

Hyatt Hotels Corporation

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Reconciliation of Non-GAAP Measure: Reconciliation of Net Income Attributable to Hyatt Hotels Corporation to EBITDA and EBITDA to Adjusted EBITDA and Total Revenues to Adjusted Revenues

(in millions)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2019	2018	Change (\$)	Change (%)	2019	2018	Change (\$)	Change (%)
Net income attributable to Hyatt Hotels Corporation	\$ 86	\$ 77	\$ 9	10.6 %	\$ 149	\$ 488	\$ (339)	(69.6)%
Interest expense	20	19	1	8.0 %	39	38	1	4.5 %
Provision for income taxes	19	25	(6)	(22.1)%	39	175	(136)	(77.9)%
Depreciation and amortization	83	79	4	4.7 %	163	162	1	0.6 %
EBITDA	208	200	8	4.0 %	390	863	(473)	(54.8)%
Contra revenue	6	5	1	11.5 %	11	10	1	8.2 %
Revenues for the reimbursement of costs incurred on behalf of managed and franchised properties	(619)	(502)	(117)	(23.5)%	(1,209)	(958)	(251)	(26.2)%
Costs incurred on behalf of managed and franchised properties	633	500	133	26.6 %	1,238	960	278	29.0 %
Equity (earnings) losses from unconsolidated hospitality ventures	(6)	(2)	(4)	(130.5)%	(3)	11	(14)	(125.7)%
Stock-based compensation expense	4	5	(1)	(6.4)%	24	23	1	3.6 %
Gains on sales of real estate	—	(1)	1	100.0 %	(1)	(530)	529	99.8 %
Asset impairments	1	—	1	NM	4	—	4	NM
Other (income) loss, net	(28)	(5)	(23)	(481.3)%	(79)	13	(92)	(696.7)%
Pro rata share of unconsolidated hospitality ventures	14	18	(4)	(18.6)%	25	28	(3)	(8.6)%
Adjusted EBITDA	\$ 213	\$ 218	\$ (5)	(2.1)%	\$ 400	\$ 420	\$ (20)	(4.6)%
	Three Months Ended June 30,				Six Months Ended June 30,			
	2019	2018	Change (\$)	Change (%)	2019	2018	Change (\$)	Change (%)
Total revenues	\$ 1,289	\$ 1,133	\$ 156	13.8 %	\$ 2,530	\$ 2,242	\$ 288	12.8 %
Add: Contra revenue	6	5	1	11.5 %	11	10	1	8.2 %
Less: Revenues for the reimbursement of costs incurred on behalf of managed and franchised properties	(619)	(502)	(117)	(23.5)%	(1,209)	(958)	(251)	(26.2)%
Adjusted revenues	\$ 676	\$ 636	\$ 40	6.1 %	\$ 1,332	\$ 1,294	\$ 38	2.9 %
Adjusted EBITDA Margin % Change in Constant Currency	31.6%	34.2%		(2.6)%	30.1%	32.4%		(2.3)%

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Reconciliation of Non-GAAP Measure: Guidance: Net Income Attributable to Hyatt Hotels Corporation to EBITDA and EBITDA to Adjusted EBITDA

For the Year Ended December 31, 2019

No additional disposition or acquisition activity beyond what has been completed as of the date of this release has been included in the forecast. The Company's outlook is based on a number of assumptions that are subject to change and many of which are outside the control of the Company. If actual results vary from these assumptions, the Company's expectations may change. There can be no assurance that the Company will achieve these results.

(in millions)

	2019 Forecast Range	
	Low Case	High Case
Net income attributable to Hyatt Hotels Corporation	\$ 231	\$ 275
Interest expense	79	78
Provision for income taxes	85	91
Depreciation and amortization	340	335
EBITDA	735	779
Contra revenue	21	21
Costs incurred on behalf of managed and franchised properties, net of revenues for the reimbursement of costs	80	70
Equity losses from unconsolidated hospitality ventures	5	—
Stock-based compensation expense	33	33
(Gains) on sales of real estate	(101)	(103)
Asset impairments	4	4
Other (income) loss, net	(76)	(87)
Pro rata share of unconsolidated hospitality ventures	54	58
Adjusted EBITDA	\$ 755	\$ 775
Adjusted EBITDA change, compared to prior year	(3)%	—%
Impact of foreign exchange	\$ (10)	\$ (5)
Adjusted EBITDA change, compared to prior year (in constant \$)	(2)%	—%

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Reconciliation of Non-GAAP Measure: Earnings per Diluted Share and Net Income Attributable to Hyatt Hotels Corporation, to Earnings per Diluted Share, Adjusted for Special Items and Adjusted Net Income Attributable to Hyatt Hotels Corporation - Three Months Ended June 30, 2019 and June 30, 2018

(in millions, except per share amounts)

