

Lodging

7.11.2022

NAICS CODES: 721

SIC CODES: 7011, 7021, 7032, 7033, 7041

Industry Overview

Companies in this industry operate hotels, motels, resorts, casino hotels, and bed and breakfast inns, along with RV parks, recreational camps, and rooming and boarding houses. Major companies include Hilton, Las Vegas Sands, Marriott International, and MGM Resorts (all based in the US), as well as Accor (France), IHG Hotels & Resorts (UK), and SJM Holdings (Hong Kong).

The global hospitality market is expected to reach over \$6 trillion in 2026 at a compound annual growth rate (CAGR) of 10.2%, according to the Business Research Company. The growth is due to the economic recovery from the COVID-19 impact. In 2020, Asia Pacific was the largest region in the market, followed by North America.

The US lodging industry consists of about 70,000 establishments (single-location companies and units of multi-location companies) with combined annual revenue of about \$260 billion.

Competitive Landscape

Business and leisure travel drive demand. Strength of the economy affects these factors. The profitability of individual companies depends on efficient operations and effective marketing. Large companies have advantages in economies of scale in operations, can more easily raise capital, and have strong name recognition. Small companies can compete by offering personalized service and a unique customer experience. The US industry is fragmented: the 50 largest companies account for about 40% of revenue.

Products, Operations & Technology

Major industry product lines and services are hotels including (70% of revenue) hotel room fees, meeting room and conference facility fees, and sales of food and drinks. Casino hotels (25%) may earn revenue from casino games, restaurants, retail stores, and live entertainment, in addition to hotel rooms. In the case of recreational vehicle (RV) parks (about 5%), companies earn revenue from campground, cabin, or cottage rentals, groceries and meals, and membership fees. Bed and breakfast inns (B&Bs) primarily offer guest rooms, typically in a converted private home, with breakfast services in a common dining area.

Basic operations consist of providing sleeping accommodations, housekeeping, maintenance, and a variety of personal services. Hotels may provide restaurants, business services, and resort services such as golf, tennis, swimming pools, and fitness centers. Typical RV park amenities include a grocery store or snack bar, coin-operated laundry facilities, and playgrounds.

Labor is a significant operating expense and requires efficient personnel management. Key industry metrics, in addition to retail sales, are occupancy rates, average room prices, and revenue per available room (RevPAR), which is a hotel's occupancy rate multiplied by its average daily room rate (ADR).

Most companies own and operate their own properties, but other arrangements are common. Some hotel companies are operators that receive the majority of their revenue from management fees. Companies may **franchise** their brands to other owners, manage hotels that belong to other owners, or lease hotels from other owners.

Technology

Both marketing and operations require an efficient information system. Most lodging companies have websites, some with virtual tours of the facilities and online reservations systems. Many have listings on third-party reservation and travel systems. Some companies also developed their mobile apps to make reservations more accessible. Mobile payment methods, such as PayPal and Amazon Pay, are also gaining popularity. Computer and communication systems are essential for most hotels to track reservations, guests, and room charges, and offer online checkout capabilities. Lodging operators can also market their investments in improved in-room technology, such as flat panel TVs, wireless internet access (Wi-Fi), and other convenience technology-related amenities in high demand among consumers.

Business travelers drive demand for meeting and conference services at hotels, which require state-of-the-art audio/visual and telecommunication equipment. The COVID-19 pandemic further encouraged hotels to adjust by providing in-person and hybrid functions, according to Hotel Management. Hotels like Hilton and Marriott International launched hybrid meeting options.

Sales & Marketing

Hotel customers typically consist of a mix of leisure and business travelers. "Bleisure," is travel that combines both

business and leisure. Vacationing couples make up the majority of B&B customers, while RV campgrounds generally attract married adults and families. Because there is a wide range of lodging establishments, sales and marketing activities depend on the particular market segment served, defined by price, service level, and location.

Major types of marketing include travel websites and social network pages; television, magazine and newspaper ads; and customer loyalty programs. Word-of-mouth endorsements, reviews on third-party consumer websites, and recommendations via social media are important, as are agreements or alliances with travel agents, airlines, credit card companies, and industry associations. For hotel operators, primary attractions of joining a franchise are name recognition and participation in the chain's national reservation system.

