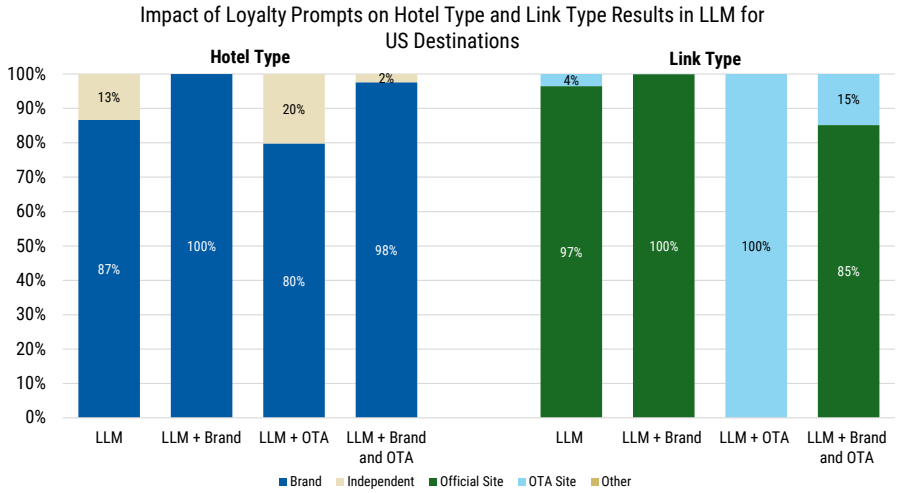


Note: Aggregate results across London, Nice, and Florence. Source: Google, Morgan Stanley Research.

2. Loyalty materially influences hotel type and distribution path in LLMs, creating opportunity for big brands to widen their moat yet this also creates a path for OTAs with loyalty & direct bookings to compete

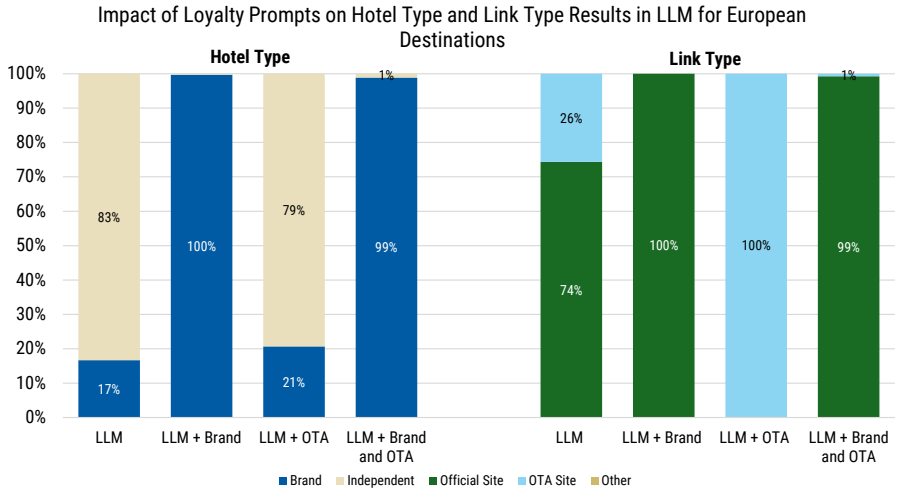
Both hotel brand loyalty and OTA loyalty surfaced as the most influential impacts on LLM results (both Brand vs. Independent and Direct vs. OTA). AI agents are more willing and able to optimize for existing memberships, points, pricing and benefits. Importantly, LLMs currently can have consumer preferences supersede search engine optimization priorities as evidenced in loyalty shifting hotel type and link type nearly entirely toward the corresponding loyalty brand (Exhibit 12 and Exhibit 13). As a result, branded hotels have the opportunity to leverage their larger loyalty programs and technology integrations to both take incremental share from independents and drive higher direct bookings. In fact, the larger hotel brands tend to have a stronger impact from loyalty than smaller rivals. The benefits of loyalty also extend to OTAs, but the lower frequency of these travelers may mean there is an even bigger differential between competitors. As a proxy, we note the OTAs have disclosed that a mid-60s% of B2C room nights/bookings at BKNG/EXPE respectively are booked direct while both OTAs have a growing loyalty member base.

Exhibit 12: Comparing hotel type and link type results on Google Search for our baseline trip planning prompt vs. results on LLMs, we see branded hotels and official site links appear materially more frequently in LLM search results in the US...



Note: For links with multiple listings, we take the hotel type of the top listing. Other includes websites like blogs. Aggregate results across Dallas, Denver, Las Vegas, Los Angeles, Marco Island, Minneapolis, New York City, and Virginia Beach. Source: Google, Morgan Stanley Research.

Exhibit 13: ...and we observe a similar dynamic in Europe



Note: Aggregate results across London, Nice, and Florence. Source: Google, Morgan Stanley Research.

3. Agentic AI introduces new competition at top of funnel along with increased personalization / option aggregation, all of which could drive lower distribution costs for hotels and participants… at least in the near-to-intermediate term

Distribution costs in aggregate for branded and independent hotels should fall for three reasons: 1) increased personalization should better match hotels with consumers, increasing marketing efficiency; 2) increased top-of-funnel competition (AI-oriented booking essentially becomes "paid search 2.0" to compete with Google); and 3) reduced reliance on higher-cost OTAs. As noted, LLM-based distribution is currently estimated to cost low-single-digits % of revenues vs. 10-20% for OTAs, so even a modest mix shift could be meaningful — we estimate a 1% shift in OTA mix moves hotel owner EBITDA / C-

corp EBITDA by 10-50bps / 25-45bps. Benefits should initially accrue to branded hotel owners, with benefits later shared with hotel C-corps via higher royalty rates, justified by RevPAR index premiums and direct booking generation. However, over time, LLMs may ultimately seek to earn a bigger return on output, leading to more sponsored results. In addition, if market share is more concentrated in select LLMs, distribution costs could ultimately go up if the "winners" have even greater influence. Longer-term, agents will continue to iterate toward the best overall lodging experience for any shopper/family or business traveler. Given the OTAs have far more supply than hotel brands, increasing connectivity across unstructured hotel data could lead to improved hotel discoverability and actually bolster the OTAs.

Exhibit 14: We estimate that every 100bps change in 3rd party distribution costs would amount to 12-14bps of margin for a typical branded hotel owner

OTA Booking Mix - Branded	OTA Commission Rate - Branded →						
	6.0%	8.0%	10.0%	12.0%	14.0%	16.0%	18.0%
8.0%	26.2%	26.0%	25.9%	25.7%	25.6%	25.4%	25.2%
10.0%	26.1%	25.9%	25.7%	25.5%	25.3%	25.1%	24.9%
12.0%	26.0%	25.7%	25.5%	25.2%	25.0%	24.8%	24.5%
14.0%	25.8%	25.6%	25.3%	25.0%	24.7%	24.4%	24.2%
16.0%	25.7%	25.4%	25.1%	24.8%	24.4%	24.1%	23.8%
18.0%	25.6%	25.2%	24.9%	24.5%	24.2%	23.8%	23.4%
20.0%	25.5%	25.1%	24.7%	24.3%	23.9%	23.5%	23.1%

OTA Booking Mix - Branded	OTA Commission Rate - Branded →						
	6.0%	8.0%	10.0%	12.0%	14.0%	16.0%	18.0%
8.0%	+120 bps	+104 bps	+88 bps	+72 bps	+56 bps	+40 bps	+24 bps
10.0%	+108 bps	+88 bps	+68 bps	+48 bps	+28 bps	+8 bps	-12 bps
12.0%	+96 bps	+72 bps	+48 bps	+24 bps	0 bps	-24 bps	-48 bps
14.0%	+84 bps	+56 bps	+28 bps	0 bps	-28 bps	-56 bps	-84 bps
16.0%	+72 bps	+40 bps	+8 bps	-24 bps	-56 bps	-88 bps	-120 bps
18.0%	+60 bps	+24 bps	-12 bps	-48 bps	-84 bps	-120 bps	-156 bps
20.0%	+48 bps	+8 bps	-32 bps	-72 bps	-112 bps	-152 bps	-192 bps

Source: Morgan Stanley Research

Exhibit 15: For OTAs, every ~100bp change in take rate, a proxy for commission charged for distribution, amounts to ~17% downside to BKNG EBITDA, assuming no cost control in marketing to offset take rate compression...

BKNG - Δ in EBITDA ($mn)						
	Implied Net Revenue ($mn):	$31,482	$30,929	$30,375	$29,822	$29,269
		% change in overall take rate				
		(0.25%)	(0.50%)	(0.75%)	(1.00%)	(1.25%)
Total Marketing Expense as % of Bookings	4.4%	(553)	(1,107)	(1,660)	(2,213)	(2,767)
	4.1%	0	(553)	(1,107)	(1,660)	(2,213)
	3.9%	553	0	(553)	(1,107)	(1,660)
	3.6%	1,107	553	0	(553)	(1,107)
	3.4%	1,660	1,107	553	0	(553)

BKNG - % Upside (Downside) to '27 EBITDA						
	Implied Net Revenue ($mn):	$31,482	$30,929	$30,375	$29,822	$29,269
		% change in overall take rate				
		(0.25%)	(0.50%)	(0.75%)	(1.00%)	(1.25%)
Total Marketing Expense as % of Bookings	4.4%	(4%)	(9%)	(13%)	(17%)	(21%)
	4.1%	0%	(4%)	(9%)	(13%)	(17%)
	3.9%	4%	0%	(4%)	(9%)	(13%)
	3.6%	9%	4%	0%	(4%)	(9%)
	3.4%	13%	9%	4%	0%	(4%)

Note: BKNG EBITDA is adjusted for SBC for the purposes of comparability with EXPE. Take rates apply to lodging, flights, and other.

Source: Company Data, Morgan Stanley Research

Exhibit 16: … While every 100bp change in take rate for EXPE amounts to ~30% downside to EBITDA

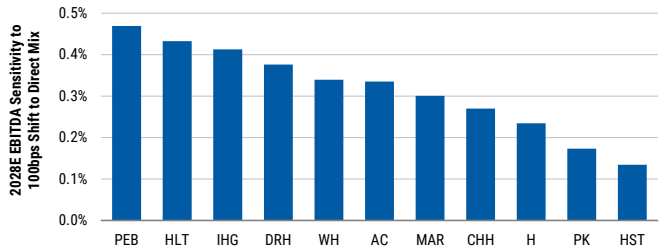
EXPE - Δ in EBITDA ($mn)						
	Implied Net Revenue ($mn):	$16,888	$16,543	$16,198	$15,853	$15,508
		% change in overall take rate				
		(0.25%)	(0.50%)	(0.75%)	(1.00%)	(1.25%)
Total Marketing Expense as % of Bookings	6.2%	(345)	(690)	(1,035)	(1,380)	(1,724)
	5.9%	0	(345)	(690)	(1,035)	(1,380)
	5.7%	345	0	(345)	(690)	(1,035)
	5.4%	690	345	0	(345)	(690)
	5.2%	1,035	690	345	0	(345)

EXPE - % Upside (Downside) to '27 EBITDA						
	Implied Net Revenue ($mn):	$16,888	$16,543	$16,198	$15,853	$15,508
		% change in overall take rate				
		(0.25%)	(0.50%)	(0.75%)	(1.00%)	(1.25%)
Total Marketing Expense as % of Bookings	6.2%	(8%)	(15%)	(23%)	(31%)	(38%)
	5.9%	0%	(8%)	(15%)	(23%)	(31%)
	5.7%	8%	0%	(8%)	(15%)	(23%)
	5.4%	15%	8%	0%	(8%)	(15%)
	5.2%	23%	15%	8%	0%	(8%)

Note: Take rates apply to lodging, flights, and other.

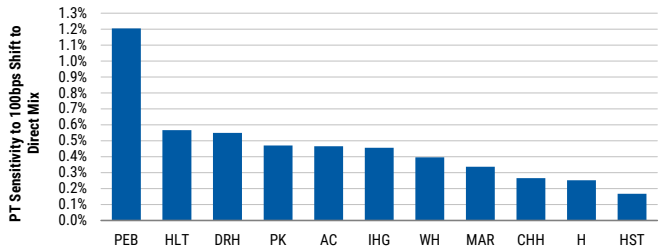
Source: Company Data, Morgan Stanley Research

Exhibit 17: Every 100bps increase in direct booking mix could drive 10-50bps (owners) / 25-45bps (brands) of EBITDA upside, assuming brands partially capture the savings…



Source: Company data, Morgan Stanley Research

Exhibit 18: …and in turn could drive 20-120bps (owners) / 30-60bps (brands) of price target upside, assuming multiples stay the same



Source: Company data, Morgan Stanley Research

Stock Implications / What the Market Is Missing

On the back of our analysis, we raise our estimates for the hotel C-corps and REITs in late 2027 and 2028. For the hotel REITs we factor in ~20bps on average of incremental margin expansion for 2028 vs. our prior estimates with dispersion of 15-25bps based on brand exposures. For the C-corps we now factor in ~10bps on average of incremental royalty rate increase in 2028 vs. prior estimates to reflect value added to owners, again with dispersion of 5-15bps reflecting the strength of loyalty and overall network using RevPAR index premium / direct % / Loyalty % as proxies. Note we lower our EXPE estimates in '27/'28 given pressure on take rates from large chain hotels increasingly able to bring agentic bookings directly to their sites, but our EXPE and BKNG PTs remain unchanged. We flow these into our PTs, resulting in 1-3% changes to hotel REITs (8-18% overall, inclusive of applied multiple changes) and ~1% to branded hotel price targets. **Our base case now assumes 340bps of mix shift and 65bps of rate reduction for brands on average and 50bps of mix shift and 25bps of rate reduction for independents on average (Exhibit 19). We also factor in 100bps of incremental RevPAR growth and ~10bps of margin expansion across Hotel REITs bull cases in our risk-reward framework along with 100bps of incremental RevPAR growth for C-corps flowed through, improving the skew for the entire group.**

We acknowledge a wide range of potential outcomes, especially as we consider AI's impact beyond agentic. Hotel brands may see marketing efficiencies drive lower charge-out rates to owners, but they risk potential disintermediation and uncertain economics in pushing these changes, warranting sharing in economics or simply driving incremental development/conversion activity. Agentic AI's ability to match consumer preferences with hotels may also lead to incremental overall revenue. Given the myriad outcomes, we provide simplified sensitivities:

- Every 100bps change in 3rd party distribution costs would amount to 12-14bps of margin for a typical branded hotel owner, amounting to 10-50bps incremental EBITDA growth.
- For brands, every 100bps change in 3rd party distribution costs would likely either drive incremental value to owners and spur development or lead to incremental pricing power and increased royalty rates. We sensitize this to 25-65bps of incremental EBITDA.

- For OTAs, every 100bps change in take rate amounts to ~17%/31% change to EBITDA for BKNG/EXPE, assuming no cost control in marketing to offset take rate compression.
- Related to GOOGL, a 500bp shift in unpaid traffic toward paid channels can offset a 1,400bp decline in effective take rates. But, it would require a 3,800bp shift in unpaid toward paid channels to make GOOGL breakeven at a 5% take rate.

Exhibit 19: Our base case assumes a 250-400bps distribution mix shift away from OTAs and a 50-75bps OTA commission rate reduction for hotel brands, which, according to our AlphaWise-informed analysis, should benefit from branded hotel and Brand.com oriented results on LLMs and support royalty rate increases in 2028

	OTA Mix Shift (bps)	OTA Commission Change (bps)	2028E Royalty Rate Increase (bps)
MAR	(400)	(75)	10
HLT	(400)	(75)	13
H	(400)	(75)	14
WH	(250)	(50)	7
CHH	(250)	(50)	7
Independents	(50)	(25)	NA

Source: AlphaWise, Company Data, Morgan Stanley Research estimates

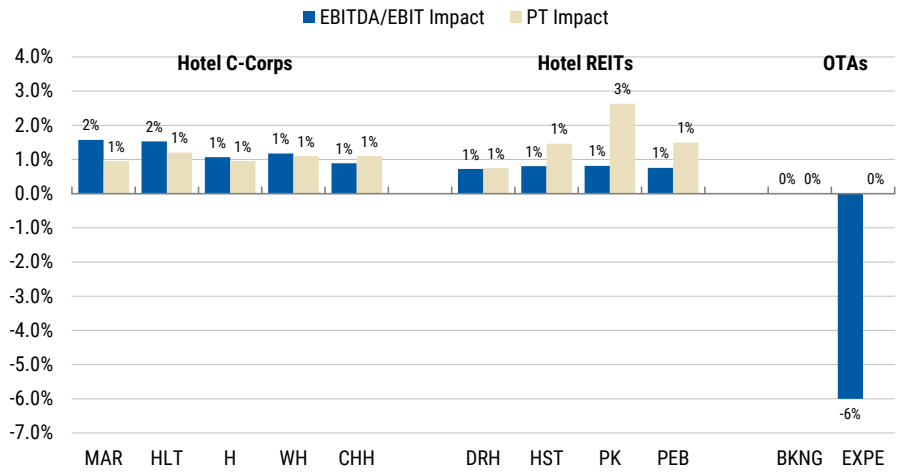
Exhibit 20: Our base case also assumes hotel REITs should see agentic AI-related margin and EBITDA benefits starting in 2H27 via lower distribution costs, which should continue in 2028, albeit net of an increase in hotel brand royalty rate

	2027E Gross Margin Increase (bps)	2027E Net Margin Increase (bps)	2027E EBITDA Chg. (bps)
DRH	8	8	29
HST	18	18	64
PK	19	19	77
PEB	9	9	38

	2028E Gross Margin Increase (bps)	2028E Net Margin Increase (bps)	2028E EBITDA Chg. (bps)
DRH	24	20	72
HST	33	23	80
PK	34	20	81
PEB	18	17	76

Source: AlphaWise, Company Data, Morgan Stanley Research estimates

Exhibit 21: The resultant estimate changes related to agentic AI, not accounting for changes in applied EV/EBITDA multiples, translate to 1-3% PT uplifts for hotel C-corps and REITs. Our overall hotel REIT price target changes ultimately amount to 8-18% due to changes in applied EV/EBITDA multiple.



Note: The above hotel C-corp and hotel REIT financial and price target impacts are those only associated with agentic AI related financial benefits (i.e., royalty rate changes for hotel brands and distribution cost savings for REITs). Full lodging and price target impacts in this note include changes in applied EV/EBITDA multiples for REITs. Source: Company data, Morgan Stanley Research

Exhibit 22: Our C-corp estimate changes, which leave us broadly above 2028E consensus, coupled with unchanged applied EV/EBITDA multiples, lead us to ~1% overall changes in price targets

	2028 Estimate Changes					Multiple Changes			PT Changes		
	New	Prior	% Change	Consensus	New vs. Cons	New	Prior	% Change	New	Prior	% Change
MAR	$7,133	$7,022	2%	$6,871	4%	18.3x	18.3x	0%	$384	$380	1%
HLT	$5,145	$5,067	2%	$4,866	6%	18.7x	18.7x	0%	$336	$332	1%
H	$1,585	$1,565	1%	$1,454	9%	15.9x	15.9x	0%	$211	$209	1%
WH	$867	$857	1%	$840	3%	12.0x	12.0x	0%	$92	$91	1%
CHH	$634	$629	1%	$672	-6%	9.7x	9.7x	0%	$92	$91	1%

Note: Estimate changes refer to adjusted EBITDA. Source: Visible Alpha, Morgan Stanley Research

Exhibit 23: Meanwhile we pair estimate changes with multiple changes, the latter of which reflects optionality for improved distribution costs for owners, to arrive at 8-18% overall PT changes for hotel REITs

	2028 Estimate Changes					Multiple Changes			PT Changes		
	New	Prior	% Change	Consensus	New vs. Cons	New	Prior	% Change	New	Prior	% Change
DRH	$337	$335	1%	$334	1%	10.5x	10.0x	5%	$12	$11	9%
HST	$1,844	$1,829	1%	$1,876	-2%	11.0x	10.6x	4%	$24	$22	8%
PEB	$361	$358	1%	$374	-4%	12.5x	12.0x	4%	$14	$13	8%
PK	$637	$632	1%	$649	-2%	10.5x	10.0x	5%	$13	$11	18%
RHP	$1,146	$1,137	1%	$1,115	3%	++	++	++	++	++	++

Note: Estimate changes refer to adjusted EBITDA. Source: Visible Alpha, Morgan Stanley Research. ++ The price target for this company has been removed from consideration in this report because, under applicable law and/or Morgan Stanley policy, Morgan Stanley may be precluded from issuing such information with respect to this company at this time.

Exhibit 24: BKNG Morgan Stanley Estimates vs Consensus

BKNG ($mns)	2026	2027	2028
Morgan Stanley Estimates			
Room Nights	1,309	1,405	1,502
Bookings	204,371	221,324	238,773
Revenue	29,477	32,035	34,724
Adj. EBITDA	10,954	12,301	13,524
Margin	37.2%	38.4%	38.9%
GAAP EPS	$10.43	$12.05	$13.85
Consensus Estimates			
Room Nights	1,305	1,397	1,487
Bookings	203,410	222,187	239,549
Revenue	29,259	31,999	34,614
Adj. EBITDA	10,846	12,259	13,559
Margin	37.1%	38.3%	39.2%
GAAP EPS	$10.52	$12.12	$14.22
Variance			
Room Nights	0%	1%	1%
Bookings	0%	(0%)	(0%)
Revenue	1%	0%	0%
Adj. EBITDA	1%	0%	(0%)
Margin	9 bp	9 bp	(22) bp
GAAP EPS	(1%)	(1%)	(3%)

Source: FactSet, Company Data, Morgan Stanley Research

Exhibit 25: EXPE Morgan Stanley Estimates vs Consensus

EXPE ($mns)	2026	2027	2028
Morgan Stanley Estimates			
Room Nights	436	459	482
Bookings	130,574	137,956	145,387
Revenue	16,230	17,233	18,120
Adj. EBITDA	4,115	4,522	4,923
Margin	25.4%	26.2%	27.2%
GAAP EPS	$18.86	$21.42	$24.48
Consensus Estimates			
Room Nights	434	458	482
Bookings	130,383	138,696	146,463
Revenue	16,214	17,369	18,700
Adj. EBITDA	4,130	4,561	5,045
Margin	25.5%	26.3%	27.0%
GAAP EPS	$18.98	$21.57	$25.54
Variance			
Room Nights	0%	0%	(0%)
Bookings	0%	(1%)	(1%)
Revenue	0%	(1%)	(3%)
Adj. EBITDA	(0%)	(1%)	(2%)
Margin	(11) bp	(2) bp	19 bp
GAAP EPS	(1%)	(1%)	(4%)

Source: FactSet, Company Data, Morgan Stanley Research



Background: Sizing the Prize & the Players

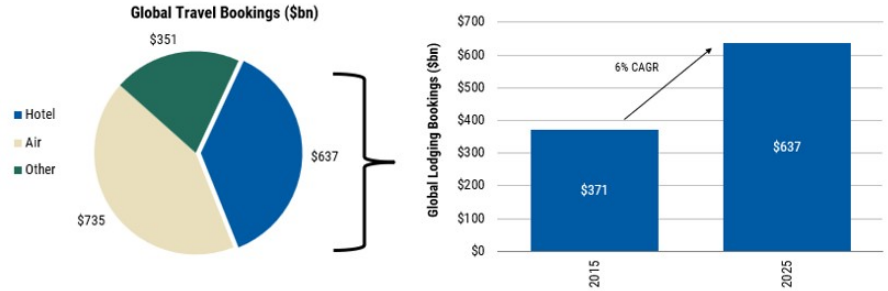
What's in this section? We outline the dollar amounts at stake for key participants in lodging from the emergence of agentic AI, with a focus on how the current ecosystem for distribution may change across inspiration, search, and booking preference.

Key Takeaways: Collectively, we estimate $70-100+ billion could be impacted in lodging distribution, representing ~$30 billion in OTA fees, ~$15 billion in hotel brand room-related fees, and $22-55 billion in marketing spend from OTAs, branded hotels, and independent hotels.

Understanding the Size, Path, and History of Lodging Inspiration to Booking

Agentic AI has the potential to reshape one of the largest and rapidly growing revenue sources in global commerce. Global travel bookings represented ~$1.7 trillion in 2025, with lodging room revenues ~$640 billion, each growing a respective 4%/6% annually over the past decade (Exhibit 26). More recently, over the past two years, the space has outpaced global personal consumption expenditures and nominal GDP (i.e., 7% vs. 5% vs. 5%) as consumers and businesses are increasingly prioritizing travel – secular trends we anticipate will continue, particularly in a more AI-centric world where enhanced productivity could drive more leisure demand. These AI agents are quickly becoming capable of discovering, comparing and booking travel on behalf of consumers, which we expect to change how traveler intent is created, routed and/or monetized. Even modest shifts in customer acquisition will influence the allocation of billions of dollars across search, OTAs, platforms, hotel brands and other participants in the travel distribution ecosystem supporting >$4 trillion in market cap.

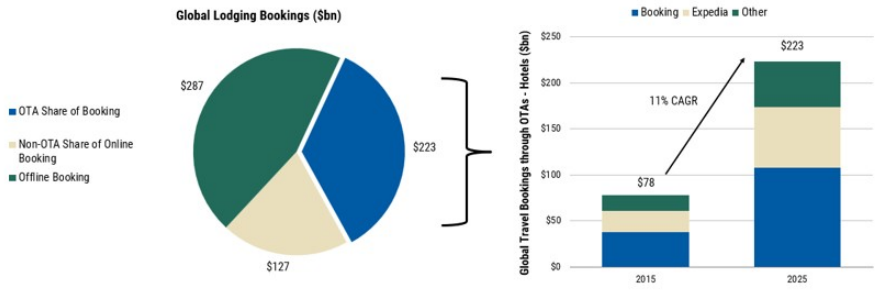
Exhibit 26: The ~$1.7 trillion of Global Travel Bookings in 2025 included about $640 billion of lodging room revenue, or about 35% of the total. Global room revenue has grown at a ~6% CAGR over the past 10 years, with a ~7% CAGR in 2023-25 as leisure and business travel is of heightened importance post COVID.



