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Unlocking Value: Key Drivers of EBITDA Multiples in Hotel Management Company Transactions

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In the dynamic world of hospitality mergers and acquisitions, EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) multiples serve as one of the yardsticks for valuing hotel management companies. These firms, ranging from global brands like Marriott International and Hilton Worldwide to third-party operators such as Aimbridge Hospitality, Highgate, and Pyramid Global

Hospitality (the largest operators by number of rooms in 2024[1]), operate in an asset-light model that generates recurring revenue through management fees, incentive payments, and ancillary services. Unlike hotel property owners, whose valuations often hinge on real estate cap rates (typically 6-10%), lodging management companies command premiums for their scalable, high-margin cash flows.

EBITDA multiples reflect the Enterprise Value (EV) investors are willing to pay per dollar of normalized operating profit. Generally, multiples can range from 4x-9x for smaller or platform-building deals to 10x-15x+ for established managers with synergies (typically branded operators). Based on S&P Capital IQ research, public companies illustrate the upper end of the range, including Marriott International, which as of the end of February 2026 commanded a ~21.6x EV/EBITDA multiple (trailing 12-months), while Hilton Worldwide traded at ~28.6x and Hyatt Hotels Corporation at ~25.7x driven by, among other factors, resilient fee income and global scale, as well as their intellectual property value component.

Understanding the drivers behind these multiples is critical for sellers seeking premium exits, buyers chasing accretive deals, and advisors structuring transactions. This article explores the key factors influencing and informing EBITDA multiples in hotel management company M&A, drawing on industry benchmarks, recent deals, and structural characteristics of the sector. With U.S. hotel transaction volumes rebounding modestly in 2025 amid stabilizing Revenue per Available Room (RevPAR) and easing interest rates, these drivers will continue to shape deal activity and consolidation through 2026 and beyond.

The Hotel Management Landscape: Asset-Light Economics at Work

Hotel management companies earn revenues primarily from contractual fees rather than owning

brick-and-mortar assets. Base management fees (typically 2%-5% of gross revenues) provide stability, while incentive fees (e.g., 10%-20% of gross operating profit above hurdles) align interests with owners and introduce upside. Franchise fees add another layer for branded operators (5-6% of rooms revenue plus marketing contributions). The model delivers high incremental margins — often 70%-90% on additional rooms under contract — because incremental costs are minimal once human capital, systems, and programs are in place.

This asset-light structure decouples valuation from property-specific risks like capex cycles or financing costs, focusing instead on the predictability and growth of fee streams. Public hotel companies have traded at elevated multiples (averaging 18x-27x in recent years) precisely because investors reward this scalability and resilience.

A few publicly available examples underscore the range. Hyatt's 2018 acquisition of Two Roads Hospitality (completed 2018 with adjustments) was priced at approximately 12x stabilized 2021 EBITDA on a base-plus-contingent basis ($405 million acquisition price plus $96 million potential additional consideration), valuing the lifestyle brand portfolio and development pipeline at $501 million (including $96 million in potential additional consideration).[2] In 2019, Ashford Hospitality Trust acquired Remington Hotels for $275 million, equating to approximately 11.8x on 2018 adjusted EBITDA of $23.4 million. The deal added nearly 90 hotels and 17,400 rooms, enhanced operating scale, and increased earning potential for the REIT.[3] In 2022, Ashford paid around $26 million (including earn-outs) for Chesapeake Hospitality, implying ~4.9x on 2024 EBITDA contribution of $5.3 million, a deal that was aimed at accelerating geographic and third-party diversification.[4]

These transactions illustrate that multiples are not static; they compress or expand based on a myriad

of company-specific, industry, and macroeconomic drivers.

Scale and Portfolio Size — The Power of Critical Mass

Scale is perhaps one of the main factors driving EBITDA multiples, which reward companies that deliver more predictable, scalable, and strong cash flows with lower risk and higher growth potential. Larger portfolios (measured by rooms under management, number of properties, and/or geographic/brand diversity) directly amplify these attributes.

