

Hyatt Hotels Corporation

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Reconciliation of Non-GAAP Measure: Reconciliation of Net Income Attributable to Hyatt Hotels Corporation to EBITDA and EBITDA to Adjusted EBITDA
For the Three Months and the Year Ended December 31, 2016 and December 31, 2015

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,	
	2016	2015	2016	2015
Net income attributable to Hyatt Hotels Corporation	\$ 41	\$ 37	\$ 204	\$ 124
Interest expense	19	17	76	68
(Benefit) provision for income taxes	20	(2)	85	70
Depreciation and amortization	88	87	342	320
EBITDA	168	139	707	582
Equity (earnings) losses from unconsolidated hospitality ventures	(22)	18	(68)	64
Stock-based compensation expense	4	3	25	23
(Gains) losses on sales of real estate and other	2	—	23	(9)
Asset impairments	—	—	—	5
Other (income) loss, net	(1)	2	(2)	5
Pro rata share of unconsolidated hospitality ventures	21	17	100	80
Adjusted EBITDA	\$ 172	\$ 179	\$ 785	\$ 750

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Reconciliation of Non-GAAP Measure: Net Income, EBITDA, Adjusted EBITDA Forecast

No additional disposition or acquisition activity has been included in the forecast, including financial statement impacts related to the Company's investment in Playa which may occur in connection with Playa's potential business combination with Pace Holdings Corporation or potential future initial public offering. Please refer to the Company's annual report on Form 10-K for further details regarding the Company's investment in Playa.

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)

	2017 Forecast Range	
	Low Case	High Case
Net income attributable to Hyatt Hotels Corporation	\$ 94	\$ 129
Interest expense	77	77
(Benefit) provision for income taxes	57	72
Depreciation and amortization	374	370
EBITDA	602	648
Equity (earnings) losses from unconsolidated hospitality ventures	1	1
Stock-based compensation expense	31	31
(Gains) losses on sales of real estate and other	—	—
Asset impairments	—	—
Other (income) loss, net	60	45
Pro rata share of unconsolidated hospitality ventures Adjusted EBITDA	101	105
Adjusted EBITDA	\$ 795	\$ 830
Adjusted EBITDA (as reported) growth, compared to prior year	1%	6%
Negative impact of foreign exchange	\$ 15	\$ 10
Adjusted EBITDA (in constant currency) growth, compared to prior year	3%	7%

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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 December 31, 2016 and December 31, 2015

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 Consolidated Statements of Income	Three Months Ended December 31,	
		2016	2015
Net income attributable to Hyatt Hotels Corporation		\$ 41	\$ 37
Earnings per diluted share		\$ 0.31	\$ 0.26
Special items			
Unconsolidated hospitality ventures gains (a)	Equity earnings (losses) from unconsolidated hospitality ventures	(19)	(13)
Realized loss on redemption of preferred stock (b)	Other income (loss), net	6	—
Unconsolidated hospitality ventures impairments (c)	Equity earnings (losses) from unconsolidated hospitality ventures	5	—
Loss on sale of real estate (d)	Gains (losses) on sales of real estate and other	2	—
Other	Other income (loss), net	1	—
Total special items - pre-tax		(5)	(13)
Income tax (provision) benefit for special items	Benefit (provision) for income taxes	3	6
Total special items - after-tax		(2)	(7)
Special items impact per diluted share		\$ (0.02)	\$ (0.05)
Adjusted net income attributable to Hyatt Hotels Corporation		\$ 39	\$ 30
Earnings per diluted share, adjusted for special items		\$ 0.29	\$ 0.21

(a) Unconsolidated hospitality ventures gains - During the fourth quarter of 2016, we acquired our partners' share in Andaz Maui at Wailea Resort and villas, which was accounted for as a step acquisition and we recognized a gain of \$14 million. We also recognized gains of \$5 million in connection with the sale of our interest in an equity method unconsolidated hospitality venture and the sale of three Hyatt Place hotels by an unconsolidated hospitality venture. During the fourth quarter of 2015, two unconsolidated hospitality ventures sold two Hyatt Place hotels, for which we recognized gains of \$13 million.

