

Hyatt Hotels Corporation

Table of Contents

Financial Information (unaudited)

- Reconciliation of Non-GAAP to GAAP Measure: Adjusted EBITDA to EBITDA and a Reconciliation of EBITDA to Net Income Attributable to Hyatt Hotels Corporation
- Reconciliation of Non-GAAP to GAAP Measure: Summary of Special Items - Three Months Ended December 31, 2015 and December 31, 2014
- Reconciliation of Non-GAAP to GAAP Measure: Summary of Special Items - Year Ended December 31, 2015 and December 31, 2014
- Reconciliation of Non-GAAP to GAAP Measure: Adjusted Selling, General, and Administrative Expenses to Selling, General, and Administrative Expenses
- Reconciliation of Non-GAAP to GAAP Measure: Comparable Owned and Leased Hotels Operating Margin to Owned and Leased Hotels Operating Margin

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

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 December 31,		Year Ended December 31,	
	2015	2014	2015	2014
Adjusted EBITDA	\$ 176	\$ 146	\$ 727	\$ 728
Equity earnings (losses) from unconsolidated hospitality ventures	(18)	3	(64)	25
Gains on sales of real estate and other	—	246	9	311
Asset impairments	—	(10)	(5)	(17)
Other income (loss), net	(2)	(6)	(5)	(17)
Net (income) loss attributable to noncontrolling interests	—	—	—	(2)
Pro rata share of unconsolidated hospitality ventures Adjusted EBITDA	(17)	(16)	(80)	(80)
EBITDA	\$ 139	\$ 363	\$ 582	\$ 948
Depreciation and amortization	(87)	(85)	(320)	(354)
Interest expense	(17)	(17)	(68)	(71)
Benefit (provision) for income taxes	2	(79)	(70)	(179)
Net income attributable to Hyatt Hotels Corporation	\$ 37	\$ 182	\$ 124	\$ 344

Hyatt Hotels Corporation

Reconciliation of Non-GAAP to GAAP Measure: Summary of Special Items - Three Months Ended December 31, 2015 and December 31, 2014

The following table represents a reconciliation of net income attributable to Hyatt Hotels Corporation, adjusted for special items, to net income attributable to Hyatt Hotels Corporation presented for the three months ended December 31, 2015 and December 31, 2014, respectively.

(in millions, except per share amounts)

	Location on Consolidated Statements of Income	Three Months Ended December 31,	
		2015	2014
Net income attributable to Hyatt Hotels Corporation		\$ 37	\$ 182
Earnings per share		\$ 0.26	\$ 1.20
Special items			
Gains on sales of real estate held by unconsolidated hospitality ventures (a)	Equity earnings (losses) from unconsolidated hospitality ventures	(13)	(12)
Gains on sales of real estate and other (b)	Gains on sales of real estate and other	—	(246)
Transaction costs (c)	Other income (loss), net	—	1
Asset impairments (d)	Asset impairments	—	10
Stock-based compensation expense (e)	Selling, general, and administrative expenses	—	22
Total special items - pre-tax		(13)	(225)
Income tax (provision) benefit for special items	Benefit (provision) for income taxes	6	90
Total special items - after-tax		(7)	(135)
Special items impact per share		\$ (0.05)	\$ (0.89)
Net income attributable to Hyatt Hotels Corporation, adjusted for special items		\$ 30	\$ 47
Earnings per share, adjusted for special items		\$ 0.21	\$ 0.31

(a) Gains on sales of real estate held by unconsolidated hospitality ventures - During the fourth quarter of 2015, two joint ventures in which we hold an ownership interest sold the Hyatt House Miami Airport and Hyatt House Atlanta/ Cobb Galleria to third parties, for which we recognized gains of \$8 million and \$5 million, respectively. During the fourth quarter of 2014, a joint venture in which we held an ownership interest sold the Hyatt Regency Lost Pines Resort and Spa and adjacent land, which was accounted for as a step acquisition, and we recognized a gain of \$12 million.

(b) Gains on sales of real estate and other - Includes gains of \$166 million on the sales of forty-three select service properties, which will remain Hyatt-branded hotels under long-term franchise agreements, and \$80 million on the sale of our vacation ownership business.

(c) Transaction costs - In the fourth quarter of 2014, we incurred \$1 million in transaction costs in connection with the acquisition of the Hyatt Regency Lost Pines Resort and Spa and adjacent land.

(d) Asset impairments - In the fourth quarter of 2014, we recorded \$10 million of impairment charges, which included \$6 million of property and equipment, \$2 million of franchise intangibles, and \$2 million of goodwill.

