

Hyatt Hotels Corporation

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Hyatt Hotels Corporation

Reconciliation of Non-GAAP to GAAP Measure: Adjusted EBITDA to EBITDA and a Reconciliation of EBITDA to Net Income Attributable to Hyatt Hotels Corporation
For the Three and Nine Months Ended September 30, 2016 and September 30, 2015

The table below provides a reconciliation of consolidated Adjusted EBITDA to EBITDA and a reconciliation of EBITDA to net income attributable to Hyatt Hotels Corporation. Adjusted EBITDA, as the Company defines it, is a non-GAAP financial measure. See Definitions for our definition of Adjusted EBITDA and why we present it.

(in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Adjusted EBITDA (a)	\$ 192	\$ 171	\$ 613	\$ 571
Equity earnings (losses) from unconsolidated hospitality ventures	25	(17)	46	(46)
Stock-based compensation expense (a)	(1)	1	(21)	(20)
Asset impairments	—	(5)	—	(5)
Gains (losses) on sales of real estate	—	—	(21)	9
Other income (loss), net	4	11	1	(3)
Pro rata share of unconsolidated hospitality ventures Adjusted EBITDA	(23)	(21)	(79)	(63)
EBITDA	\$ 197	\$ 140	\$ 539	\$ 443
Depreciation and amortization	(87)	(78)	(254)	(233)
Interest expense	(20)	(17)	(57)	(51)
Provision for income taxes	(28)	(20)	(65)	(72)
Net income attributable to Hyatt Hotels Corporation	\$ 62	\$ 25	\$ 163	\$ 87

(a) Effective January 1, 2016, our definition of Adjusted EBITDA has been updated to exclude stock-based compensation expense, to facilitate comparison with our competitors. We have applied this change in the definition of Adjusted EBITDA to 2015 historical results to allow for comparability between the periods presented.

Hyatt Hotels Corporation

Reconciliation of Non-GAAP to GAAP Measure: Earnings per Diluted Share, Adjusted for Special Items and Adjusted Net Income Attributable to Hyatt Hotels Corporation, to Earnings per Diluted Share and Net Income Attributable to Hyatt Hotels Corporation - Three Months Ended September 30, 2016 and September 30, 2015

The following table represents a reconciliation of Earnings per diluted share, adjusted for special items and Adjusted net income attributable to Hyatt Hotels Corporation, to Earnings per diluted share and Net income attributable to Hyatt Hotels Corporation presented for the three months ended September 30, 2016 and September 30, 2015, respectively. Special items are those items deemed not to be reflective of ongoing operations. The Company uses Adjusted net income to provide meaningful comparisons of ongoing operating results.

(in millions, except per share amounts)

	Location on Condensed Consolidated Statements of Income	Three Months Ended September 30,	
		2016	2015
Net income attributable to Hyatt Hotels Corporation		\$ 62	\$ 25
Earnings per diluted share		\$ 0.47	\$ 0.18
Special items			
Gains on sales of real estate held by unconsolidated hospitality ventures (a)	Equity earnings (losses) from unconsolidated hospitality ventures	(5)	—
Unconsolidated hospitality venture impairment (b)	Equity earnings (losses) from unconsolidated hospitality ventures	2	—
Foreign currency translation loss on sale of unconsolidated hospitality venture (c)	Equity earnings (losses) from unconsolidated hospitality ventures	—	21
Asset impairments (d)	Asset impairments	—	5
Recoveries on hotel loans, net (e)	Other income (loss), net	—	(8)
Total special items - pre-tax		(3)	18
Income tax (provision) benefit for special items	Provision for income taxes	2	(1)
Total special items - after-tax		(1)	17
Special items impact per diluted share		\$ —	\$ 0.12
Adjusted net income attributable to Hyatt Hotels Corporation		\$ 61	\$ 42
Earnings per diluted share, adjusted for special items		\$ 0.47	\$ 0.30

(a) Gains on sales of real estate held by unconsolidated hospitality ventures - During the three months ended September 30, 2016, two unconsolidated hospitality ventures in which we hold or held an ownership interest each sold a Hyatt Place hotel, for which we recognized gains of \$5 million.

(b) Unconsolidated hospitality venture impairment - During the three months ended September 30, 2016, we recorded a \$2 million impairment charge related to an unconsolidated hospitality venture.

(c) Foreign currency translation loss on sale of unconsolidated hospitality venture - During the three months ended September 30, 2015, we recorded a \$21 million loss related to the sale of an entity that held an interest in one of our foreign currency denominated unconsolidated hospitality ventures, a majority of which resulted from the release of the related accumulated currency translation loss.

(d) Asset impairments - In conjunction with our regular assessment of impairment indicators, we identified property and equipment whose carrying value exceeded its fair value, and as a result, we recorded \$5 million of impairment charges during the three months ended September 30, 2015.