Rates vary by location, season, and occupancy rates. Generally, hotel price categories are **luxury** (more than \$200 per night); **upscale** (usually more than \$100); **midscale** (about \$60 to \$100); and **economy** (under \$60). The average US hotel room rate is about \$115 per night, according to STR. B&Bs command a substantial price premium over standard motel/hotel accommodations. The average room rate for a B&B is about \$150, according to the Professional Association of Innkeepers International. **Campgrounds** near popular tourist destinations typically charge \$30 to \$80 per night for RV sites with basic hookups and more than \$100 for deluxe cabins and cottages.

Finance & Regulation

Industry revenue is highly seasonal, with peak seasons varying according to location. In certain locations, room rates are reduced during the off-season. The hotel business requires high levels of investment and is sensitive to interest rates and capital availability. Facility maintenance and redecorating are ongoing expenses that relate directly to a hotel's marketability. Information technology and liability insurance are important expenses. Housekeeping, restaurant, and landscaping services often are outsourced. The industry is labor-intensive: average annual revenue per employee in the US is about \$130,000.

Working Capital Turnover by Company Size

The working capital turnover ratio, also known as working capital to sales, is a measure of how efficiently a company uses its capital to generate sales. Companies should be compared to others in their industry.



Financial industry data provided by MicroBilt Corporation collected from 32 different data sources and represents financial performance of over 4.5 million privately held businesses and detailed industry financial benchmarks of companies in over 900 industries (SIC and NAICS). More data available at www.microbilt.com.

Regulation

Lodging operations are primarily regulated by state laws and local ordinances covering food, health, and safety issues, as well as building codes, zoning laws, and business permits. The government scrutinizes the industry for **labor infractions**, due to its history of hiring undocumented workers to fill the recurring high number of low-paying job vacancies in areas such as housekeeping and maintenance.

International Insights

The global hospitality market is expected to reach over \$6 trillion in 2026 at a compound annual growth rate (CAGR) of 10.2%, according to the Business Research Company. The growth is due to the economic recovery from the COVID-19 impact. In 2020, Asia Pacific was the largest region in the market, followed by North America. Leading firms based outside the US include Accor (France), IHG Hotels & Resorts (UK), and SJM Holdings (Hong Kong).

Unless there are government regulations restricting international flights for public safety, international tourism usually drives lodging industry growth worldwide. International tourism rebounded moderately during the second half of 2021, with international arrivals down over 60% in the third and fourth quarters compared to pre-pandemic levels, according to the United Nations World Tourism Organization (UNWTO). Europe and the Americas have the strongest results in 2021 but still at 63% below pre-pandemic levels. The Caribbean saw the best performance that year, followed by Southern Mediterranean Europe, Central America, North America, and Central Eastern Europe.

Companies can benefit from offering targeted products, services, amenities, and designs that cater to generational

and cultural preferences. Two major emerging groups of travelers include millennials (born between 1981 and 1996) and a new wave of foreign tourists. As millennials enter their peak earning years, this generation is expected to provide the majority of global spending for travel and leisure. According to a survey by TravelPulse, 35% of millennials are planning trips abroad.

Macau, a special administrative region (SAR) of China, has become the world's largest gambling market thanks to heavy investment from both domestic and international casino developers. As such, it is a major market for casino hotels. However, business in the region has leveled off in recent years due to a number of financial and regulatory setbacks. Government crackdowns on corruption and tighter restrictions on gaming promoters have contributed to a decline in visits from **wealthy Chinese gamblers**, and business has suffered as a result of slower economic growth in China. Nevertheless, major operators are continuing to open multibillion-dollar luxury resorts in Macau, with gaming revenue showing a bit of a rebound in recent years.

RV camping is popular in Australia, Canada, and European countries such as France, Germany, Italy, Spain, and the UK (where RVs are often called caravans). RVs are growing in popularity in China, where the government plans to establish more campgrounds in the years ahead as part of an effort to increase tourism.

Regional Highlights

US states with the most hotels are [California](#), [Texas](#), [Florida](#), and [New York](#), mainly due to year-round tourist attractions. The states with the most casino hotels by establishments include [Nevada](#), [California](#), and [Mississippi](#). [California](#), [New York](#), [Maine](#), and [Massachusetts](#) are the states with the greatest number of B&Bs; [California](#), [Texas](#), [New York](#), and [Pennsylvania](#) are home to the most RV parks and campgrounds.

