

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 and Total Revenues to Adjusted Revenues

(in millions)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2019	2018	Change (\$)	Change (%)	2019	2018	Change (\$)	Change (%)
<b>Net income attributable to Hyatt Hotels Corporation</b>	\$ 296	\$ 237	\$ 59	25.4 %	\$ 445	\$ 725	\$ (280)	(38.6)%
Interest expense	19	19	—	(4.8)%	58	57	1	1.3 %
Provision for income taxes	109	19	90	452.0 %	148	194	(46)	(24.0)%
Depreciation and amortization	85	81	4	5.3 %	248	243	5	2.1 %
<b>EBITDA</b>	<b>509</b>	<b>356</b>	<b>153</b>	<b>42.9 %</b>	<b>899</b>	<b>1,219</b>	<b>(320)</b>	<b>(26.3)%</b>
Contra revenue	5	5	—	13.3 %	16	15	1	9.8 %
Revenues for the reimbursement of costs incurred on behalf of managed and franchised properties	(617)	(489)	(128)	(26.3)%	(1,826)	(1,447)	(379)	(26.2)%
Costs incurred on behalf of managed and franchised properties	633	487	146	29.8 %	1,871	1,447	424	29.2 %
Equity losses from unconsolidated hospitality ventures	5	6	(1)	(18.1)%	2	17	(15)	(88.9)%
Stock-based compensation expense	4	5	(1)	(8.1)%	28	28	—	1.7 %
Gains on sales of real estate	(373)	(239)	(134)	(55.9)%	(374)	(769)	395	51.4 %
Asset impairments	9	21	(12)	(55.7)%	13	21	(8)	(35.6)%
Other (income) loss, net	(25)	9	(34)	(375.9)%	(104)	22	(126)	(565.8)%
Pro rata share of unconsolidated hospitality ventures Adjusted EBITDA	13	14	(1)	(12.0)%	38	42	(4)	(9.8)%
<b>Adjusted EBITDA</b>	<b>\$ 163</b>	<b>\$ 175</b>	<b>\$ (12)</b>	<b>(7.3)%</b>	<b>\$ 563</b>	<b>\$ 595</b>	<b>\$ (32)</b>	<b>(5.4)%</b>
	Three Months Ended September 30,				Nine Months Ended September 30,			
	2019	2018	Change (\$)	Change (%)	2019	2018	Change (\$)	Change (%)
<b>Total revenues</b>	\$ 1,215	\$ 1,074	\$ 141	13.1 %	\$ 3,745	\$ 3,316	\$ 429	12.9 %
Add: Contra revenue	5	5	—	13.3 %	16	15	1	9.8 %
Less: Revenues for the reimbursement of costs incurred on behalf of managed and franchised properties	(617)	(489)	(128)	(26.3)%	(1,826)	(1,447)	(379)	(26.2)%
<b>Adjusted revenues</b>	<b>\$ 603</b>	<b>\$ 590</b>	<b>\$ 13</b>	<b>2.2 %</b>	<b>\$ 1,935</b>	<b>\$ 1,884</b>	<b>\$ 51</b>	<b>2.7 %</b>
<b>Adjusted EBITDA Margin %</b>	<b>26.9%</b>	<b>29.7%</b>		<b>(2.8)%</b>	<b>29.1%</b>	<b>31.6%</b>		<b>(2.5)%</b>
<b>Adjusted EBITDA Margin % Change in Constant Currency</b>				<b>(2.8)%</b>				<b>(2.4)%</b>

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Reconciliation of Non-GAAP Measure: Guidance: Net Income Attributable to Hyatt Hotels Corporation to EBITDA and EBITDA to Adjusted EBITDA

For the Year Ended December 31, 2019

No additional disposition or acquisition activity beyond what has been completed as of the date of this release has been included in the forecast. The Companys 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 Companys expectations may change. There can be no assurance that the Company will achieve these results.

