

Hyatt Hotels Corporation

Table of Contents

Financial Information (unaudited)

- 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
- 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, 2020 and June 30, 2019
- 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, 2020 and June 30, 2019
- Reconciliation of Non-GAAP Measure: SG&A Expenses to Adjusted SG&A Expenses
- Reconciliation of Non-GAAP Measure: Comparable Owned and Leased Hotels Operating Margin to Owned and Leased Hotels Operating Margin

Hyatt Hotels Corporation

Reconciliation of Non-GAAP Measure: Reconciliation of Net Income (Loss) Attributable to Hyatt Hotels Corporation to EBITDA and EBITDA to Adjusted EBITDA and Total Revenues to Adjusted Revenues *(in millions)*

	<u>Three Months Ended June 30,</u>				<u>Six Months Ended June 30,</u>			
	<u>2020</u>	<u>2019</u>	<u>Change (\$)</u>	<u>Change (%)</u>	<u>2020</u>	<u>2019</u>	<u>Change (\$)</u>	<u>Change (%)</u>
Net income (loss) attributable to Hyatt Hotels Corporation	\$ (236)	\$ 86	\$ (322)	(376.0)%	\$ (339)	\$ 149	\$ (488)	(327.9)%
Interest expense	35	20	15	70.0 %	52	39	13	31.5 %
(Benefit) provision for income taxes	(94)	19	(113)	(587.6)%	(129)	39	(168)	(433.4)%
Depreciation and amortization	73	83	(10)	(11.4)%	153	163	(10)	(5.9)%
EBITDA	(222)	208	(430)	(207.0)%	(263)	390	(653)	(167.5)%
Contra revenue	7	6	1	20.6 %	13	11	2	21.8 %
Revenues for the reimbursement of costs incurred on behalf of managed and franchised properties	(215)	(619)	404	65.4 %	(748)	(1,209)	461	38.2 %
Costs incurred on behalf of managed and franchised properties	235	633	(398)	(62.9)%	790	1,238	(448)	(36.2)%
Equity (earnings) losses from unconsolidated hospitality ventures	23	(6)	29	508.3 %	25	(3)	28	997.1 %
Stock-based compensation expense	2	4	(2)	(62.8)%	17	24	(7)	(29.1)%
Gains on sales of real estate	—	—	—	NM	(8)	(1)	(7)	(765.9)%
Asset impairments	49	1	48	NM	52	4	48	NM
Other (income) loss, net	14	(28)	42	150.7 %	95	(79)	174	220.0 %
Pro rata share of unconsolidated owned and leased hospitality ventures Adjusted EBITDA	(10)	14	(24)	(169.7)%	(4)	25	(29)	(115.6)%
Adjusted EBITDA	\$ (117)	\$ 213	\$ (330)	(154.6)%	\$ (31)	\$ 400	\$ (431)	(107.7)%
	<u>Three Months Ended June 30,</u>				<u>Six Months Ended June 30,</u>			
	<u>2020</u>	<u>2019</u>	<u>Change (\$)</u>	<u>Change (%)</u>	<u>2020</u>	<u>2019</u>	<u>Change (\$)</u>	<u>Change (%)</u>
Total revenues	\$ 250	\$ 1,289	\$ (1,039)	(80.6)%	\$ 1,243	\$ 2,530	\$ (1,287)	(50.9)%
Add: Contra revenue	7	6	1	20.6 %	13	11	2	21.8 %
Less: Revenues for the reimbursement of costs incurred on behalf of managed and franchised properties	(215)	(619)	404	65.4 %	(748)	(1,209)	461	38.2 %
Adjusted revenues	\$ 42	\$ 676	\$ (634)	(93.7)%	\$ 508	\$ 1,332	\$ (824)	(61.8)%
Adjusted EBITDA Margin %	(274.6)%	31.6%		(306.2)%	(6.0)%	30.1%		(36.1)%
Adjusted EBITDA Margin % Change in Constant Currency				(306.0)%				(36.0)%

Hyatt Hotels Corporation

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 June 30, 2020 and June 30, 2019
(in millions, except per share amounts)