(e) Recoveries on hotel loans, net - During the three months ended September 30, 2015, we recorded an \$8 million net recovery related to the settlement of our secured financing receivables.

Hyatt Hotels Corporation

Reconciliation of Non-GAAP to GAAP Measure: Earnings per Diluted Share, Adjusted for Special Items and Adjusted Net Income Attributable to Hyatt Hotels Corporation, to Earnings per Diluted Share and Net Income Attributable to Hyatt Hotels Corporation - Nine Months Ended September 30, 2016 and September 30, 2015

The following table represents a reconciliation of Earnings per diluted share, adjusted for special items and Adjusted net income attributable to Hyatt Hotels Corporation, to Earnings per diluted share and Net income attributable to Hyatt Hotels Corporation presented for the nine months ended September 30, 2016 and September 30, 2015, respectively. Special items are those items deemed not to be reflective of ongoing operations. The Company uses Adjusted net income to provide meaningful comparisons of ongoing operating results.

(in millions, except per share amounts)

	Location on Condensed Consolidated Statements of Income	Nine Months Ended September 30,	
		2016	2015
Net income attributable to Hyatt Hotels Corporation		\$ 163	\$ 87
Earnings per diluted share		\$ 1.21	\$ 0.60
Special items			
(Gains) losses on sales of real estate (a)	Gains (losses) on sales of real estate	21	(9)
Unconsolidated hospitality ventures impairments (b)	Equity earnings (losses) from unconsolidated hospitality ventures	4	—
Gains on sales of real estate held by unconsolidated hospitality ventures (c)	Equity earnings (losses) from unconsolidated hospitality ventures	(5)	—
Foreign currency translation loss on sale of unconsolidated hospitality venture (d)	Equity earnings (losses) from unconsolidated hospitality ventures	—	21
Asset impairments (e)	Asset impairments	—	5
Gain on sale of residential property (f)	Equity earnings (losses) from unconsolidated hospitality ventures	—	(1)
Other (g)	Other income (loss), net	9	(6)
Total special items - pre-tax		29	10
Income tax (provision) benefit for special items	Provision for income taxes	(10)	3
Total special items - after-tax		19	13
Special items impact per diluted share		\$ 0.15	\$ 0.09
Adjusted net income attributable to Hyatt Hotels Corporation		\$ 182	\$ 100
Earnings per diluted share, adjusted for special items		\$ 1.36	\$ 0.69

(a) (Gains) losses on sales of real estate - During the nine months ended September 30, 2016, we recorded a \$21 million loss on the sale of Andaz 5th Avenue. During the nine months ended September 30, 2015, we recorded an \$8 million gain on the sale of Hyatt Regency Indianapolis, which was sold subject to a franchise agreement and a \$1 million gain on the sale of a Hyatt House hotel.

(b) Unconsolidated hospitality ventures impairments - During the nine months ended September 30, 2016, we recorded \$4 million of impairment charges related to unconsolidated hospitality ventures.

(c) Gains on sales of real estate held by unconsolidated hospitality ventures - During the nine months ended September 30, 2016, two unconsolidated hospitality ventures in which we hold or held an ownership interest each sold a Hyatt Place hotel, for which we recognized gains of \$5 million.

(d) Foreign currency translation loss on sale of unconsolidated hospitality venture - During the nine months ended September 30, 2015, we recorded a \$21 million loss related to the sale of an entity that held an interest in one of our foreign currency denominated unconsolidated hospitality ventures, a majority of which resulted from the release of the related accumulated currency translation loss.

(e) Asset impairments - In conjunction with our regular assessment of impairment indicators, we identified property and equipment whose carrying value exceeded its fair value, and as a result, we recorded \$5 million of impairment charges during the nine months ended September 30, 2015.

(f) Gain on sale of residential property - During the nine months ended September 30, 2015, we recognized a gain of \$1 million in connection with the sale of a residential property at one of our unconsolidated hospitality ventures.

(g) Other - The nine months ended September 30, 2016, included a loss on the redemption of a cost method investment, debt settlement costs related to the redemption of our 2016 Senior Notes, transaction costs and a provision on a developer loan based on our assessment of collectability. The nine months ended September 30, 2015, included an \$8 million net recovery related to the settlement of our secured financing receivables and \$2 million in provisions related to pre-opening loans based on our assessment of collectability.