Human Resources

Hotel management and business degrees benefit workers in the industry's professional positions, but most hotel jobs require few special skills. Cooking, serving guests, laundering, general housekeeping, and lawn care comprise the majority of job tasks. Average hourly industry wages are moderately lower than the national average. The lodging industry's injury rate is moderately higher than the national average. Annual personnel turnover in the lodging and restaurant industry is significantly higher than the US average due to low wages and a high ratio of part-time employees.

Industry Employment Growth Bureau of Labor Statistics



Average Hourly Earnings & Annual Wage Increase Bureau of Labor Statistics



Industry Growth Rating



Demand: depends on business and leisure travel
Need efficient operations, effective marketing
Risk: highly competitive market

Quarterly Industry Update

7.11.2022

Trend: Texas Hotels Recovery - Hotels in Texas have shown significant post-pandemic recovery, according to data from real estate firm CBRE. Furthermore, CBRE forecasts hotel performance for 2022 to increase based on the Q1 2022 performance, the slowing of construction activity, higher inflation, and optimism about employment and economic growth, according to the Fort Worth Report. Dallas hotels have anticipated average daily rates (ADR) of \$116.92, a 17.4% increase from the year prior, while Fort Worth hotels have ADR at \$102.88 as of Q1 2022, surpassing 2019 levels. In addition, CBRE Econometric Advisors (CBRE EA) has continued to forecast positive gross domestic product and employment growth through 2023, despite hurdles such as the Russia-Ukraine war, high gas prices, and the 19% pullback in the S&P 500. The US hotel and lodging industry may show significant growth and recovery in future quarters, as the Q1 2022 figures indicate positive economic performance.

Industry Impact - Lodging accommodations providers in the US may see significant growth in upcoming months due to steady post-pandemic economic recovery.

3.14.2022

Opportunity: Increased Business Travel Volume - The latest COVID-19 recovery poll from the Global Business Travel Association (GBTA) in February has revealed positive indications of continued business travel over the past month, as the lifting of global travel restrictions allows more employees to travel and brings an easing of concerns about the Omicron variant. Travel bookings are slowly recovering as more employees blend business travel with leisure time. More than half of the companies polled say it would take three months or longer for their business operations to return to normal after lifting travel restrictions. Meanwhile, about 60% of the respondents might consider requiring most of their employees to head back to the office sometimes. Moreover, the majority have agreed that additional pay or incentives are required to hire/retain qualified workers. The business travel industry is optimistic and on the path to recovery as the pandemic shifts into a more endemic way of managing the post-pandemic landscape, creating the next normal in global business travel.

Industry Impact - Companies may expect slow but steady recovery as business travel restrictions ease in more countries and regions worldwide.

12.27.2021

Challenge: Economic Impact of Omicron Variant - The emergence of a new COVID-19 variant, Omicron, poses potential economic impacts and uncertainties to the business travel industry. With the Omicron variant, most companies may decide to wait to learn more about its effects before establishing new travel restrictions or requirements. According to the latest poll from the Global Business Travel Association (GBTA), the majority of the companies feel countries must require complete vaccination proof and pre-trip negative tests (regardless of vaccination status) from international visitors to assure travel safety. Potential economic impacts include concerns about revenue impact, employment and hiring in the sector, and safety of business travel. Moreover, the Omicron variant has likely affected bookings, with about 40% of travel companies reporting a decrease in their bookings. Moving forward, the wait-and-see approach for business travel companies continues to work with the current plans as they prepare for the recovery of the industry.

Industry Impact - Companies may need to take an informed and adaptive approach before introducing new travel regulations and requirements using clear scientific data, as new variants may emerge.