(e) Stock-based compensation expense - During the fourth quarter of 2014, we recorded a nonrecurring stock-based compensation expense related to prior periods for grants made to certain individuals.

Hyatt Hotels Corporation

Reconciliation of Non-GAAP to GAAP Measure: Summary of Special Items - Year Ended December 31, 2015 and December 31, 2014

The following table represents a reconciliation of net income attributable to Hyatt Hotels Corporation, adjusted for special items, to net income attributable to Hyatt Hotels Corporation presented for the year ended December 31, 2015 and December 31, 2014, respectively.

(in millions, except per share amounts)

	Location on Consolidated Statements of Income	Year Ended December 31,	
		2015	2014
Net income attributable to Hyatt Hotels Corporation		\$ 124	\$ 344
Earnings per share		\$ 0.86	\$ 2.23
Special items			
Gains on sales of real estate held by unconsolidated hospitality ventures (a)	Equity earnings (losses) from unconsolidated hospitality ventures	(13)	(34)
Foreign currency translation loss on sale of joint venture (b)	Equity earnings (losses) from unconsolidated hospitality ventures	21	—
Asset impairments (c)	Asset impairments	5	17
Gains on sales of residential properties (d)	Equity earnings (losses) from unconsolidated hospitality ventures	(1)	(2)
Recoveries on hotel loans, net (e)	Other income (loss), net	(6)	—
Gains on sales of real estate and other (f)	Gains on sales of real estate and other	(9)	(311)
Gain on sale of cost method investment (g)	Other income (loss), net	—	(1)
Unconsolidated hospitality ventures impairments (h)	Equity earnings (losses) from unconsolidated hospitality ventures	—	3
Transaction costs (i)	Other income (loss), net	—	6
Realignment costs (j)	Other income (loss), net	—	7
Stock-based compensation expense (k)	Selling, general, and administrative expenses	—	22
Total special items - pre-tax		(3)	(293)
Income tax (provision) benefit for special items	Benefit (provision) for income taxes	8	118
Total special items - after-tax		5	(175)
Special items impact per share		\$ 0.04	\$ (1.14)
Net income attributable to Hyatt Hotels Corporation, adjusted for special items		\$ 129	\$ 169
Earnings per share, adjusted for special items		\$ 0.90	\$ 1.09

(a) Gains on sales of real estate held by unconsolidated hospitality ventures - During the year ended December 31, 2015, two joint ventures in which we hold an ownership interest sold the Hyatt House Miami Airport and Hyatt House Atlanta/ Cobb Galleria to third parties, for which we recognized gains of \$8 million and \$5 million, respectively. During the year ended December 31, 2014, two joint ventures in which we held an ownership interest sold the Hyatt Place Austin Downtown and Hyatt Place Coconut Point to third parties, for which we recognized gains of \$20 million and \$2 million, respectively. Additionally, a joint venture in which we held an ownership interest sold the Hyatt Regency Lost Pines Resort and Spa and adjacent land, which was accounted for as a step acquisition, and we recognized a gain of \$12 million.

(b) Foreign currency translation loss on sale of joint venture - During the year ended December 31, 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.

(c) 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 2015. During the year ended December 31, 2014 we recorded \$17 million in impairment charges, which included \$13 million of property and equipment, \$2 million of franchise intangibles, and \$2 million of goodwill.

(d) Gains on sales of residential properties - During 2015 and 2014, we recognized gains of \$1 million and \$2 million, respectively, in connection with the sales of residential properties at one of our joint ventures.

(e) Recoveries on hotel loans, net - During the year ended December 31, 2015 we recorded an \$8 million recovery related to the settlement of secured financing receivables. Additionally, during the year ended December 31, 2015, we recorded a \$2 million provision related to pre-opening loans based on our assessment of collectability.

(f) Gains on sales of real estate and other - During the year ended December 31, 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. The year ended December 31, 2014 includes gains of \$231 million on the sales of fifty-two select service properties and one full service property, which will remain Hyatt-branded hotels under long term agreements, and \$80 million on the sale of our vacation ownership business.

(g) Gain on sale of cost method investment - During the year ended December 31, 2014, we sold our interest in a joint venture classified as a cost method investment and recorded a \$1 million gain on sale.

(h) Unconsolidated hospitality ventures impairments - During the year ended December 31, 2014, we recorded \$3 million of impairment charges related to unconsolidated hospitality ventures.

(i) Transaction costs - During the year ended December 31, 2014, we incurred \$6 million in transaction costs related to the sale of our vacation ownership business and the acquisitions of the Park Hyatt New York and the Hyatt Regency Lost Pines Resort and Spa and adjacent land.