(in millions)

	<b>2019 Forecast Range</b>	
	<b>Low Case</b>	<b>High Case</b>
<b>Net income attributable to Hyatt Hotels Corporation</b>	<b>\$ 431</b>	<b>\$ 470</b>
Interest expense	77	77
Provision for income taxes	160	157
Depreciation and amortization	334	329
<b>EBITDA</b>	<b>1,002</b>	<b>1,033</b>
Contra revenue	22	22
Costs incurred on behalf of managed and franchised properties, net of revenues for the reimbursement of costs	70	60
Equity losses from unconsolidated hospitality ventures	13	8
Stock-based compensation expense	33	33
(Gains) on sales of real estate	(374)	(374)
Asset impairments	14	14
Other (income) loss, net	(98)	(103)
Pro rata share of unconsolidated hospitality ventures Adjusted EBITDA	48	52
<b>Adjusted EBITDA</b>	<b>\$ 730</b>	<b>\$ 745</b>
Adjusted EBITDA change, compared to prior year	(6)%	(4)%
Impact of foreign exchange	\$ (10)	\$ (5)
Adjusted EBITDA change, compared to prior year (in constant \$)	(4)%	(2)%

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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 September 30, 2019 and September 30, 2018

(in millions, except per share amounts)

	Location on Condensed Consolidated Statements of Income	Three Months Ended September 30,	
		2019	2018
<b>Net income attributable to Hyatt Hotels Corporation</b>		<b>\$ 296</b>	<b>\$ 237</b>
<b>Earnings per diluted share</b>		<b>\$ 2.80</b>	<b>\$ 2.09</b>
<b>Special items</b>			
Gains on sales of real estate (a)	Gains on sales of real estate	(373)	(239)
Unrealized (gains) losses (b)	Other income (loss), net	(3)	15
Utilization of Avendra proceeds (c)	Costs incurred on behalf of managed and franchised properties; depreciation and amortization	11	5
Asset impairments (d)	Asset impairments	9	21
Unconsolidated hospitality ventures (e)	Equity losses from unconsolidated hospitality ventures	6	—
Fund deficits (surpluses) (f)	Revenues for the reimbursement of costs incurred and costs incurred on behalf of managed and franchised properties; other income (loss), net	4	(5)
Loss on extinguishment of debt (g)	Other income (loss), net	—	7
Other (h)	Other income (loss), net	(3)	1
<b>Special items - pre-tax</b>		<b>(349)</b>	<b>(195)</b>
Income tax benefit (provision) for special items	Provision for income taxes	92	(5)
<b>Total special items - after-tax</b>		<b>(257)</b>	<b>(200)</b>
<b>Special items impact per diluted share</b>		<b>\$ (2.43)</b>	<b>\$ (1.76)</b>
<b>Adjusted net income attributable to Hyatt Hotels Corporation</b>		<b>\$ 39</b>	<b>\$ 37</b>
<b>Earnings per diluted share, adjusted for special items</b>		<b>\$ 0.37</b>	<b>\$ 0.33</b>

(a) **Gains on sales of real estate** - During the three months ended September 30, 2019 (Q3 2019), we recognized a \$272 million gain on the sale of Hyatt Regency Atlanta and a \$101 million gain on the sale of the property adjacent to Grand Hyatt San Francisco and assignment of the related Apple store lease. During the three months ended September 30, 2018 (Q3 2018), we recognized a \$240 million gain on the sale of shares of the entity which owns Hyatt Regency Mexico City, an investment in an unconsolidated hospitality venture, and adjacent land (HRMC transaction).

(b) **Unrealized (gains) losses** - During Q3 2019 and Q3 2018, we recognized unrealized gains and losses, respectively, due to the change in fair value of our marketable securities.

(c) **Utilization of Avendra proceeds** - During Q3 2019 and Q3 2018, we recognized expenses related to the partial utilization of Avendra 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) **Asset impairments** - During Q3 2019, we recognized a \$9 million impairment charge related to certain management agreement intangibles. During Q3 2018, we recognized a \$21 million goodwill impairment in connection with the HRMC transaction.

(e) **Unconsolidated hospitality ventures** - During Q3 2019, we recognized a \$6 million impairment charge related to one unconsolidated hospitality venture.

(f) **Fund deficits (surpluses)** - During Q3 2019 and Q3 2018, we recognized a net deficit and a net surplus, respectively, on certain funds due to the timing of revenue and expense recognition that we expect will reverse in future periods.

(g) **Loss on extinguishment of debt** - During Q3 2018, we recognized a \$7 million loss on extinguishment of debt for the redemption of our 2019 senior notes.