(b) Realized loss on redemption of preferred stock - During the fourth quarter of 2016, Playa redeemed 3,458,530 of our preferred shares plus accrued and unpaid paid-in-kind dividends thereon for \$41 million. We recognized \$6 million of realized losses, which were the result of a difference between the fair value of the initial investment and the contractual redemption price.

(c) Unconsolidated hospitality ventures impairments - During the fourth quarter of 2016, we recorded \$5 million of impairment charges related to unconsolidated hospitality ventures.

(d) Loss on sale of real estate - During the fourth quarter of 2016, we recognized \$2 million of additional losses related to the sale of Andaz 5th Avenue as a result of post-closing adjustments.

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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 - Year Ended December 31, 2016 and December 31, 2015

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 Consolidated Statements of Income	Year Ended December 31,	
		2016	2015
Net income attributable to Hyatt Hotels Corporation		\$ 204	\$ 124
Earnings per diluted share		\$ 1.52	\$ 0.86
Special items			
(Gains) losses on sales of real estate (a)	Gains (losses) on sales of real estate and other	23	(9)
Unconsolidated hospitality ventures impairments (b)	Equity earnings (losses) from unconsolidated hospitality ventures	9	—
Realized loss on redemption of preferred stock (c)	Other income (loss), net	6	—
Unconsolidated hospitality ventures gains (d)	Equity earnings (losses) from unconsolidated hospitality ventures	(24)	(14)
Foreign currency translation loss on sale of an unconsolidated hospitality venture (e)	Equity earnings (losses) from unconsolidated hospitality ventures	—	21
Asset impairments (f)	Asset impairments	—	5
Other (g)	Other income (loss), net	10	(6)
Total special items - pre-tax		24	(3)
Income tax (provision) benefit for special items	Benefit (provision) for income taxes	(6)	8
Total special items - after-tax		18	5
Special items impact per diluted share		\$ 0.13	\$ 0.04
Adjusted net income attributable to Hyatt Hotels Corporation		\$ 222	\$ 129
Earnings per diluted share, adjusted for special items		\$ 1.65	\$ 0.90

(a) (Gains) losses on sales of real estate - During the year ended December 31, 2016, we recorded a \$23 million loss on the sale of Andaz 5th Avenue. 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.

(b) Unconsolidated hospitality ventures impairments - During the year ended December 31, 2016, we recorded \$9 million of impairment charges related to unconsolidated hospitality ventures.

(c) Realized loss on redemption of preferred stock - During the year ended December 31, 2016, Playa redeemed 3,458,530 of our preferred shares plus accrued and unpaid paid-in-kind dividends thereon for \$41 million. We recognized \$6 million of realized losses, which were the result of a difference between the fair value of the initial investment and the contractual redemption price.

(d) Unconsolidated hospitality ventures gains - During the year ended December 31, 2016, we acquired our partners' share in Andaz Maui at Wailea Resort and villas, which was accounted for as a step acquisition and we recognized a gain of \$14 million. We also recognized gains of \$10 million in connection with the sale of our interest in an equity method unconsolidated hospitality venture and the sale of five Hyatt Place hotels by unconsolidated hospitality ventures. During the year ended December 31, 2015, two unconsolidated hospitality ventures sold two Hyatt Place hotels, for which we recognized gains of \$13 million, and we recognized a gain in connection with the sale of a residential property at one of our unconsolidated hospitality ventures.

(e) Foreign currency translation loss on sale of an unconsolidated hospitality 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 foreign currency translation losses.

(f) 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.

