Hyatt Hotels Corporation

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Financial Information (unaudited)

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)*

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Change ($)	Change (%)	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019	Change ($)	Change (%)
Net income (loss) attributable to Hyatt Hotels Corporation	**$ (161)**	**$ 296**	**$ (457)**	**(154.2)%**	**$ (500)**	**$ 445**	**$ (945)**	**(212.3)%**
Interest expense	35	19	16	88.7 %	87	58	29	49.9 %
(Benefit) provision for income taxes	(59)	109	(168)	(153.8)%	(188)	148	(336)	(227.0)%
Depreciation and amortization	80	85	(5)	(6.4)%	233	248	(15)	(6.0)%
EBITDA	**(105)**	**509**	**(614)**	**(120.6)%**	**(368)**	**899**	**(1,267)**	**(140.9)%**
Contra revenue	7	5	2	20.5 %	20	16	4	21.4 %
Revenues for the reimbursement of costs incurred on behalf of managed and franchised properties	(267)	(617)	350	56.8 %	(1,015)	(1,826)	811	44.5 %
Costs incurred on behalf of managed and franchised properties	278	633	(355)	(56.1)%	1,068	1,871	(803)	(42.9)%
Equity losses from unconsolidated hospitality ventures	20	5	15	341.1 %	45	2	43	NM
Stock-based compensation expense	3	4	(1)	(25.5)%	20	28	(8)	(28.6)%
Gains on sales of real estate	—	(373)	373	100.0 %	(8)	(374)	366	97.9 %
Asset impairments	—	9	(9)	(99.5)%	52	13	39	277.7 %
Other (income) loss, net	19	(25)	44	173.9 %	114	(104)	218	208.9 %
Pro rata share of unconsolidated owned and leased hospitality ventures Adjusted EBITDA	(3)	13	(16)	(127.5)%	(7)	38	(45)	(119.5)%
Adjusted EBITDA	**$ (48)**	**$ 163**	**$ (211)**	**(129.9)%**	**$ (79)**	**$ 563**	**$ (642)**	**(114.1)%**

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Change ($)	Change (%)	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019	Change ($)	Change (%)
Total revenues	**$ 399**	**$ 1,215**	**$ (816)**	**(67.2)%**	**$ 1,642**	**$ 3,745**	**$ (2,103)**	**(56.2)%**
Add: Contra revenue	7	5	2	20.5 %	20	16	4	21.4 %
Less: Revenues for the reimbursement of costs incurred on behalf of managed and franchised properties	(267)	(617)	350	56.8 %	(1,015)	(1,826)	811	44.5 %
Adjusted revenues	**$ 139**	**$ 603**	**$ (464)**	**(77.0)%**	**$ 647**	**$ 1,935**	**$ (1,288)**	**(66.5)%**
Adjusted EBITDA Margin %	**(35.0)%**	**26.9 %**		**(61.9)%**	**(12.3) %**	**29.1 %**		**(41.4) %**
Adjusted EBITDA Margin % Change in Constant Currency				**(61.8)%**				**(41.2)%**

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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 September 30, 2020 and September 30, 2019

(in millions, except per share amounts)

	Location on Condensed Consolidated Statements of Income (Loss)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019
Net income (loss) attributable to Hyatt Hotels Corporation		**$ (161)**	**$ 296**
Earnings (losses) per diluted share		**$ (1.59)**	**$ 2.80**
Special items			
Restructuring expenses (a)	Other income (loss), net	22	—
Utilization of Avendra and other proceeds (b)	Costs incurred on behalf of managed and franchised properties; depreciation and amortization	6	11
Fund deficits (c)	Revenues for the reimbursement of costs incurred and costs incurred on behalf of managed and franchised properties; other income (loss), net	6	4
Unrealized gains (d)	Other income (loss), net	(8)	(3)
Gains on sales of real estate (e)	Gains on sales of real estate	—	(373)
Asset impairments (f)	Asset impairments	—	9
Unconsolidated hospitality ventures (g)	Equity losses from unconsolidated hospitality ventures	—	6
Other (h)	Other income (loss), net	(1)	(3)
Special items - pre-tax		25	(349)
Income tax benefit (provision) for special items	Benefit (provision) for income taxes	(14)	92
Total special items - after-tax		**11**	**(257)**
Special items impact per diluted share		**$ 0.11**	**$ (2.43)**
Adjusted net income (loss) attributable to Hyatt Hotels Corporation		**$ (150)**	**$ 39**
Earnings (losses) per diluted share, adjusted for special items		**$ (1.48)**	**$ 0.37**

(a) **Restructuring expenses** - During the three months ended September 30, 2020 (Q3 2020), we recognized $22 million in restructuring expenses related to severance and related charges as a result of the COVID-19 pandemic.

(b) **Utilization of Avendra and other proceeds** - During Q3 2020 and the three months ended September 30, 2019 (Q3 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.

(c) **Fund deficits** - During Q3 2020 and Q3 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.

(d) **Unrealized gains** - During Q3 2020 and Q3 2019, we recognized unrealized gains due to the change in fair value of our marketable securities.

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

(f) **Asset impairments** - During Q3 2019, we recognized a $9 million impairment charge related to certain management agreement intangibles.