Hotel management companies have a high, fixed cost base at the corporate level generally including executive leadership, finance/accounting, legal/compliance, HR/training, national sales and marketing teams, IT infrastructure (property management systems, revenue management systems, central reservations, data analytics platforms), and brand/franchisor relations. These costs grow slowly (or not at all) as the portfolio expands, while revenue, primarily management fees (base + incentive), plus ancillary revenue from procurement or technical services (to name a few), scales almost linearly with rooms under management.

In addition, larger managed portfolios deliver economies of scale in areas such as procurement, labor optimization, technology systems, and centralized services (e.g., accounting, sales and marketing, revenue management). These operating efficiencies typically translate into higher EBITDA margins for hotels in these operating platforms compared to fragmented, individually managed properties. While this margin lift accrues first to hotel owners, it makes the scaled manager far more attractive to owners, driving contract wins, retention, and often higher fee structures and/or more favorable management terms.

In short, scale commands higher multiples for this proven operating leverage because post-acquisition margins can expand further, making the deal immediately accretive.

Quality, Duration, and Visibility of Hotel Management Agreements (HMAs)

Quality, duration, and visibility drive how “sticky” and predictable a hotel management company’s HMA (and EBITDA) is perceived to be. Predictable cash flows command premium multiples.

Quality refers to the economic strength and protective terms of individual HMAs. Essentially, how reliably and profitably they generate fees while resisting termination or erosion. Investors typically assess key elements such as, but not limited to:

- *Fee structure*: Higher base % of revenue, scaled/tiered incentive fees tied to strong performance thresholds (incentive fee structures add upside but can make EBITDA more volatile) and/or favorable definitions of Gross Operating Profit (GOP) / Adjusted GOP that minimize owner deductions.
- *Termination provisions*: Limited to “for cause” only, high performance-test hurdles, generous cure rights, and termination fees payable to the operator. Investors scrutinize “terminability risk” (i.e., how easily owners can switch managers) and favor portfolios with staggered expiration dates.
- *Other protections*: Limited or no owner’s priority return before incentives, area-of-protection/exclusivity clauses (for branded operators), narrow change of control provisions, alignment of interests via key-money claw backs or performance guarantees.

High-quality contracts deliver stickier, higher-margin EBITDA with lower downside risk. Fees are more resilient in downturns, and the operator retains more upside. This supports higher growth

rates and lower risk premiums in valuations. Low-quality contracts (easy termination, low fees, aggressive owner priorities, or weak performance tests) create earnings volatility and potential sudden EBITDA loss, leading investors to apply discounts or haircut projections.

Duration measures the weighted-average remaining term across the portfolio, including initial terms, renewal options, and expected extensions. Longer terms create a more visible cash-flow tail, reducing near-term reinvestment or replacement risk. Investors typically underwrite with greater confidence, applying lower discount rates and higher exit multiples. Short duration (e.g., HMAs with terms ranging between 1-3 years) introduces churn risk, potential fee renegotiation pressure, and additional investment to secure replacements, all of which increase risk and compress multiples.

Visibility refers to how clearly and confidently future EBITDA can be forecasted from the existing portfolio, plus the strength of the development pipeline. This predictability typically factors elements such as: 1) the percentage of EBITDA locked for the next 5-10 years; 2) portfolio diversification (i.e., multiple geographies, segments, and brands, low ownership concentration, etc.); 3) historical HMA renewal/retention rates; 4) demonstrated ability to re-link HMAs (i.e., securing a new management deal with a new owner for the same hotel after the existing HMA is terminated upon sale); 5) performance-test failure history; and 6) pipeline transparency and probability (signed but unopened deals, development agreements with committed openings), among others.

High visibility allows investors to employ tighter forecasting ranges and lower risk adjustments. Low visibility (short-term or at-risk contracts, high ownership concentration, opaque pipeline, or frequent performance-test exposure) forces higher discount rates and conservative growth assumptions, which lower implied multiples.

Overall, strong HMA attributes de-risk the business, support aggressive underwriting, and drive premium EBITDA multiples in M&A valuations. Weak attributes often lead to discounts.