Note: Other includes Rail, Package, Car Rental, and Cruise. 2015 and 2025 lodging figures based on global lodging room revenue from STR. 2025 Air and Other figures are estimates based on Phocuswright data. Source: STR, Phocuswright, Morgan Stanley Research.

OTAs play a key role in the current lodging booking ecosystem, influencing ~$220 billion out of ~$640 billion global lodging bookings or 35% (Exhibit 27). On the ~$200 billion in global lodging bookings through OTAs, we estimate that OTAs collect ~15%, or ~$30 billion (Exhibit 28), in fees. Of this amount, Booking and Expedia likely represent the vast majority.

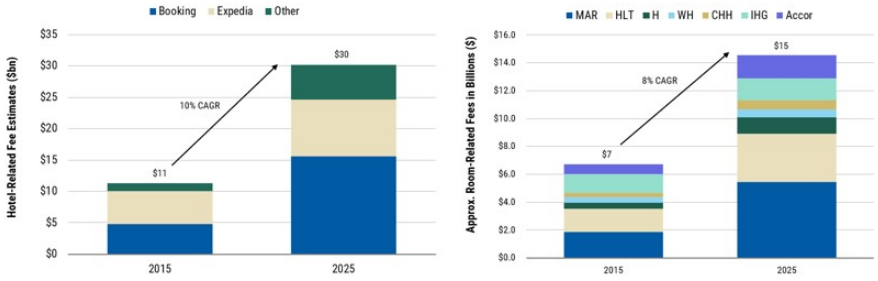
Exhibit 27: Of the ~$640bn in 2025 global room revenue, ~$220bn stems from OTAs, a number that has more than doubled over the past decade, with Booking and Expedia making up the majority of global travel hotel bookings



Note: We use a 35% OTA share given that Phocuswright estimates an OTA share of one third of all hotel bookings. Source: Phocuswright, Company data, Morgan Stanley Research

Hotel C-corps also influence substantial bookings, with the top seven public players influencing ~$15 billion in room-related fees, or 70-75% of the total through direct channels. Similar to the OTAs, the C-corps have also seen fees more than double in the past decade (Exhibit 28). Apart from COVID-impacted years, hotel C-corp fee growth has been supported by a combination of LSD/MSD RevPAR and LSD/MSD net unit growth. We believe the pathway to similar levels of fee growth over the next several years is achievable.

Exhibit 28: In aggregate, OTAs and hotel C-corps have been able to grow fees at a 10%/8% CAGR over the past 10 years



Source: Company data, Morgan Stanley Research

Google also has a central role in the current ecosystem, accounting for $9-27 billion of hotel-related search spend by our estimate. As Google has accounted for a large percentage of search, advertising, and customer acquisition in the space, we estimate that hotel industry spend on Google has grown at a high teens CAGR over the past 10 years. In terms of exact figures, given the limited disclosure around Google share of OTA marketing spend and hotel share of OTA businesses, we apply a range of assumptions around these inputs to arrive at an estimate of OTA-related, branded hotel related, and independent hotel related Google revenue (Exhibit 29), which we peg at ~5% of Google's advertising revenue. This is likely a pool of ad dollars that Meta's Muse will aim to capture in the

longer term, although near term we do not believe META plans to monetize the transactions it drives within Muse in order to build out its partnership ecosystem.

Exhibit 29: We arrive at a relatively wide range of $9-27bn of spend by hotel industry participants to Google, representing 4-12% of Google's Search and Other revenue...

	Low Case	Base Case	High Case
OTA Performance Marketing Spend	$15	$15	$15
x Google Share of OTA Marketing Spend	85%	90%	95%
=OTA Marketing Spend on Google	$13.1	$13.9	$14.7
x Hotel Share of OTA Business	50%	60%	70%
=OTA Hotel-Google Revenue	$6.6	$8.3	$10.3
Branded Hotels	$1.1	$2.8	$6.8
Independent Hotels	$1.7	$4.0	$9.5
Total	**$9.3**	**$15.1**	**$26.6**
Total as % of Google Search & Other Rev.	4.1%	6.7%	11.8%
Total as % of Google Advertising Rev.	3.2%	5.1%	9.0%

Note: OTA marketing spend refers to Booking and Expedia only. Source: Company data, Morgan Stanley Research

Beyond Google, we estimate there is another $12-28 billion of marketing spend that agentic AI may alter. This includes ~$1 billion of OTA spend, $6-16 billion of branded hotel spend, and $5-12 billion of independent spend. The result is a $12-28 billion range of non-Google related marketing spend, and a $22-55 billion range of total marketing spend (Exhibit 30).

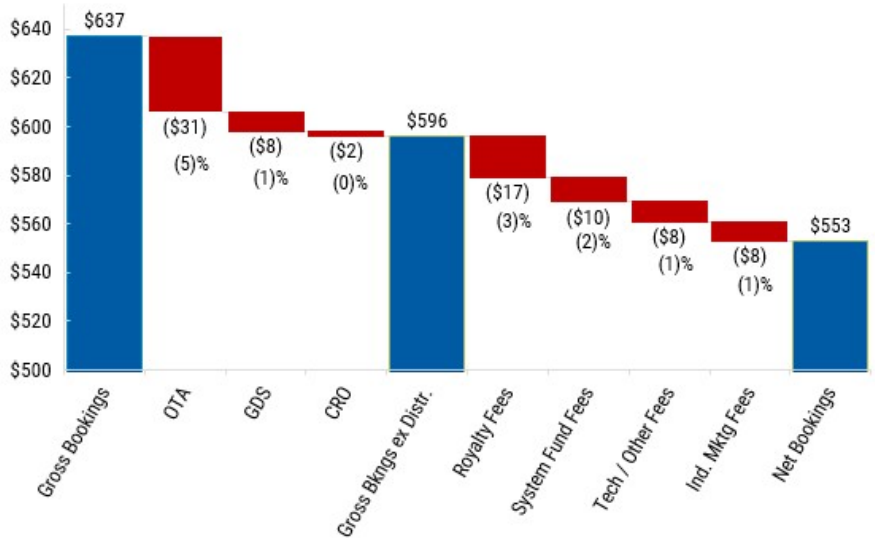
Exhibit 30: ...implying $12-28bn of total non-Google marketing spend and $22-55bn of total marketing spend

	Low Case	Base Case	High Case
Google-Related Spend	**$9.3**	**$15.1**	**$26.6**
OTAs (Hotels)	$6.6	$8.3	$10.3
Branded Hotels	$1.1	$2.8	$6.8
Independent Hotels	$1.7	$4.0	$9.5
Non-Google-Related Spend	**$12.3**	**$17.9**	**$28.0**
OTAs (Hotels)	$1.2	$0.9	$0.5
Branded Hotels	$6.1	$9.5	$15.9
Independent Hotels	$5.0	$7.5	$11.6
Total Spend	**$21.6**	**$33.0**	**$54.6**

Source: Company data, Morgan Stanley Research

Looking at the ecosystem from the perspective of hotel brands, independent hotels, and hotel owners, we see potential for agentic AI to alter $90 billion of costs to book, of which ~$40 billion is distribution-related and ~$45 billion is non-distribution-related (Exhibit 31). The rise of LLMs and agentic AI at a minimum could increase fragmentation and lower costs associated with search while also changing the split of economics throughout the chain (OTAs / Brands / etc.) as the determining factors for what hotels are surfaced to consumers evolves from placement-driven to personalization-oriented.

Exhibit 31: Of the~$637bn in hotel room revenue generated in 2025, we estimate that ~$40 billion, or ~6%, was paid annually to distribution, and ~$45 billion, or ~7%, was paid for branding, marketing, loyalty, and other related fees — all of these line items could be impacted by agentic.



Note: Estimates based on publicly available data. Source: Company data, Morgan Stanley Research

The economic opportunity for agentic AI becomes clearer when viewed through the lens of hotel owner economics. A guest may pay $200 for a hotel room, but the hotel owner often retains materially less after paying OTA commissions, royalty fees, system fees, loyalty fees, and/or independent brand marketing fees. Depending on the booking channel, distribution and customer acquisition costs can consume 10-20% of gross room revenue (Exhibit 32). Within the context of these fees, agentic AI has the potential to lower a hotel's reliance on OTAs, promote efficiencies at branded hotels that might spur fee discounts, and lower marketing costs and other related costs at independent hotels.

Exhibit 32: ...and while branded hotels and independent hotels have different components of costs to book, they have similar amounts of aggregate costs (11-16% and 12-19%, respectively)

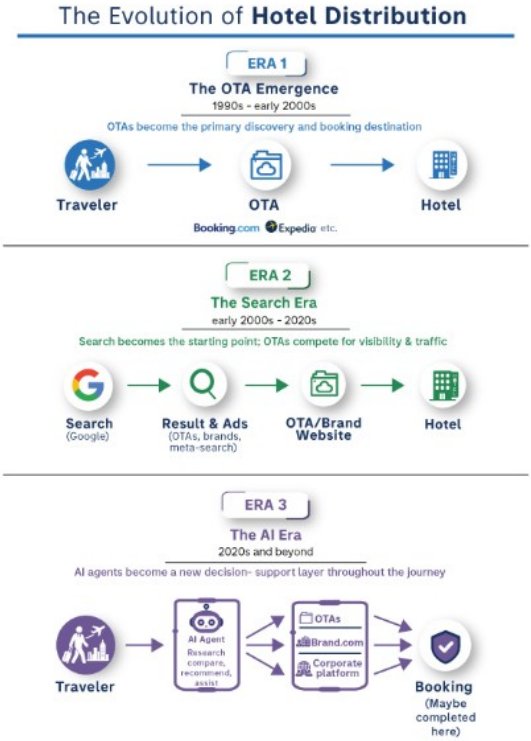
	Branded	Independent
Starting ADR	**100%**	**100%**
Royalty + Charge-Out Fees	9-13%	0%
Blended OTA Expense	2-3%	8-12%
Incremental Independent Fees	0%	4-7%
Net Retained	**84-89%**	**81-88%**

Note: Estimates based on publicly available data. Source: Company data, Morgan Stanley

Hotel booking is controlled by different participants at each stage, creating multiple entry points for agentic AI. Today, Google drives discovery, OTAs such as Booking and Expedia facilitate comparison and booking, and major hotel brands use loyalty programs and direct relationships to drive repeat stays. Agentic AI could become a new layer across this journey, helping travelers select destinations and hotels, compare prices and loyalty

benefits, and ultimately book on their behalf. This could represent the third major shift in hotel distribution, following the rise of OTAs as online travel aggregators and Google as the dominant gateway for travel discovery.

Exhibit 33: In search-oriented hotel distribution, the framework of the past ~20 years, the hotel booking timeline spans several key stages with different industry leaders. In this emerging agentic AI era, AI agents may influence discovery, evaluation, and other traveler decisions, which should have wide-ranging implications for all industry participants



Source: Company data, Morgan Stanley Research

How Agentic AI Might Impact the Status Quo

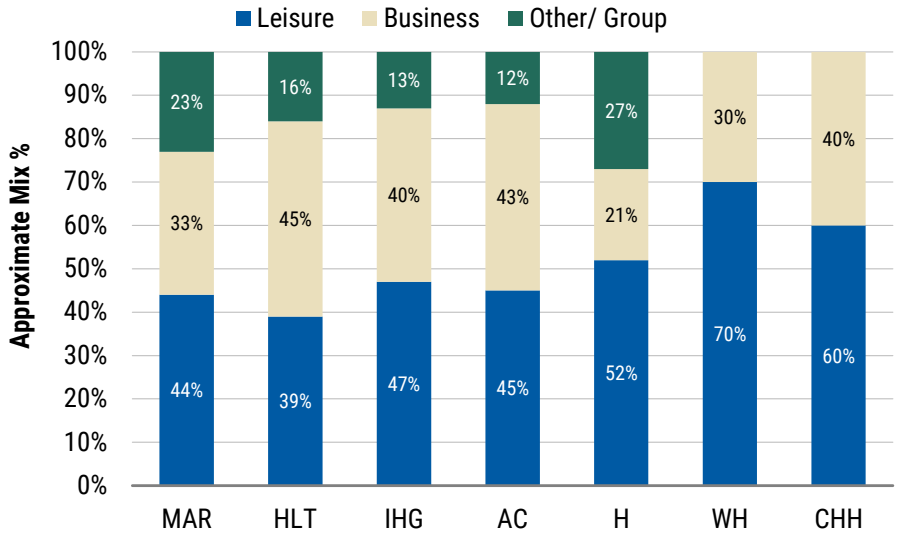
As we assess agentic AI's impact on the status quo, it is sensible to separate the impact on leisure vs. business. This separation matters for two reasons. First, as we show in Exhibit 34 , agentic AI should have a greater potential to reshape the leisure travel process than the business travel process, given that leisure travel is less bound by specific travel constraints / rules imposed by another party. For example, leisure travelers often begin with a broad objective, such as planning a beach vacation or family trip, and must sort through a large number of options before making a decision. Business travel is somewhat different because travelers are often required to follow company travel policies and book through approved channels, usually with a limited choice of hotels where contracts have been signed. Even so, AI agents embedded within corporate travel platforms could help automate hotel selection, booking and trip management while remaining within policy guidelines. Second, C-corp exposures are far more skewed to business than leisure compared to OTAs (Exhibit 35), which are nearly all leisure.

Exhibit 34: Agentic AI can more fully impact leisure travel, as business travel must often comply with corporate policy and be booked within existing infrastructure

	Leisure Travel	Business Travel
Trip Planning / Inspiration	AI can shape destination, dates, budget & itinerary	AI can coordinate travel around meetings, timing & policy
Hotel Discovery	AI searches a broad, open-ended universe	AI filters to the best compliant / preferred options
Hotel Comparison	AI navigates complex, subjective trade-offs	AI optimizes across rate, location, policy & traveler preferences
Hotel Selection	AI can materially influence which hotel wins	AI can increasingly make the choice within corporate guardrails
Hotel Booking	AI can reshape which channel captures the booking	AI can automate booking through existing corporate infrastructure

Source: Morgan Stanley Research

Exhibit 35: Leisure exposure among C-corps in our coverage ranges from 40% to 70%



Note: Approximate mixes based on recent management commentary on mix, which ranges from 2022-2026. Source: Company data, Morgan Stanley Research

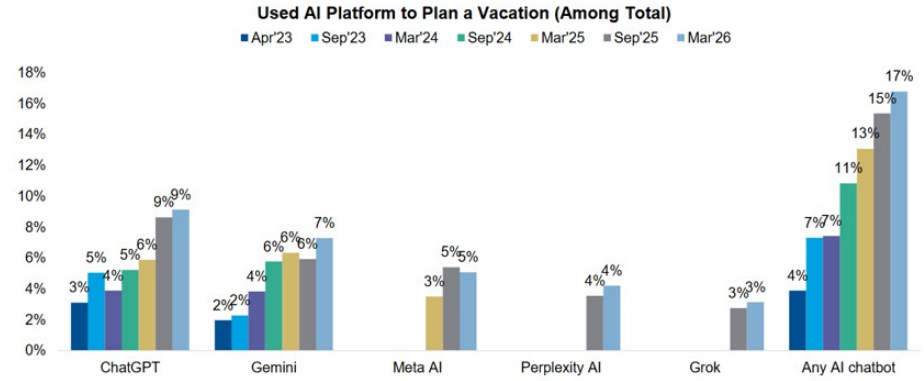
What is changing in leisure travel and where could disruption surface?

With respect to leisure travel, we see three main drivers behind the growth of agentic AI adoption, which has been on the rise over the past several years (Exhibit 36):

1. **More personalized, easier trip planning.** AI can use a traveler's preferences, budget, and past behavior to recommend destinations, build itineraries, and identify relevant booking options, reducing the time and effort required to plan a trip.
2. **A single interface for travel planning.** Rather than navigating multiple search engines, review sites, OTAs, and supplier websites, travelers could increasingly rely on one AI interface to compare options and make recommendations across the travel ecosystem.
3. **Better support during the trip.** AI can monitor flights, weather, reservations, and

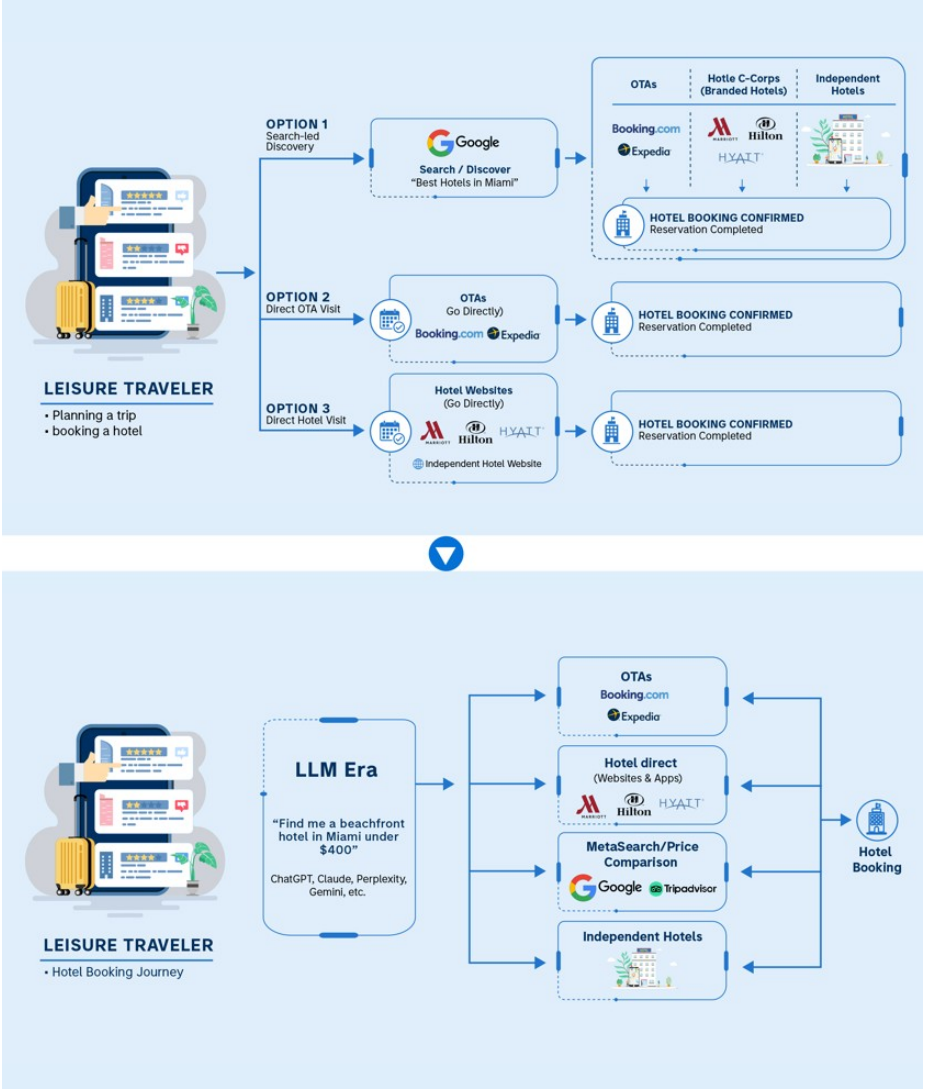
other trip details, helping travelers respond to disruptions and find relevant activities, restaurants, and experiences while traveling.

Exhibit 36: AI adoption is on the rise in the leisure travel process



Source: AlphaWise, Morgan Stanley Research

Exhibit 37: In the traditional ecosystem, leisure travelers either 1) use Google to book through an OTA or hotel website, 2) book directly through an OTA, or 3) book directly with a hotel website. In the new ecosystem, LLMs and AI agents may play a greater role in leisure traveler search, comparison, recommendation, selection, booking, and/or payment.



Source: Morgan Stanley Research

What is changing in business travel and where could disruption surface?

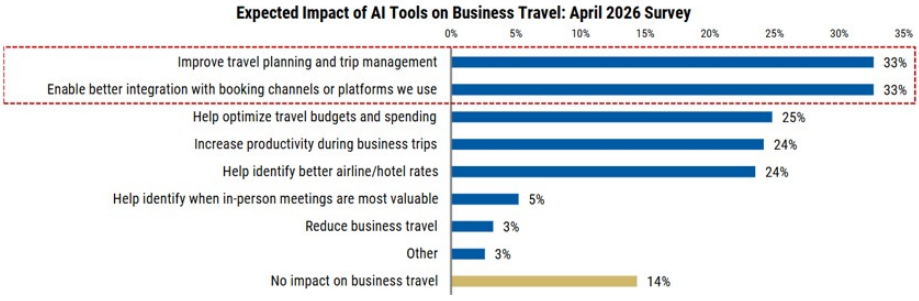
In a similar vein, we see three main drivers behind the growth of agentic AI adoption in business travel, where agentic AI is expected to have an increasingly important impact (Exhibit 38):

1. **Productivity through travel automation.** Business travelers prioritize efficiency and time savings. Agentic AI may autonomously coordinate flights, hotels, ground transportation, meeting schedules, and expense preparation, reducing administrative burden and allowing employees to focus on business objectives.
2. **A centralized intelligent travel assistant.** Business travelers often manage travel across multiple booking tools, expense systems, corporate policies, and supplier platforms. Agentic AI can serve as a unified travel assistant that understands

company preferences, traveler habits, and trip objectives, providing a single interface for planning, booking, managing, and modifying travel.

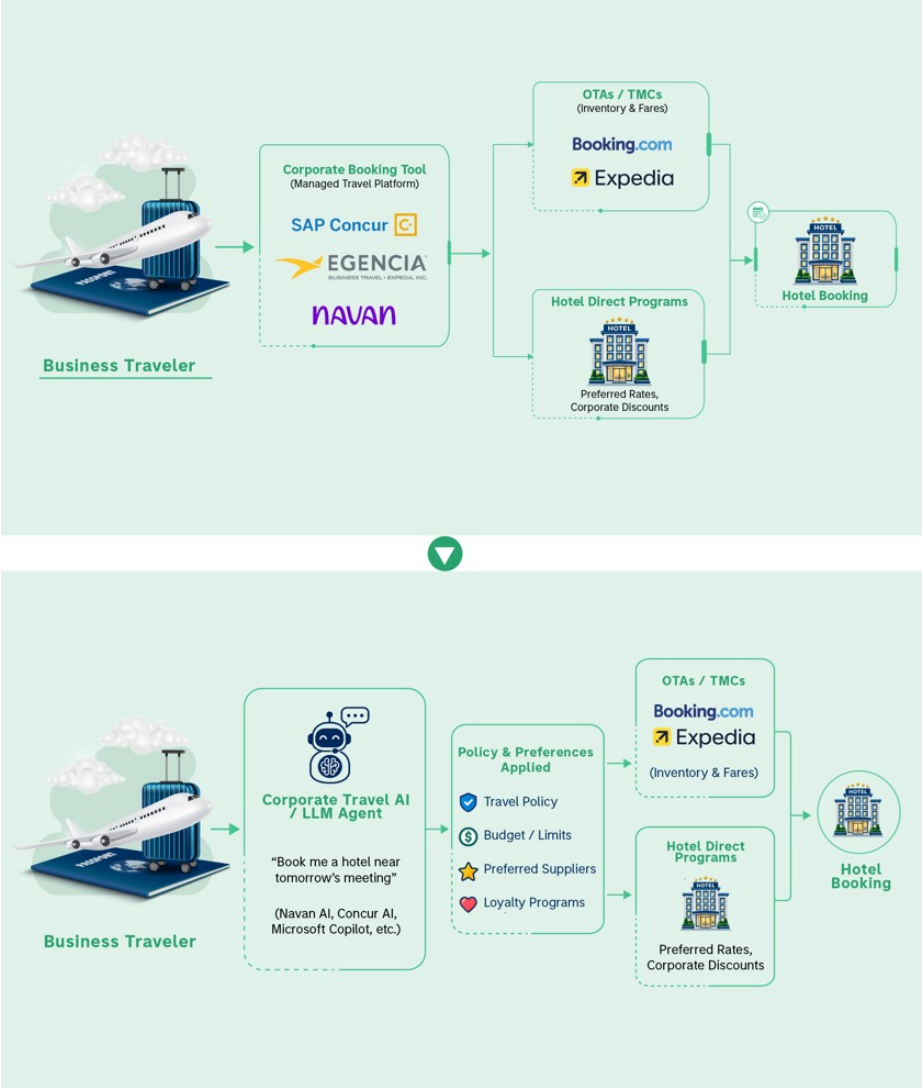
3. **Proactive risk management and cost control.** Agentic AI can continuously monitor disruptions, safety concerns, policy requirements, and travel spend. It can automatically recommend compliant alternatives, optimize costs, and help organizations fulfill duty-of-care responsibilities while improving the traveler experience.

Exhibit 38: Agentic AI is expected to play more of a role in business travel processes.



Source: AlphaWise, Morgan Stanley Research

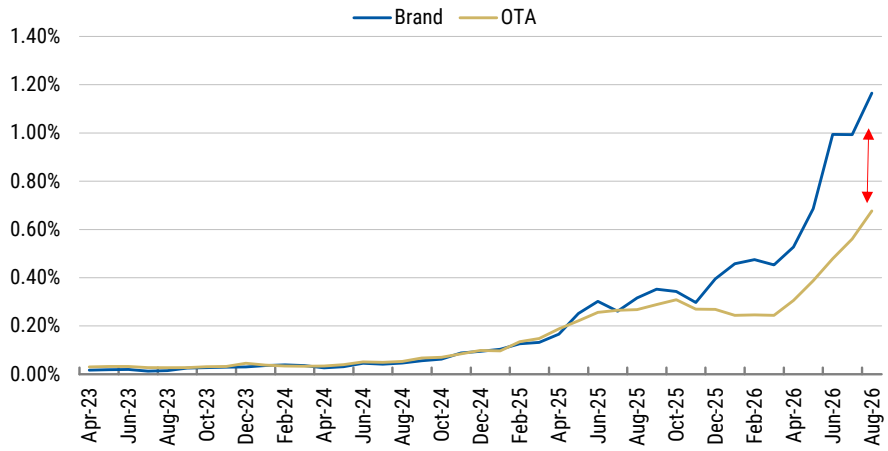
Exhibit 39: In the traditional ecosystem, business travelers leverage corporate booking tools to then book through OTAs or hotel direct programs. In the new ecosystem, LLMs and AI agents may be able to help find hotel options, recommend the best option(s), and even book on behalf of business travelers, in accordance with corporate policies and preferences.