9.27.2021

Challenge: Leisure Travel Remains Critical Throughout the Year - According to the Morning Consult's new national survey on behalf of the American Hotel & Lodging Association (AHLA), US leisure travelers are planning to take fewer trips due to the rising COVID-19 cases. The survey conducted from August 11 to 12, 2021, revealed that 78% of the respondents (1,707 out of 2,200 people) are leisure travelers. According to the key findings, among leisure travelers, 69% are planning to take fewer trips, while 55% are planning to postpone existing travel plans, and 42% are likely to cancel existing plans without rescheduling. The COVID-19 pandemic-related travel reductions will continue to threaten the hotel industry as the fall and winter months come. This is one reason why the American Hotel & Lodging Association (AHLA) and UNITE HERE have been urging Congress to pass the bipartisan Save Hotel Jobs Acts, which could assist hotel workers until travel returns to pre-pandemic levels.

Industry Impact - Companies may need to work with the government to gain assistance for industries affected by the pandemic.

Industry Indicators

US consumer spending on services, an indicator of lodging revenues, rose 4.6% in July 2022 compared to the same month in 2021.

US corporate profits, an indicator of corporate demand for lodging, rose 8.1% in the second quarter of 2022 compared to the same period in 2021.

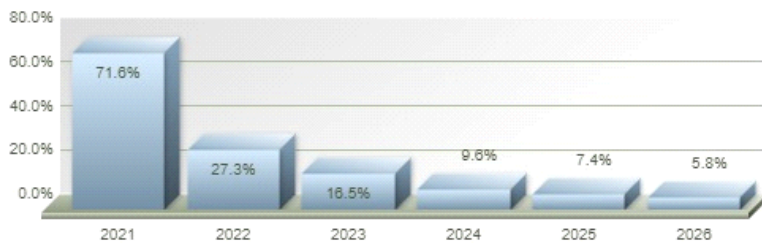
The value of US nonresidential construction spending, an indicator of lodging demand, rose 1.7% year-to-date in July 2022 compared to the same period in 2021.

US personal income, which drives travel activity, rose 4.6% in July 2022 compared to the same month in 2021.

Total US revenue for accommodation rose 37.2% in the second quarter of 2022 compared to the previous year.

Industry Forecast

Revenue (in current dollars) for US hotels is forecast to grow at an annual compounded rate of 8% between 2022 and 2026, based on changes in physical volume and unit prices. Data Published: August 2022



First Research forecasts are based on INFORUM forecasts that are licensed from the Interindustry Economic Research Fund, Inc. (IERF) in College Park, MD. INFORUM's "interindustry-macro" approach to modeling the economy captures the links between industries and the aggregate economy. [Forecast FAQs](#)

Industry Drivers

Changes in the economic environment that may positively or negatively affect industry growth.

Data provided by First Research analysts and reviewed annually



Consumer Spending Change in overall level of consumer spending on goods and services

Critical Issues

Dependence on Customer Travel - Since a significant portion of customers come from tourists, travel regulations and customers' willingness to travel can greatly affect profitability. Travel restrictions due to infectious diseases, terrorism threats, and conflicting political events can reduce the number of hotel occupancy, which in turn adversely affects the financial conditions and results of operations. The COVID-19 pandemic completely and partially suspended operations during 2020 and 2021, resulting in weak demand and revenue during those periods. These situations are unpredictable and companies must have an efficient contingency plan in case they arise.

Demand Linked to Economy - The lodging industry is sensitive to global economic health, which affects the number of business and leisure travelers. National personal income, employment levels, and corporate profits are key economic indicators influencing travel and hotel stays. As consumer confidence rises, so do stays at resorts, bed and breakfast inns, and campgrounds.

Business Challenges

Cybersecurity - Since hotels collect, process, and store critical and personal information of customers, maintaining the reliability of information systems is important. Unauthorized access and leakage of these data can incur damage costs, data privacy regulations violations, and injure the company's image. Companies must invest in their information technology infrastructure upgrade and maintenance and assure the quality of the third-party networks they partner with.

High Level of Competition - A company's ability to remain competitive depends on its success in distinguishing the quality, value, and efficiency of its accommodations. Properties must also be regularly updated to compete with new market entrants. Other factors that affect competition include location, customer service, technology systems, and marketing resources.

Access to Capital - Companies depend on capital to buy, develop, and improve properties since insurance coverage may not be adequate to cover repairs. Because heavy use of lodging facilities results in rapid wear-and-tear and deterioration, properties often need capital for repairs and refurbishing. Companies may be unable to access capital to buy, develop, and improve lodging, and have little control over capital markets and liquidity factors.