(h) **Other** - Q3 2019 includes \$2 million of income related to the release of the contingent consideration liability recorded in connection with the acquisition of Two Roads in 2018.

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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 - Nine Months Ended September 30, 2019 and September 30, 2018

(in millions, except per share amounts)

	Location on Condensed Consolidated Statements of Income	Nine Months Ended September 30,	
		2019	2018
<b>Net income attributable to Hyatt Hotels Corporation</b>		<b>\$ 445</b>	<b>\$ 725</b>
<b>Earnings per diluted share</b>		<b>\$ 4.17</b>	<b>\$ 6.21</b>
<b>Special items</b>			
Gains on sales of real estate (a)	Gains on sales of real estate	(374)	(769)
Release of contingent consideration liability (b)	Other income (loss), net	(29)	—
Unrealized (gains) losses (c)	Other income (loss), net	(23)	21
Unconsolidated hospitality ventures (d)	Equity losses from unconsolidated hospitality ventures	(1)	3
Utilization of Avendra proceeds (e)	Costs incurred on behalf of managed and franchised properties; depreciation and amortization	30	13
Asset impairments (f)	Asset impairments; other income (loss), net	13	43
Fund deficits (surpluses) (g)	Revenues for the reimbursement of costs incurred and costs incurred on behalf of managed and franchised properties; other income (loss), net	9	(11)
Loss on extinguishment of debt (h)	Other income (loss), net	—	7
Other (i)	Other income (loss), net	—	(3)
<b>Special items - pre-tax</b>		<b>(375)</b>	<b>(696)</b>
Income tax benefit for special items	Provision for income taxes	99	130
<b>Total special items - after-tax</b>		<b>(276)</b>	<b>(566)</b>
<b>Special items impact per diluted share</b>		<b>\$ (2.59)</b>	<b>\$ (4.85)</b>
<b>Adjusted net income attributable to Hyatt Hotels Corporation</b>		<b>\$ 169</b>	<b>\$ 159</b>
<b>Earnings per diluted share, adjusted for special items</b>		<b>\$ 1.58</b>	<b>\$ 1.36</b>

(a) **Gains on sales of real estate** - During the nine months ended September 30, 2019 (YTD 2019), we recognized a \$272 million gain on the sale of Hyatt Regency Atlanta and a \$101 million gain on the sale of the property adjacent to Grand Hyatt San Francisco and assignment of the related Apple store lease. During the nine months ended September 30, 2018 (YTD 2018), we recognized a \$531 million gain on the portfolio sale of Andaz Maui at Wailea, Grand Hyatt San Francisco, and Hyatt Regency Coconut Point and a \$240 million gain on the HRMC transaction.

(b) **Release of contingent consideration liability** - During YTD 2019, we recognized \$29 million of income related to the release of the contingent consideration liability recorded in connection with the acquisition of Two Roads in 2018.

(c) **Unrealized (gains) losses** - During YTD 2019 and YTD 2018, we recognized unrealized gains and losses, respectively, due to the change in fair value of our marketable securities.

(d) **Unconsolidated hospitality ventures** - During YTD 2019 and YTD 2018, we recognized an \$8 million gain and a \$13 million gain, respectively, attributable to sales activity related to certain unconsolidated hospitality ventures. During YTD 2019 and YTD 2018, the gains were offset by impairment charges of \$7 million and \$16 million, respectively.

(e) **Utilization of Avendra proceeds** - During YTD 2019 and YTD 2018, we recognized expenses related to the partial utilization of the aforementioned Avendra LLC sale proceeds for the benefit of our hotels.

(f) **Asset impairments** - During YTD 2019, we recognized a \$13 million impairment charge related to certain management agreement intangibles. During YTD 2018, we recognized a \$21 million goodwill impairment charge in connection with the HRMC transaction and a \$22 million impairment charge related to an investment in an equity security.

(g) **Fund deficits (surpluses)** - During YTD 2019 and YTD 2018, we recognized a net deficit and a net surplus, respectively, on certain funds due to the timing of revenue and expense recognition that we expect will reverse in future periods.

(h) **Loss on extinguishment of debt** - During YTD 2018, we recognized a \$7 million loss on extinguishment of debt for the redemption of our 2019 senior notes.

(i) **Other** - YTD 2018 includes insurance settlement income and transaction costs.