	Location on Condensed Consolidated Statements of Income	Three Months Ended June 30,	
		2019	2018
Net income attributable to Hyatt Hotels Corporation		\$ 86	\$ 77
Earnings per diluted share		\$ 0.80	\$ 0.66
Special items			
Unrealized gains (a)	Other income (loss), net	(8)	(6)
Unconsolidated hospitality ventures gains (b)	Equity earnings (losses) from unconsolidated hospitality ventures	(8)	(2)
Utilization of Avendra proceeds (c)	Costs incurred on behalf of managed and franchised properties; depreciation and amortization	11	5
Fund surpluses (d)	Revenues for the reimbursement of costs incurred and costs incurred on behalf of managed and franchised properties; other income (loss), net	—	(6)
Asset impairments (e)	Asset impairments; Other income (loss), net	1	22
Other	Other income (loss), net	(2)	(4)
Special items - pre-tax		(6)	9
Income tax benefit (provision) for special items	Provision for income taxes	2	(2)
Total special items - after-tax		(4)	7
Special items impact per diluted share		\$ (0.04)	\$ 0.06
Adjusted net income attributable to Hyatt Hotels Corporation		\$ 82	\$ 84
Earnings per diluted share, adjusted for special items		\$ 0.76	\$ 0.72

(a) **Unrealized gains** - During the three months ended June 30, 2019 (Q2 2019) and June 30, 2018 (Q2 2018), we recognized unrealized gains due to the change in fair value of our marketable securities.

(b) **Unconsolidated hospitality ventures gains** - During Q2 2019, we recognized an \$8 million gain in connection with the sale of our ownership interest in an unconsolidated hospitality venture.

(c) **Utilization of Avendra proceeds** - During Q2 2019 and Q2 2018, we recognized expenses related to the partial utilization of Avendra sale proceeds for the benefit of our hotels. The gain recognized in conjunction with the sale of Avendra LLC was included as a special item during the year ended December 31, 2017.

(d) **Fund surpluses** - During Q2 2018, we recognized net surpluses on certain funds due to the timing of revenue and expense recognition that we expect will reverse in future periods.

(e) **Asset Impairments** - During Q2 2018, we recognized a \$22 million impairment charge related to an investment in an equity security.

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Reconciliation of Non-GAAP Measure: Earnings per Diluted Share and Net Income Attributable to Hyatt Hotels Corporation, to Earnings per Diluted Share, Adjusted for Special Items and Adjusted Net Income Attributable to Hyatt Hotels Corporation - Six Months Ended June 30, 2019 and June 30, 2018

(in millions, except per share amounts)

	Location on Condensed Consolidated Statements of Income	Six Months Ended June 30,	
		2019	2018
Net income attributable to Hyatt Hotels Corporation		\$ 149	\$ 488
Earnings per diluted share		\$ 1.39	\$ 4.12
Special items			
Release of contingent consideration liability (a)	Other income (loss), net	(27)	—
Unrealized (gains) losses (b)	Other income (loss), net	(20)	6
Unconsolidated hospitality ventures (c)	Equity earnings (losses) from unconsolidated hospitality ventures	(7)	4
Gains on sales of real estate (d)	Gains on sales of real estate	(1)	(530)
Utilization of Avendra proceeds (e)	Costs incurred on behalf of managed and franchised properties; depreciation and amortization	19	8
Fund deficits (surpluses) (f)	Revenues for the reimbursement of costs incurred and costs incurred on behalf of managed and franchised properties; other income (loss), net	5	(6)
Asset impairments (g)	Asset impairments; Other income (loss), net	4	22
Other	Other income (loss), net	1	(5)
Special items - pre-tax		(26)	(501)
Income tax benefit for special items	Provision for income taxes	7	135
Total special items - after-tax		(19)	(366)
Special items impact per diluted share		\$ (0.18)	\$ (3.09)
Adjusted net income attributable to Hyatt Hotels Corporation		\$ 130	\$ 122
Earnings per diluted share, adjusted for special items		\$ 1.21	\$ 1.03

(a) **Release of contingent consideration liability** - During the six months ended June 30, 2019 (YTD 2019), we recognized \$27 million of income related to the release of the contingent consideration liability recorded in connection with the acquisition of Two Roads Hospitality LLC in 2018.

(b) **Unrealized (gains) losses** - During YTD 2019 and the six months ended June 30, 2018 (YTD 2018), we recognized unrealized gains and losses, respectively, due to the change in fair value of our marketable securities.

(c) **Unconsolidated hospitality ventures** - During YTD 2019 and YTD 2018, we recognized an \$8 million gain and a \$10 million gain, respectively, attributable to sales activity related to certain unconsolidated hospitality ventures. During YTD 2018, the gain was offset by a \$16 million impairment charge.