Reputation Management - Millions of reviews are written each day through various online platforms as travelers increasingly tend to voice their opinions. Developing systems to monitor, manage, and market a company's reputation may require additional technological and human resources. A lodging company's ability to manage its business reputation may determine success or failure.

High Employee Turnover - Due to a high annual turnover rate, recruiting and retaining staff is a top issue for the hospitality industry. Executives and general managers must balance the industry's relatively low wages with training and management-track programs, as well-trained employees increase customer satisfaction. However, hotels sometimes find they are training employees for competitors, as employees will jump from hotel to hotel for better pay.

Dependence on Online Travel Agencies - The lodging industry relies heavily on bookings made through online travel agencies (OTAs), which have access to proprietary reservation systems. Many hotel chains, like Hilton and the like, are willing to pay the extra cost to reach the growing number of consumers who book through those services, according to the Hotel Tech Report. OTAs can offer a diverse travel inventory that covers all segments, geographies, and groups of travelers.

Business Trends

Smart Hotels - With the advent of various advancements in technology comes the rise of smart hotels to provide guests with a customized experience. Through big data analytics, hotels can integrate the use of artificial intelligence, the Internet-of-Things (IoT), and robotics to provide a more personalized experience for their customers, according to Tomorrow City. Smart hotels benefit guests and owners by providing energy-efficient and cost-effective services.

Content Marketing - Marketing professionals in the lodging industry are beginning to replace traditional advertising with effective content marketing. Consumers can develop brand loyalties to brands easily and frequently seen online from search engines and peer-to-peer inventory sources. Blogs, social media, e-newsletters, webinars, and photo or video-sharing encourage user interactivity and engagement and are eclipsing traditional paid media formats.

Green Initiatives and Sustainability - Green initiatives become a trend among lodging companies in response to consumers' growing environmental concerns. Current green efforts affect the frequency of laundry operations, types of lighting, and packaging of bathroom supplies. Conservation efforts, such as washing linens only on customer request, reduce hotels' environmental impact and operating expenses. These improvements often have high initial costs but may help reduce a company's long-term energy expenses.

Travel Demand Tied to Energy Prices - Fluctuating oil prices have a significant impact on business and leisure travel volumes and demand for lodging accommodations. Declining retail gasoline prices often contribute to upticks in domestic vacation travel by car and RV, and lower jet fuel prices drive down the cost of airline tickets. However, low energy costs can also negatively affect the lodging industry, especially within the corporate travel segment. Demand for hotels in major oil and gas regions of the US can plummet as falling prices prompt energy companies to scale back on production and business travel in those areas.

Industry Opportunities

Younger Travelers - Younger traveler generations can represent a critical customer base for the hospitality and travel industries. A survey by Travel Pulse shows that Gen Z, Millennials, and Gen X are key drivers for growth in travel and future bookings. Figures show over half of Gen Z travelers planning international trips, while 35% of millennials and 20% of Gen Xers are planning trips abroad. Companies may offer deals and trips that cater to these generations to drive growth.

Mobile Marketing and Social Media - Many US social networking activities now occur on smartphones and tablets, which elevated the importance of mobile marketing. Companies must have an established digital presence as about 60% of all reservations are now done digitally, according to Hospitality Net. Social media platforms, search engine marketing, and search engine optimization are among the tools companies can use to boost their digital marketing strategies.

Baby Boomers - Baby boomers are a key demographic for the lodging industry, together with millennials and Gen Xers. Boomers prefer private groups for travel, like multigenerational trips, river cruising, and post-pandemic dream vacations, according to Travel Pulse. Companies can provide trips and accommodations catered to their travel preferences to boost growth together with demand from the younger generation.

Food and Beverage Services - Restaurants, bars, and other food and beverage segments are becoming more important for lodging operators looking to become competitive. Companies like Hilton Hotels provide conjunction

services and rely on food and beverage sales for a portion of their hotel revenues. Hotels and lodging operators may further invest in food and beverage services to diversify operations and increase revenue streams.