Source: Morgan Stanley Research

AI-generated referral traffic remains small today, but it provides an early indication of how agentic AI may begin to influence travel demand over time. Early data indicates that traffic originating from AI-powered platforms still represents only a small fraction of total website visits for both OTAs and hotel brands (Exhibit 40). As a result, AI is unlikely to have a material impact on booking volumes in the near term. However, longer term, as travelers begin using AI tools to research destinations, compare hotels, assess trade-offs and navigate travel choices, AI-powered interfaces may become a more meaningful source of influence within the customer-acquisition funnel. While it remains too early to draw conclusions about the long-term impact on traditional search or existing distribution channels, the emergence of AI-generated referrals provides an early indication that AI agents are beginning to participate in parts of the traveler journey that have historically been controlled by search engines, OTAs, and hotel brands.

Exhibit 40: We see a continued upward trend of AI referral traffic from hotel brands. For OTAs, the portion of AI referral traffic slightly declined around year-end 2025 and started to revert back in 2Q26



Source: SimilarWeb, Morgan Stanley Research

Initial Insights from AI Prompts and Current Company Strategies

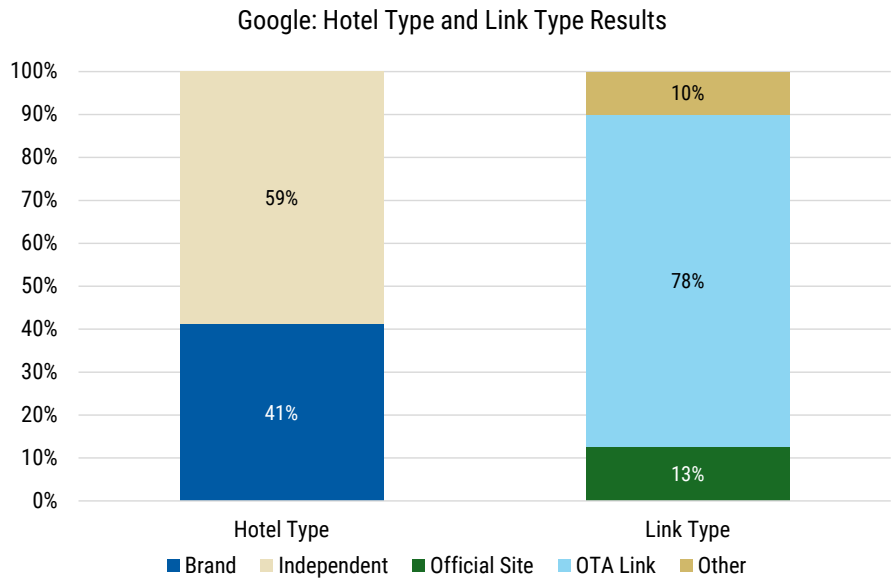
What's in this section? First, we examine LLM search results, both by hotel type (brand vs. independent) and link type (official site vs. OTA), from AlphaWise analysis. Second, we highlight differences in how companies in our coverage have positioned themselves so far amid the agentic AI distribution transition.

Key Takeaways: Compared with Google, generic LLM hotel searches feature fewer OTA links and more direct hotel links, suggesting broader LLM adoption could reduce OTA reliance; hotel brand loyalty also has greater impact than OTA loyalty. Agentic AI positioning reflects the push to own the customer relationship, with Marriott/Booking placing greater emphasis on it than Wyndham/Choice/Expedia.

AlphaWise-Related Takeaways

As a search era baseline, Google tends to surface mostly independent hotel options and OTA links. For a generic hotel search, across various cities, Google returns 50% or more OTA links each time. Consequently, given independent hotels' heavier reliance on OTAs vs. brands, it makes sense that the distribution of hotel type in these results tends to skew independent.

Exhibit 41: While results vary considerably by individual city, we see independent hotel listings surface more frequently in aggregate on Google than branded hotels and OTA links come up more than official site links

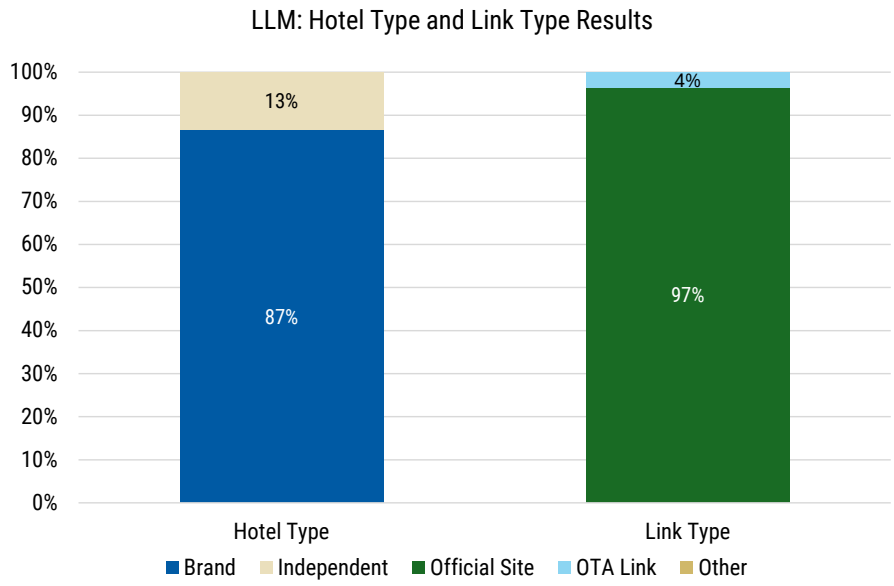


Note: For links with multiple listings, we take the hotel type of the top listing. Other includes websites like blogs. Aggregate results across Dallas, Denver, Las Vegas, Los Angeles, Marco Island, Minneapolis, New York City, and Virginia Beach. Source: Google, Morgan Stanley Research.

As an agentic AI era baseline, LLMs tend to surface more Brand.com links and branded

hotels vs. the Google results. For the same prompt, this LLM returns 50% or more Brand.com links most of the time. In turn, as we might expect, branded hotels tend to surface more than independent hotels.

Exhibit 42: Again, results vary considerably by individual city, but we generally see the opposite outcome vs. Google search. That is, branded hotels surface more than independent hotels and Brand.com links surface more than OTA links.



Note: For links with multiple listings, we take the hotel type of the top listing. Other includes websites like blogs. Aggregate results across Dallas, Denver, Las Vegas, Los Angeles, Marco Island, Minneapolis, New York City, and Virginia Beach. Source: Google, Morgan Stanley Research.

Within the LLM search, we then used the following prompt add-ons to test for how materially they might change the initial output (Exhibit 43). These add-ons are a list of 20+ factors that could materially change what hotel suggestions are surfaced by AI platforms.

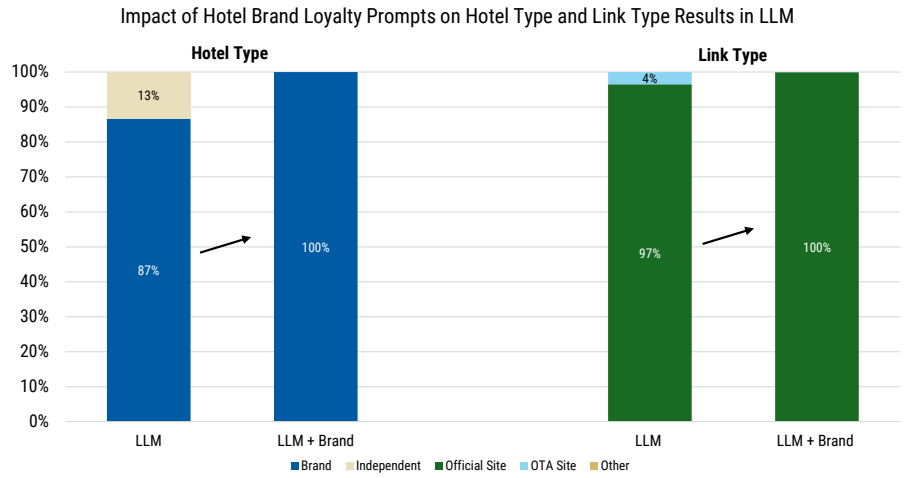
Exhibit 43: Our prompt add-ons spanned conventionally top-of-mind booking considerations to outright statements of preferences for brands and independents...

#	Factor	Prompt
1	Location	"Find hotels in a convenient, central location near attractions, transit, and safe areas."
2	Price / Value	"Recommend hotels with the best balance of price, quality, and value."
3	Cleanliness	"Only show hotels with excellent cleanliness ratings and spotless recent reviews."
4	Reviews & Ratings	"Prioritize hotels with high ratings and strong recent guest feedback."
5	Room Comfort	"Find hotels known for comfortable beds, quiet rooms, and good sleep quality."
6	Safety & Security	"Recommend hotels in safe neighborhoods with strong security measures."
7	Wi-Fi Quality	"Only include hotels with fast, reliable Wi-Fi suitable for work and streaming."
8	Free Breakfast	"Find hotels that include a high-quality complimentary breakfast."
9	Flexible Cancellation	"Prioritize hotels with flexible cancellation and refund policies."
10	Amenities	"Find hotels with excellent amenities like pools, gyms, spas, or lounges."
11	Service Quality	"Only show hotels with exceptional customer service and responsive staff."
12	Room Size	"Find hotels with spacious rooms and comfortable layouts."
13	Dining Options	"Recommend hotels with strong dining options and nearby restaurants."
14	Easy Check-In	"Find hotels with smooth check-in/check-out and mobile options."
15	Accurate Photos	"Only show hotels whose photos accurately reflect reality."
16	Family Friendliness	"Recommend family-friendly hotels with kid-friendly amenities."
17	Business Features	"Find hotels optimized for business travelers with workspaces and meeting facilities."
18	Pet Friendliness	"Find pet-friendly hotels with convenient pet policies."
19	Design & Atmosphere	"Recommend hotels with beautiful design and unique atmosphere."
20	Social Media Appeal	"Find visually appealing hotels popular on social media."
21	Brand Preference Flexibility	"I'm open to both branded hotel chains and independent boutique hotels. Prioritize overall quality, experience, and value over brand affiliation."
22	Prefer Independent	"Prioritize unique independent or boutique hotels over large hotel chains when quality is comparable."
23	Prefer Brand	"Prioritize large hotel chains over unique independent or boutique hotels when quality is comparable."

Source: Morgan Stanley Research

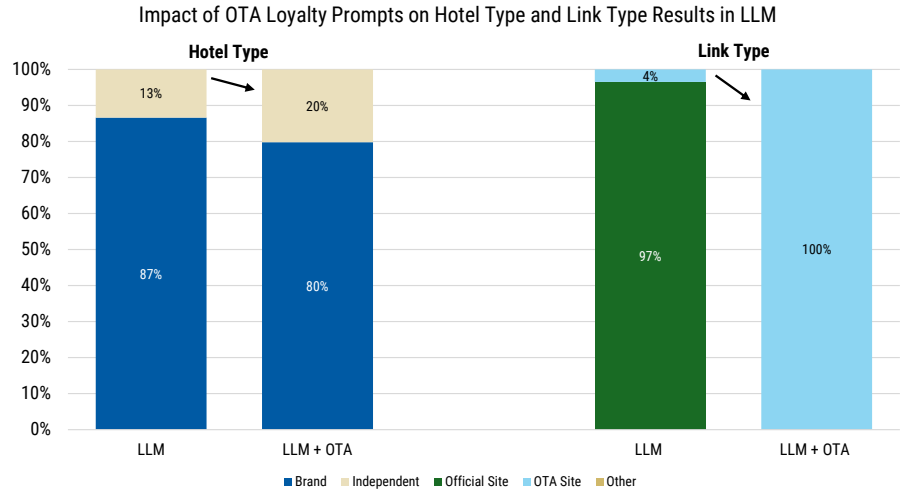
While multiple add-ons spurred meaningful shifts in output vs. baseline across different cities, we highlight loyalty membership as having the most consistently material impact on results. For example, across cities, when we added to the baseline prompt that the traveler is a loyalty member of a specific hotel brand (e.g., Marriott), all hotel type results were branded and all link results were official site links (Exhibit 44). In a similar exercise in which we mentioned loyalty to Booking or Expedia, the links surfaced shifted from ~100% official hotel site links to 100% OTA links (Exhibit 45).

Exhibit 44: The impactful nature of the loyalty prompt add-on applied not only to mentions of hotel brand loyalty...



Note: Aggregate results across Dallas, Denver, Las Vegas, Los Angeles, Marco Island, Minneapolis, New York City, and Virginia Beach. Source: Morgan Stanley Research

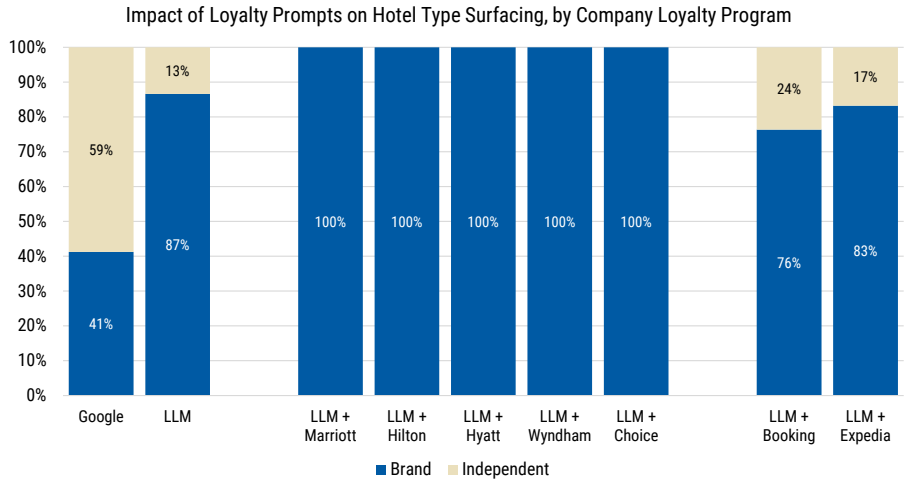
Exhibit 45: ...but also to mentions of OTA loyalty



Note: Aggregate results across Dallas, Denver, Las Vegas, Los Angeles, Marco Island, Minneapolis, New York City, and Virginia Beach. Source: Morgan Stanley Research

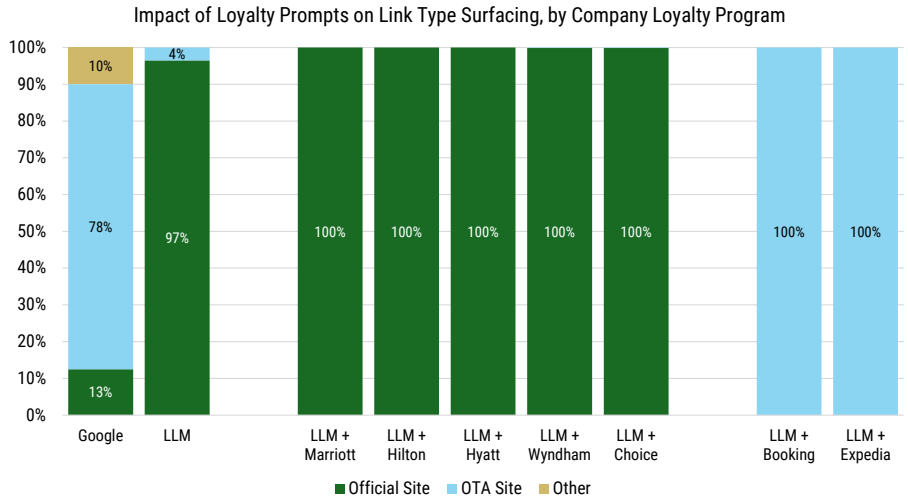
The influence of loyalty membership in surfacing results is about equally important across different hotel brands and OTAs (Exhibit 46 and Exhibit 47). In terms of hotel brands, a mention of loyalty membership for every brand was enough to shift results to 100% branded hotels and 100% official site links. In terms of OTAs, a mention of loyalty membership of Booking or Expedia shifted hotel type results to a similar degree from the baseline (i.e., a mention of either was enough to surface a 5-10% higher mix of independent hotels) and equally resulted in 100% OTA link surfacing.

Exhibit 46: The relative shifts in hotel type results across hotel brands and OTAs were roughly equal across the board...



Note: Aggregate results across Dallas, Denver, Las Vegas, Los Angeles, Marco Island, Minneapolis, New York City, and Virginia Beach. Source: Morgan Stanley Research

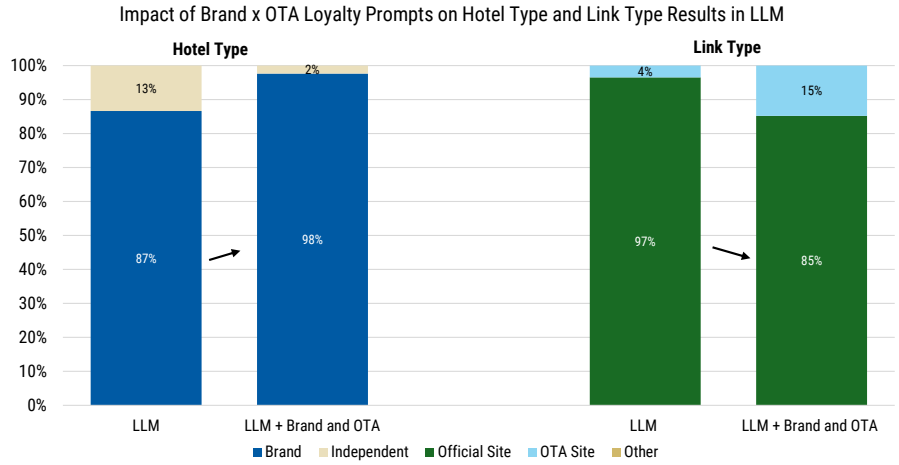
Exhibit 47: ...and the same can be said of link type results



Note: Aggregate results across Dallas, Denver, Las Vegas, Los Angeles, Marco Island, Minneapolis, New York City, and Virginia Beach. Source: Morgan Stanley Research

Assessing the relative importance of hotel brand loyalty vs. OTA loyalty, we see that hotel brand loyalty appears to matter more when surfacing results on this LLM. We also looked at cases of result distributions upon mentioning both loyalty membership of a hotel brand and loyalty membership of an OTA. In terms of hotel results, relative to the baseline case of 87% branded hotel results with no mention of loyalty, prompts mentioning both hotel brand loyalty and OTA loyalty still yielded results that were significantly skewed toward branded hotels (Exhibit 48). In terms of links, relative to the base case of no mention of loyalty, it appears that hotel brand loyalty mentions influence the link distribution more than OTA loyalty mentions.

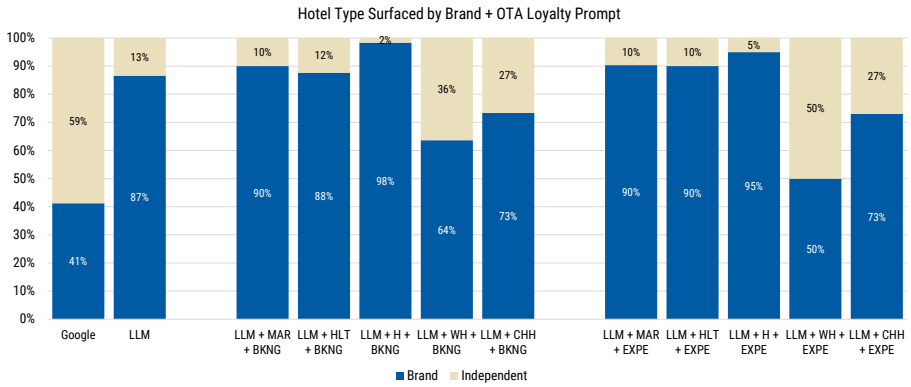
Exhibit 48: Results from prompts that mention both hotel brand loyalty and OTA loyalty still skew heavily to branded hotels and official sites



Note: Aggregate results across Dallas, Las Vegas, and New York City. Source: Morgan Stanley Research.

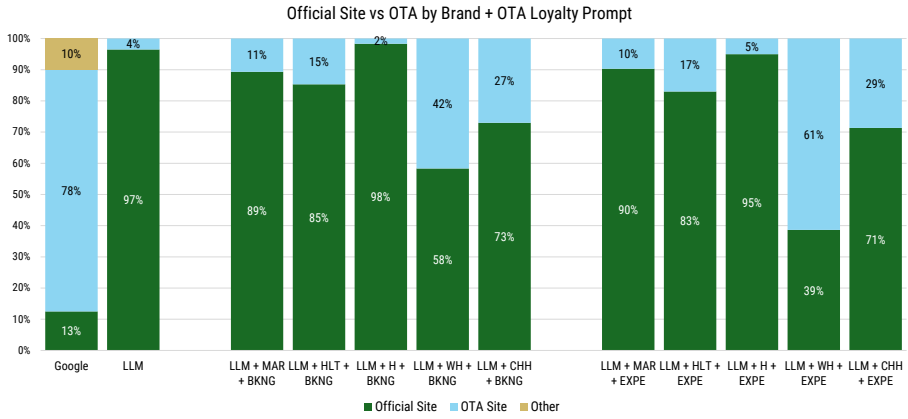
Moreover, the cross section of hotel brand loyalty and OTA loyalty prompt mentions suggests differences in hotel brand strength. In terms of hotel type results, searches with Marriott, Hilton, and Hyatt loyalty mentions surfaced predominantly branded hotel results, even when Booking or Expedia loyalty was also mentioned (Exhibit 49). By contrast, searches with Wyndham and Choice loyalty mentions, paired with Booking and Expedia mentions, still produced results that skewed to branded hotels, but below the LLM baseline (i.e., prompt with no mention of loyalty). The distribution of hotel link results with these loyalty cross sections yielded similar results (Exhibit 50).

Exhibit 49: Mentions of MAR, HLT, and H loyalty alongside BKNG/EXPE loyalty yield hotel results that still skew significantly toward branded hotels, with WH and CHH loyalty mentions (alongside BKNG/EXPE loyalty mentions) yielding branded hotel results below the LLM baseline mix...



Note: Aggregate results across Dallas, Las Vegas, and New York City. Source: Morgan Stanley Research.

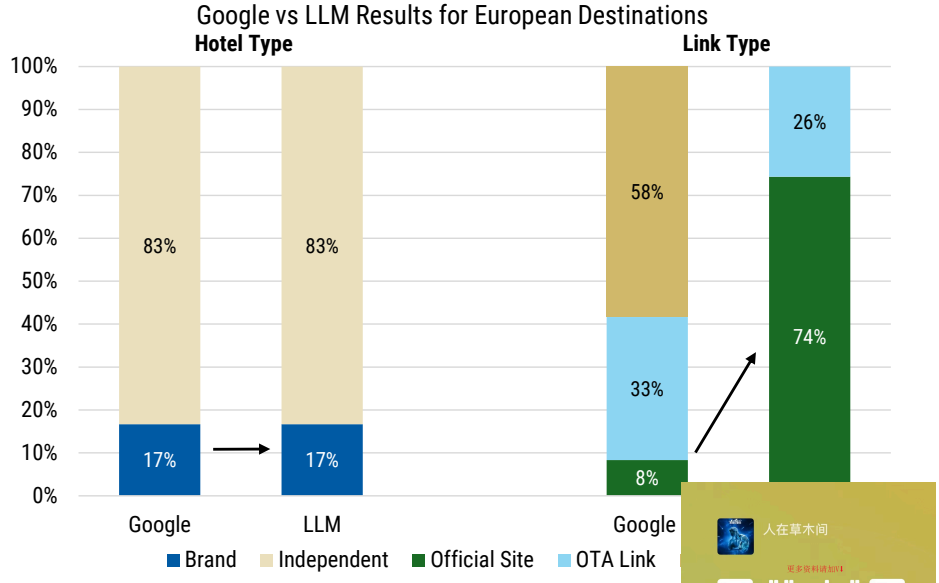
Exhibit 50: ...and a similar dynamic can be observed with link type distribution



Note: Aggregate results across Dallas, Las Vegas, and New York City. Source: Morgan Stanley Research.

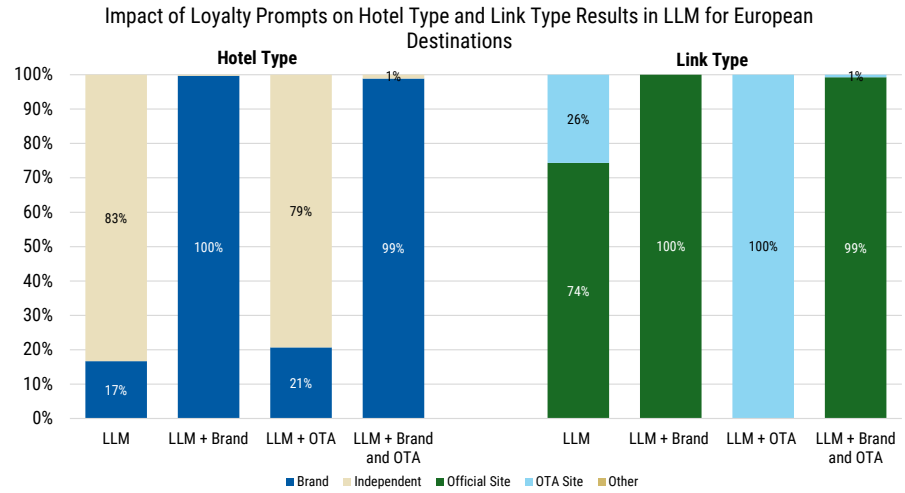
Turning to Europe, we also see 1) an LLM results skew to official site links, 2) the importance of loyalty (both hotel brand loyalty and OTA loyalty), and 3) hotel brand loyalty having a more pronounced influence on LLM search results than OTA loyalty (Exhibit 51 and Exhibit 52). In our simulation of results of a European traveler searching for hotels in European destinations (e.g., London, Nice, Florence), we note that the distribution of link results was especially sensitive to loyalty mentions. Hotel type also exhibited sensitivity but Europe's higher concentration of independent hotels vs. the US makes for a meaningfully different lodging option set.