Growth Prospects and Development Pipeline

In hotel management company transactions, EBITDA multiples are not just a reflection of current performance, they are a forward-looking estimate on the company's ability to increase future earnings. Growth also signals scalability, brand strength/recognition, and market share gains, which are key in a competitive industry where owners engage managers based on their ability to drive top-line performance and bottom-line gains.

Investors typically model future fee revenue growth by factoring in organic RevPAR growth, new HMA signings, conversions, and international expansion (if applicable). To that end, development pipelines (i.e., signed or near-signed HMA agreements for hotels yet to open) offer the most tangible, de-risked form of growth prospects for a hotel management company. Unlike vague "growth plans," pipeline rooms are typically attached to executed HMAs, giving investors higher confidence in modeling future management fees.

Companies with robust pipelines trade at higher multiples because each new room is EBITDA accretive given the "capital efficiency" nature of this asset-light model only requiring small incremental growth in corporate overhead. Investors routinely run "pipeline-adjusted" or pro forma models where a large pipeline can add meaningful EBITDA within 2-4 years (as hotels ramp up). This justifies a higher headline multiple on current (pre-pipeline) EBITDA or a lower effective multiple on pro forma earnings.

It is important to note that not all pipelines are created equal. In M&A due diligence, prospective investors apply adjustments to the committed

pipeline based on the status of each HMA and the project's transition probability, as more fully illustrated in the sample below.

HMA Status	Probability Weight	Impact on Valuation
Verbally Awarded / Under Negotiation	10% – 30%	Viewed as highly uncertain; low impact on multiple
Signed Term Sheet	40% – 60%	Significant value though largely dependent on the profile of the deal
Signed HMA / Transition in the Future (new build)	65% – 85%	Highly certain if the developer/owner is reputable and financing is secured
Signed HMA / Transition in the Year	90%+	Treated almost as in-place EBITDA

This pipeline weighting directly dictates how much the multiple is allowed to "stretch." Further, deal-specific factors typically have an impact on weight including whether the property is an existing hotel

or a new build, the project's development stage (i.e., planning, under construction, pre-opening), and the hotel owner's profile (e.g., new vs. existing, individual vs. institutional, level of sophistication and capitalization, etc.), among others.

In M&A due diligence, it is not uncommon for development pipelines to be heavily scrutinized (e.g., legal review of agreements, construction timelines, owners' credit worthiness, etc.). Companies with thin or uncertain pipelines trade at compressed multiples because growth becomes speculative and execution risk rises.

Margin Profile, Operational Efficiency, and Synergy Potential

Lodging management platforms with high and/or improving EBITDA margins (often ranging between 35% and 50%) command higher multiples. High margins signal effective conversion of revenue into cash flow, efficient overhead structures, pricing power in fee arrangements, and resilience to hotel-industry cyclicality, all of which lower the risk of bottom-line erosion. Investors view this as "higher-quality" EBITDA, justifying a premium because each dollar of EBITDA is more valuable and predictable. Lower or inconsistent margins (e.g., due to high overhead, variable incentive fees, or exposure to underperforming hotels) increase perceived risk, leading to discounted multiples.

Within the sector, luxury/upscale management platforms or those with strong incentive-fee upside often trade at the higher end of the range (high-single digits/low-double digits) versus budget/select-service platforms (mid-single digits), partly because their margin profiles are seen as more robust and growth-oriented. In practice, sellers typically highlight normalized or "pro forma" margins (e.g., after cost optimizations), and investors model sensitivity analyses on margin sustainability. A 5-10 percentage point margin incremental has the

potential to translate into a 2x-4x uplift in the implied multiple.

On the same note, superior operational efficiency reduces risk and supports both margin expansion and scalable growth. This is typically evidenced by how effectively the management company operates its platform and the hotels it manages (measured by metrics such as RevPAR/GOPPAR performance vs market, centralized overhead ratios, labor productivity, procurement savings, and technology utilization, to name a few). Efficient management platforms deliver more consistent or higher incentive fees, lower corporate G&A as a percentage of revenue, and improved hotel performance (which attracts more owners and management contracts). Larger, more efficient operators benefit from economies of scale, which investors reward with higher multiples because the business is perceived as lower risk. Conversely, fragmented operations, high owner disputes, outdated technology, or heavy reliance on manual processes increase execution risk and integration costs (when applicable), compressing multiples.

