

Hyatt Hotels Corporation

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Reconciliation of Non-GAAP Financial Measure: 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 December 31,				Year Ended December 31,			
	2019	2018	Change \$	Change (%)	2019	2018	Change (\$)	Change (%)
Net income attributable to Hyatt Hotels Corporation	\$ 321	\$ 44	\$ 277	621.5 %	\$ 766	\$ 769	\$ (3)	(0.4)%
Interest expense	17	19	(2)	(8.8)%	75	76	(1)	(1.2)%
Provision (benefit) for income taxes	92	(12)	104	794.3 %	240	182	58	32.2 %
Depreciation and amortization	81	84	(3)	(3.6)%	329	327	2	0.7 %
EBITDA	511	135	376	281.5 %	1,410	1,354	56	4.2 %
Contra revenue	6	5	1	16.4 %	22	20	2	11.5 %
Revenues for the reimbursement of costs incurred on behalf of managed and franchised properties	(635)	(509)	(126)	(24.8)%	(2,461)	(1,956)	(505)	(25.9)%
Costs incurred on behalf of managed and franchised properties	649	534	115	21.6 %	2,520	1,981	539	27.2 %
Equity earnings (losses) from unconsolidated hospitality ventures	8	(25)	33	133.2 %	10	(8)	18	215.1 %
Stock-based compensation expense	7	1	6	521.4 %	35	29	6	19.9 %
Gains on sales of real estate	(349)	(3)	(346)	NM	(723)	(772)	49	6.3 %
Asset impairments	5	4	1	12.8 %	18	25	(7)	(27.2)%
Other (income) loss, net	(23)	27	(50)	(186.2)%	(127)	49	(176)	(358.6)%
Pro rata share of unconsolidated hospitality ventures Adjusted EBITDA	12	13	(1)	(4.1)%	50	55	(5)	(8.4)%
Adjusted EBITDA	\$ 191	\$ 182	\$ 9	5.3 %	\$ 754	\$ 777	\$ (23)	(2.9)%
	Three Months Ended December 31,				Year Ended December 31,			
	2019	2018	Change (\$)	Change (%)	2019	2018	Change (\$)	Change (%)
Total revenues	\$ 1,275	\$ 1,138	\$ 137	12.1 %	\$ 5,020	\$ 4,454	\$ 566	12.7 %
Add: Contra revenue	6	5	1	16.4 %	22	20	2	11.5 %
Less: Revenues for the reimbursement of costs incurred on behalf of managed and franchised properties	(635)	(509)	(126)	(24.8)%	(2,461)	(1,956)	(505)	(25.9)%
Adjusted revenues	\$ 646	\$ 634	\$ 12	2.0 %	\$ 2,581	\$ 2,518	\$ 63	2.5 %
Adjusted EBITDA Margin %	29.7%	28.7%		1.0%	29.2%	30.9%		(1.7)%
Adjusted EBITDA Margin % Change in Constant Currency				1.0%				(1.7)%

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Reconciliation of Non-GAAP Financial Measure: Guidance: Net Income Attributable to Hyatt Hotels Corporation to EBITDA and EBITDA to Adjusted EBITDA
For the Year Ended December 31, 2020

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)

	2020 Forecast Range	
	Low Case	High Case
Net income attributable to Hyatt Hotels Corporation	\$ 113	\$ 144
Interest expense	77	77
Provision for income taxes	44	50
Depreciation and amortization	332	328
EBITDA	566	599
Contra revenue	23	23
Costs incurred on behalf of managed and franchised properties, net of revenues for the reimbursement of costs	92	82
Equity (earnings) losses from unconsolidated hospitality ventures	2	6
Stock-based compensation expense	36	36
Gains on sales of real estate and other	-	-
Asset impairments	-	-
Other (income) loss, net	(23)	(34)
Pro rata share of unconsolidated hospitality ventures Adjusted EBITDA	64	68
Adjusted EBITDA	\$ 760	\$ 780
Adjusted EBITDA (as reported) % change, compared to prior year	1%	3%
Favorable (unfavorable) impact of foreign exchange	\$ (3)	\$ 2
Adjusted EBITDA (in constant currency) % change, compared to prior year	1%	3%

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Reconciliation of Non-GAAP Financial 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 December 31, 2019 and December 31, 2018

(in millions, except per share amounts)