Exhibit 51: In Europe, which skews more to independent hotels vs. the US, the European LLM output is similar to Search in terms of hotel type. Compared to the US, the European LLM output also shows a shift toward more direct, but more muted than the US.



Note: Aggregate results across London, Nice, and Florence. Source: Google, Morgan Stanley Research.

Exhibit 52: Like US results, Europe results for the LLM are also strongly influenced by hotel brand loyalty and OTA loyalty, with hotel brand loyalty proving more influential



Note: Aggregate results across London, Nice, and Florence. Source: Google, Morgan Stanley Research.

What Are Companies Doing? What Are the Initial Outcomes?

Given the potential material ramifications of agentic AI on the travel distribution ecosystem, we review the strategies currently being deployed by brands, OTAs, and Google.

Brand Strategies

We start with brands, who, while positioned to likely be net beneficiaries, also acknowledge risks involved with agentic AI. We also stress the importance of not looking at the impact of agentic AI on brands uniformly, given differences in brands' room network sizes, loyalty programs, and willingness to share inventory with LLMs. That is, in essence, we expect some c-corps to lean on LLMs as external parties and give up varying degrees of data vs. others who may be more guarded with what they share and try to influence LLMs while developing their own internal capabilities. What is more universal across brands is 1) AI platforms have yet to establish a clear monetization model, with advertising, referral fees, and transaction-based economics and 2) hotel brands have generally invested in AI software capabilities rather than paying AI platforms for customer acquisition.

Agentic AI could emerge as a new distribution layer for hotels: Brands increasingly view AI agents and LLM-powered interfaces as potential demand-generation and booking channels that could influence traveler discovery and booking behavior, creating an opportunity to drive more traffic toward direct booking channels (e.g., LLM app launches as seen in Exhibit 53)

Brands differ in how they are approaching agent-driven distribution: Wyndham and Choice appear more willing to enable AI-driven discovery and booking experiences, while Marriott and Hilton have emphasized preserving ownership of the customer relationship, loyalty ecosystem, and first-party data. Accor, Hyatt, and IHG appear to sit between these approaches (Exhibit 53 and Exhibit 54).

OTA disruption appears limited in the near term: Brands continue to view OTAs as

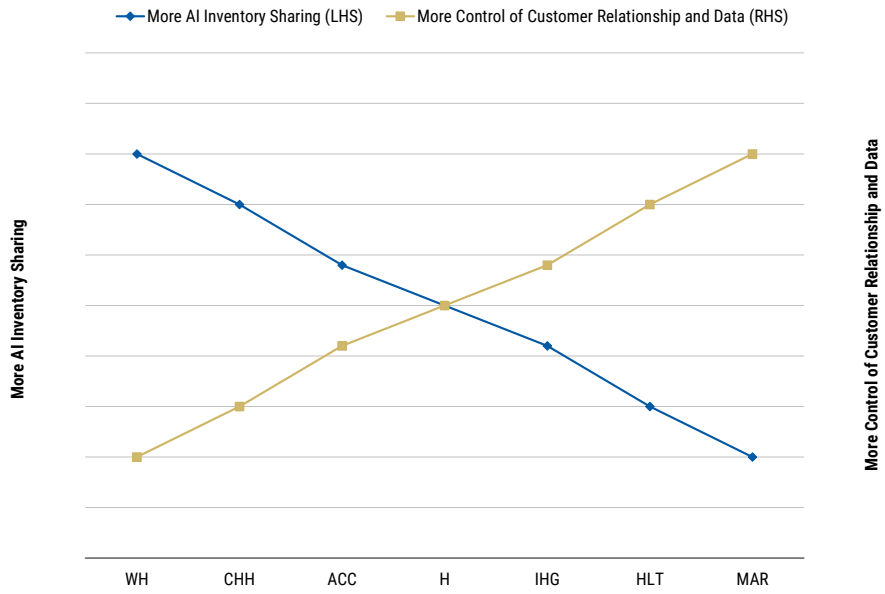
important distribution partners, and no major hotel company has indicated an intent to materially reduce OTA participation. Over time, however, AI agents could assume some of the discovery and comparison functions currently performed by OTAs.

Exhibit 53: The large brands are likely to prioritize partnerships that preserve their direct guest relationships, while Wyndham and Choice are more likely to prioritize partnerships that expand distribution and drive incremental demand

Company	AI Distribution Posture	Notes
WH	Wide open, multiple LLMs	Multiple third-party AI integrations since '25 (latest Aug '26); AI framed as incremental distribution and owner ROI
CHH	Wide open, checkout included	AI search partner with Google Pay checkout (Aug '26); AI ad pilot; AWS-led AI across discovery, booking and channel optimization
AC	Open, but keeps the booking	Third-party AI app live (Jan '26); open to third-party discovery, but bookings route through ALL Accor
H	Balanced	Third-party AI app live (by Feb '26), plus native natural-language search on Hyatt.com
IHG	Open, with owned channels alongside	Third-party AI app live (Jun '26) and AI search partner (Aug '26); owned conversational search (US beta, Jul '26); external AI framed as complementary
HLT	Direct-first, loyalty-led	Works with multiple AI search and assistant providers, including a connector in development; points bookings redirect to Hilton.com; stresses direct, loyalty-driven relationships
MAR	Direct-first, loyalty-led	Ask Bonvoy (Jun '26); AI search partner (Aug '26); AI ad pilot; stresses direct booking and the Bonvoy relationship

Source: Company data, Morgan Stanley Research

Exhibit 54: We see Wyndham and Choice as generally more willing to accept another distribution channel (LLMs) for its potential to bring in profitable new bookings for franchise owners, even if said new guests may be less willing to join loyalty programs



Note: Scores are subjective and based on management commentary and company updates. Source: Company data, Morgan Stanley Research

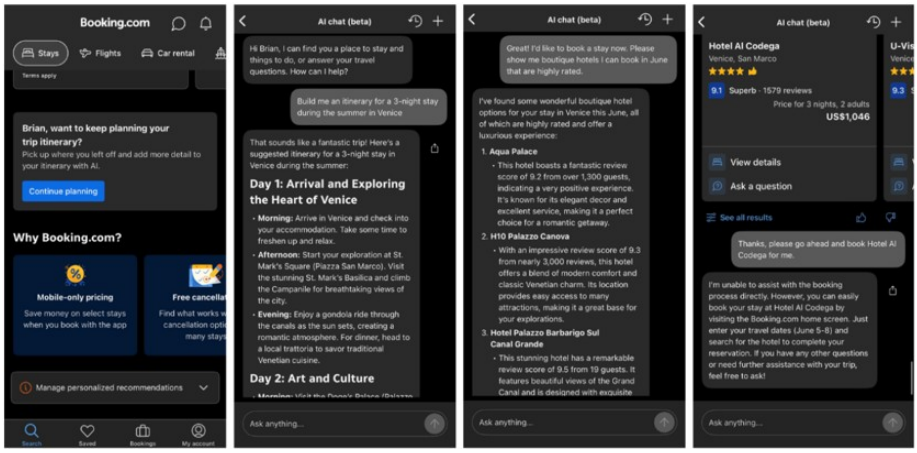
OTA Strategies

Expedia and Booking.com were launch partners for LLM apps in October 2025. Both have since expanded into other AI interfaces, including Google's agentic hotel-booking efforts. Both BKNG and EXPE derive 60-70% of traffic from direct channels, which represent the most valuable part of their businesses given the associated customer relationship, repeat behavior, loyalty engagement, and lower acquisition costs. To the extent agentic AI shifts the starting point for travel discovery away from OTA apps and websites toward third-party interfaces, both Booking and Expedia could therefore face meaningful pressure on direct traffic and customer ownership.

We see a big distinction in the quality and differentiation of the supply each platform brings to an agentic ecosystem. BKNG is better positioned, in our view, because roughly 90% of its lodging inventory consists of independent, boutique, and small-chain properties. That fragmented supply is more difficult to aggregate, normalize, merchandise, and understand than standardized inventory, and BKNG has accumulated substantial proprietary insight into that supply through years of customer interactions, conversion data, reviews, pricing, availability, payments, and servicing. As AI agents become more important in helping travelers identify the best property for a specific trip, we believe that differentiated inventory and data will become increasingly valuable, both in improving BKNG's own on-platform experience and in making BKNG an important source of supply and intelligence for third-party agentic interfaces. EXPE is exposed to many of the same risks around direct traffic, but a greater portion of its business is tied to more standardized or commoditized travel supply, including air and large-chain hotels. Those categories may be easier for AI platforms to compare and access across multiple sources, potentially limiting the degree to which EXPE's inventory itself creates a differentiated advantage. While EXPE's B2B capabilities remain an important part of its business, we would not view B2B as providing a structural offset to the loss of direct consumer engagement or as making EXPE inherently better positioned in an agentic-AI world.

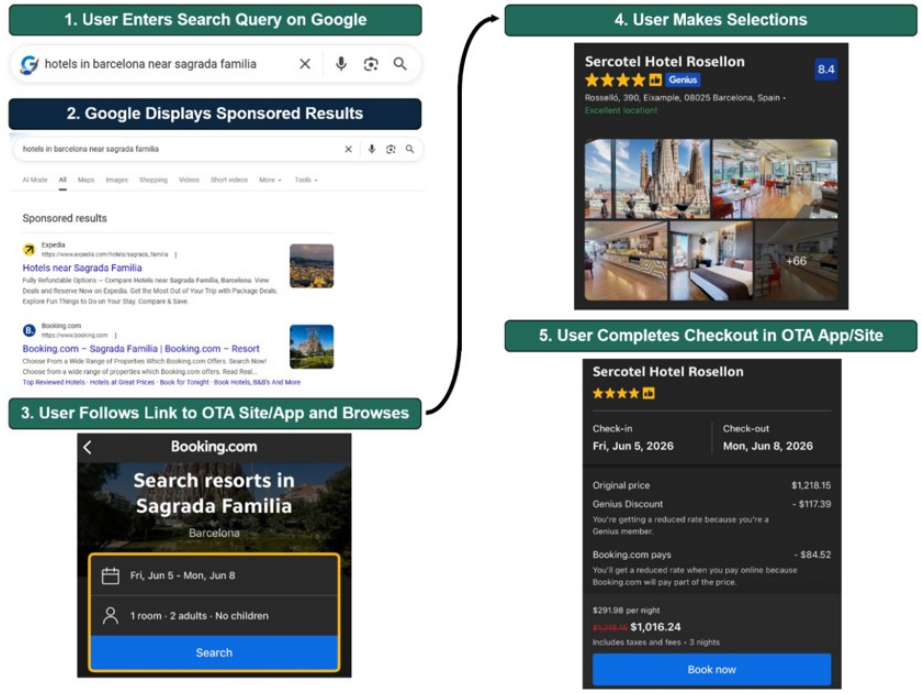
Put together, agentic AI should pose a more nuanced risk to the OTAs than disintermediation. The key question is whether consumers continue to begin and increasingly complete their travel journeys directly within OTA ecosystems. If that behavior weakens, both companies risk losing some of their highest-value traffic. However, we believe BKNG's differentiated lodging supply, particularly its depth in independent and boutique properties, together with the data and merchandising capabilities built around that inventory, gives it a stronger ability to remain relevant, extract value, and deliver a differentiated travel experience as discovery becomes more agentic.

Exhibit 55: BKNG's in-app agent has personalized recommendation capabilities such as building itineraries and providing specific information about listings… and we look for tools like this to continue to improve and scale:



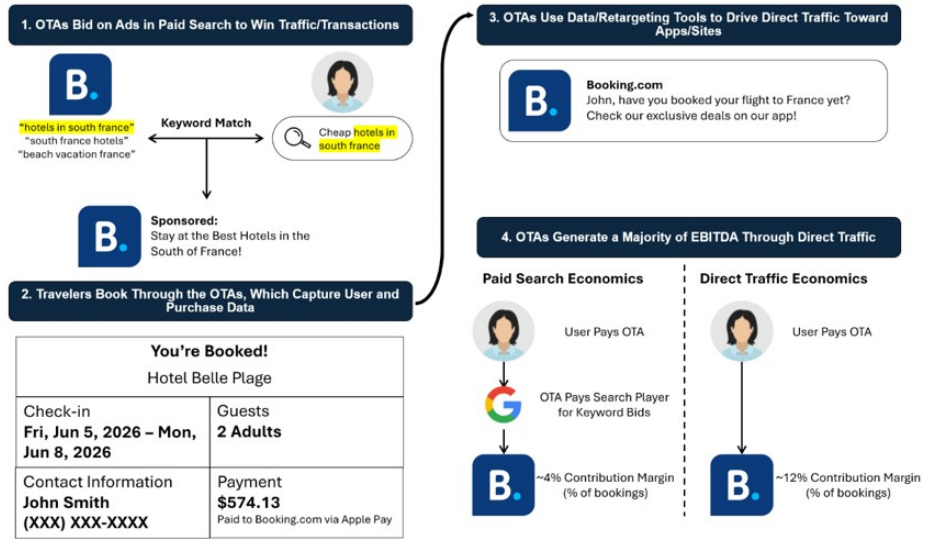
Source: Company data, Morgan Stanley Research

Exhibit 56: Early agentic flows looked similar to paid search rather than full OTA disintermediation:



Source: Company data, Morgan Stanley Research

Exhibit 57: If OTAs can create highly effective agents and continue increasing direct traffic mix, unit economics are attractive, just like the traditional paid search model:

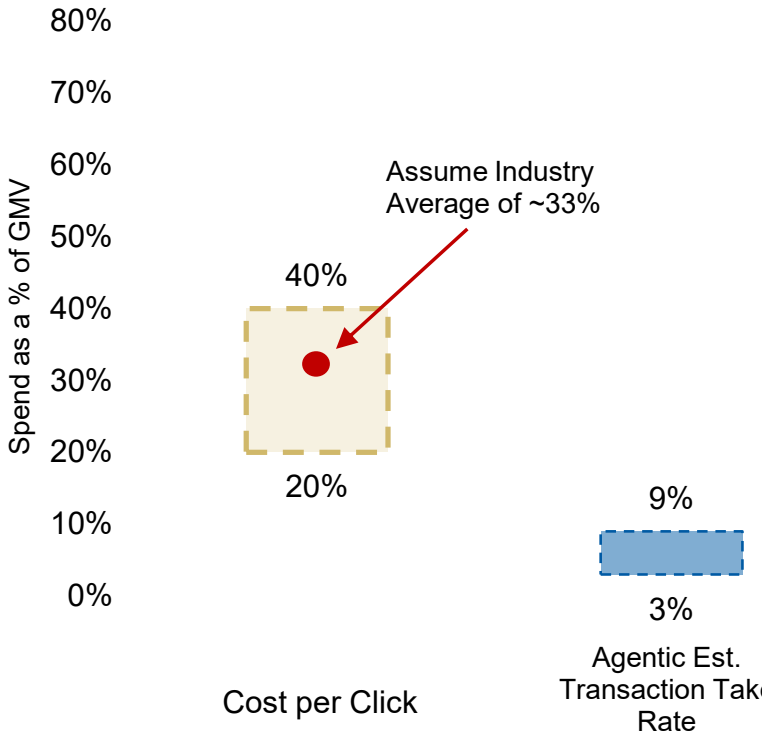


Source: Company data, Morgan Stanley Research

Google

GOOGL Is Moving Further Down the Travel Funnel: At I/O '26, GOOGL showcased Gemini Spark and Canvas itinerary planning, with BKNG/EXPE among announced partners...setting the table for more personalized, actionable travel experiences. More recently, GOOGL began rolling out hotel booking within AI Mode in the U.S., bringing property comparison, room selection and Google Pay checkout into one conversation, with partners spanning BKNG/EXPE and hotel brands including MAR/HLT/IHG/WH/CHH. Importantly, hotels/OTAs remain merchants of record and handle customer service, preserving their fulfillment role even as more of the consumer interaction stays within GOOGL. New AI Mode ad tests and plans to extend Direct Offers to travel also provide a path to monetize these interactions as adoption scales. We see GOOGL's leading distribution and data as important advantages, but product execution and adoption remain key … as competing agents capturing commercial behavior could pressure Search monetization.

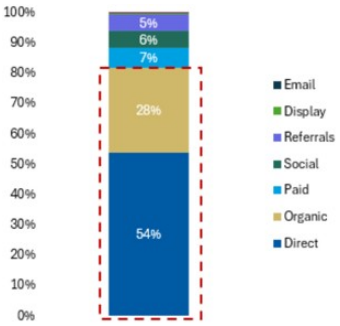
Exhibit 58: We Believe Current "Effective Search Take Rates" Are 5-10X Higher than Where We Could See Early Agentic Commission Offerings...



Source: Company data, Morgan Stanley Research

Consider that we estimate current search per transaction "effective take rates" (ad spend as a percent of GMV) are 5-10X higher than potential early agentic take rate offerings (~33% for search vs single digits for agent offerings). We acknowledge the rates may change and expect all agentic players to layer in paid ads within agentic results too... which could close some of this gap. But this monetization gap is material.

Exhibit 59: ...But 80%+ of Retailer Online Traffic is Still Free, so an Agentic Traffic Shift Toward Paid Channels Can Offset Lower Take Rates. A 500bp Shift in Direct/Unpaid Retailer Traffic Toward Paid Channels Can offset a 1,400 bp Decline in Net Effective Take Rate



% Change in Search E-commerce Revenue						
		New Effective Search Take Rate				
		33%	26%	19%	12%	5%
bp Shift in Free Traffic to Paid	500 bps	75%	38%	0%	-37%	-74%
	1000 bps	151%	97%	44%	-10%	-64%
	1500 bps	226%	157%	87%	17%	-53%
	2000 bps	302%	216%	130%	44%	-42%
	2500 bps	377%	275%	173%	71%	-31%

Source: Company data, Morgan Stanley Research

This speaks to the importance that Alphabet continues shipping next gen products and agentic offerings across its leading corpuses of users (and leverages its leading data) to stay at the top of the agentic funnel... and drive more transactions for advertisers. But as

a further offset, consider that 80%+ of retailer online traffic is still unpaid/direct. We expect this to fall over time from agentic offerings … and our sensitivity shows how shifting unpaid traffic toward paid commission traffic can offset lower "per transaction take rates." **As an example, a 500bp shift in unpaid traffic toward paid channels can offset a 1,400bp decline in effective take rates.** But, it would require a 3,800bp shift in unpaid toward paid channels to make GOOGL break even at a 5% take rate. This again speaks to how retailers need to be focused on incrementality, transaction profitability and preserving their high margin direct business … **because Alphabet's incentive to use its next generation agents to eat into its high margin direct business is likely to only grow over time.**

Implications of AI Findings for Distribution and Fees

What's in this section? We contextualize the findings from the AlphaWise data in terms of implications for lower distribution costs.

Key Takeaways: More widespread agentic AI usage could lower distribution costs, at least initially, through 1) increased top-of-funnel competition, 2) mix shift to direct, and 3) more efficient marketing spend. While independents have more to gain given higher OTA and marketing costs, our AlphaWise analysis suggests brands may capture more of the benefit given greater branded hotel and official-site surfacing on LLMs vs. Google Search. These outcomes may not be mutually exclusive as we anticipate both large branded hotels could take share via loyalty AND small independents gain exposure & bolster bigger OTAs via experiences winning — the result is pressure in the middle.

Independent Hotels Would Benefit More Than Branded Hotels from Lower OTA Costs Related to Lower Booking Mix and/or Commission Rate...

The OTA sensitivity analysis shows a margin sensitivity gap between a typical branded and a typical independent hotel driven largely by OTA booking mix. Because independent hotels tend to see far more bookings through OTAs than branded hotels, independent hotels carry substantially more margin exposure to the same percentage point move.

- For branded hotels, every 100bps change in OTA commission rate moves margin by approximately 14bps
- For branded hotels, every 100bps change in OTA booking mix moves margin by approximately 12bps
- For independent hotels, every 100bps change in OTA commission rate moves margin by approximately 25bps
- For independent hotels, every 100bps change in OTA booking mix moves margin by approximately 20bps

Exhibit 60: Branded hotels can see a 12-14bps margin benefit from 100bps OTA mix shifts or commission rate shifts...

OTA Booking Mix - Branded	OTA Commission Rate - Branded →						
	6.0%	8.0%	10.0%	12.0%	14.0%	16.0%	18.0%
8.0%	26.2%	26.0%	25.9%	25.7%	25.6%	25.4%	25.2%
10.0%	26.1%	25.9%	25.7%	25.5%	25.3%	25.1%	24.9%
12.0%	26.0%	25.7%	25.5%	25.2%	25.0%	24.8%	24.5%
14.0%	25.8%	25.6%	25.3%	**25.0%**	24.7%	24.4%	24.2%
16.0%	25.7%	25.4%	25.1%	24.8%	24.4%	24.1%	23.8%
18.0%	25.6%	25.2%	24.9%	24.5%	24.2%	23.8%	23.4%
20.0%	25.5%	25.1%	24.7%	24.3%	23.9%	23.5%	23.1%

OTA Booking Mix - Branded	OTA Commission Rate - Branded →						
	6.0%	8.0%	10.0%	12.0%	14.0%	16.0%	18.0%
8.0%	+120 bps	+104 bps	+88 bps	+72 bps	+56 bps	+40 bps	+24 bps
10.0%	+108 bps	+88 bps	+68 bps	+48 bps	+28 bps	+8 bps	-12 bps
12.0%	+96 bps	+72 bps	+48 bps	+24 bps	0 bps	-24 bps	-48 bps
14.0%	+84 bps	+56 bps	+28 bps	**0 bps**	-28 bps	-56 bps	-84 bps
16.0%	+72 bps	+40 bps	+8 bps	-24 bps	-56 bps	-88 bps	-120 bps
18.0%	+60 bps	+24 bps	-12 bps	-48 bps	-84 bps	-120 bps	-156 bps
20.0%	+48 bps	+8 bps	-32 bps	-72 bps	-112 bps	-152 bps	-192 bps

Source: Morgan Stanley Research

Exhibit 61: ...while independent hotels can see an even bigger margin benefit at 20-25bps

OTA Booking Mix - Indep.	OTA Commission Rate - Indep. →						
	14.0%	16.0%	18.0%	20.0%	22.0%	24.0%	26.0%
10.0%	24.6%	24.4%	24.2%	24.0%	23.8%	23.6%	23.4%
15.0%	23.9%	23.6%	23.3%	23.0%	22.7%	22.4%	22.1%
20.0%	23.2%	22.8%	22.4%	22.0%	21.6%	21.2%	20.8%
25.0%	22.5%	22.0%	21.5%	**21.0%**	20.5%	20.0%	19.5%
30.0%	21.8%	21.2%	20.6%	20.0%	19.4%	18.8%	18.2%
35.0%	21.1%	20.4%	19.7%	19.0%	18.3%	17.6%	16.9%
40.0%	20.4%	19.6%	18.8%	18.0%	17.2%	16.4%	15.6%

OTA Booking Mix - Indep.	OTA Commission Rate - Indep. →						
	14.0%	16.0%	18.0%	20.0%	22.0%	24.0%	26.0%
10.0%	+360 bps	+340 bps	+320 bps	+300 bps	+280 bps	+260 bps	+240 bps
15.0%	+290 bps	+260 bps	+230 bps	+200 bps	+170 bps	+140 bps	+110 bps
20.0%	+220 bps	+180 bps	+140 bps	+100 bps	+60 bps	+20 bps	-20 bps
25.0%	+150 bps	+100 bps	+50 bps	**0 bps**	-50 bps	-100 bps	-150 bps
30.0%	+80 bps	+20 bps	-40 bps	-100 bps	-160 bps	-220 bps	-280 bps
35.0%	+10 bps	-60 bps	-130 bps	-200 bps	-270 bps	-340 bps	-410 bps
40.0%	-60 bps	-140 bps	-220 bps	-300 bps	-380 bps	-460 bps	-540 bps

Source: Morgan Stanley Research

...and Independent Hotels Would Benefit More Than Branded Hotels from Lower Marketing Costs...

The marketing sensitivity analysis shows a margin sensitivity gap between branded and independent hotels, driven largely by the level of paid digital acquisition spend rather than by the Google-to-LLM cost differential itself. Because independent hotels spend far more on paid digital acquisition as a share of revenue than branded hotels, independent hotels carry more margin exposure to a given shift in marketing cost efficiency, even though both hotel types show the same dollar-for-dollar sensitivity to spend level itself.

- For branded hotels, every 100bps change in marketing cost efficiency (Google vs.

LLM) moves margin by approximately 2bps

- For branded hotels, every 100bps change in paid digital acquisition spend level moves margin by approximately 100bps
- For independent hotels, every 100bps change in marketing cost efficiency moves margin by approximately 6bps
- For independent hotels, every 100bps change in paid digital acquisition spend level moves margin by approximately 100bps

Exhibit 62: Branded hotels can see a 2-100bps margin benefit from marketing spend shifts...