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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 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. 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)

	<u>Three Months Ended September 30,</u>				<u>Nine Months Ended September 30,</u>			
	<u>2019</u>	<u>2018</u>	<u>Change (\$)</u>	<u>Change (%)</u>	<u>2019</u>	<u>2018</u>	<u>Change (\$)</u>	<u>Change (%)</u>
<b>SG&amp;A expenses</b>	\$ 83	\$ 82	\$ 1	1.0%	\$ 306	\$ 260	\$ 46	17.4%
Less: rabbi trust impact	—	(8)	8	103.1%	(36)	(16)	(20)	(122.0)%
Less: stock-based compensation expense	(4)	(5)	1	8.1%	(28)	(28)	—	(1.7)%
<b>Adjusted SG&amp;A expenses</b>	<u>\$ 79</u>	<u>\$ 69</u>	<u>\$ 10</u>	<u>13.8%</u>	<u>\$ 242</u>	<u>\$ 216</u>	<u>\$ 26</u>	<u>11.8%</u>

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

	<u>Three Months Ended September 30,</u>				<u>Nine Months Ended September 30,</u>			
	<u>2019</u>	<u>2018</u>	<u>Change (\$)</u>	<u>Change (%)</u>	<u>2019</u>	<u>2018</u>	<u>Change (\$)</u>	<u>Change (%)</u>
Americas management and franchising	\$ 15	\$ 13	\$ 2	22.4%	\$ 47	\$ 35	\$ 12	32.6%
ASPAC management and franchising	13	12	1	9.8%	37	35	2	4.1%
EAME/SW Asia management and franchising	8	8	—	(1.4)%	24	25	(1)	(1.3)%
Owned and leased hotels	6	5	1	19.5%	14	14	—	0.0%
Corporate and other	37	31	6	15.0%	120	107	13	12.0%
<b>Adjusted SG&amp;A expenses</b>	<u>\$ 79</u>	<u>\$ 69</u>	<u>\$ 10</u>	<u>13.8%</u>	<u>\$ 242</u>	<u>\$ 216</u>	<u>\$ 26</u>	<u>11.8%</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 condensed consolidated statements of income 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. 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 September 30,</u>			<u>Nine Months Ended September 30,</u>				
	<u>2019</u>	<u>2018</u>	<u>Change (\$)</u>	<u>Change (%)</u>	<u>2019</u>	<u>2018</u>	<u>Change (\$)</u>	<u>Change (%)</u>
Revenues								
Comparable owned and leased hotels	\$ 393	\$ 398	\$ (5)	(1.2)%	\$ 1,221	\$ 1,240	\$ (19)	(1.6)%
Non-comparable owned and leased hotels	37	52	(15)	(29.6)%	169	210	(41)	(19.4)%
<b>Owned and leased hotels revenues</b>	<b>\$ 430</b>	<b>\$ 450</b>	<b>\$ (20)</b>	<b>(4.5)%</b>	<b>\$ 1,390</b>	<b>\$ 1,450</b>	<b>\$ (60)</b>	<b>(4.1)%</b>
Expenses								
Comparable owned and leased hotels	\$ 310	\$ 313	\$ (3)	(1.0)%	\$ 938	\$ 952	\$ (14)	(1.4)%
Non-comparable owned and leased hotels	36	39	(3)	(5.5)%	127	140	(13)	(9.3)%
Rabbi trust impact	—	2	(2)	(103.1)%	5	3	2	65.4 %
<b>Owned and leased hotels expenses</b>	<b>\$ 346</b>	<b>\$ 354</b>	<b>\$ (8)</b>	<b>(2.0)%</b>	<b>\$ 1,070</b>	<b>\$ 1,095</b>	<b>\$ (25)</b>	<b>(2.2)%</b>
<b>Owned and leased hotels operating margin percentage</b>	<b>19.3%</b>	<b>21.3%</b>		<b>(2.0)%</b>	<b>23.0%</b>	<b>24.5%</b>		<b>(1.5)%</b>
<b>Comparable owned and leased hotels operating margin percentage</b>	<b>21.0%</b>	<b>21.2%</b>		<b>(0.2)%</b>	<b>23.1%</b>	<b>23.2%</b>		<b>(0.1)%</b>