	Location on Consolidated Statements of Income	Three Months Ended December 31,	
		2019	2018
Net income attributable to Hyatt Hotels Corporation		\$ 321	\$ 44
Earnings per diluted share		\$ 3.08	\$ 0.40
Special items			
Gains on sales of real estate (a)	Gains on sales of real estate	(349)	(3)
Gain on sale of contractual right (b)	Other income (loss), net	(16)	—
Unrealized (gains) losses (c)	Other income (loss), net	(3)	26
Utilization of Avendra proceeds (d)	Costs incurred on behalf of managed and franchised properties; depreciation and amortization	10	14
Asset impairments (e)	Asset impairments	5	4
Fund deficits (f)	Revenues for the reimbursement of costs incurred and costs incurred on behalf of managed and franchised properties; other income (loss), net	3	10
Transaction costs (g)	Other income (loss), net	—	8
Unconsolidated hospitality ventures (h)	Equity earnings (losses) from unconsolidated hospitality ventures	—	(27)
Other	Other income (loss), net	(2)	1
Special items - pre-tax		(352)	33
Income tax benefit (provision) for special items	(Provision) benefit for income taxes	80	(8)
Total special items - after-tax		(272)	25
Special items impact per diluted share		\$ (2.61)	\$ 0.22
Adjusted net income attributable to Hyatt Hotels Corporation		\$ 49	\$ 69
Earnings per diluted share, adjusted for special items		\$ 0.47	\$ 0.62

(a) **Gains on sales of real estate** - During the three months ended December 31, 2019 (Q4 2019), we recognized a \$349 million gain on the sale of shares of the entity which owns Grand Hyatt Seoul and adjacent land. During the three months ended December 31, 2018 (Q4 2018), we recognized a \$4 million gain on the sale of a Hyatt House hotel.

(b) **Gain on sale of contractual right** - During Q4 2019, we recognized a \$16 million gain on the sale of our contractual right to purchase Hyatt Regency Portland at the Oregon Convention Center.

(c) **Unrealized (gains) losses** - During Q4 2019 and Q4 2018, we recognized unrealized gains and losses, respectively, due to the change in fair value of our marketable securities.

(d) **Utilization of Avendra proceeds** - During Q4 2019 and Q4 2018, we recognized expenses related to the partial utilization of the Avendra LLC 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.

(e) **Asset impairments** - During Q4 2019, we recognized a \$5 million impairment charge related to intangible assets. During Q4 2018, we recognized a \$4 million goodwill impairment charge.

- (f) **Fund deficits** - During Q4 2019 and Q4 2018, we recognized net deficits on certain funds due to the timing of revenue and expense recognition that we expect will reverse in future periods.
- (g) **Transaction costs** - During Q4 2018, we recognized \$8 million of transaction costs related to the acquisition of Two Roads.
- (h) **Unconsolidated hospitality ventures** - During Q4 2018, we recognized a \$28 million net gain in connection with the sale of our ownership interest in an unconsolidated hospitality venture.

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Reconciliation of Non-GAAP Financial 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 - Year Ended December 31, 2019 and December 31, 2018

(in millions, except per share amounts)

	Location on Consolidated Statements of Income	Year Ended December 31,	
		2019	2018
Net income attributable to Hyatt Hotels Corporation		\$ 766	\$ 769
Earnings per diluted share		\$ 7.21	\$ 6.68
Special items			
Gains on sales of real estate (a)	Gains on sales of real estate	(723)	(772)
Release of contingent consideration liability (b)	Other income (loss), net	(30)	—
Unrealized (gains) losses (c)	Other income (loss), net	(26)	47
Gain on sale of contractual right (d)	Other income (loss), net	(16)	—
Unconsolidated hospitality ventures (e)	Equity earnings (losses) from unconsolidated hospitality ventures	(1)	(24)
Utilization of Avendra proceeds (f)	Costs incurred on behalf of managed and franchised properties; depreciation and amortization	40	27
Asset impairments (g)	Asset impairments; other income (loss), net	18	47
Fund (surpluses) deficits (h)	Revenues for the reimbursement of costs incurred and costs incurred on behalf of managed and franchised properties; other income (loss), net	12	(1)
Transaction costs (i)	Other income (loss), net	1	10
Pre-condemnation income (j)	Other income (loss), net	—	(4)
Loss on extinguishment of debt (k)	Other income (loss), net	—	7
Other (l)	Other income (loss), net	(2)	—
Special items - pre-tax		(727)	(663)
U.S. tax reform impact (m)	(Provision) benefit for income taxes	—	1
Income tax benefit for special items	(Provision) benefit for income taxes	179	121
Total special items - after-tax		(548)	(541)
Special items impact per diluted share		\$ (5.16)	\$ (4.70)
Adjusted net income attributable to Hyatt Hotels Corporation		\$ 218	\$ 228
Earnings per diluted share, adjusted for special items		\$ 2.05	\$ 1.98

(a) **Gains on sales of real estate** - During the year ended December 31, 2019 (YTD 2019), we recognized a \$349 million gain on the sale of shares of the entity which owns Grand Hyatt Seoul and adjacent land, a \$272 million gain on the sale of Hyatt Regency Atlanta, and a \$101 million gain on the sale of the property adjacent to Grand Hyatt San Francisco and assignment of the related Apple store lease. During the year ended December 31, 2018 (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, a \$238 million gain on the sale of shares of the entity which owns Hyatt Regency Mexico City, an investment in an unconsolidated hospitality venture, and adjacent land (HRMC transaction), and a \$4 million gain on the sale of a Hyatt House hotel.