Paid Digital Acq. Spend (% of Rev)	Marketing Spend Needed for Same Bookings - Branded, vs. Today →						
	20% Less	10% Less	5% Less	No Change	5% More	10% More	20% More
0.5%	26.6%	26.6%	26.5%	26.5%	26.5%	26.5%	26.4%
1.0%	26.2%	26.1%	26.1%	26.0%	26.0%	25.9%	25.8%
1.5%	25.8%	25.7%	25.6%	25.5%	25.4%	25.4%	25.2%
2.0%	25.4%	25.2%	25.1%	25.0%	24.9%	24.8%	24.6%
2.5%	25.0%	24.8%	24.6%	24.5%	24.4%	24.3%	24.0%
3.0%	24.6%	24.3%	24.2%	24.0%	23.9%	23.7%	23.4%
3.5%	24.2%	23.9%	23.7%	23.5%	23.3%	23.2%	22.8%

Paid Digital Acq. Spend (% of Rev)	Marketing Spend Needed for Same Bookings - Branded, vs. Today →						
	20% Less	10% Less	5% Less	No Change	5% More	10% More	20% More
0.5%	+160 bps	+155 bps	+153 bps	+150 bps	+148 bps	+145 bps	+140 bps
1.0%	+120 bps	+110 bps	+105 bps	+100 bps	+95 bps	+90 bps	+80 bps
1.5%	+80 bps	+65 bps	+58 bps	+50 bps	+43 bps	+35 bps	+20 bps
2.0%	+40 bps	+20 bps	+10 bps	0 bps	-10 bps	-20 bps	-40 bps
2.5%	-0 bps	-25 bps	-38 bps	-50 bps	-63 bps	-75 bps	-100 bps
3.0%	-40 bps	-70 bps	-85 bps	-100 bps	-115 bps	-130 bps	-160 bps
3.5%	-80 bps	-115 bps	-133 bps	-150 bps	-168 bps	-185 bps	-220 bps

Source: Morgan Stanley Research

Exhibit 63: ....while independent hotels can see a slightly higher margin benefit at 6-100bps

Paid Digital Acq. Spend (% of Rev) - Indep.	Marketing Spend Needed for Same Bookings - Indep., vs. Today →						
	20% Less	10% Less	5% Less	No Change	5% More	10% More	20% More
3.0%	24.6%	24.3%	24.2%	24.0%	23.9%	23.7%	23.4%
4.0%	23.8%	23.4%	23.2%	23.0%	22.8%	22.6%	22.2%
5.0%	23.0%	22.5%	22.3%	22.0%	21.8%	21.5%	21.0%
6.0%	22.2%	21.6%	21.3%	21.0%	20.7%	20.4%	19.8%
7.0%	21.4%	20.7%	20.4%	20.0%	19.7%	19.3%	18.6%
8.0%	20.6%	19.8%	19.4%	19.0%	18.6%	18.2%	17.4%
9.0%	19.8%	18.9%	18.5%	18.0%	17.6%	17.1%	16.2%

Paid Digital Acq. Spend (% of Rev.) - Indep.	Marketing Spend Needed for Same Bookings - Indep., vs. Today →						
	20% Less	10% Less	5% Less	No Change	5% More	10% More	20% More
3.0%	+360 bps	+330 bps	+315 bps	+300 bps	+285 bps	+270 bps	+240 bps
4.0%	+280 bps	+240 bps	+220 bps	+200 bps	+180 bps	+160 bps	+120 bps
5.0%	+200 bps	+150 bps	+125 bps	+100 bps	+75 bps	+50 bps	0 bps
6.0%	+120 bps	+60 bps	+30 bps	0 bps	-30 bps	-60 bps	-120 bps
7.0%	+40 bps	-30 bps	-65 bps	-100 bps	-135 bps	-170 bps	-240 bps
8.0%	-40 bps	-120 bps	-160 bps	-200 bps	-240 bps	-280 bps	-360 bps
9.0%	-120 bps	-210 bps	-255 bps	-300 bps	-345 bps	-390 bps	-480 bps

Source: Morgan Stanley Research

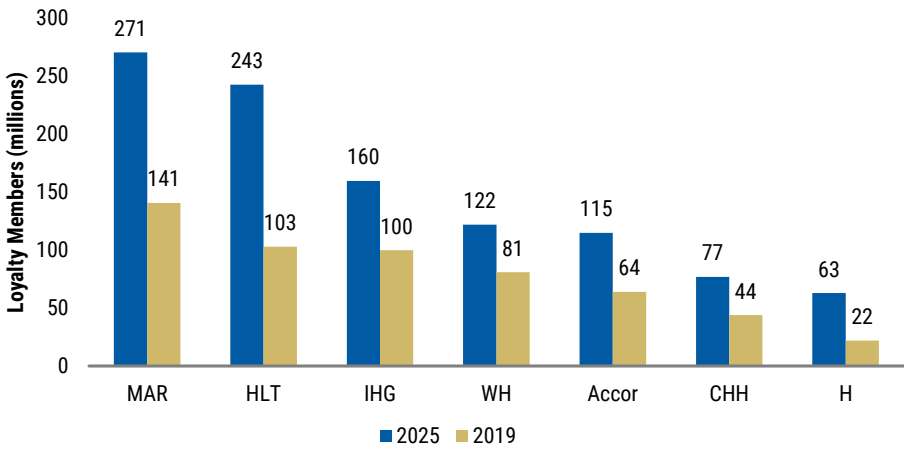
...but Branded Hotels Can Better Execute on Effectuating These Changes...

As we established in the previous section, branded hotels and Brand.com links more frequently surface on LLMs, which is conducive to lower reliance on OTAs and digital ad spend.

Hotel brands' loyalty programs underpin the branded hotel and Brand.com link frequency and have grown materially since pre-COVID, though the hierarchy of loyalty program size remains roughly the same. Over the last six years, hotel C-corps have executed on their shared goal of increasing their loyalty membership size, with some hotel loyalty programs even doubling in size. Hotel C-corps have grown said loyalty programs by making membership free and immediately valuable through member-only rates and benefits, while using loyalty to drive direct bookings and reduce reliance on OTAs. co-branded credit cards and partnerships have further expanded engagement beyond hotel stays and created an increasingly important, high-margin, asset-light profit stream.

While the OTAs have not disclosed exact loyalty member counts, loyalty programs continue to grow. BKNG and EXPE loyalty programs have been growing with BKNG's Genius level 2 and 3 members making up >30% of Booking.com's active traveler base and a high-50s% share of room nights, both up y/y in 2Q26. Similarly, EXPE's active loyalty members increased ~LSD% in 2Q26 with faster growth in higher tiers.

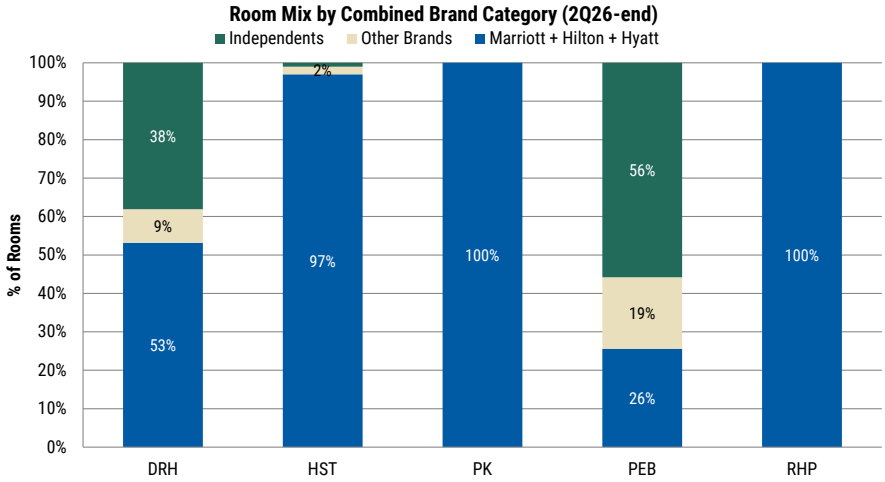
Exhibit 64: C-corps continue to increase their loyalty membership base over time



Source: Company data, Morgan Stanley Research

In turn, hotel REITs with the highest exposure to the hotel brands (MAR/HLT/H) with high LLM surfacing characteristics should be best positioned to capture agentic AI margin uplift benefits. In the context of our lodging REITs coverage, HST, PK, and RHP have all or nearly all of their room exposure to MAR/HLT/H/ (Exhibit 65). While we acknowledge the relative operational flexibility that comes with independent hotels, DRH and PEB, who have more exposure to independents are not as well positioned to capture said benefits in our view. We see agentic AI related margin uplift to hotel REITs starting in 2H27, largely informed by MAR/HLT/H exposure, with some of this upside shared with c-corps in 2028 (Exhibit 66).

Exhibit 65: Among the lodging REITs in our coverage, HST, PK, and RHP have the most exposure to Marriott, Hilton, and Hyatt, the hotel brands best positioned to benefit from further agentic AI adoption...



Source: Company data, Morgan Stanley Research

Exhibit 66: ...which should contribute to cost savings that would, in turn, support better margin and EBITDA uplift in 2027 and 2028

	2027E Gross Margin Increase (bps)	2027E Net Margin Increase (bps)	2027E EBITDA (bps)
DRH	8	8	29
HST	18	18	64
PK	19	19	77
PEB	9	9	38

	2028E Gross Margin Increase (bps)	2028E Net Margin Increase (bps)	2028E EBITDA (bps)
DRH	24	20	72
HST	33	23	80
PK	34	20	81
PEB	18	17	76

Note: In 2027, we assume agentic AI related benefit will emerge in 2H27. In 2028, we assume brands charge an incremental royalty fee, which helps explain the difference between the gross margin increase and the net margin increase. Source: Company data, Morgan Stanley Research

...and in Turn Support Higher Royalty Fees for Hotel Brands.

As we've previously written — see Gaming & Lodging: Ambling with Grambling #27: Agentic AI coming to a hotel near you (27 Apr 2026) and Gaming & Lodging: Ambling with Grambling #38: Travel Muse-ings (28 Sep 2026) — lower distribution costs and marketing would manifest themselves in lower charge outs associated with system funds and brands could seek to capture incremental increases in royalty rate.

To this end, we incorporate 7-14bps of royalty rate expansion for C-corps — sensitized

based on AlphaWise analysis results, RevPAR index premium, and charge out % (Exhibit 67). The AlphaWise analysis takeaways on relative brand strength inform the degree to which we assume each brand can shift distribution mix toward direct, a range of 250-400bps, and lower OTA commission rates, a range of 50-75bps. We assume these shifts can take form in late 2027 and support branded hotel owner margins. Then, in 2028, we look at RevPAR index premium less all-in brand fees for owners to inform differences in brands' ability to share in these savings with owners via a higher royalty rate (Exhibit 68); we also incorporate Hyatt's luxury skew. Resultant royalty rate increases also reflect variances in branded hotel owner sensitivities to changes in OTA mix shift and OTA commission change based on hotel brands' disclosed OTA mixes and our OTA commission rate assumptions.

Exhibit 67: Our base case assumes a 250-400bps distribution mix shift away from OTAs and a 50-75bps OTA commission rate reduction for hotel brands, which, according to our AlphaWise-informed analysis, should benefit from branded hotel and Brand.com oriented results on LLMs and support 2028 royalty rate increases that flow through to higher 2028 EBITDA estimates

	OTA Mix Shift (bps)	OTA Commission Change (bps)	Brand Capture Rate of Owner Margins Savings	2028E Royalty Rate Increase (bps)	2028E EBITDA Increase (bps)
MAR	(400)	(75)	35%	10	157
HLT	(400)	(75)	40%	13	153
H	(400)	(75)	35%	14	107
WH	(250)	(50)	20%	7	117
CHH	(250)	(50)	20%	7	89
Independents	(50)	(25)	NA	NA	NA

Source: AlphaWise, Company Data, Morgan Stanley Research

Exhibit 68: Marriott and Hilton garner significant RevPAR premium indices, particularly relative to their brand-related fees

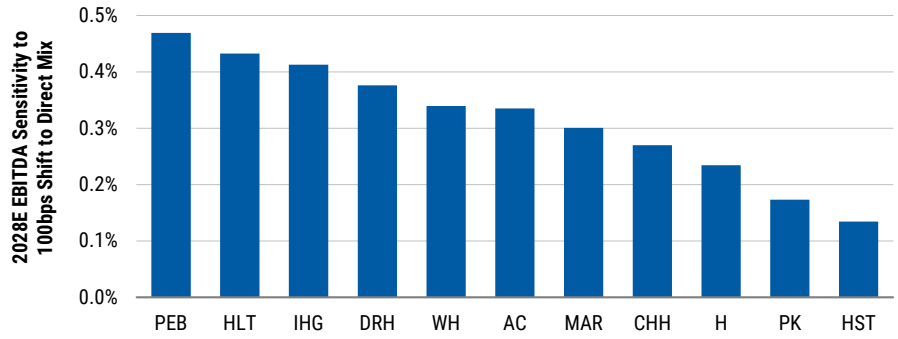
	RevPAR Premium Index Above 100%	Approx. All-in Brand Fees	Difference
MAR	12.9%	11.7%	1.2%
HLT	20.8%	13.6%	7.2%
H	5.8%	10.5%	-4.7%
WH	4.0%	10.9%	-6.9%
CHH	0.0%	11.7%	-11.7%

Note: Representative brand/flag used for each c-corp: MAR (Courtyard), HLT (Hampton), H (Hyatt Place), Wyndham (Super 8), Choice (Comfort).
Source: Company data, Morgan Stanley Research.

Broader Sensitivities

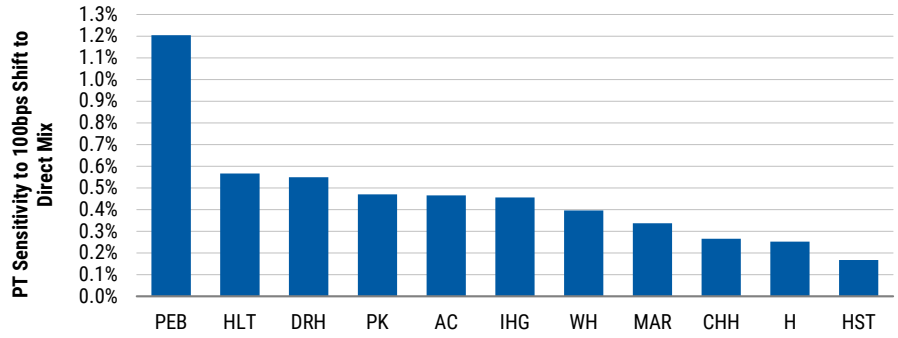
Below is a rubric for how distribution changes and commission changes flow to EBITDA for hotel brands, hotel owners, and OTAs.

Exhibit 69: Every 100bps increase in direct booking mix could drive ~10-50bps (owners) / ~25-45bps (brands) of EBITDA upside, assuming brands partially capture the savings...



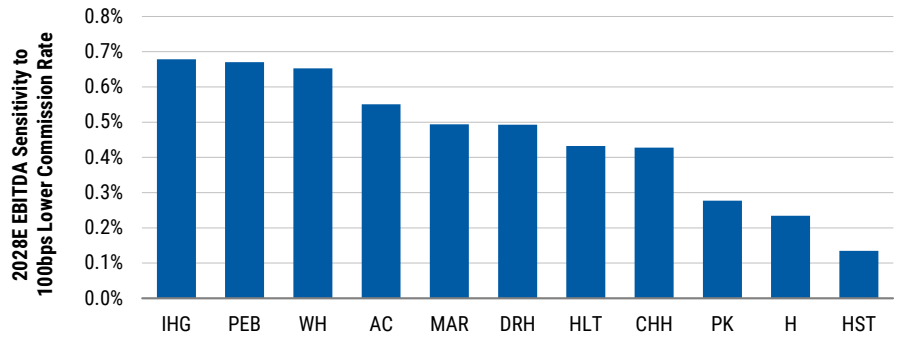
Source: Company data, Morgan Stanley Research

Exhibit 70: ...and in turn could drive 20-120bps (owners) / 30-60bps (brands) of price target upside, assuming multiples stay the same



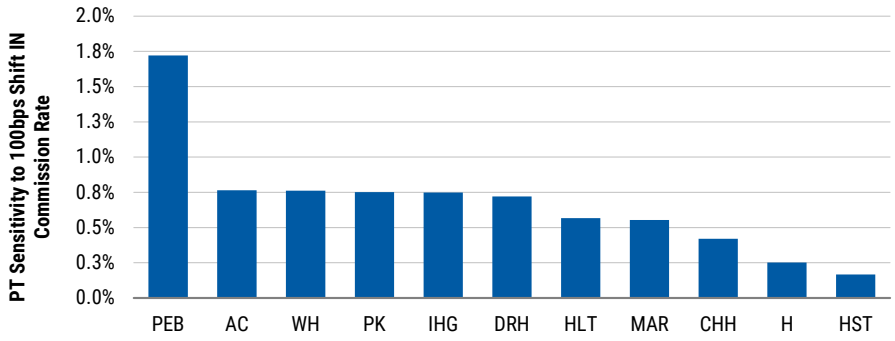
Source: Company data, Morgan Stanley Research

Exhibit 71: Every 100bps reduction in OTA commission rates could drive 15-65bps / 25-65bps (owners / brands), again assuming brands partially capture the savings...



Source: Company data, Morgan Stanley Research

Exhibit 72: ...and in turn could drive 20-170bps (owners) / 30-80bps (brands) of price target upside, assuming multiples stay the same



Source: Company data, Morgan Stanley Research

Exhibit 73: For brands, every 100bps increase in direct booking mix could drive 25-45bps of 2028E EBITDA upside, while every 100bps reduction in OTA commission rates could drive 25-65bps of 2028E EBITDA upside, assuming brands partially capture the savings

	Increase in Royalty Rate from 100bps OTA Mix Shift (bps)	Change in 2028E EBITDA vs. Prior Estimate (bps)	Increase in Royalty Rate from 100bps OTA Commission Change (bps)	Change in 2028E EBITDA vs. Prior Estimate (bps)
MAR	2	30	3	49
HLT	3	43	4	43
H	3	23	5	23
WH	2	34	4	65
CHH	2	27	3	43

Source: Company data, Morgan Stanley Research

Exhibit 74: For owners, every 100bps increase in direct booking mix could drive 10-50bps of 2028E EBITDA upside (assuming brands partially capture the savings)...

	2027E Gross Margin Increase from 100bps Mix Shift (bps)	2027E Net Margin Increase from 100bps Mix Shift (bps)	2027E EBITDA Chg. From 100bps Mix Shift (bps)
DRH	4	4	14
HST	4	4	13
PK	3	3	13
PEB	7	7	29

	2028E Gross Margin Increase from 100bps Mix Shift (bps)	2028E Net Margin Increase from 100bps Mix Shift (bps)	2028E EBITDA Chg. From 100bps Mix Shift (bps)
DRH	11	10	38
HST	7	4	13
PK	7	4	17
PEB	13	11	47

Note: 2027 is a half year impact (2H27). Source: Company data, Morgan Stanley Research

Exhibit 75: ...while every 100bps reduction in OTA commission rates could drive 15-65bps EBITDA upside (again, assuming brands partially capture the savings)

	2027E Gross Margin Increase from 100bps Com. Rate Lower (bps)	2027E Net Margin Increase from 100bps Com. Rate Lower (bps)	2027E EBITDA Chg. From 100bps Com. Rate Lower (bps)
DRH	7	7	26
HST	4	4	13
PK	6	6	23
PEB	8	8	35

	2028E Gross Margin Increase from 100bps Com. Rate Lower (bps)	2028E Net Margin Increase from 100bps Com. Rate Lower (bps)	2028E EBITDA Chg. From 100bps Com. Rate Lower (bps)
DRH	15	14	49
HST	11	4	13
PK	11	7	28
PEB	17	15	67

Note: 2027 is a half year impact (2H27). Source: Company data, Morgan Stanley Research

Exhibit 76: If OTAs lower take rates due to competitive pressures from agents routing consumers direct to hotels, every ~100bps change in take rate amounts to ~17% downside to BKNG EBITDA, assuming no cost control in marketing to offset take rate compression...

BKNG - Δ in EBITDA ($mn)

	Implied Net Revenue ($mn):	$31,482	$30,929	$30,375	$29,822	$29,269
		% change in overall take rate				
		(0.25%)	(0.50%)	(0.75%)	(1.00%)	(1.25%)
Total Marketing Expense as % of Bookings	4.4%	(553)	(1,107)	(1,660)	(2,213)	(2,767)
	4.1%	0	(553)	(1,107)	(1,660)	(2,213)
	3.9%	553	0	(553)	(1,107)	(1,660)
	3.6%	1,107	553	0	(553)	(1,107)
	3.4%	1,660	1,107	553	0	(553)

BKNG - % Upside (Downside) to '27 EBITDA

	Implied Net Revenue ($mn):	$31,482	$30,929	$30,375	$29,822	$29,269
		% change in overall take rate				
		(0.25%)	(0.50%)	(0.75%)	(1.00%)	(1.25%)
Total Marketing Expense as % of Bookings	4.4%	(4%)	(9%)	(13%)	(17%)	(21%)
	4.1%	0%	(4%)	(9%)	(13%)	(17%)
	3.9%	4%	0%	(4%)	(9%)	(13%)
	3.6%	9%	4%	0%	(4%)	(9%)
	3.4%	13%	9%	4%	0%	(4%)

Note: BKNG EBITDA is adjusted for SBC for the purposes of comparability with EXPE

Source: Company Data, Morgan Stanley Research

Exhibit 77: ... While every 100bps change in take rate for EXPE amounts to ~30% downside to EBITDA

EXPE - Δ in EBITDA ($mn)

	Implied Net Revenue ($mn):	$16,888	$16,543	$16,198	$15,853	$15,508
		% change in overall take rate				
		(0.25%)	(0.50%)	(0.75%)	(1.00%)	(1.25%)
Total Marketing Expense as % of Bookings	6.2%	(345)	(690)	(1,035)	(1,380)	(1,724)
	5.9%	0	(345)	(690)	(1,035)	(1,380)
	5.7%	345	0	(345)	(690)	(1,035)
	5.4%	690	345	0	(345)	(690)
	5.2%	1,035	690	345	0	(345)

EXPE - % Upside (Downside) to '27 EBITDA

	Implied Net Revenue ($mn):	$16,888	$16,543	$16,198	$15,853	$15,508
		% change in overall take rate				
		(0.25%)	(0.50%)	(0.75%)	(1.00%)	(1.25%)
Total Marketing Expense as % of Bookings	6.2%	(8%)	(15%)	(23%)	(31%)	(38%)
	5.9%	0%	(8%)	(15%)	(23%)	(31%)
	5.7%	8%	0%	(8%)	(15%)	(23%)
	5.4%	15%	8%	0%	(8%)	(15%)
	5.2%	23%	15%	8%	0%	(8%)

Source: Company Data, Morgan Stanley Research

Exhibit 78: If agentic layers can bring incremental bookings to the OTAs, we estimate every ~1% of incremental bookings from agentic is ~1% upside to BKNG's EBITDA assuming a ~MSD% take rate to a 3P agentic layer...

BKNG - Δ in EBITDA ($mn)

			Implied Bookings Through Agentic ($mn):	$2,213	$4,426	$6,640	$8,853	$11,066
				% Incremental Bookings (100% Indirect)				
				1%	2%	3%	4%	5%
Implied Take Rate to 3rd party Agentic Layer	9%	Indirect Contribution Margin % of Bookings	4%	83	166	250	333	416
	8%		5%	111	222	333	443	554
	6%		6%	139	277	416	554	693
	5%		8%	166	332	499	665	831
	4%		9%	194	388	582	775	969

BKNG - % Upside (Downside) to '27 EBITDA

			Implied Bookings Through Agentic ($mn):	$2,213	$4,426	$6,640	$8,853	$11,066
				% Incremental Bookings (100% Indirect)				
				1%	2%	3%	4%	5%
Implied Take Rate to 3rd party Agentic Layer	9%	Indirect Contribution Margin % of Bookings	4%	1%	1%	2%	3%	3%
	8%		5%	1%	2%	3%	3%	4%
	6%		6%	1%	2%	3%	4%	5%
	5%		8%	1%	3%	4%	5%	6%
	4%		9%	1%	3%	4%	6%	7%

Note: BKNG EBITDA is adjusted for SBC for the purposes of comparability with EXPE.

Source: Company Data, Morgan Stanley Research

Exhibit 79: ...While every 1% of incremental bookings from agentic is ~2% upside to EXPE's EBITDA assuming a MSD% take rate to a 3P agentic layer

EXPE - Δ in EBITDA ($mn)							
			Implied Bookings Through Agentic ($mn):	$1,380	$2,759	$4,139	$5,518	$6,898
				% Incremental Bookings (100% Indirect)				
				1%	2%	3%	4%	5%
Implied Take Rate to 3rd party Agentic Layer	12%	Indirect Contribution Margin % of Bookings	-1%	(13)	(27)	(40)	(54)	(67)
	10%		1%	14	28	42	57	71
	8%		3%	42	83	125	167	209
	6%		5%	69	139	208	277	347
	4%		7%	97	194	291	388	485

EXPE - % Upside (Downside) to '27 EBITDA							
			Implied Bookings Through Agentic ($mn):	$1,380	$2,759	$4,139	$5,518	$6,898
				% Incremental Bookings (100% Indirect)				
				1%	2%	3%	4%	5%
Implied Take Rate to 3rd party Agentic Layer	12%	Indirect Contribution Margin % of Bookings	-1%	(0%)	(1%)	(1%)	(1%)	(1%)
	10%		1%	0%	1%	1%	1%	2%
	8%		3%	1%	2%	3%	4%	5%
	6%		5%	2%	3%	5%	6%	8%
	4%		7%	2%	4%	6%	9%	11%

Source: Company Data, Morgan Stanley Research

Exhibit 80: If agentic layers are not incremental and simply shift bookings that may have gone direct to go indirect, we estimate every 1% shift of bookings from direct to indirect is <1% downside to BKNG EBITDA assuming a ~MSD% take rate to a 3P agentic layer...