(j) Realignment costs - Represents separation, recruiting and relocation costs incurred associated with the realignment of key management positions.

(k) Stock-based compensation expense - During the year ended December 31, 2014, we recorded a nonrecurring stock-based compensation expense related to prior periods for grants made to certain individuals.

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 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 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 trust investments.

(in millions)

	Three Months Ended December 31,				Year Ended December 31,			
	2015	2014	Change (\$)	Change (%)	2015	2014	Change (\$)	Change (%)
Adjusted selling, general, and administrative expenses (a)	\$ 80	\$ 102	\$ (22)	(21.6)%	\$ 306	\$ 340	\$ (34)	(10.0)%
Rabbi trust impact	7	3	4	133.3 %	2	9	(7)	(77.8)%
Selling, general and administrative expenses	<u>\$ 87</u>	<u>\$ 105</u>	<u>\$ (18)</u>	<u>(17.1)%</u>	<u>\$ 308</u>	<u>\$ 349</u>	<u>\$ (41)</u>	<u>(11.7)%</u>

(a) Segment breakdown for adjusted selling, general, and administrative expenses.

	Three Months Ended December 31,				Year Ended December 31,			
	2015	2014 (c)	Change (\$)	Change (%)	2015	2014 (b)(c)	Change (\$)	Change (%)
Americas management and franchising	\$ 14	\$ 28	\$ (14)	(50.0)%	\$ 59	\$ 74	\$ (15)	(20.3)%
ASPAC management and franchising	9	12	(3)	(25.0)%	39	44	(5)	(11.4)%
EAME/SW Asia management	8	12	(4)	(33.3)%	35	37	(2)	(5.4)%
Owned and leased hotels	6	3	3	100.0 %	17	14	3	21.4 %
Corporate and other	43	47	(4)	(8.5)%	156	171	(15)	(8.8)%
Adjusted selling, general, and administrative expenses	<u>\$ 80</u>	<u>\$ 102</u>	<u>\$ (22)</u>	<u>(21.6)%</u>	<u>\$ 306</u>	<u>\$ 340</u>	<u>\$ (34)</u>	<u>(10.0)%</u>

(b) Corporate and other includes vacation ownership expenses of \$24 million for the year ended December 31, 2014.

(c) Adjusted selling, general, and administrative expenses include \$22 million of nonrecurring stock-based compensation expense, of which \$4 million relates to Americas management and franchising, \$1 million relates to ASPAC management and franchising, \$1 million relates to EAME/SW Asia management and \$16 million relates to Corporate and other.

Hyatt Hotels Corporation

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

Below is a breakdown 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 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 December 31,				Year Ended December 31,			
	2015	2014	Change (\$)	Change (%)	2015	2014	Change (\$)	Change (%)
Revenues								
Comparable owned and leased hotels	\$ 493	\$ 477	\$ 16	3.4 %	\$ 1,938	\$ 1,888	\$ 50	2.6 %
Non-comparable owned and leased hotels	37	74	(37)	(50.0)%	141	358	(217)	(60.6)%
Owned and leased hotels revenues	<u>\$ 530</u>	<u>\$ 551</u>	<u>\$ (21)</u>	<u>(3.8)%</u>	<u>\$ 2,079</u>	<u>\$ 2,246</u>	<u>\$ (167)</u>	<u>(7.4)%</u>
Expenses								
Comparable owned and leased hotels	\$ 369	\$ 364	\$ 5	1.4 %	\$ 1,447	\$ 1,423	\$ 24	1.7 %
Non-comparable owned and leased hotels	30	59	(29)	(49.2)%	114	265	(151)	(57.0)%
Rabbi trust	3	1	2	200.0 %	1	3	(2)	(66.7)%
Owned and leased hotels expenses	<u>\$ 402</u>	<u>\$ 424</u>	<u>\$ (22)</u>	<u>(5.2)%</u>	<u>\$ 1,562</u>	<u>\$ 1,691</u>	<u>\$ (129)</u>	<u>(7.6)%</u>
Owned and leased hotels operating margin percentage	<u>24.2%</u>	<u>23.0%</u>		<u>1.2 %</u>	<u>24.9%</u>	<u>24.7%</u>		<u>0.2 %</u>
Comparable owned and leased hotels operating margin percentage	<u>25.2%</u>	<u>23.7%</u>		<u>1.5 %</u>	<u>25.3%</u>	<u>24.6%</u>		<u>0.7 %</u>