Growth of Midscale Hotels - As the midscale hotel segment grows, forward-thinking hotel brands seek to offer higher-end amenities at affordable rates. In the US, Tru by Hilton was rated the best midscale hotel in 2021, according to Statista; Tru has about 215 properties. Midscale hotels also attract interest from investors as they are cheaper than luxury properties to develop and require less spending on labor to operate.

Executive Insight

Chief Executive Officer - CEO

Maximizing Occupancy and Revenue

Maintaining steady revenues amid changing market conditions is a top priority for lodging company executives. The industry is highly sensitive to the health of the national economy, which can make it challenging to increase occupancy while maintaining rate integrity in the face of market downturns. When setting room rates, hotel operators must carefully anticipate demand from business and leisure travelers and react quickly to changes in competitors' pricing.

Differentiating Properties

To compete effectively, lodging company executives must differentiate their properties from those of competitors. A company's ability to attract and retain customers depends on its success in distinguishing the quality, value, and efficiency of its accommodations. Increasing competition from short-term rental services such as Airbnb is putting additional pressure on hotel operators to offer guests unique experiences at different properties. As a result, services and amenities may vary significantly between brands and individual establishments owned by the same company.

Chief Financial Officer - CFO

Financing Repairs and Renovations

Lodging providers often need large amounts of capital to renovate and modernize their properties. High guest turnover and heavy use of facilities can accelerate wear-and-tear; operators also face intense pressure to make improvements to keep up with competitors, especially when new properties open in the same market. Careful financial analysis and capital management are needed to assure that a company can pay off debts within a reasonable time frame. Major companies may set aside reserve funds to cover continuous refurbishment programs, but smaller, independent establishments such as B&Bs can have much more difficulty securing the necessary financing.

Accounting for Seasonality

Lodging establishments in many markets experience seasonal fluctuation in occupancy rates, requiring operators to carefully manage revenue and set room rates based on anticipated demand at different times of the year. B&Bs, RV parks, and campgrounds are particularly susceptible to occupancy declines when the weather gets too cold or hot, and some parks close during certain seasons. Companies may offer discounted rates and special package offerings to increase occupancy in the low season.

Chief Information Officer - CIO

Managing Online Reservation Systems

Lodging companies typically use central reservation systems (CRS) to manage online bookings for multiple properties and to interface with third-party booking websites and travel agencies. IT managers are responsible for ensuring the stability and security of these systems. On the front end, company websites and mobile apps must be well designed, easy to use, and informative to keep guests from booking elsewhere. Some hotels offer incentives for customers who book through their websites rather than third-party travel sites.

Preventing Data Breaches

Hotel operators are investing in major network security improvements to prevent hackers from stealing customers' financial information and other sensitive data. Hotels are appealing targets for cyber-criminals because they often keep credit cards on file for frequent guests, and security tends to be uneven from property to property. Skilled technology personnel are needed to identify vulnerabilities and minimize the risk of data breaches, which can damage a company's reputation and jeopardize important business relationships.

Human Resources - HR

Recruiting and Retaining Employees

With the hospitality industry's high personnel turnover rate, retaining a qualified workforce can be a challenge. Management must ensure that all workers are properly trained in providing guests with appropriate customer service. Competition for qualified management personnel is especially intense, and many companies offer bonuses and incentives to retain and motivate employees.

Complying with Immigration Policy

Immigrants make up a significant portion of the hospitality sector workforce. The human resources department must ensure that its workers are documented and legally allowed to work in the country. The hotel industry has advocated for reforms to the H-2B visa program to allow more seasonal and temporary nonfarm workers to work in the US.

VP Sales/Marketing - Sales

Rewarding Customer Loyalty

Lodging company sales teams promote loyalty programs to attract and retain customers and to collect guests' personal information for marketing purposes. These programs offer special discounts and other incentives for frequent guests, and they may include a mix of free and paid membership options. Many hotel chains reward sales staff for enrolling new members, especially important corporate clients.

Implementing Digital Marketing Strategies

The marketing mix for the lodging industry has become increasingly complex as companies look for new ways to reach customers online. Marketing executives and their teams must have a strong understanding of search engine optimization, keyword advertising, and other methods to develop effective digital strategies. Social media and mobile marketing are core components of branding initiatives targeting younger travelers. Developing systems to monitor and manage a company's online reputation may require additional technological and human resources.