BKNG - Δ in EBITDA ($mn)							
			Implied Bookings Through Agentic ($mn):	$1,217	$2,435	$3,652	$4,869	$6,086
				% mix shift of Bookings from direct to indirect				
				1%	2%	3%	4%	5%
Implied Take Rate to 3rd party Agentic Layer	9%	Indirect Contribution Margin % of Bookings	4%	(99)	(199)	(298)	(398)	(497)
	8%		5%	(84)	(168)	(253)	(337)	(421)
	6%		6%	(69)	(138)	(207)	(276)	(345)
	5%		8%	(54)	(108)	(161)	(215)	(269)
	4%		9%	(39)	(77)	(116)	(154)	(193)

BKNG - % Upside (Downside) to '27 EBITDA							
			Implied Bookings Through Agentic ($mn):	$1,217	$2,435	$3,652	$4,869	$6,086
				% mix shift of Bookings from direct to indirect				
				1%	2%	3%	4%	5%
Implied Take Rate to 3rd party Agentic Layer	9%	Indirect Contribution Margin % of Bookings	4%	(1%)	(2%)	(2%)	(3%)	(4%)
	8%		5%	(1%)	(1%)	(2%)	(3%)	(3%)
	6%		6%	(1%)	(1%)	(2%)	(2%)	(3%)
	5%		8%	(0%)	(1%)	(1%)	(2%)	(2%)
	4%		9%	(0%)	(1%)	(1%)	(1%)	(1%)

Note: BKNG EBITDA is adjusted for SBC for the purposes of comparability with EXPE

Source: Company Data, Morgan Stanley Research

Exhibit 81: ...While every 1% shift of bookings from direct to indirect is ~1% downside to EXPE EBITDA assuming a ~MSD% take rate to a 3P agentic layer

EXPE - Δ in EBITDA ($mn)							
			Implied Bookings Through Agentic ($mn):	$759	$1,518	$2,276	$3,035	$3,794
				% mix shift of Bookings from direct to indirect				
				1%	2%	3%	4%	5%
Implied Take Rate to 3rd party Agentic Layer	12%	Indirect Contribution Margin % of Bookings	-1%	(85)	(170)	(255)	(340)	(425)
	10%		1%	(70)	(140)	(209)	(279)	(349)
	8%		3%	(55)	(109)	(164)	(218)	(273)
	6%		5%	(39)	(79)	(118)	(158)	(197)
	4%		7%	(24)	(48)	(73)	(97)	(121)

EXPE - % Upside (Downside) to '27 EBITDA							
			Implied Bookings Through Agentic ($mn):	$759	$1,518	$2,276	$3,035	$3,794
				% mix shift of Bookings from direct to indirect				
				1%	2%	3%	4%	5%
Implied Take Rate to 3rd party Agentic Layer	12%	Indirect Contribution Margin % of Bookings	-1%	(2%)	(4%)	(6%)	(8%)	(9%)
	10%		1%	(2%)	(3%)	(5%)	(6%)	(8%)
	8%		3%	(1%)	(2%)	(4%)	(5%)	(6%)
	6%		5%	(1%)	(2%)	(3%)	(3%)	(4%)
	4%		7%	(1%)	(1%)	(2%)	(2%)	(3%)

Source: Company Data, Morgan Stanley Research

Lodging Model Changes

Higher C-Corp Estimates Informing Higher C-Corp PTs

Key drivers behind our changes include:

- Increases in 2028 royalty rates to reflect sharing in agentic AI related upside with hotel owners, with differences in royalty rate increases informed by our AlphaWise analysis and RevPAR index premium data

Exhibit 82: C-corp price target changes in the 1% range for C-corps...

	2027 Estimate Changes			2028 Estimate Changes			Multiple Changes			PT Changes		
	New	Prior	% Change	New	Prior	% Change	New	Prior	% Change	New	Prior	% Change
MAR	$6,540	$6,540	0%	$7,133	$7,022	2%	18.3x	18.3x	0%	$384	$380	1%
HLT	$4,585	$4,585	0%	$5,145	$5,067	2%	18.7x	18.7x	0%	$336	$332	1%
H	$1,415	$1,415	0%	$1,585	$1,565	1%	15.9x	15.9x	0%	$211	$209	1%
WH	$794	$794	0%	$867	$857	1%	12.0x	12.0x	0%	$92	$91	1%
CHH	$624	$624	0%	$634	$629	1%	9.7x	9.7x	0%	$92	$91	1%

Note: Estimate changes refer to adjusted EBITDA. Source: Company data, Morgan Stanley Research

Higher REIT Estimates and Higher Multiples Informing Higher REIT PTs

Key drivers behind our changes include:

- Increases in margin driven by lower OTA mix of distribution and lower OTA commission rates, starting in 2H27
- Sharing of margin uplift benefits with hotel C-corps starting in 1Q28
- Multiple expansion (~0.5x turn higher for each name) to reflect optionality for improved distribution costs for hotel owners

Exhibit 83: ...and 8-18% for lodging REITs

	2027 Estimate Changes			2028 Estimate Changes			Multiple Changes			PT Changes		
	New	Prior	% Change	New	Prior	% Change	New	Prior	% Change	New	Prior	% Change
DRH	$332	$331	0%	$337	$335	1%	10.5x	10.0x	5%	$12	$11	9%
HST	$1,812	$1,800	1%	$1,844	$1,829	1%	11.0x	10.6x	4%	$24	$22	8%
PEB	$352	$351	0%	$361	$358	1%	12.5x	12.0x	4%	$14	$13	8%
PK	$631	$626	1%	$637	$632	1%	10.5x	10.0x	5%	$13	$11	18%
RHP	$1,092	$1,087	0%	$1,146	$1,137	1%	++	++	++	++	++	++

Note: Estimate changes refer to adjusted EBITDA. Source: Company data, Morgan Stanley Research. ++ The price target for this company has been removed from consideration in this report because, under applicable law and/or Morgan Stanley policy, Morgan Stanley may be precluded from issuing such information with respect to this company at this time.

Appendix

Supplemental Background Section Exhibits

Exhibit 84: Taking the remaining portion of marketing spend from the above analysis, we arrive at ~$1bn of non-Google marketing spend for OTAs...

	Low Case	Base Case	High Case
OTA Marketing Spend	$15	$15	$15
x Hotel Share of OTA Business	50%	60%	70%
=OTA Hotel-Related Marketing Spend	$7.7	$9.3	$10.8
x Google Share of Marketing Spend	85%	90%	95%
=OTA Hotel-Google Revenue	$6.6	$8.3	$10.3
OTA Hotel Non-Google Revenue	**$1.2**	**$0.9**	**$0.5**

Source: Company data, Morgan Stanley Research

Exhibit 85: ...$6-16bn of non-Google marketing spend for branded hotels...

	Low Case	Base Case	High Case
Global Hotel Bookings	$637	$637	$637
x Branded Share of Bookings	45%	55%	65%
=Branded Hotel Bookings	$287	$350	$414
Marketing Spend as % of Gross Bookings	2.5%	3.5%	5.5%
=Total Branded Marketing Spend	$7.2	$12.3	$22.8
Google Share of Marketing Spend	15%	22.5%	30%
=Branded Marketing Spend on Google	$1.1	$2.8	$6.8
Branded Marketing Spend on non-Google	**$6.1**	**$9.5**	**$15.9**

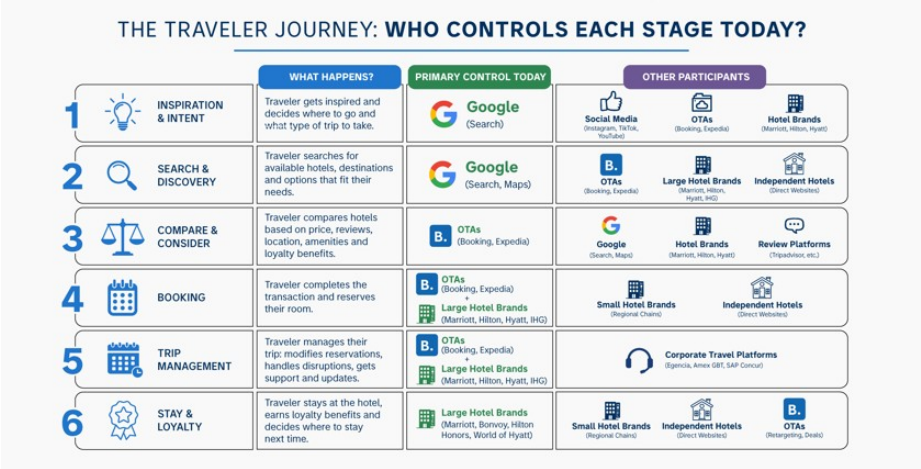
Source: Company data, Morgan Stanley Research

Exhibit 86: ...and $5-12bn of non-Google marketing spend for independent hotels...

	Low Case	Base Case	High Case
Global Hotel Bookings	$637	$637	$637
x Independent Share of Bookings	35%	45%	55%
=Independent Hotel Bookings	$223	$287	$350
Marketing Spend as % of Gross Bookings	3%	4%	6%
=Total Independent Marketing Spend	$6.7	$11.5	$21.0
Google Share of Marketing Spend	25%	35%	45%
=Ind. Marketing Spend on Google	$1.7	$4.0	$9.5
Ind. Marketing Spend on non-Google	**$5.0**	**$7.5**	**$11.6**

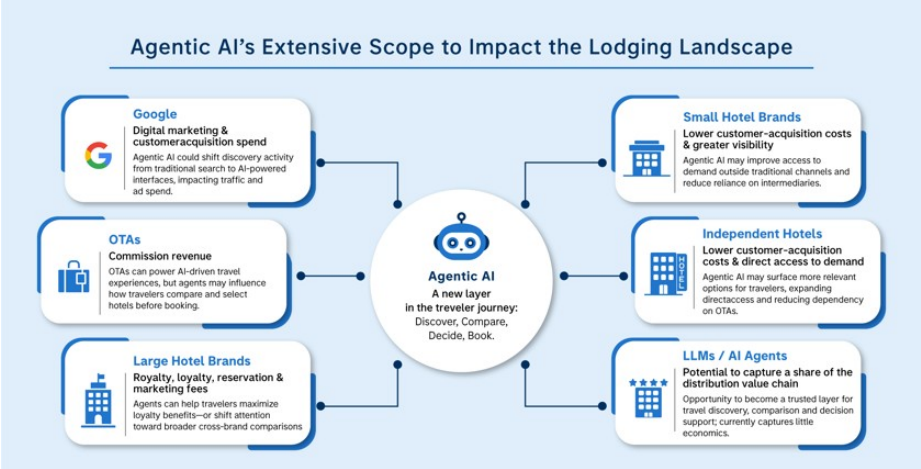
Source: Company data, Morgan Stanley Research

Exhibit 87: In search-oriented hotel distribution, the framework of the past ~20 years, the hotel booking timeline spans six key stages with different industry leaders...



Source: Company data, Morgan Stanley Research

Exhibit 88: ...which should have wide-ranging implications for all industry participants



Source: Company data, Morgan Stanley Research

Additional Insights from AI Prompts

alphawise α

AlphaWise LLM Hotel Recommendation Simulation Methodology

Leveraging the LLM API and its web search tool, we ran a generic hotel recommendation 100 times for each destination and hotel factor to consider. The number of hotels could vary in LLM responses each time. To standardize the output, we asked it to output only one hotel for each run.

In addition to the generic prompt, we also asked:

1. *Tell me why you recommend this property.*
2. *Tell me how you find this hotel. Is it via Online Travel Agency (OTA) or hotel's official websites?*
3. *Also share the url of recommended hotel. If it is via OTA, share the link via OTA; if it is via official website, share the link of official website.*

Note that the recommendation is based on prompt guided web search results directly from LLM API calls. It could be different from any other LLM app/web platforms where there is a black-box agentic layer wrapped around underlying LLM, which might impact how LLM generates responses.

Ryman Estimate Changes

Exhibit 89: Our Ryman estimates move up modestly to reflect lower distribution costs

	1Q26	2Q26	3Q26E	4Q26E	2026E	1Q27E	2Q27E	3Q27E	4Q27E	2027E	1Q28E	2Q28E	3Q28E	4Q28E	2028E
Total hotel revenue - New	**$585**	**$605**	**$519**	**$747**	**$2,456**	**$688**	**$705**	**$608**	**$774**	**$2,775**	**$720**	**$730**	**$629**	**$801**	**$2,879**
Total hotel revenue - Old	**$585**	**$605**	**$519**	**$747**	**$2,456**	**$688**	**$705**	**$608**	**$774**	**$2,775**	**$720**	**$730**	**$629**	**$801**	**$2,879**
% Change	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
$ Change	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Comparable RevPAR - New	**2.1%**	**5.2%**	**4.5%**	**6.5%**	**4.7%**	**5.0%**	**3.5%**	**3.5%**	**3.5%**	**3.9%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**
Comparable RevPAR - Old	**2.1%**	**5.2%**	**4.5%**	**6.5%**	**4.7%**	**5.0%**	**3.5%**	**3.5%**	**3.5%**	**3.9%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**
% Change	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Entertainment revenue - New	**$79**	**$144**	**$99**	**$118**	**$440**	**$84**	**$166**	**$105**	**$126**	**$481**	**$89**	**$176**	**$111**	**$133**	**$509**
Total Entertainment revenue - Old	**$79**	**$144**	**$99**	**$118**	**$440**	**$84**	**$166**	**$105**	**$126**	**$481**	**$89**	**$176**	**$111**	**$133**	**$509**
% Change	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
$ Change	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Hospitality EBITDA - New	**$213**	**$223**	**$168**	**$238**	**$842**	**$253**	**$262**	**$214**	**$251**	**$981**	**$265**	**$273**	**$222**	**$260**	**$1,020**
Hospitality EBITDA - Old	**$213**	**$223**	**$168**	**$238**	**$842**	**$253**	**$262**	**$214**	**$251**	**$981**	**$265**	**$273**	**$222**	**$260**	**$1,020**
% Change	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
$ Change	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Entertainment EBITDA - New	**$16**	**$44**	**$30**	**$39**	**$128**	**$21**	**$52**	**$32**	**$41**	**$146**	**$22**	**$55**	**$33**	**$44**	**$154**
Entertainment EBITDA - Old	**$16**	**$44**	**$30**	**$39**	**$128**	**$21**	**$52**	**$32**	**$41**	**$146**	**$22**	**$55**	**$33**	**$44**	**$154**
% Change	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
$ Change	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Corporate EBITDA - New	**($9)**	**($9)**	**($10)**	**($10)**	**($37)**	**($11)**	**($2)**	**($9)**	**($13)**	**($35)**	**($9)**	**$1**	**($8)**	**($15)**	**($30)**
Corporate EBITDA - Old	**($9)**	**($9)**	**($10)**	**($10)**	**($37)**	**($11)**	**($2)**	**($11)**	**($15)**	**($40)**	**($10)**	**($0)**	**($10)**	**($17)**	**($37)**
% Change	0%	0%	0%	0%	0%	0%	0%	-21%	-15%	-12%	-12%	-578%	-20%	-12%	-18%
$ Change	$0	$0	$0	$0	$0	$0	$0	$2	$2	$5	$1	$1	$2	$2	$7
Adjusted EBITDA - New	**$219**	**$258**	**$188**	**$267**	**$932**	**$263**	**$312**	**$237**	**$280**	**$1,092**	**$279**	**$328**	**$247**	**$289**	**$1,143**
Adjusted EBITDA - Old	**$219**	**$258**	**$188**	**$267**	**$932**	**$263**	**$312**	**$235**	**$277**	**$1,087**	**$278**	**$327**	**$245**	**$287**	**$1,137**
% Change	0%	0%	0%	0%	0%	0%	0%	1%	1%	0%	0%	0%	1%	1%	1%
$ Change	$0	$0	$0	$0	$0	$0	$0	$2	$2	$5	$1	$1	$2	$2	$7
AFFO - New	**$2.31**	**$2.66**	**$1.57**	**$2.71**	**$9.25**	**$2.73**	**$3.36**	**$2.38**	**$3.02**	**$11.49**	**$2.99**	**$3.71**	**$2.59**	**$3.24**	**$12.52**
AFFO - Old	**$2.31**	**$2.66**	**$1.57**	**$2.71**	**$9.25**	**$2.73**	**$3.36**	**$2.35**	**$2.99**	**$11.43**	**$2.97**	**$3.69**	**$2.56**	**$3.21**	**$12.43**
% Change	0%	0%	0%	0%	0%	0%	0%	1%	1%	1%	1%	0%	1%	1%	1%
$ Change	$0.00	$0.00	$0.00	($0.00)	($0.00)	($0.00)	($0.00)	$0.03	$0.03	$0.07	$0.02	$0.02	$0.03	$0.03	$0.10

Source: Company data, Morgan Stanley Research estimates

Risk Reward – Marriott International Inc (MAR.O)

From Beta Bellwether to A-cyclical Alpha

PRICE TARGET $384.00

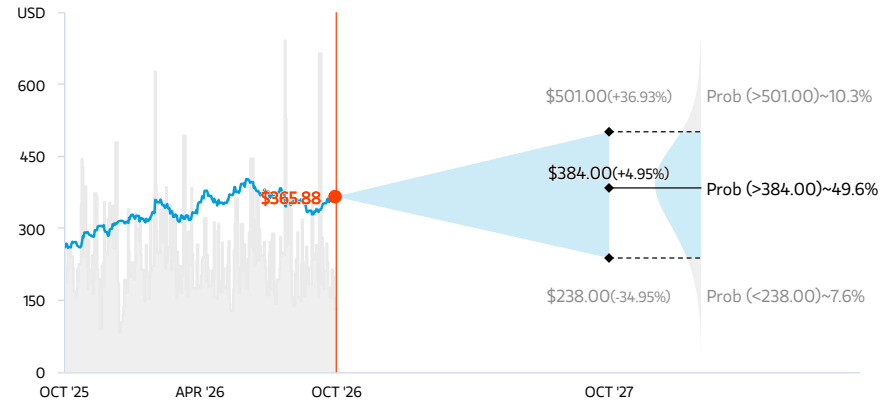
We value MAR on a sum-of-the-parts basis that equates to 18.2X consolidated fwd-24m EBITDA (vs. historical 3-year average 14.8x NTM EV/EBITDA pre-pandemic). Our valuation implies a ~5% FCF Yield (vs. Lodging average of 5%) and P/fwd-24m EPS of ~24.7X (vs. pre-pandemic of ~21.5X). We apply 10.5X to the owned/leased portfolio and 18.5X to managed and franchised.

Consensus Price Target Distribution $280.00 — $379.78 — MS PT — $425.00

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 9 Oct 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology here

OVERWEIGHT THESIS

Marriott has transformed its business over the past 10 years, shedding owned real estate, spinning off timeshare, and shifting management contracts to be more variable. We believe these shifts provide dramatically lower cyclicality that should prompt a further re-rating as the company bucks the "high beta" label pegged on the stock as a bellwether for the traditionally cyclical lodging industry. The company's scale also provides a unique opportunity to rethink the "hotel of the future", which we believe fits in the palm of your hand (Bonvoy loyalty program and app) and offers additional non-RevPAR fee growth potential.

Consensus Rating Distribution

● 47% Overweight
50% Equal-weight
3% Underweight
● MS Rating

Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Contrarian: *Positive*

View descriptions of Risk Rewards Themes here

BULL CASE $501.00

21x F-24m EV/EBITDA

Systemwide RevPAR in 2026e/2027e is +6.1%/+6.1% YoY

5.0%/5.1% systemwide expansion in 2026e/2027e

2026e/2027e EBITDA of ~$5,831/$6,905

BASE CASE $384.00

19.2x F-24m EV/EBITDA

Systemwide RevPAR in 2026e/2027e is +3.6%/+3.1% YoY

4.0%/4.1% systemwide expansion in 2026e/2027e

2026e/2027e EBITDA of ~$5,411m/$5,950m

BEAR CASE $238.00

15.5x F-24m EV/EBITDA

Systemwide RevPAR in 2026e/2027e is -8%/+5% YoY

3.7%/3.7% systemwide expansion in 2026e/2027e

2026e/2027e EBITDA of ~$4,662/$5,083m

Risk Reward – Marriott International Inc (MAR.O)

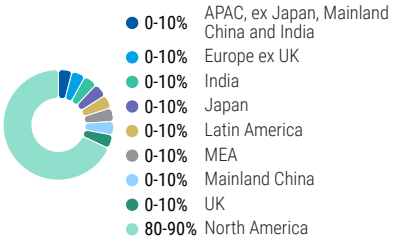
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
EBITDA Margin (%)	77.1	77.5	78.7	79.9
RevPAR Growth (%)	2.0	3.6	3.1	3.1
Unit Growth (%)	4.3	2.9	4.0	5.3

INVESTMENT DRIVERS

- US RevPAR recovery
- Unit growth accelerates
- Accretive acquisitions

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

2/5 BEST	24 Month Horizon	1/5 MOST	3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- US RevPAR / rooms growth recovers stronger
- Greater credit card fees
- Better cost containment
- Accretive asset sales

RISKS TO DOWNSIDE

- Permanent demand destruction in key upper upscale exposure
- Further degradation in pipeline and net rooms growth actualization from ongoing supply chain constraints and/or tight capital markets
- Competition driving incremental need for key money, weighing on free cash flow conversion

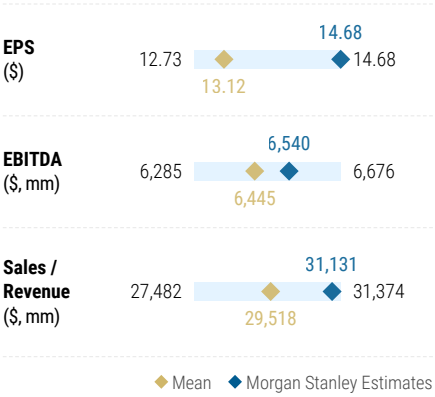
OWNERSHIP POSITIONING

Inst. Owners, % Active	51.1%
HF Sector Long/Short Ratio	1.8x
HF Sector Net Exposure	11.3%

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2027e



Source: Refinitiv, Morgan Stanley Research

Risk Reward – Hilton Worldwide Holdings Inc (HLT.N)

Best in-class FCF compounder

PRICE TARGET $336.00

We value Hilton on a SOTP basis that equates to ~18.7x Fwd-24m EBITDA (vs. historical 3-year average ~14.5x NTM EV/EBITDA pre-pandemic). Our valuation implies an ~4.0% FCF Yield (vs. Lodging average of 5%) and P/Fwd-24m EPS of ~28x (vs. pre-pandemic of 24.5X). We apply 9.2x to the owned/leased portfolio and ~19x to managed and franchised.

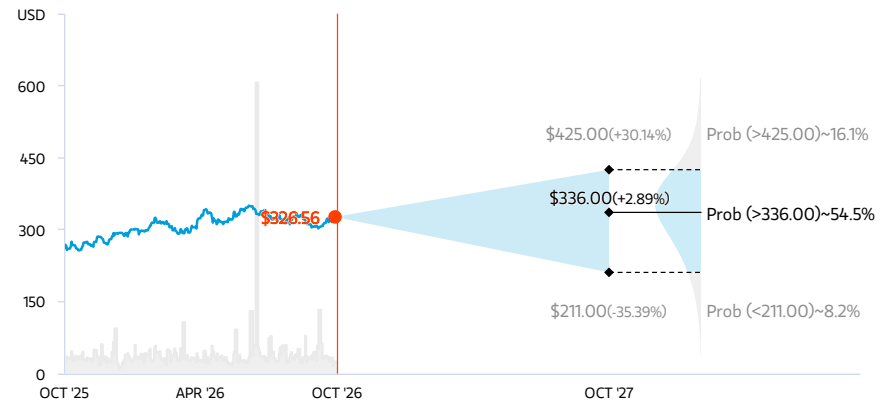
Consensus Price Target Distribution $272.33 — $350.05 — $394.00

MS PT

Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 9 Oct 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology here

OVERWEIGHT THESIS

We see an attractive risk-reward stemming from Hilton's high visibility, asset-light model, which should help sustain high teens EPS growth even in a decelerating RevPAR environment. Hilton has among the highest mix of franchise fees plus variable management fees among the c-corps. Concurrently, the company consistently delivers net unit growth at or near the top of the publicly traded peer group with the in construction pipeline representing ~19% of existing rooms, which should support 6%+ growth over the next three years.

Consensus Rating Distribution

59% Overweight
41% Equal-weight
0% Underweight

● MS Rating

Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Contrarian: *Positive*
Secular Growth: *Positive*

View descriptions of Risk Rewards Themes here

BULL CASE $425.00

21.5x F-24m EV/Bull EBITDA

Systemwide RevPAR in 2026e/2027e grows 6.4%/6.2% YoY

7.8%/8.0% systemwide expansion in 2026e/2027e

2026e/2027e EBITDA of ~$4,129/$4,944m

BASE CASE $336.00

~19.7x F-24m EV/Base EBITDA

Systemwide RevPAR in 2026e/2027e grows 3.9%/3.2% YoY

6.8%/7.0% systemwide expansion in 2026e/2027e

2026e/2027e EBITDA of ~$3,864/$4,378m

BEAR CASE $211.00

16.0x F-24m EVEBITDA

Systemwide RevPAR in 2026e/2027e is -6%/+5% YoY

6%/6% systemwide expansion in 2026e/2027e

2026e/2027e EBITDA of ~$3,409/$3,755m

Risk Reward – Hilton Worldwide Holdings Inc (HLT.N)

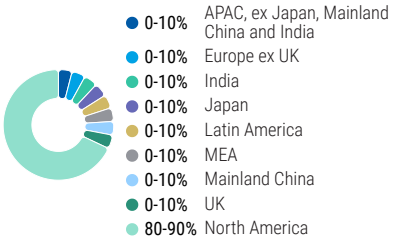
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
EBITDA Margin (%)	75.2	76.9	80.0	81.8
RevPAR Growth (%)	0.3	3.9	3.2	3.1
Unit Growth (%)	6.6	6.8	7.0	6.9

INVESTMENT DRIVERS

- RevPAR growth
- System growth
- Margins

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

2/5 BEST	24 Month Horizon	1/5 MOST	3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- US RevPAR and unit growth is higher than we expect
- Greater flow-through
- Upside from non-RevPAR related fees

RISKS TO DOWNSIDE

- Weaker than expected actualization of the pipeline
- Greater than expected permanent demand destruction in business travel
- Higher operating de-leverage in a slowing environment than anticipated, particularly on the owned/leased hotel segment
- Weaker contribution from non-revPAR related fees

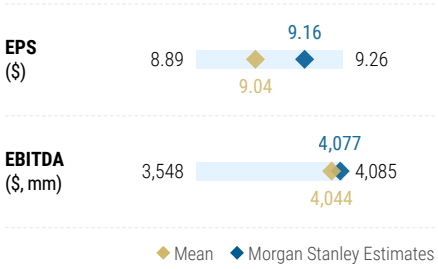
OWNERSHIP POSITIONING

Inst. Owners, % Active	58.7%
HF Sector Long/Short Ratio	1.8x
HF Sector Net Exposure	11.3%

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e



Source: Refinitiv, Morgan Stanley Research

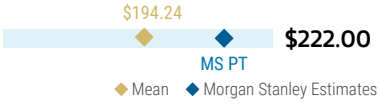
Risk Reward – Hyatt Hotels Corp (H.N)

Shift to Asset Light Drives Alpha

PRICE TARGET $211.00

We value Hyatt on a sum-of-the-parts basis that equates to ~15.8x consolidated forward 24 month EBITDA of $1.8B. Our valuation implies an ~5% FCF Yield (vs. Lodging average of ~5%). We apply 13.5x/12.5x pre-tax to the owned/leased portfolio and unconsolidated JV, ~17.0x managed and franchised, and 8.0x Distribution EBITDA.