- (b) Release of contingent consideration liability** - During YTD 2019, we recognized \$30 million of income related to the release of the contingent consideration liability recorded in connection with the acquisition of Two Roads in 2018.
- (c) Unrealized (gains) losses** - During YTD 2019 and YTD 2018, we recognized unrealized gains and losses, respectively, due to the change in fair value of our marketable securities.
- (d) Gain on sale of contractual right** - During YTD 2019, we recognized a \$16 million gain on the sale of our contractual right to purchase Hyatt Regency Portland at the Oregon Convention Center.
- (e) Unconsolidated hospitality ventures** - During YTD 2019 and YTD 2018, we recognized a \$8 million gain and \$40 million of net gains, respectively, attributable to sales activity related to certain unconsolidated hospitality ventures. During YTD 2019 and YTD 2018, the gains were offset by impairment charges of \$7 million and \$16 million, respectively.
- (f) 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.
- (g) Asset impairments** - During YTD 2019, we recognized an \$18 million impairment charge related to intangible assets. During YTD 2018, we recognized a \$22 million impairment charge related to an investment in an equity security, a \$21 million goodwill impairment charge in connection with the HRMC transaction, and an additional \$4 million goodwill impairment charge.
- (h) Fund (surpluses) deficits** - 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.
- (i) Transaction costs** - During YTD 2018, we recognized \$10 million of transaction costs primarily related to the acquisition of Two Roads.
- (j) Pre-condemnation income** - During YTD 2018, we recognized \$4 million primarily related to pre-condemnation income for relinquishment of subterranean space at an owned hotel.
- (k) Loss on extinguishment of debt** - During YTD 2018, we recognized a \$7 million loss on extinguishment of debt for the redemption of our 2019 senior notes.
- (l) Other** - YTD 2019 and YTD 2018 other includes realized gains and losses, respectively, recognized on the sale of marketable securities. YTD 2018 also includes insurance settlement income.
- (m) U.S. tax reform impact** - During YTD 2018, we finalized our U.S. tax reform analysis and recognized a \$1 million net measurement period adjustment.

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

Results of operations as presented on the 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 (losses) 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 December 31,				Year Ended December 31,			
	2019	2018	Change (\$)	Change (%)	2019	2018	Change (\$)	Change (%)
SG&A expenses	\$ 111	\$ 60	\$ 51	85.6 %	\$ 417	\$ 320	\$ 97	30.2 %
Less: rabbi trust impact	(17)	25	(42)	(172.9)%	(53)	9	(62)	(693.6)%
Less: stock-based compensation expense	(7)	(1)	(6)	(521.4)%	(35)	(29)	(6)	(19.9)%
Adjusted SG&A expenses	\$ 87	\$ 84	\$ 3	3.9 %	\$ 329	\$ 300	\$ 29	9.6 %

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

	Three Months Ended December 31,				Year Ended December 31,			
	2019	2018	Change (\$)	Change (%)	2019	2018	Change (\$)	Change (%)
Americas management and franchising	\$ 15	\$ 13	\$ 2	15.5 %	\$ 62	\$ 48	\$ 14	28.0 %
ASPAC management and franchising	13	15	(2)	(9.8)%	50	50	—	(0.3)%
EAME/SW Asia management and franchising	10	9	1	4.8 %	34	34	—	0.3 %
Owned and leased hotels	2	1	1	80.2 %	16	15	1	9.0 %
Corporate and other	47	46	1	2.0 %	167	153	14	9.1 %
Adjusted SG&A expenses	\$ 87	\$ 84	\$ 3	3.9 %	\$ 329	\$ 300	\$ 29	9.6 %

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Reconciliation of Non-GAAP Financial 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 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 (losses) 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 December 31,				Year Ended December 31,			
	2019	2018	Change (\$)	Change (%)	2019	2018	Change (\$)	Change (%)
Revenues								
Comparable owned and leased hotels	\$ 406	\$ 391	\$ 15	3.7 %	\$ 1,563	\$ 1,559	\$ 4	0.3 %
Non-comparable owned and leased hotels	52	77	(25)	(32.9)%	285	359	(74)	(20.8)%
Owned and leased hotels revenues	\$ 458	\$ 468	\$ (10)	(2.3)%	\$ 1,848	\$ 1,918	\$ (70)	(3.7)%
Expenses								
Comparable owned and leased hotels	\$ 306	\$ 295	\$ 11	3.7 %	\$ 1,185	\$ 1,183	\$ 2	0.2 %
Non-comparable owned and leased hotels	44	61	(17)	(27.1)%	230	265	(35)	(13.1)%
Rabbi trust impact	4	(5)	9	165.5 %	9	(2)	11	741.7 %
Owned and leased hotels expenses	\$ 354	\$ 351	\$ 3	0.8 %	\$ 1,424	\$ 1,446	\$ (22)	(1.5)%
Owned and leased hotels operating margin percentage	22.8%	25.2%		(2.4)%	22.9%	24.6%		(1.7)%
Comparable owned and leased hotels operating margin percentage	24.6%	24.6%		— %	24.2%	24.2%		— %