

Hyatt Hotels Corporation

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Reconciliation of Non-GAAP Measure: Earnings (Losses) per Diluted Share and Net Income (Loss) Attributable to Hyatt Hotels Corporation, to Earnings (Losses) per Diluted Share, Adjusted for Special Items and Adjusted Net Income (Loss) Attributable to Hyatt Hotels Corporation - Three Months Ended March 31, 2020 and March 31, 2019

(in millions, except per share amounts)

	Location on Condensed Consolidated Statements of Income (Loss)	Three Months Ended March 31,	
		2020	2019
Net income (loss) attributable to Hyatt Hotels Corporation		\$ (103)	\$ 63
Earnings (losses) per diluted share		\$ (1.02)	\$ 0.59
Special items			
Unrealized (gains) losses (a)	Other income (loss), net	79	(12)
Fund deficits (b)	Revenues for the reimbursement of costs incurred and costs incurred on behalf of managed and franchised properties; other income (loss), net	11	5
Utilization of Avendra proceeds (c)	Costs incurred on behalf of managed and franchised properties; depreciation and amortization	10	8
Asset impairments	Asset impairments	3	3
Gains on sales of real estate (d)	Gains on sales of real estate	(8)	(1)
Release of contingent consideration liability (e)	Other income (loss), net	—	(25)
Other	Equity losses from unconsolidated hospitality ventures; other income (loss), net	(1)	2
Special items - pre-tax		94	(20)
Income tax benefit (provision) for special items	Benefit (provision) for income taxes	(26)	5
Total special items - after-tax		68	(15)
Special items impact per diluted share		\$ 0.67	\$ (0.14)
Adjusted net income (loss) attributable to Hyatt Hotels Corporation		\$ (35)	\$ 48
Earnings (losses) per diluted share, adjusted for special items		\$ (0.35)	\$ 0.45

(a) **Unrealized (gains) losses** - During the three months ended March 31, 2020 (Q1 2020) and March 31, 2019 (Q1 2019), we recognized unrealized losses and gains, respectively, due to the change in fair value of our marketable securities.

(b) **Fund deficits** - During Q1 2020 and Q1 2019, we recognized net deficits on certain funds due to the timing of revenue and expense recognition that we expect will reverse in future periods.

(c) **Utilization of Avendra proceeds** - During Q1 2020 and Q1 2019, 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.

(d) **Gains on sales of real estate** - During Q1 2020, we recognized a \$4 million pre-tax gain related to the sale of our controlling interest in entities that are developing a hotel, parking, and retail space and a \$4 million pre-tax gain on the sale of a building.

(e) **Release of contingent consideration liability** - During Q1 2019, we recognized \$25 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.

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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 (loss) 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 (losses). 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 March 31,			
	2020	2019	Change (\$)	Change (%)
SG&A expenses	\$ 47	\$ 128	\$ (81)	(63.2)%
Less: rabbi trust impact	41	(26)	67	258.0 %
Less: stock-based compensation expense	(15)	(20)	5	21.0 %
Adjusted SG&A expenses	\$ 73	\$ 82	\$ (9)	(11.4)%

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

	Three Months Ended March 31,			
	2020	2019	Change (\$)	Change (%)
Americas management and franchising (a)	\$ 18	\$ 17	\$ 1	6.8 %
ASPAC management and franchising	11	12	(1)	(11.4)%
EAME/SW Asia management and franchising	9	8	1	15.6 %
Owned and leased hotels (a)	3	4	(1)	(5.4)%
Corporate and other (a)	32	41	(9)	(24.1)%
Adjusted SG&A expenses	\$ 73	\$ 82	\$ (9)	(11.4)%

(a) Effective January 1, 2020, the results of Miraval are reported in the owned and leased hotels segment and Americas management and franchising segment. We have also reflected these changes to the three months ended March 31, 2019.

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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 (loss) 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 (losses). 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 March 31,		Change (\$)	Change (%)
	2020	2019		
Revenues				
Comparable owned and leased hotels	\$ 323	\$ 418	\$ (95)	(22.8)%
Non-comparable owned and leased hotels	—	52	(52)	(99.4)%
Owned and leased hotels revenues	<u>\$ 323</u>	<u>\$ 470</u>	<u>\$ (147)</u>	<u>(31.2)%</u>
Expenses				
Comparable owned and leased hotels	\$ 276	\$ 313	\$ (37)	(11.9)%
Non-comparable owned and leased hotels	3	40	(37)	(92.3)%
Rabbi trust impact	(7)	4	(11)	(260.0)%
Owned and leased hotels expenses	<u>\$ 272</u>	<u>\$ 357</u>	<u>\$ (85)</u>	<u>(23.9)%</u>
Owned and leased hotels operating margin percentage	<u>15.8%</u>	<u>23.9%</u>		<u>(8.1)%</u>
Comparable owned and leased hotels operating margin percentage	<u>14.5%</u>	<u>25.1%</u>		<u>(10.6)%</u>