Consensus Price Target Distribution

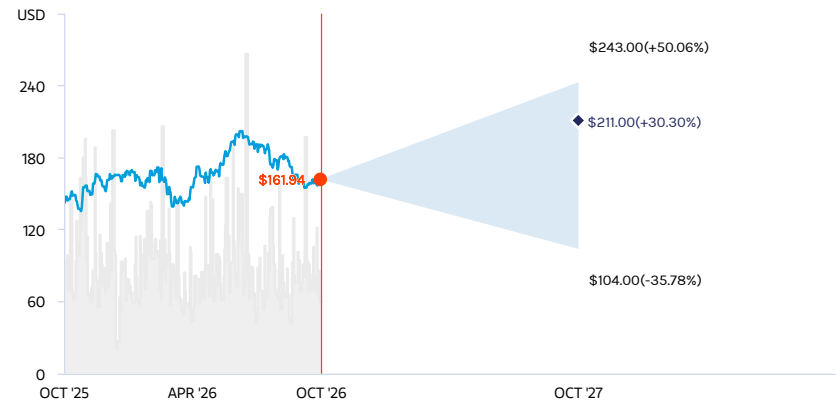


Source: Refinitiv, Morgan Stanley Research

OVERWEIGHT THESIS

Similar to C-Corp peers before them, Hyatt is on the path to moving asset light, which has driven an inflection in FCF/share and valuation. We expect Hyatt to generate > ~$1,200/$1,400mn in 2026/2027 EBITDA implying leverage of ~2.5x before considering buyback. We see upside in risk-reward given valuation that informs our Overweight rating.

RISK REWARD CHART



Key: Historical Stock Performance Current Stock Price Price Target

Source: Refinitiv, Morgan Stanley Research

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Self-help: *Positive*

View descriptions of Risk Rewards Themes here

BULL CASE $243.00

16.5x F-24m Bull EBITDA

Systemwide RevPAR in 2026e/2027e grows 6.9%/6.5% YoY

6.9%/7.4% systemwide expansion in 2026e/2027e

2026e/2027e EBITDA of ~$1,295/$1,581m

BASE CASE $211.00

16.9x F-24m Base EBITDA

Systemwide RevPAR in 2026e/2027e grows 4.4%/3.5% YoY

5.6%/6.1% systemwide expansion in 2026e/2027e

2026e/2027e EBITDA of ~$1,147/$1,351m

BEAR CASE $104.00

11.5x F-24m Bear EBITDA

Systemwide RevPAR in 2026e/2027e is -9%/+5% YoY

4.2%/4.0% systemwide expansion in 2026e/2027e

2026e/2027e EBITDA of ~$1,020/$1,148m

Risk Reward – Hyatt Hotels Corp (H.N)

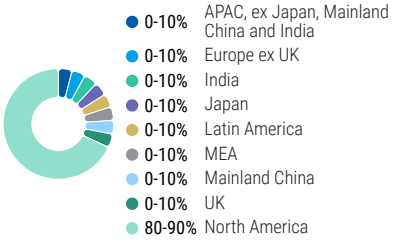
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
EBITDA Margin (%)	31.8	37.4	42.9	45.8
RevPAR Growth (%)	2.9	4.4	3.5	3.2
Unit Growth (%)	7.7	5.6	6.1	6.4

INVESTMENT DRIVERS

- RevPAR trends
- Unit growth
- Asset dispositions

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

3/5 BEST	24 Month Horizon	4/5 MOST	3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Accelerating RevPAR
- Higher proceeds from owned/leased asset sales
- Better NUG
- Take on incremental leverage at lower rates

RISKS TO DOWNSIDE

- Cyclicality from the ALG drives downside
- Lower proceeds from owned/leased asset sales and/or misallocation of proceeds
- Higher operating de-leverage in a slowing environment
- Greater margin pressure in owned/leased
- Deteriorating room growth and/or pipeline

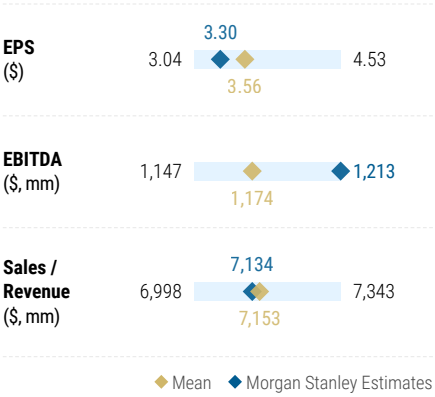
OWNERSHIP POSITIONING

Inst. Owners, % Active	68.7%
HF Sector Long/Short Ratio	1.8x
HF Sector Net Exposure	11.3%

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e



Source: Refinitiv, Morgan Stanley Research

Risk Reward – Wyndham Hotels & Resorts Inc (WH.N)

Accelerating Room Growth + Resilient End-Markets = Attractive Risk-Reward, OW

PRICE TARGET $92.00

We apply ~12x EV/EBITDA, which is slightly below the c-corp average asset light multiple we apply across the group given WH's purely franchised model and low capital intensity. In fact, our implied fwd-24m FCF yield is ~6% (vs. c-corp average of ~5%), reflecting historically lower growth and uncertainty associated with lower retention rates.

Consensus Price Target Distribution $80.00 — $97.87 — $115.00

MS PT

Source: Refinitiv, Morgan Stanley Research

◆ Mean ◆ Morgan Stanley Estimates

OVERWEIGHT THESIS

We see accelerating room growth in a capital efficient model driving a re-rating of Wyndham shares. At the same time, Wyndham's focus on lower end chainscales has proven itself to be more resilient across economic cycles, which limits downside and supports an attractive risk-reward.

Consensus Rating Distribution

82% Overweight
18% Equal-weight
0% Underweight

MS Rating

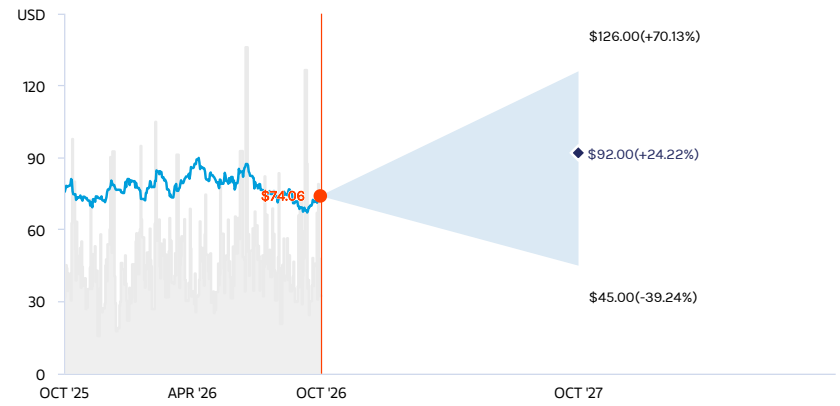
Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Contrarian: *Positive*

View descriptions of Risk Rewards Themes here

RISK REWARD CHART



Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research

BULL CASE $126.00

14.0x F-24m Base EBITDA

Systemwide RevPAR in 2026e/2027e is +4.0%/+5.3% YoY

+4.8%/+5.5% systemwide expansion in 2026e/2027e

2026e/2027e EBITDA of ~$718m/$836m

BASE CASE $92.00

~12.0x F-24m Base EBITDA

Systemwide RevPAR in 2026e/2027e is +0.5%/+2.3% YoY

3.8%/4.5% systemwide expansion in 2026e/2027e

2026e/2027e EBITDA of ~$673/$737m

BEAR CASE $45.00

10x F-24m Base EBITDA

Systemwide RevPAR in 2026e/2027e is -5%/+4% YoY

+3.0%/+3.5% systemwide expansion in 2026e/2027e

2026e/2027e EBITDA of ~$565m/$603m

Risk Reward – Wyndham Hotels & Resorts Inc (WH.N)

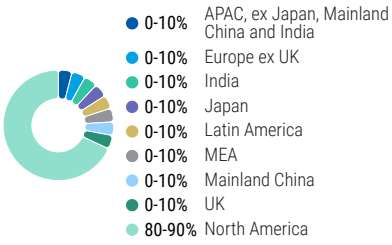
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
EBITDA Margin (%)	82.7	80.1	79.1	80.0
RevPAR Growth (%)	0.0	0.0	0.0	0.0
Unit Growth (%)	86,890,000.0	90,170,136.7	94,236,666.7	98,175,453.2

INVESTMENT DRIVERS

- RevPAR trends
- Unit growth

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

2/5 BEST	24 Month Horizon	2/5 MOST	3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Higher retention supports overall net rooms growth
- WH portfolio benefits from greater trade down

RISKS TO DOWNSIDE

- Softening low end spending weighs on RevPAR without a commensurate offset from trade-down
- Unforeseen owner attrition drivers weaker net rooms growth
- Incremental key money is required to support room growth, limiting free cash flow conversion / generation
- Higher rates impact owners more than peers

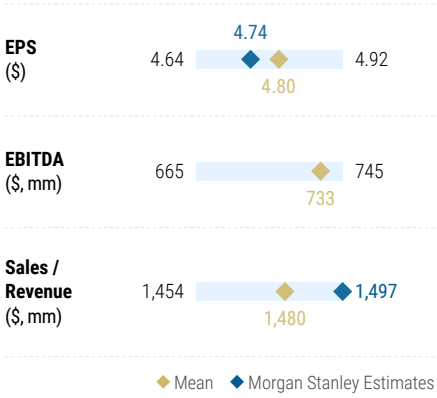
OWNERSHIP POSITIONING

Inst. Owners, % Active	64.3%
HF Sector Long/Short Ratio	1.8x
HF Sector Net Exposure	11.3%

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e



Source: Refinitiv, Morgan Stanley Research

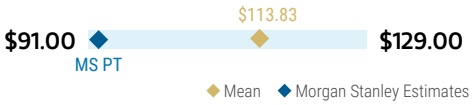
Risk Reward – Choice Hotels International Inc (CHH.N)

Downward revisions likely to drive re-rating

PRICE TARGET $92.00

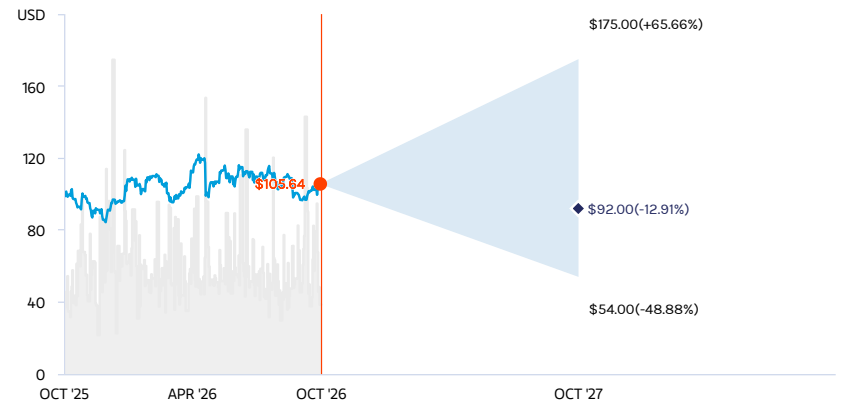
We apply ~10x EV/EBITDA, which is slightly below MAR and relatively in-line with the C-Corp average asset light multiple we apply across the group given CHH's purely franchised model, low capital intensity and track record through cycle. Our implied FCF yield is ~4%.

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART



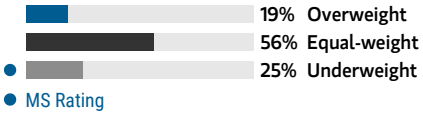
Key: Historical Stock Performance Current Stock Price Price Target

Source: Refinitiv, Morgan Stanley Research

UNDERWEIGHT THESIS

We see downside to consensus estimates based on 1) losing share in development to larger scale peers; and 2) underperforming RevPAR on a chain scale weighted basis amidst competitive pressures in midscale. In addition, CHH's focus on moving upstream is coming at the expense of weaker FCF conversion with a step-up in key money and capex.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

BULL CASE $175.00

13.0x F-24m EV / Bull EBITDA

Systemwide RevPAR in 2026e/2027e is +3.8%/+2.1% YoY

2.3%/1.2% systemwide expansion in 2026e/2027e

2026e/2027e EBITDA of ~$672/$732m

BASE CASE $92.00

~10.0x F-24m EV/EBITDA

Systemwide RevPAR in 2026e/2027e is 0.3%/0.1% YoY

+0.3%/+0.1% systemwide expansion in 2026e/2027e

2026e/2027e EBITDA of ~$598/$592m

BEAR CASE $54.00

9.0x F-24m EV / Bear EBITDA

Systemwide RevPAR in 2026e/2027e is -7%/+2% YoY

-1.7%/-2.8% systemwide contraction in 2026e/2027e

2026e/2027e EBITDA of ~$508m/$503m

Risk Reward – Choice Hotels International Inc (CHH.N)

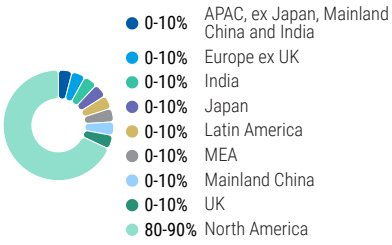
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
EBITDA Margin (%)	88.0	156.2	176.5	174.4
RevPAR Growth (%)	(1.2)	0.3	0.1	0.1
Unit Growth (%)	0.5	1.3	0.2	0.2

INVESTMENT DRIVERS

- Unit growth
- Economy/mid-tier hotel trends

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

2/5 BEST	24 Month Horizon	3/5 MOST	3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Better RevPAR in CHH chain scales relative to C-corp peers
- Higher synergies from the Radisson acquisition
- Lower capex to drive growth across brands

RISKS TO DOWNSIDE

- Worse owner attrition drives differences in net rooms growth
- Worse signings and openings of Radisson branded properties
- Changes in competition in core chain scales from larger branded peers.

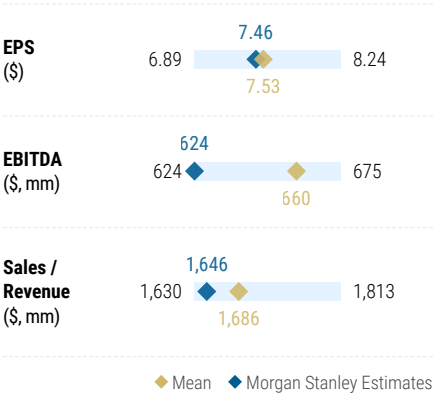
OWNERSHIP POSITIONING

Inst. Owners, % Active	71.3%	
HF Sector Long/Short Ratio	1.8x	
HF Sector Net Exposure	11.3%	

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2027e



Source: Refinitiv, Morgan Stanley Research

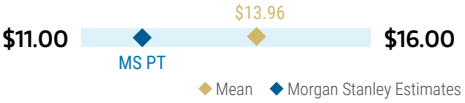
Risk Reward – DiamondRock Hospitality Co (DRH.O)

Best ranking in REIT framework

PRICE TARGET $12.00

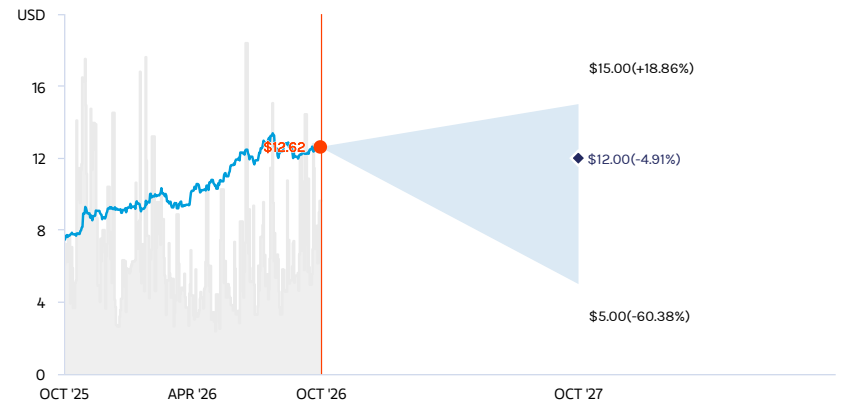
Our 12-month price target of $12 is based on 10.5x F-24m EV/EBITDA, essentially in-line with historical average and our REIT average multiple to reflect the company's strong score on our REIT framework, partially offset by less recovery to go vs. peers.

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART



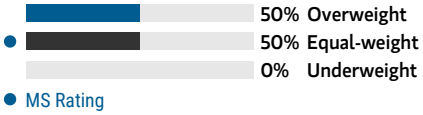
Key: Historical Stock Performance Current Stock Price Price Target

Source: Refinitiv, Morgan Stanley Research

EQUAL-WEIGHT THESIS

DiamondRock was ahead of shifts that accelerated in the pandemic, namely demand for small, leisure resort properties. As a result, the company has seen among the fastest recoveries with still limited competitive supply growth ahead. When combined with discounted valuation vs. peers, history and private markets, DRH has among the best risk-reward of the REITs. That said, with risk-rewards still better among several of the C-corps, we are Equal-weight.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Contrarian: *Negative*

View descriptions of Risk Rewards Themes here

BULL CASE $15.00

11.0x F-24m EV/Base EBITDA ($4,078 MM Implied EV)

2026e/2027e Systemwide RevPAR grows +5.3%/+4.8% YoY

EBITDA margin is 28.8%/30.2% in 2026e/2027e vs. 28% in 2019

BASE CASE $12.00

10.6x F-24m EV/Base EBITDA ($3,491 MM Implied EV)

2026e/2027e Systemwide RevPAR grows 3.8%/2.8% YoY

EBITDA margin is 28.0%/28.0% in 2026e/2027e vs. 28% in 2019

BEAR CASE $5.00

9.5x F-24m EV/Base EBITDA ($2,247 MM Implied EV)

2026e/2027e Systemwide RevPAR -10%/+3% YoY

EBITDA margin is 22.9%/23.4% in 2026e/2027e vs. 28% in 2019

Risk Reward – DiamondRock Hospitality Co (DRH.O)

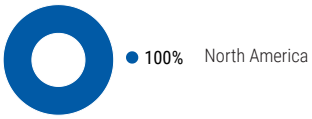
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
EBITDA Margin (%)	26.6	28.0	28.0	27.8
RevPAR Growth (%)	1.1	3.8	2.8	2.3
Non-Room Revenue Growth (%)	1.2	2.7	1.8	1.9

INVESTMENT DRIVERS

- Cadence of RevPAR recovery
- Expense outlook
- Asset valuations

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

RISKS TO PT/RATING

RISKS TO UPSIDE

- Accretive acquisitions or dispositions (to unlevered FCF/share and/or ROIC)
- Better RevPAR in key markets relative to peers either due to geographic exposure or investments
- Post COVID-19 recovery stronger than expected
- Accretive asset transactions

RISKS TO DOWNSIDE

- Cost pressures weigh on margins
- Worse RevPAR in key markets relative to peers either due to geographic exposure or investments
- Downside from ROI projects

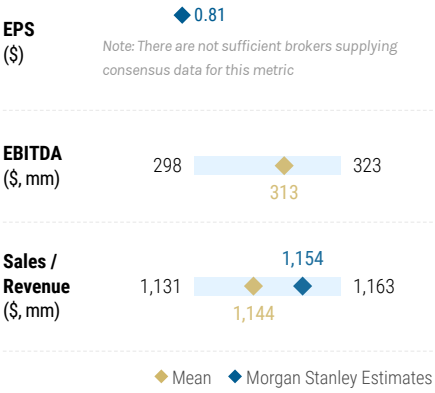
OWNERSHIP POSITIONING

Inst. Owners, % Active	41.1%
HF Sector Long/Short Ratio	1.4x
HF Sector Net Exposure	1.9%

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e



Source: Refinitiv, Morgan Stanley Research

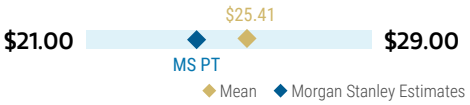
Risk Reward – Host Hotels & Resorts Inc (HST.O)

Balanced Risk/Reward at current levels

PRICE TARGET $24.00

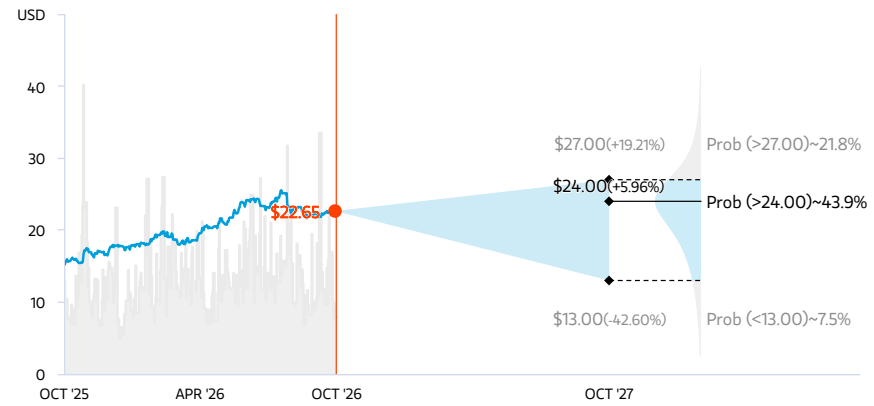
Our 12-month price target of $24 is based on 11.0x F-24m EV/EBITDA, at a slight discount with historical average and our REIT average multiple to reflect the company's strong score on our REIT framework.

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 9 Oct 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology here

EQUAL-WEIGHT THESIS

Recent performance in the stock has left valuation below peers and at trough levels (ex-pandemic), creating a more balanced risk reward. While the stock's fundamentals are likely to be challenged by deteriorating trends in key markets, HST has already seen greater downward revisions vs. peers. While we still see downside to consensus, HST has the best balance sheet of the hotel REITs and the highest RevPAR & EBITDA / room. With this balance of trough valuation (even EV is at lows ex-pandemic) and lower estimates, we see a more balanced risk-reward.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Contrarian: *Negative*

View descriptions of Risk Rewards Themes here

BULL CASE $27.00

11.0x F-24m EV/Base EBITDA ($22,053 MM Implied EV)

2026e/2027e Systemwide RevPAR grows +6.0%/+5.2% YoY

EBITDA margin is 30.3%/30.3% in 2026e/2027e vs. 28% in 2019

BASE CASE $24.00

10.5x F-24m EV/Base EBITDA ($20,397 MM Implied EV)

2026e/2027e Systemwide RevPAR grows +4.5%/+2.7% YoY

EBITDA margin is 29.6%/28.7% in 2026e/2027e vs. 28% in 2019

BEAR CASE $13.00

11.5x F-24m EV/Base EBITDA ($13,434 MM Implied EV)

2026e/2027e Systemwide RevPAR -10%/+3% YoY

EBITDA margin is 23.7%/22.2% in 2026e/2027e vs. 28% in 2019

Risk Reward – Host Hotels & Resorts Inc (HST.O)

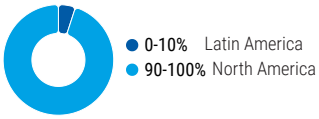
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
EBITDA Margin (%)	28.7	29.6	28.7	28.4
RevPAR Growth (%)	3.8	5.2	2.7	2.2
Non-Room Revenue Growth (%)	11.0	(0.9)	3.8	3.0

INVESTMENT DRIVERS

- US RevPAR recovery
- More meaningful expense pressure
- Asset valuations decline

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

3/5 BEST	24 Month Horizon	1/5 MOST	3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- US RevPAR recovers stronger than expected
- Accretive acquisitions or dispositions (to unlevered FCF/share and/or ROIC)
- Greater impact from ROI investments

RISKS TO DOWNSIDE

- Worse RevPAR in key markets relative to peers either due to geographic exposure or investments
- Downside to margins from execution of initiatives
- More meaningful expense pressure
- Group (convention) recovery lags
- Asset valuations decline

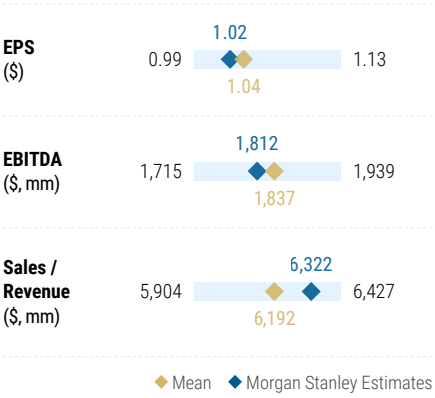
OWNERSHIP POSITIONING

Inst. Owners, % Active	42%
HF Sector Long/Short Ratio	1.4x
HF Sector Net Exposure	1.9%

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2027e



Source: Refinitiv, Morgan Stanley Research

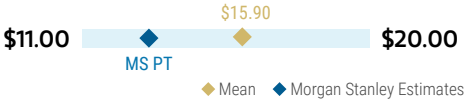
Risk Reward – Park Hotels & Resorts Inc (PK.N)

More challenged position in REIT framework reflected in valuation

PRICE TARGET $13.00

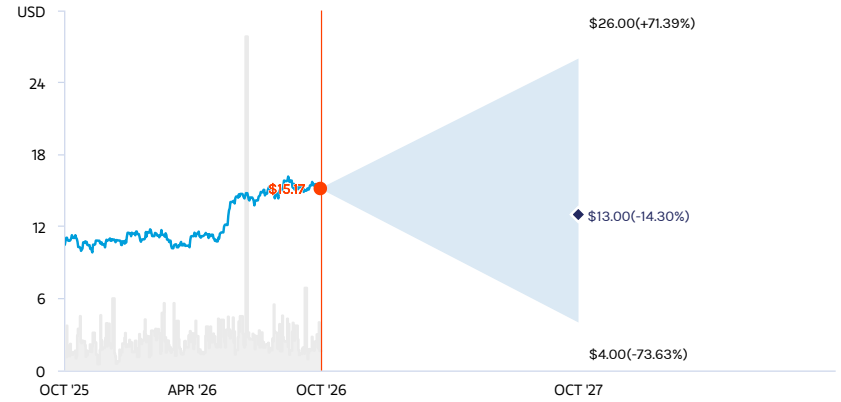
Our 12-month price target of $13 is based on ~10.5x fwd-24m EV/EBITDA, a greater than 1x discount to historical average.