(g) Other - The year ended December 31, 2016 included transaction costs associated with acquisitions, a loss on the redemption of a cost method investment, debt settlement costs related to the redemption of our 2016 Senior Notes and a provision on a developer loan based on our assessment of collectability. During the year ended December 31, 2015 we recorded an \$8 million net recovery related to the settlement of secured financing receivables and a \$2 million provision related to pre-opening loans based on our assessment of collectability.

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Reconciliation of Non-GAAP 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 employee benefit programs 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 operating programs, 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,			
	2016	2015	Change (\$)	Change (%)	2016	2015	Change (\$)	Change (%)
SG&A expenses	\$ 78	\$ 87	\$ (9)	(10.3)%	\$ 315	\$ 308	\$ 7	2.3 %
Rabbi trust impact	—	(7)	7	100.0 %	(14)	(2)	(12)	(600.0)%
Stock-based compensation expense	(4)	(3)	(1)	(33.3)%	(25)	(23)	(2)	(8.7)%
Adjusted SG&A expenses	<u>\$ 74</u>	<u>\$ 77</u>	<u>\$ (3)</u>	<u>(3.9)%</u>	<u>\$ 276</u>	<u>\$ 283</u>	<u>\$ (7)</u>	<u>(2.5)%</u>

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

	Three Months Ended December 31,				Year Ended December 31,			
	2016	2015	Change (\$)	Change (%)	2016	2015	Change (\$)	Change (%)
Americas management and franchising	\$ 14	\$ 14	\$ —	— %	\$ 53	\$ 54	\$ (1)	(1.9)%
ASPAC management and franchising	10	8	2	25.0 %	39	36	3	8.3 %
EAME/SW Asia management and franchising	9	8	1	12.5 %	32	34	(2)	(5.9)%
Owned and leased hotels	1	6	(5)	(83.3)%	11	17	(6)	(35.3)%
Corporate and other	40	41	(1)	(2.4)%	141	142	(1)	(0.7)%
Adjusted SG&A expenses	<u>\$ 74</u>	<u>\$ 77</u>	<u>\$ (3)</u>	<u>(3.9)%</u>	<u>\$ 276</u>	<u>\$ 283</u>	<u>\$ (7)</u>	<u>(2.5)%</u>

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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 consolidated statements of income include 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,			
	2016	2015	Change (\$)	Change (%)	2016	2015	Change (\$)	Change (%)
Revenues								
Comparable owned and leased hotels	\$ 485	\$ 512	\$ (27)	(5.3)%	2,018	\$ 2,017	\$ 1	— %
Non-comparable owned and leased hotels	29	18	11	61.1 %	90	62	28	45.2 %
Owned and leased hotels revenues	<u>\$ 514</u>	<u>\$ 530</u>	<u>\$ (16)</u>	<u>(3.0)%</u>	<u>\$ 2,108</u>	<u>\$ 2,079</u>	<u>\$ 29</u>	<u>1.4 %</u>
Expenses								
Comparable owned and leased hotels	\$ 377	\$ 386	\$ (9)	(2.3)%	\$ 1,520	\$ 1,512	\$ 8	0.5 %
Non-comparable owned and leased hotels	29	13	16	123.1 %	87	49	38	77.6 %
Rabbi trust	—	3	(3)	(100.0)%	3	1	2	200.0 %
Owned and leased hotels expenses	<u>\$ 406</u>	<u>\$ 402</u>	<u>\$ 4</u>	<u>1.0 %</u>	<u>\$ 1,610</u>	<u>\$ 1,562</u>	<u>\$ 48</u>	<u>3.1 %</u>
Owned and leased hotels operating margin percentage	<u>21.0%</u>	<u>24.2%</u>		<u>(3.2)%</u>	<u>23.6%</u>	<u>24.9%</u>		<u>(1.3)%</u>
Comparable owned and leased hotels operating margin percentage	<u>22.3%</u>	<u>24.6%</u>		<u>(2.3)%</u>	<u>24.7%</u>	<u>25.0%</u>		<u>(0.3)%</u>