Hyatt Hotels Corporation

Reconciliation of Non-GAAP to GAAP Measure: Adjusted Selling, General, and Administrative Expenses to Selling, General, and Administrative Expenses

Results of operations as presented on the condensed consolidated statements of income include the impact of expenses recognized with respect to employee benefit programs funded through rabbi trusts. Certain of these expenses are recognized in selling, general, and administrative expenses and are completely offset by the corresponding net gains (losses) and interest income from marketable securities held to fund operating programs, thus having no net impact to our earnings. Selling, general, and administrative expenses also includes 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 September 30,				Nine Months Ended September 30,			
	2016	2015	Change (\$)	Change (%)	2016	2015	Change (\$)	Change (%)
Adjusted selling, general, and administrative expenses (a)	\$ 63	\$ 67	\$ (4)	(6.0)%	\$ 202	\$ 206	\$ (4)	(1.9)%
Stock-based compensation expense (a)	1	(1)	2	200.0 %	21	20	1	5.0 %
Rabbi trust impact	10	(12)	22	183.3 %	14	(5)	19	380.0 %
Selling, general, and administrative expenses	<u>\$ 74</u>	<u>\$ 54</u>	<u>\$ 20</u>	<u>37.0 %</u>	<u>\$ 237</u>	<u>\$ 221</u>	<u>\$ 16</u>	<u>7.2 %</u>

The table below provides a segment breakdown for Adjusted selling, general, and administrative expenses.

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2016	2015	Change (\$)	Change (%)	2016	2015	Change (\$)	Change (%)
Americas management and franchising (a)	\$ 14	\$ 12	\$ 2	16.7 %	\$ 39	\$ 40	\$ (1)	(2.5)%
ASPAC management and franchising (a)	10	10	—	— %	29	28	1	3.6 %
EAME/SW Asia management (a)	6	8	(2)	(25.0)%	23	26	(3)	(11.5)%
Owned and leased hotels (a)	4	4	—	— %	10	11	(1)	(9.1)%
Corporate and other (a)	29	33	(4)	(12.1)%	101	101	—	— %
Adjusted selling, general, and administrative expenses (a)	<u>\$ 63</u>	<u>\$ 67</u>	<u>\$ (4)</u>	<u>(6.0)%</u>	<u>\$ 202</u>	<u>\$ 206</u>	<u>\$ (4)</u>	<u>(1.9)%</u>

(a) Effective January 1, 2016 our definition of Adjusted EBITDA has been updated to exclude stock-based compensation expense, therefore Adjusted selling, general, and administrative expenses has also been updated to exclude stock-based compensation expense. We have applied this change in the definition of Adjusted selling, general, and administrative expenses to 2015 historical results to allow for comparability between the periods presented.

Hyatt Hotels Corporation

Reconciliation: Comparable Owned and Leased Hotels Segment Operating Margin to Owned and Leased Hotels Segment Operating Margin

Below is a breakdown of consolidated owned and leased hotels revenues and expenses, as used in calculating comparable owned and leased hotels segment operating margin percentages. Results of operations as presented on the condensed consolidated statements of income include the impact of expenses recognized with respect to employee benefit programs 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 operating programs, thus having no net impact to our earnings. Below is a reconciliation of this account excluding the impact of our rabbi trusts and excluding the impact of non-comparable hotels.

(in millions)

	Three Months Ended September 30,		Change (\$)	Change (%)	Nine Months Ended September 30,		Change (\$)	Change (%)
	2016	2015			2016	2015		
Revenues								
Comparable owned and leased hotels	\$ 492	\$ 486	\$ 6	1.2 %	\$ 1,533	\$ 1,505	\$ 28	1.9 %
Non-comparable owned and leased hotels	27	14	13	92.9 %	61	44	17	38.6 %
Owned and leased hotels revenues	<u>\$ 519</u>	<u>\$ 500</u>	<u>\$ 19</u>	<u>3.8 %</u>	<u>\$ 1,594</u>	<u>\$ 1,549</u>	<u>\$ 45</u>	<u>2.9 %</u>
Expenses								
Comparable owned and leased hotels	\$ 378	\$ 377	\$ 1	0.3 %	\$ 1,143	\$ 1,125	\$ 18	1.6 %
Non-comparable owned and leased hotels	22	11	11	100.0 %	58	37	21	56.8 %
Rabbi trust	2	(3)	5	166.7 %	3	(2)	5	250.0 %
Owned and leased hotels expenses	<u>\$ 402</u>	<u>\$ 385</u>	<u>\$ 17</u>	<u>4.4 %</u>	<u>\$ 1,204</u>	<u>\$ 1,160</u>	<u>\$ 44</u>	<u>3.8 %</u>
Owned and leased hotels segment operating margin percentage	<u>22.5%</u>	<u>23.0%</u>		<u>(0.5)%</u>	<u>24.5%</u>	<u>25.1%</u>		<u>(0.6)%</u>
Comparable owned and leased hotels segment operating margin percentage	<u>23.2%</u>	<u>22.4%</u>		<u>0.8 %</u>	<u>25.4%</u>	<u>25.2%</u>		<u>0.2 %</u>