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART



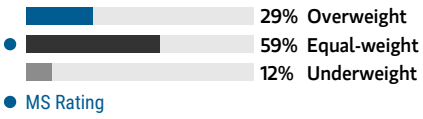
Key: Historical Stock Performance Current Stock Price Price Target

Source: Refinitiv, Morgan Stanley Research

EQUAL-WEIGHT THESIS

Park Hotels & Resorts has the third weakest scoring in our REIT framework due to its combination of elevated leverage (5.4x vs. peer avg 4.8x) and lower capital investment. However, with valuation now at a discount to history (2025e EV/EBITDA is ~10.5x vs. 11x pre-pandemic) and to private transaction values in their markets (-40% discount on both price/key and cap rate), we believe that much of this uncertainty is priced in. This dynamic is reflected in our risk-reward, where downside is somewhat limited vs. peers with the current enterprise value closer to pandemic lows yet upside could be substantial given leverage levels.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Contrarian:	*Positive*
Special Situation:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE $26.00

10.5x F-24m EV/Bull EBITDA ($8,816 MM Implied EV)

2026e/2027e Systemwide RevPAR grows +8.2/5.6% YoY

EBITDA margin is 28.2%/29.6% in 2026e/2027e vs. 27% in 2019

BASE CASE $13.00

~10.1x F-24m EV/Base EBITDA ($6,454MM Implied EV)

2026e/2027e Systemwide RevPAR grows +5.2%/+3.6% YoY

EBITDA margin is 24.1%/23.8% in 2026e/2027e vs. 27% in 2019

BEAR CASE $4.00

11x F-24m EV/Bear EBITDA ($4,930 MM Implied EV)

2026e/2027e Systemwide RevPAR grows -10%/+3% YoY

EBITDA margin is 16.5%/21.4% in 2026e/2027e vs. 27% in 2019

Risk Reward – Park Hotels & Resorts Inc (PK.N)

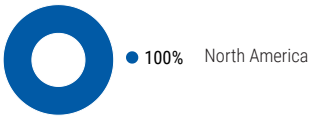
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
EBITDA Margin (%)	24.0	24.9	24.7	24.2
RevPAR Growth (%)	(1.8)	5.2	3.6	2.0
Non-Room Revenue Growth (%)	0.6	(0.7)	2.8	3.8

INVESTMENT DRIVERS

- Cadence of RevPAR recovery
- Expense outlook
- Asset valuations

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

RISKS TO PT/RATING

RISKS TO UPSIDE

- Accretive acquisitions or dispositions (to unlevered FCF/share and/or ROIC)
- Better RevPAR in key markets relative to peers either due to geographic exposure or investments

RISKS TO DOWNSIDE

- Downside to margins from execution of initiatives
- Lower impact from ROI investments

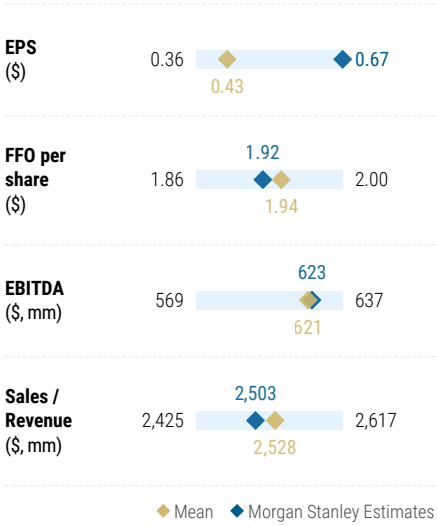
OWNERSHIP POSITIONING

Inst. Owners, % Active	39.1%
HF Sector Long/Short Ratio	1.4x
HF Sector Net Exposure	1.9%

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e



Source: Refinitiv, Morgan Stanley Research

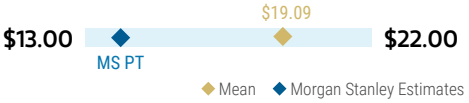
Risk Reward – Pebblebrook Hotel Trust (PEB.N)

Elevated Leverage & Premium Valuation Drive Unfavorable Risk-Reward

PRICE TARGET $14.00

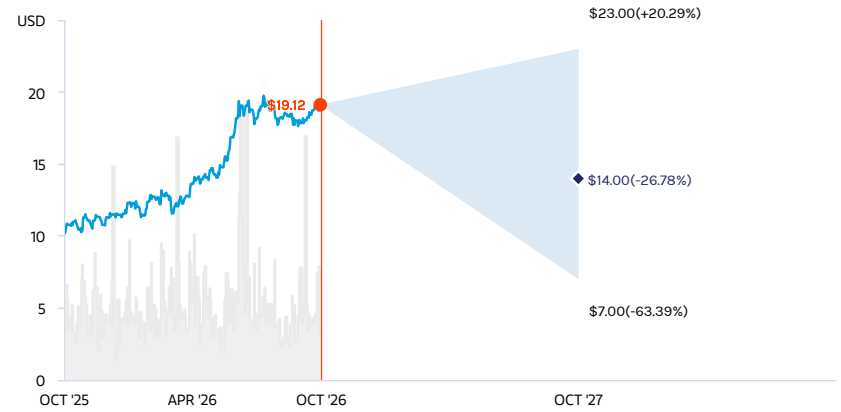
We apply a ~12.5x F-24m EV/EBITDA, a discount to PEB's 3-year pre-pandemic average of 14.7x NTM EV/EBITDA due to high leverage and potential pent-up maintenance capex (among the lowest capex-D&A / key of peers). We are above our Hotel REIT average multiple.

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART



Key: Historical Stock Performance Current Stock Price Price Target

Source: Refinitiv, Morgan Stanley Research

UNDERWEIGHT THESIS

While we view Pebblebrook as having one of the most unique strategies among REITs given a greater mix of smaller, independent properties with terminable at will management agreements, valuation is already reflective at 13x EV/EBITDA vs. peers at 12x. When combined with high financial leverage, we see a wide risk-reward, albeit unfavorable relative to our coverage.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Contrarian: *Negative*

View descriptions of Risk Rewards Themes here

BULL CASE $23.00

14.0x F-24m EV/Base EBITDA ($5,429 MM Implied EV)

Systemwide RevPAR in 2026e/2027e grows +9.1%/+5.0% YoY

EBITDA margin is 23.9%/24.2% in 2026e/2027e vs. 33% in 2019

BASE CASE $14.00

12.6x F-24m EV/Base EBITDA ($4,281 MM Implied EV)

Systemwide RevPAR in 2026e/2027e is +6.1%/+2.5% YoY

EBITDA margin is 22.8%/22.0% in 2026e/2027e vs. 33% in 2019

BEAR CASE $7.00

15.0x F-24mEV/Base EBITDA ($3,530) MM Implied EV

Systemwide RevPAR in 2026e/2027e -10%/+3% YoY

EBITDA margin is 17.3%/18.5% in 2026e/2027e vs. 33% in 2019

Risk Reward – Pebblebrook Hotel Trust (PEB.N)

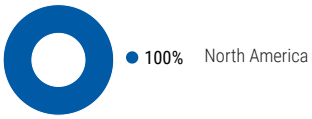
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
EBITDA Margin (%)	23.3	23.4	22.9	22.9
RevPAR Growth (%)	(0.4)	6.1	2.5	2.0
Non-Room Revenue Growth (%)	4.6	1.7	3.0	2.8

INVESTMENT DRIVERS

- US RevPAR recovery
- Expense growth
- Asset valuations

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

RISKS TO PT/RATING

RISKS TO UPSIDE

- Stronger than expected macro in key markets drives RevPAR upside
- Accretive acquisitions/disposition activity drives upside to FFO/share and/or lowers leverage vs. expectations
- More benign competitive supply growth supports better recovery than anticipated

RISKS TO DOWNSIDE

- RevPAR recovers weaker than expected
- Rising interest rates expand cap rates

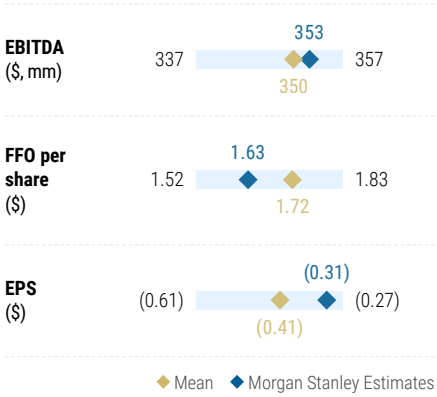
OWNERSHIP POSITIONING

Inst. Owners, % Active	46.8%
HF Sector Long/Short Ratio	1.4x
HF Sector Net Exposure	1.9%

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e



Source: Refinitiv, Morgan Stanley Research

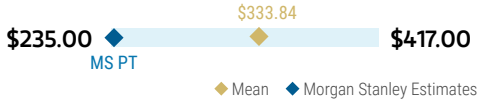
Risk Reward – Expedia Inc. (EXPE.O)

Improving Execution, Weakest Consumer Position

PRICE TARGET $235.00

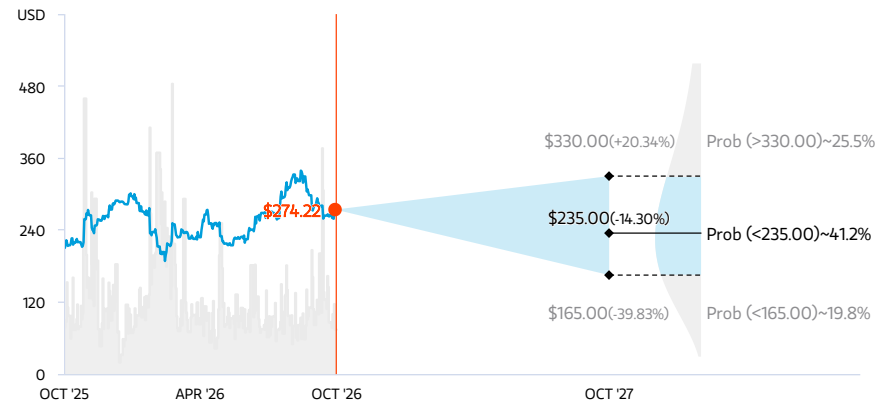
Our $235 price target is based on a ~10X multiple of '27/'28 average GAAP EPS of ~$23. Our PT implies EXPE normalizes to trade at a ~45% discount to BKNG on a P/E basis, slightly below the 4-year average discount.

Consensus Price Target Distribution



Source: Refinitiv, Morgan Stanley Research

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



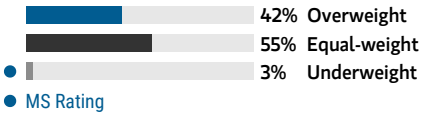
Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 9 Oct 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology here

UNDERWEIGHT THESIS

- EXPE's execution has improved in terms of platform consolidation, cost discipline, and marketing returns, but screens the weakest across the three OTAs on supply differentiation and engagement.
- EXPE can benefit from the same travel-specific AI tailwinds as peers, but its weaker consumer engagement and higher exposure to chain hotels/air leave it more exposed to agentic risk.
- B2B is a real growth contributor but screens as lower quality growth as agentic adoption increases.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

BULL CASE $330.00

~13X $25 of Bull Case '27/'28 Avg GAAP EPS

Our bull case assumes EXPE sees HSD% revenue growth long term, driven by improved marketing ROI and travel specific AI lifting conversion. Cost discipline and platform consolidation drive EBITDA margins to the high 20s%, as reduced marketing intensity offset the lower-margin mix from B2B growth outpacing higher-margin direct consumer demand.

BASE CASE $235.00

~10X $23 of Base Case '27/'28 Avg GAAP EPS

Our base case assumes EXPE sees ~MSD% revenue growth long term, reflecting continued B2B strength and modest B2C improvement, offset by structurally slower consumer growth versus peers. EBITDA margins reach the high 20s%, as cost discipline and platform consolidation provide moderate leverage, partially offset by B2B's lower-margin mix and ongoing marketing investment needed to sustain competitive positioning.

BEAR CASE $165.00

~8X $20 of Bear Case '27/'28 Avg GAAP EPS

Our bear case assumes EXPE sees MSD% revenue growth long term, as MAU deceleration continues and horizontal agents disintermediate its chain hotel/air-heavy supply, structurally weakening consumer share. EBITDA margins reach the mid-20s% in the medium term, driven by rising B2B mix diluting take rates, continued marketing spend needed to defend engagement, and limited pricing power as EXPE cedes the customer relationship to agentic intermediaries.

Risk Reward – Expedia Inc. (EXPE.O)

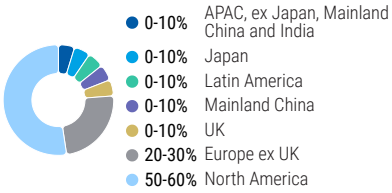
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
% change Y/Y (%)	8.0	6.8	5.8	4.9
Total Revenue ($, mm)	14,733	16,230	17,233	18,120
Adjusted EBITDA ($, mm)	3,501	4,115	4,522	4,923

INVESTMENT DRIVERS

- Lodging Room Nights Booked
- Lodging Gross Bookings
- Net Revenue Take Rate
- Direct Marketing Spend as a % of Gross Bookings
- EBITDA/FCF

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

1/5 BEST	24 Month Horizon	1/5 MOST	3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Increased direct traffic mix
- Marketing leverage
- Resulting in faster than expected revenue growth/EBITDA margin expansion
- AI innovation drives bookings and conversion meaningfully

RISKS TO DOWNSIDE

- Share loss to competition
- Direct traffic mix decreases
- Marketing deleverage
- Resulting in slower than expected revenue growth/EBITDA margin expansion
- Horizontal agents direct bookings direct to chain hotel/air players

OWNERSHIP POSITIONING

Inst. Owners, % Active	49.6%
HF Sector Long/Short Ratio	1.8x
HF Sector Net Exposure	11.3%

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e

Sales / Revenue ($, mm)	16,022	16,230 / 16,206	16,408
EBITDA ($, mm)	4,006	4,115 / 4,127	4,257
Net income ($, mm)	1,938	2,556 / 2,533	3,013
EPS ($)	18.02	20.42 / 20.60	24.09

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

Risk Reward – Booking Holdings Inc (BKNG.O)

Unique Supply and an Underrated Agentic Position

PRICE TARGET $230.00

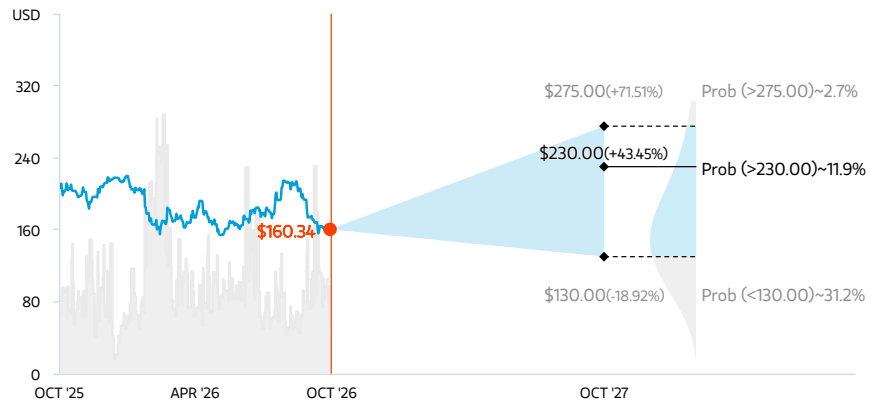
Our $230 price target is based on a ~18X multiple on an average of '27/'28 GAAP EPS of ~$13, below BKNG's long-term avg. P/E of ~20X (ex-2020/2021). This implies a '27 adj. EBITDA multiple of ~13X, closer to comparable internet marketplace leaders UBER/DASH and its closest accommodation peer ABNB.

Consensus Price Target Distribution $180.00 — $235.06 (MS PT) — $301.00

Source: Refinitiv, Morgan Stanley Research

◆ Mean ◆ Morgan Stanley Estimates

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 9 Oct 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology here

OVERWEIGHT THESIS

- BKNG's fragmented, scaled, and unique lodging supply gives it leverage over agentic platforms' travel capabilities. Given this, we believe BKNG can negotiate favorable terms with partners and continue to grow the business at similar unit economics.
- Historically, acquisition of users/direct traffic from search has been one of BKNG's core competencies. In our view, current agentic travel products function similarly to search and we believe BKNG can use current integrations to continue driving direct traffic and repeat future traffic.
- GenAI disruption fears have caused BKNG to de-rate below pandemic troughs. As these fears dispel, the multiple could see recovery closer to its historical avg.

Consensus Rating Distribution

82%	Overweight
18%	Equal-weight
0%	Underweight

● MS Rating

Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Secular Growth: *Positive*

View descriptions of Risk Rewards Themes here

BULL CASE $275.00

~20X our '27/'28 avg bull case EPS of ~$14

Our bull case assumes BKNG sees faster revenue and earnings growth as micro innovation drives incremental revenue. This enables BKNG to increase its mix of direct business and further grow its top/bottom line. This implies the multiple reverts back to its long-term average (ex-2020/2021) of ~20X.

BASE CASE $230.00

~18X of our '27/'28 avg base case EPS of ~$13

Our base case assumes BKNG sees high single digits % revenue growth near-term as the company continues to increase its direct traffic and drive leverage, equating to low-teens % plus, EPS growth. Our price target is based on an ~18X multiple on '27/'28 average GAAP EPS of ~$13, below BKNG's long-term avg. P/E of ~20X (ex-2020/2021).

BEAR CASE $130.00

~12X our '27/'28 avg bear case EPS of ~$11

Our bear case assumes BKNG sees slower revenue and earnings growth as agentic travel on external platforms improve and gain adoption. This leads to BKNG decreasing high-margin direct traffic. This implies it trades slightly below COVID trough multiples of ~14x.

Risk Reward – Booking Holdings Inc (BKNG.O)

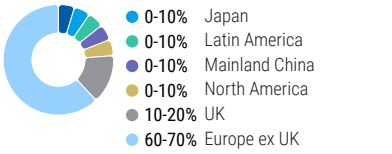
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Total Room Nights Sold (%)	8.0	5.9	7.3	6.9
Total Revenue ($, mm)	26,917	29,477	32,035	34,724
Adjusted EBITDA (new Non-GAAP method) ($, mm)	9,937	10,954	12,301	13,524

INVESTMENT DRIVERS

- Room Nights
- Bookings
- EBITDA
- EPS

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

MS ALPHA MODELS

2/5 BEST	24 Month Horizon	1/5 MOST	3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Stable leisure travel demand, micro innovation from BKNG (its own, domain specific agent) drives increasing direct traffic, share gains, faster growth and leverage

RISKS TO DOWNSIDE

- Agentic take share of top of funnel travel search driving mix shift to lower margin paid traffic
- Platform shift levels performance marketing playing field (EXPE, Hotel direct become more competitive in bidding/acquiring traffic)

OWNERSHIP POSITIONING

Inst. Owners, % Active	57%
HF Sector Long/Short Ratio	1.8x
HF Sector Net Exposure	11.3%

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure – Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e

Sales / Revenue ($, mm)	28,941	29,477 / 29,248	29,759
EBITDA ($, mm)	10,713	10,954 / 10,850	11,072
Net income ($, mm)	7,791	7,974 / 8,062	8,463
EPS ($)	10.15	10.27 / 10.46	10.75

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

Risk Reward Reference links

1. View explanation of Options Probabilities methodology - Options_Probabilities_Exhibit_Link.pdf

2. View descriptions of Risk Rewards Themes - RR_Themes_Exhibit_Link.pdf

3. View explanation of regional hierarchies - GEG_Exhibit_Link.pdf

4. View explanation of Theme/Exposure methodology - ESG_Sustainable_Solutions_External_Link.pdf

5. View explanation of HERS methodology - ESG_HERS_External_Link.pdf

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(as of September 30, 2026)

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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1599	43%	455	48%	28%	783	44%
Equal-weight/Hold	1563	42%	394	42%	25%	763	43%
Not-Rated/Hold	2	0%	1	0%	50%	1	0%
Underweight/Sell	570	15%	96	10%	17%	227	13%
Total	3,734		946			1774	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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INDUSTRY COVERAGE: Gaming & Lodging

COMPANY (TICKER)	RATING (AS OF)	PRICE* (10/09/2026)
Ronald Kamdem, CFA		
Gaming and Leisure Properties Inc (GLPI.O)	E (01/15/2025)	$38.28
VICI Properties Inc (VICI.N)	E (12/15/2021)	$22.88
Stephen W Grambling		
Boyd Gaming Corp (BYD.N)	E (02/24/2025)	$68.93
Caesars Entertainment Inc (CZR.O)	++	$29.50
Choice Hotels International Inc (CHH.N)	U (01/14/2025)	$105.64
DiamondRock Hospitality Co (DRH.O)	E (12/05/2022)	$12.62
DraftKings Inc (DKNG.O)	O (01/26/2022)	$19.58
Hilton Grand Vacations Inc (HGV.N)	E (01/16/2026)	$34.53
Hilton Worldwide Holdings Inc (HLT.N)	O (12/05/2022)	$326.56
Host Hotels & Resorts Inc (HST.O)	E (03/21/2025)	$22.65
Hyatt Hotels Corp (H.N)	O (10/22/2025)	$161.94
Las Vegas Sands Corp (LVS.N)	E (01/14/2025)	$36.17
Marriott International Inc (MAR.O)	O (12/05/2022)	$365.88
Marriott Vacations Worldwide Corp (VAC.N)	U (01/16/2026)	$105.34
MGM Resorts International (MGM.N)	U (01/16/2026)	$29.27
Park Hotels & Resorts Inc (PK.N)	E (12/05/2022)	$15.17
Pebblebrook Hotel Trust (PEB.N)	U (12/05/2022)	$19.12
PENN Entertainment Inc. (PENN.O)	E (11/21/2022)	$15.48
Red Rock Resorts Inc (RRR.O)	E (01/09/2024)	$49.51
Ryman Hospitality Properties Inc. (RHP.N)	++	$120.28
Sportradar Group AG (SRAD.O)	E (11/21/2022)	$12.49
Travel & Leisure Co. (TNL.N)	O (01/05/2025)	$62.62
Wyndham Hotels & Resorts Inc (WH.N)	O (12/05/2022)	$74.06
Wynn Resorts, Limited (WYNN.O)	O (09/26/2024)	$75.15

Stock Ratings are subject to change. Please see latest research for each company.
* Historical prices are not split adjusted.

INDUSTRY COVERAGE: Internet

COMPANY (TICKER)	RATING (AS OF)	PRICE* (10/09/2026)
Brian Nowak, CFA		
Alphabet Inc. (GOOGL.O)	O (08/11/2015)	$351.66
Amazon.com Inc (AMZN.O)	O (04/24/2015)	$262.43
DoorDash Inc (DASH.O)	O (02/21/2024)	$196.50
Instacart (CART.O)	E (01/29/2024)	$47.76
Lyft Inc (LYFT.O)	E (10/24/2019)	$16.22
Meta Platforms Inc (META.O)	O (03/20/2023)	$718.67
Pinterest Inc (PINS.N)	O (07/20/2025)	$21.40
Reddit Inc (RDDT.N)	O (12/08/2024)	$159.91

Snap Inc. (SNAP.N)	E (07/22/2024)	$6.23
Uber Technologies Inc (UBER.N)	++	$71.51
Matthew Cost		
Airbnb Inc (ABNB.O)	E (09/16/2026)	$165.87
AppLovin Corp (APP.O)	O (04/10/2025)	$277.04
Booking Holdings Inc (BKNG.O)	O (02/23/2026)	$160.34
Compass, Inc. (COMP.N)	E (01/12/2026)	$9.39
Criteo SA (CRTO.O)	E (01/26/2016)	$15.73
DoubleVerify Holdings Inc (DV.N)	E (06/25/2024)	$13.49
Expedia Inc. (EXPE.O)	U (09/16/2026)	$274.22
Liftoff Mobile Inc. (LFTO.O)	E (06/29/2026)	$15.41
MNTN Inc (MNTN.N)	E (06/16/2025)	$10.19
Opendoor Technologies Inc (OPEN.O)	E (07/24/2023)	$2.22
Playtika Holding Corp (PLTK.O)	E (11/27/2022)	$2.29
Roblox Corporation (RBLX.N)	O (11/04/2024)	$48.09
Take-Two Interactive Software (TTWO.O)	O (02/01/2018)	$213.44
Trade Desk Inc (TTD.O)	E (09/10/2025)	$12.08
Unity Software Inc (U.N)	O (09/02/2024)	$46.88
Webtoon Entertainment Inc (WBTN.O)	E (07/22/2024)	$10.35
Yelp Inc (YELP.N)	U (01/10/2019)	$18.59
Zillow Group Inc (Z.O)	E (04/18/2018)	$29.01
Nathan Feather		
Bumble Inc. (BMBL.O)	E (03/08/2021)	$2.54
Chewy Inc (CHWY.N)	O (10/31/2023)	$18.95
Duolingo Inc (DUOL.O)	E (02/27/2026)	$149.92
eBay Inc (EBAY.O)	O (04/18/2024)	$112.19
Etsy Inc (ETSY.N)	E (07/20/2025)	$76.71
FIGS, Inc. (FIGS.N)	E (02/29/2024)	$15.78
Grindr Inc. (GRND.N)	O (07/01/2026)	$15.03
Match Group Inc (MTCH.O)	E (04/18/2024)	$41.09
Peloton Interactive, Inc. (PTON.O)	U (09/08/2026)	$5.12
Revolve Group Inc (RVLV.N)	E (10/20/2024)	$21.69
WW International Inc (WW.O)	E (08/01/2025)	$14.86

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