Call Prep Questions

Conversation Starters

How does the customers' willingness to travel challenge the company?

Since a significant portion of customers come from tourists, travel regulations and customers' willingness to travel can greatly affect profitability.

How does the company respond to changes in the health of the economy?

The lodging industry is sensitive to global economic health, which affects the number of business and leisure travelers.

How can the company improve its cybersecurity?

Since hotels collect, process, and store critical and personal information of customers, maintaining the reliability of information systems is important.

How does the company target millennial travelers?

Younger traveler generations can represent a critical customer base for the hospitality and travel industries.

What is the company's mobile and social media marketing strategy?

Many US social networking activities now occur on smartphones and tablets, which elevated the importance of mobile marketing.

How can company cater to the needs of their customers aged 50 and above?

Baby boomers are a key demographic for the lodging industry, together with millennials and Gen Xers.

Quarterly Industry Update

How is the company recovering from the effects of the COVID-19 pandemic?

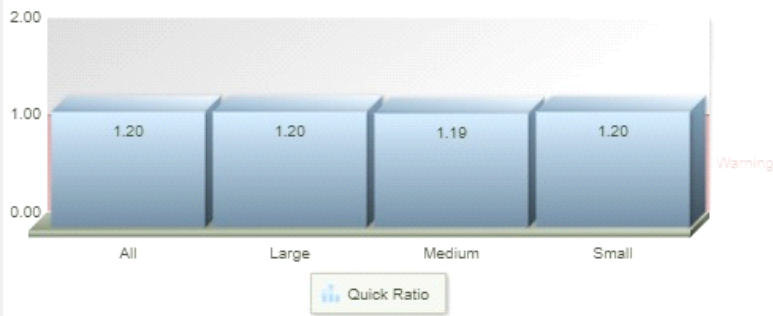
Hotels in Texas have shown significant post-pandemic recovery, according to data from real estate firm CBRE.

Financial Information

COMPANY BENCHMARK TRENDS

Quick Ratio by Company Size

The quick ratio, also known as the acid test ratio, measures a company's ability to meet short-term obligations with liquid assets. The higher the ratio, the better; a number below 1 signals financial distress. Use the quick ratio to determine if companies in an industry are typically able to pay off their current liabilities.



Financial industry data provided by MicroBilt Corporation collected from 32 different data sources and represents financial performance of over 4.5 million privately held businesses and detailed industry financial benchmarks of companies in over 900 industries (SIC and NAICS). More data available at www.microbilt.com.

Current Liabilities to Net Worth by Company Size

The ratio of current liabilities to net worth, also called current liabilities to equity, indicates the amount due creditors within a year as a percentage of stockholders' equity in a company. A high ratio (above 80 percent) can indicate trouble.



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COMPANY BENCHMARK INFORMATION

NAICS: 721

Data Period: 2020

Last Update May 2022

Table Data Format

Mean

Company Size	All	Large	Medium	Small
Size by Revenue		Over \$50M	\$5M - \$50M	Under \$5M
Company Count	35984	85	1042	34857

Income Statement

	All	Large	Medium	Small
Net Sales	100%	100%	100%	100%
Gross Margin	84.8%	84.8%	84.6%	85.3%
Officer Compensation	1.5%	1.3%	1.3%	2.5%
Advertising & Sales	2.4%	2.4%	2.4%	2.3%

Other Operating Expenses	74.5%	74.6%	74.8%	74.1%
Operating Expenses	78.4%	78.3%	78.5%	79.0%
Operating Income	6.4%	6.4%	6.1%	6.3%
Net Income	1.7%	1.8%	1.7%	1.6%

Balance Sheet

Cash	7.7%	7.8%	7.6%	7.4%
Accounts Receivable	4.5%	4.5%	4.5%	4.4%
Inventory	1.0%	1.0%	1.0%	1.0%
Total Current Assets	18.0%	18.2%	17.8%	17.7%
Property, Plant & Equipment	63.9%	63.8%	64.4%	64.4%
Other Non-Current Assets	18.0%	18.1%	17.8%	17.9%
Total Assets	100.0%	100.0%	100.0%	100.0%
Accounts Payable	2.4%	2.4%	2.4%	2.4%
Total Current Liabilities	10.7%	10.8%	10.6%	10.4%
Total Long Term Liabilities	40.8%	39.6%	43.3%	44.4%
Net Worth	48.6%	49.7%	46.1%	45.2%