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

(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 (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 - Nine Months Ended September 30, 2020 and September 30, 2019

(in millions, except per share amounts)

	Location on Condensed Consolidated Statements of Income (Loss)	**Nine Months Ended September 30, 2020**	**Nine Months Ended September 30, 2019**
Net income (loss) attributable to Hyatt Hotels Corporation		**$ (500)**	**$ 445**
Earnings (losses) per diluted share		**$ (4.93)**	**$ 4.17**
Special items			
Restructuring expenses (a)	Other income (loss), net	69	—
Asset impairments (b)	Asset impairments	52	13
Unrealized (gains) losses (c)	Other income (loss), net	36	(23)
Utilization of Avendra and other proceeds (d)	Costs incurred on behalf of managed and franchised properties; depreciation and amortization	29	30
Fund deficits (e)	Revenues for the reimbursement of costs incurred and costs incurred on behalf of managed and franchised properties; other income (loss), net	25	9
Gains on sales of real estate (f)	Gains on sales of real estate	(8)	(374)
Release of contingent consideration liability (g)	Other income (loss), net	—	(29)
Other (h)	Equity losses from unconsolidated hospitality ventures; Other income (loss), net	(7)	(1)
Special items - pre-tax		196	(375)
Income tax benefit (provision) for special items	Benefit (provision) for income taxes	(64)	99
Total special items - after-tax		**132**	**(276)**
Special items impact per diluted share		**$ 1.30**	**$ (2.59)**
Adjusted net income (loss) attributable to Hyatt Hotels Corporation		**$ (368)**	**$ 169**
Earnings (losses) per diluted share, adjusted for special items		**$ (3.63)**	**$ 1.58**

(a) **Restructuring expenses** - During the nine months ended September 30, 2020 (YTD 2020), we recognized $69 million in restructuring expenses related to severance and related charges as a result of the COVID-19 pandemic.

(b) **Asset impairments** - During 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. During the nine months ended September 30, 2019 (YTD 2019), we recognized $13 million of impairment charges related to certain management agreement intangibles.

(c) **Unrealized (gains) losses** - During YTD 2020 and 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. During 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.

(g) **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.

(h) **Other** - During YTD 2020, we recognized $5 million of realized gains. During YTD 2019, we recognized an $8 million gain attributable to sales activity related to certain unconsolidated hospitality ventures, which was offset by impairment charges of $7 million.

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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 (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 September 30,				Nine Months Ended September 30,			
	2020	2019	Change ($)	Change (%)	2020	2019	Change ($)	Change (%)
SG&A expenses	**$ 69**	**$ 83**	**$ (14)**	**(16.7)%**	**$ 217**	**$ 306**	**$ (89)**	**(29.1)%**
Less: rabbi trust impact	(19)	—	(19)	NM	(20)	(36)	16	43.7 %
Less: stock-based compensation expense	(3)	(4)	1	25.5 %	(20)	(28)	8	28.6 %
Adjusted SG&A expenses	**$ 47**	**$ 79**	**$ (32)**	**(40.6)%**	**$ 177**	**$ 242**	**$ (65)**	**(27.1)%**

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	2019	Change ($)	Change (%)	2020	2019	Change ($)	Change (%)
Americas management and franchising (a)	$ 11	$ 16	$ (5)	(26.0)%	$ 38	$ 49	$ (11)	(21.6)%
ASPAC management and franchising	8	13	(5)	(31.0)%	26	37	(11)	(26.6)%
EAME/SW Asia management and franchising	7	8	(1)	(17.4)%	29	24	5	16.8 %
Owned and leased hotels (a)	3	6	(3)	(49.9)%	10	14	(4)	(30.4)%
Corporate and other (a)	18	36	(18)	(53.1)%	74	118	(44)	(38.1)%
Adjusted SG&A expenses	**$ 47**	**$ 79**	**$ (32)**	**(40.6)%**	**$ 177**	**$ 242**	**$ (65)**	**(27.1)%**

(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 nine months ended September 30, 2019.

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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 (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)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	2019	Change ($)	Change (%)	2020	2019	Change ($)	Change (%)
Revenues								
Comparable owned and leased hotels	$ 75	$ 388	$ (313)	(80.5)%	$ 417	$ 1,242	$ (825)	(66.4)%
Non-comparable owned and leased hotels	5	42	(37)	(90.0)%	5	148	(143)	(96.8)%
Owned and leased hotels revenues	**$ 80**	**$ 430**	**$ (350)**	**(81.4)%**	**$ 422**	**$ 1,390**	**$ (968)**	**(69.6)%**
Expenses								
Comparable owned and leased hotels	$ 120	$ 311	$ (191)	(61.3)%	$ 480	$ 948	$ (468)	(49.3)%
Non-comparable owned and leased hotels	8	35	(27)	(79.5)%	12	117	(105)	(89.8)%
Rabbi trust impact	3	—	3	NM	3	5	(2)	(48.0)%
Owned and leased hotels expenses	**$ 131**	**$ 346**	**$ (215)**	**(62.2)%**	**$ 495**	**$ 1,070**	**$ (575)**	**(53.7)%**
Owned and leased hotels operating margin percentage	**(63.9)%**	**19.3 %**		**(83.2)%**	**(17.4)%**	**23.0 %**		**(40.4)%**
Comparable owned and leased hotels operating margin percentage	**(59.4)%**	**19.6 %**		**(79.0)%**	**(15.1)%**	**23.6 %**		**(38.7)%**