Lastly, EBITDA multiples can also incorporate synergies (cost savings or revenue enhancements) a specific buyer expects to realize post-acquisition by combining the target company with its existing operations. This is a transaction-specific factor and one of the main reasons strategic buyers (e.g., larger chains rolling up smaller managers) frequently pay premiums (and thus higher multiples) over financial buyers (e.g., private equity firms seeking scalable platforms) or standalone trading multiples.

Cost synergies can take the form of duplicate corporate functions, eliminated technology systems and shared services, or improved purchasing power, all of which flow straight to EBITDA. Similarly, revenue synergies can improve cross-selling across brands/portfolios, provide access to new markets and owner relationships, and/or expand corporate/group account reach and contract wins.

Because these benefits increase the buyer's pro-forma EBITDA (or reduce risk), they can lead to higher entry multiples on the target's standalone EBITDA. The more credible and quantifiable the synergies (backed by detailed integration plans), the higher the multiple a buyer can justify while still hitting its hurdle IRR or accretion targets.

Additional Factors Impacting EBITDA Multiples

Geographic, brand, owner profile, and segment diversification reduce cyclicality and support higher multiples. International exposure hedges domestic downturns, while a mix of luxury, upscale, select-service, and extended-stay balance risk. Lower customer concentration (no single owner accounting for more than 25% of management fees) and strong owner relationships (track record of renewals/extensions) mitigate termination risk and boost multiples.

Broader macroeconomic factors set the multiple baseline. Strong RevPAR outlook, leisure/business travel recovery, and low supply growth expand multiples; rising interest rates compress them by elevating WACC and buyer return hurdles. In 2023-2024, elevated rates pressured multiples downward, but 2025 stabilization (coupled with unique, deal-specific situations) has supported EBITDA multiple improvement across some private deals.

As noted above, strategic buyers often pay higher multiples due to synergies, market share gains, and cost-of-capital advantages. Financial buyers on the other hand focus on leveraged buyout models and may apply lower multiples unless a clear exit path exists (e.g., via IPO or secondary sale). Seller motivations (liquidity events, succession, or capital for growth) also influence negotiated multiples, as do the team and platform in place to execute an acquisition strategy and whether a broad or narrow sales process is undertaken.

Counterbalancing the upside are risks that can erode multiples including high owner concentration, short remaining contract terms, litigation exposure (management disputes), integration failures, or macroeconomic shocks (e.g., pandemics exposing fee volatility). Discounts may also apply for "key person" risk in founder-led firms or unproven international operations.

Navigating Multiples in a Consolidating Industry

EBITDA multiples in hotel management company transactions are ultimately a function of cash flow quality, scalability, and growth visibility within the asset-light paradigm. Scale, contract durability, and operational leverage consistently drive premiums. In today's environment — marked by continued consolidation, recovering travel demand, and selective capital deployment — sellers with strong attributes and clear synergies can target the upper end of the EBITDA multiple range, while buyers must underwrite normalization adjustments and execution risks rigorously.

As the sector matures toward even greater professionalization and technology enablement, continued bifurcation may be evidenced: elite platforms will sustain or expand multiples, while undifferentiated operators will face compression. For participants in this market, a deep dive into HMA portfolios, normalized run-rate EBITDA, and synergy modeling is the foundation of successful transactions. Whether pursuing a strategic bolt-on or a transformative platform sale, aligning on these key drivers will determine who captures the greatest value in hotel management M&A.

[1] Hotel Business Green Book Directory & Market Guide, Management Companies Report 2026.

[2] https://newsroom.hyatt.com/113018-Hyatt-Completes-Acquisition-of-Two-Roads-Hospitality.

[3] https://www.prnewswire.com/news-releases/ashford-announces-definitive-agreement-to-acquire-remingtons-hotel-management-business-300860547.html

[4] https://www.prnewswire.com/news-releases/ashford-announces-acquisition-of-chesapeake-hospitality-to-accelerate-growth-of-its-hotel-management-business-301527008.html.