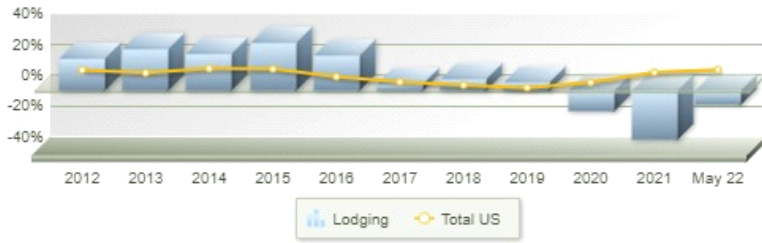
Financial Ratios

Quick Ratio	1.20	1.20	1.19	1.20
Current Ratio	1.69	1.69	1.68	1.69
Current Liabilities to Net Worth	22.0%	21.6%	23.1%	23.1%
Current Liabilities to Inventory	x10.68	x10.64	x10.73	x10.65
Total Debt to Net Worth	x1.06	x1.01	x1.17	x1.21
Fixed Assets to Net Worth	x1.32	x1.28	x1.40	x1.42
Days Accounts Receivable	26	26	26	26
Inventory Turnover	x9.58	x9.63	x9.60	x9.31
Total Assets to Sales	157.0%	156.1%	160.2%	159.3%
Working Capital to Sales	11.5%	11.6%	11.6%	11.5%
Accounts Payable to Sales	3.8%	3.8%	3.9%	3.8%
Pre-Tax Return on Sales	2.8%	2.8%	2.8%	2.6%
Pre-Tax Return on Assets	1.8%	1.8%	1.7%	1.7%
Pre-Tax Return on Net Worth	3.7%	3.7%	3.8%	3.7%
Interest Coverage	x1.33	x1.34	x1.31	x1.29
EBITDA to Sales	13.0%	13.0%	12.9%	12.9%
Capital Expenditures to Sales	4.7%	4.5%	5.6%	4.8%

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ECONOMIC STATISTICS AND INFORMATION

Annual Construction put into place - Census Bureau



Change in Producer Prices - Bureau of Labor Statistics



Change in Consumer Prices - Bureau of Labor Statistics



VALUATION MULTIPLES

Lodging

Acquisition multiples below are calculated medians using at least 3 US private industry transactions completed between 1/2010 and 12/2021 and are based on middle-market transactions where the market value of invested capital (the selling price) was less than \$1B. Data updated annually. Last updated: December 2021.

Valuation Multiple	MVIC/Net Sales	MVIC/Gross Profit	MVIC/EBIT	MVIC/EBITDA
Median Value	0.5	0.8	3.4	3.1

MVIC (Market Value of Invested Capital) = Also known as the selling price, the MVIC is the total consideration paid to the seller and includes any cash, notes and/or securities that were used as a form of payment plus any interest-bearing liabilities assumed by the buyer.

Net Sales = Annual Gross Sales, net of returns and discounts allowed, if any.

Gross Profit = Net Sales - Cost of Goods Sold

EBIT = Operating Profit

EBITDA = Operating Profit + Noncash Charges



Industry Websites

American Hotel & Lodging Association (AHLA)

News, statistics, publications, and newsletters.

Association of Lodging Professionals (ALP)

Industry association of B&Bs and country inns.

CoStar - Hotel News Now

Lodging industry news, trends, and market data.

Global Business Travel Association (GBTA)

Business travel and meetings organization.

Hospitality Net (HN)

Industry news, supplier news and list, events, and links.

Hospitality Trends

Industry, management, technology news, and market research.

Hotel Association of Canada

News, FAQs, events, and links.

Hotel Management (HM)

News, articles, and list of top hotel companies.

Lodging Magazine

News, trends, statistics, and publications.

National Association of RV Parks and Campgrounds (ARVC)

News and links.

Skift

Lodging and travel news.

Glossary of Acronyms

ADR - average daily room rate

B&B - bed and breakfast

RevPAR - revenue per available room

RV - recreational vehicle

UNWTO - United Nations World Tourism Organization