	Location on Condensed Consolidated Statements of Income (Loss)	Three Months Ended June 30,	
		2020	2019
Net income (loss) attributable to Hyatt Hotels Corporation		\$ (236)	\$ 86
Earnings (losses) per diluted share		\$ (2.33)	\$ 0.80
Special items			
Asset impairments (a)	Asset impairments	49	1
Restructuring expenses (b)	Other income (loss), net	47	—
Fund deficits (c)	Revenues for the reimbursement of costs incurred and costs incurred on behalf of managed and franchised properties; other income (loss), net	12	—
Utilization of Avendra and other proceeds (d)	Costs incurred on behalf of managed and franchised properties; depreciation and amortization	9	11
Unrealized gains (e)	Other income (loss), net	(35)	(8)
Unconsolidated hospitality ventures (f)	Equity earnings (losses) from unconsolidated hospitality ventures	(2)	(8)
Realized gains	Other income (loss), net	(3)	—
Other	Other income (loss), net	—	(2)
Special items - pre-tax		77	(6)
Income tax benefit (provision) for special items	Benefit (provision) for income taxes	(24)	2
Total special items - after-tax		53	(4)
Special items impact per diluted share		\$ 0.53	\$ (0.04)
Adjusted net income (loss) attributable to Hyatt Hotels Corporation		\$ (183)	\$ 82
Earnings (losses) per diluted share, adjusted for special items		\$ (1.80)	\$ 0.76

(a) **Asset impairments** - During the three months ended June 30, 2020 (Q2 2020), we recognized \$49 million of impairment charges related to goodwill, property and equipment, operating lease right-of-use assets, and definite-lived intangibles.

(b) **Restructuring expenses** - During Q2 2020, we recognized \$47 million in restructuring expenses related to severance and related charges as a result of the COVID-19 pandemic.

(c) **Fund deficits** - During Q2 2020, we recognized net deficits on certain funds due to the timing of revenue and expense recognition that we expect will reverse in future periods.

(d) **Utilization of Avendra and other proceeds** - During Q2 2020 and the three months ended June 30, 2019 (Q2 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.

(e) **Unrealized gains** - During Q2 2020 and Q2 2019, we recognized unrealized gains due to the change in fair value of our marketable securities.

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

Hyatt Hotels Corporation

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 - Six Months Ended June 30, 2020 and June 30, 2019
(in millions, except per share amounts)

	Location on Condensed Consolidated Statements of Income (Loss)	Six Months Ended June 30,	
		2020	2019
Net income (loss) attributable to Hyatt Hotels Corporation		\$ (339)	\$ 149
Earnings (losses) per diluted share		\$ (3.35)	\$ 1.39
Special items			
Asset impairments (a)	Asset impairments	52	4
Restructuring expenses (b)	Other income (loss), net	47	—
Unrealized (gains) losses (c)	Other income (loss), net	44	(20)
Utilization of Avendra and other proceeds (d)	Costs incurred on behalf of managed and franchised properties; depreciation and amortization	23	19
Fund deficits (e)	Revenues for the reimbursement of costs incurred and costs incurred on behalf of managed and franchised properties; other income (loss), net	19	5
Gains on sales of real estate (f)	Gains on sales of real estate	(8)	(1)
Realized gains	Other income (loss), net	(4)	—
Unconsolidated hospitality ventures (g)	Equity earnings (losses) from unconsolidated hospitality ventures	(2)	(7)
Release of contingent consideration liability (h)	Other income (loss), net	—	(27)
Other	Other income (loss), net	—	1
Special items - pre-tax		171	(26)
Income tax benefit (provision) for special items	Benefit (provision) for income taxes	(50)	7
Total special items - after-tax		121	(19)
Special items impact per diluted share		\$ 1.20	\$ (0.18)
Adjusted net income (loss) attributable to Hyatt Hotels Corporation		\$ (218)	\$ 130
Earnings (losses) per diluted share, adjusted for special items		\$ (2.15)	\$ 1.21

(a) **Asset impairments** - During the six months ended June 30, 2020 (YTD 2020), we recognized \$52 million of impairment charges related to goodwill, property and equipment, operating lease right-of-use assets, and definite-lived intangibles.