(d) **Gains on sales of real estate** - During YTD 2018, we recognized a \$531 million gain on the portfolio sale of Andaz Maui at Wailea, Grand Hyatt San Francisco, and Hyatt Regency Coconut Point.

(e) **Utilization of Avendra proceeds** - During YTD 2019 and YTD 2018, we recognized expenses related to the partial utilization of the aforementioned Avendra LLC sale proceeds for the benefit of our hotels.

(f) **Fund deficits (surpluses)** - During YTD 2019 and YTD 2018, we recognized a net deficit and a net surplus, respectively, on certain funds due to the timing of revenue and expense recognition that we expect will reverse in future periods.

(g) **Asset impairments** - During YTD 2018, we recognized a \$22 million impairment charge related to an investment in an equity security.

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Reconciliation of Non-GAAP Measure: SG&A Expenses to Adjusted SG&A Expenses

Results of operations as presented on the condensed consolidated statements of income include expenses recognized with respect to deferred compensation plans funded through rabbi trusts. Certain of these expenses are recognized in SG&A expenses and are completely offset by the corresponding net gains and interest income from marketable securities held to fund rabbi trusts, thus having no net impact to our earnings. SG&A expenses also include expenses related to stock-based compensation. Below is a reconciliation of this measure excluding the impact of our rabbi trust investments and stock-based compensation expense.

(in millions)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2019	2018	Change (\$)	Change (%)	2019	2018	Change (\$)	Change (%)
SG&A expenses	\$ 95	\$ 83	\$ 12	15.2 %	\$ 223	\$ 178	\$ 45	24.9 %
Less: rabbi trust impact	(10)	(5)	(5)	(84.3)%	(36)	(8)	(28)	(357.3)%
Less: stock-based compensation expense	(4)	(5)	1	6.4 %	(24)	(23)	(1)	(3.6)%
Adjusted SG&A expenses	\$ 81	\$ 73	\$ 8	11.8 %	\$ 163	\$ 147	\$ 16	10.8 %

The table below provides a segment breakdown for Adjusted SG&A expenses.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2019	2018	Change (\$)	Change (%)	2019	2018	Change (\$)	Change (%)
Americas management and franchising	\$ 16	\$ 12	\$ 4	37.5 %	\$ 32	\$ 22	\$ 10	38.0 %
ASPAC management and franchising	12	12	—	(2.9)%	24	23	1	1.1 %
EAME/SW Asia management and franchising	8	8	—	4.3 %	16	17	(1)	(1.2)%
Owned and leased hotels	4	5	(1)	(0.3)%	8	9	(1)	(9.5)%
Corporate and other	41	36	5	12.0 %	83	76	7	10.8 %
Adjusted SG&A expenses	\$ 81	\$ 73	\$ 8	11.8 %	\$ 163	\$ 147	\$ 16	10.8 %

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Reconciliation of Non-GAAP Measure: Comparable Owned and Leased Hotels Operating Margin to Owned and Leased Hotels Operating Margin

Below is a reconciliation of consolidated owned and leased hotels revenues and expenses, as used in calculating comparable owned and leased hotels operating margin percentages. Results of operations as presented on the condensed consolidated statements of income include expenses recognized with respect to deferred compensation plans funded through rabbi trusts. Certain of these expenses are recognized in owned and leased hotels expenses and are completely offset by the corresponding net gains and interest income from marketable securities held to fund rabbi trusts, thus having no net impact to our earnings. Below is a reconciliation of the margins excluding the impact of our rabbi trusts and excluding the impact of non-comparable hotels.

(in millions)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2019	2018	Change (\$)	Change (%)	2019	2018	Change (\$)	Change (%)
Revenues								
Comparable owned and leased hotels	\$ 458	\$ 464	\$ (6)	(1.1)%	\$ 892	\$ 894	\$ (2)	(0.2)%
Non-comparable owned and leased hotels	32	21	11	52.8 %	68	106	(38)	(36.1)%
Owned and leased hotels revenues	\$ 490	\$ 485	\$ 5	1.2 %	\$ 960	\$ 1,000	\$ (40)	(4.0)%
Expenses								
Comparable owned and leased hotels	\$ 338	\$ 341	\$ (3)	(1.2)%	\$ 665	\$ 671	\$ (6)	(1.0)%
Non-comparable owned and leased hotels	28	15	13	96.5 %	54	69	(15)	(21.8)%
Rabbi trust impact	1	1	—	33.4 %	5	1	4	230.4 %
Owned and leased hotels expenses	\$ 367	\$ 357	\$ 10	2.7 %	\$ 724	\$ 741	\$ (17)	(2.3)%
Owned and leased hotels operating margin percentage	25.3%	26.4%		(1.1)%	24.6%	25.9%		(1.3)%
Comparable owned and leased hotels operating margin percentage	26.4%	26.3%		0.1 %	25.6%	25.0%		0.6 %