(b) **Restructuring expenses** - During Q2 2020, we recognized \$47 million in restructuring expenses related to severance and related charges as a result of the COVID-19 pandemic.

(c) **Unrealized (gains) losses** - During YTD 2020 and the six months ended June 30, 2019 (YTD 2019), we recognized unrealized losses and gains, respectively, due to the change in fair value of our marketable securities.

(d) **Utilization of Avendra and other proceeds** - During YTD 2020 and YTD 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.

(e) **Fund deficits** - During YTD 2020 and YTD 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.

(f) **Gains on sales of real estate** - During YTD 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.

(g) **Unconsolidated hospitality ventures** - During YTD 2019, we recognized an \$8 million gain attributable to sales activity related to certain unconsolidated hospitality ventures.

(h) **Release of contingent consideration liability** - During 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.

Hyatt Hotels Corporation

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 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 June 30,				Six Months Ended June 30,			
	2020	2019	Change (\$)	Change (%)	2020	2019	Change (\$)	Change (%)
SG&A expenses	\$ 101	\$ 95	\$ 6	5.6 %	\$ 148	\$ 223	\$ (75)	(33.8)%
Less: rabbi trust impact	(42)	(10)	(32)	(348.4)%	(1)	(36)	35	97.8 %
Less: stock-based compensation expense	(2)	(4)	2	62.8 %	(17)	(24)	7	29.1 %
Adjusted SG&A expenses	\$ 57	\$ 81	\$ (24)	(29.9)%	\$ 130	\$ 163	\$ (33)	(20.6)%

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

	Three Months Ended June 30,				Six Months Ended June 30,			
	2020	2019	Change (\$)	Change (%)	2020	2019	Change (\$)	Change (%)
Americas management and franchising (a)	\$ 9	\$ 16	\$ (7)	(45.3)%	\$ 27	\$ 33	\$ (6)	(19.5)%
ASPAC management and franchising	7	12	(5)	(37.2)%	18	24	(6)	(24.4)%
EAME/SW Asia management and franchising	13	8	5	51.1 %	22	16	6	33.7 %
Owned and leased hotels (a)	4	4	—	(27.1)%	7	8	(1)	(17.6)%
Corporate and other (a)	24	41	(17)	(38.8)%	56	82	(26)	(31.2)%
Adjusted SG&A expenses	\$ 57	\$ 81	\$ (24)	(29.9)%	\$ 130	\$ 163	\$ (33)	(20.6)%

(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 and six months ended June 30, 2019.

Hyatt Hotels Corporation

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 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)

	<u>Three Months Ended June 30,</u>			<u>Six Months Ended June 30,</u>				
	<u>2020</u>	<u>2019</u>	<u>Change (\$)</u>	<u>Change (%)</u>	<u>2020</u>	<u>2019</u>	<u>Change (\$)</u>	<u>Change (%)</u>
Revenues								
Comparable owned and leased hotels	\$ 19	\$ 436	\$ (417)	(95.7)%	\$ 342	\$ 854	\$ (512)	(60.0)%
Non-comparable owned and leased hotels	—	54	(54)	(99.7)%	—	106	(106)	(99.6)%
Owned and leased hotels revenues	\$ 19	\$ 490	\$ (471)	(96.1)%	\$ 342	\$ 960	\$ (618)	(64.4)%
Expenses								
Comparable owned and leased hotels	\$ 84	\$ 324	\$ (240)	(74.1)%	\$ 360	\$ 637	\$ (277)	(43.5)%
Non-comparable owned and leased hotels	1	42	(41)	(96.2)%	4	82	(78)	(94.3)%
Rabbi trust impact	7	1	6	348.5%	—	5	(5)	(101.1)%
Owned and leased hotels expenses	\$ 92	\$ 367	\$ (275)	(74.8)%	\$ 364	\$ 724	\$ (360)	(49.7)%
Owned and leased hotels operating margin percentage	(382.5)%	25.3%		(407.8)%	(6.5)%	24.6%		(31.1)%
Comparable owned and leased hotels operating margin percentage	(341.1)%	25.8%		(366.9)%	(5.3)%	25.5%		(30.8)%