

Hyatt Hotels Corporation

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Hyatt Hotels Corporation

Reconciliation of Non-GAAP Financial Measure: 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 December 31,				Year Ended December 31,			
	2020	2019	Change \$	Change (%)	2020	2019	Change (\$)	Change (%)
Net income (loss) attributable to Hyatt Hotels Corporation	\$ (203)	\$ 321	\$ (524)	(163.2)%	\$ (703)	\$ 766	\$ (1,469)	(191.7)%
Interest expense	41	17	24	141.8 %	128	75	53	70.8 %
(Benefit) provision for income taxes	(69)	92	(161)	(175.8)%	(257)	240	(497)	(207.4)%
Depreciation and amortization	77	81	(4)	(4.7)%	310	329	(19)	(5.7)%
EBITDA	(154)	511	(665)	(130.2)%	(522)	1,410	(1,932)	(137.0)%
Contra revenue	10	6	4	74.9 %	30	22	8	35.6 %
Revenues for the reimbursement of costs incurred on behalf of managed and franchised properties	(271)	(635)	364	57.2 %	(1,286)	(2,461)	1,175	47.8 %
Costs incurred on behalf of managed and franchised properties	307	649	(342)	(52.7)%	1,375	2,520	(1,145)	(45.4)%
Costs incurred on behalf of managed and franchised properties that we do not intend to recover from hotel owners	(45)	—	(45)	NM	(45)	—	(45)	NM
Equity losses from unconsolidated hospitality ventures	25	8	17	191.7 %	70	10	60	581.9 %
Stock-based compensation expense	4	7	(3)	(45.3)%	24	35	(11)	(31.6)%
(Gains) losses on sales of real estate and other	44	(349)	393	112.6 %	36	(723)	759	105.0 %
Asset impairments	10	5	5	108.3 %	62	18	44	232.4 %
Other (income) loss, net	(22)	(23)	1	10.7 %	92	(127)	219	172.8 %
Pro rata share of unconsolidated hospitality ventures	(6)	12	(18)	(147.5)%	(13)	50	(63)	(126.7)%
Adjusted EBITDA	\$ (98)	\$ 191	\$ (289)	(151.0)%	\$ (177)	\$ 754	\$ (931)	(123.5)%

	Three Months Ended December 31,				Year Ended December 31,			
	2020	2019	Change (\$)	Change (%)	2020	2019	Change (\$)	Change (%)
Total revenues	\$ 424	\$ 1,275	\$ (851)	(66.7)%	\$ 2,066	\$ 5,020	\$ (2,954)	(58.8)%
Add: Contra revenue	10	6	4	74.9 %	30	22	8	35.6 %
Less: Revenues for the reimbursement of costs incurred on behalf of managed and franchised properties	(271)	(635)	364	57.2 %	(1,286)	(2,461)	1,175	47.8 %
Adjusted revenues	\$ 163	\$ 646	\$ (483)	(74.7)%	\$ 810	\$ 2,581	\$ (1,771)	(68.6)%
Adjusted EBITDA Margin %	(59.8)%	29.7 %		(89.5)%	(21.8)%	29.2 %		(51.0)%
Adjusted EBITDA Margin % Change in Constant Currency				(89.3)%				(50.9)%

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Reconciliation of Non-GAAP Financial 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 December 31, 2020 and December 31, 2019

(in millions, except per share amounts)

	Location on Consolidated Statements of Income (Loss)	Three Months Ended December 31,	
		2020	2019
Net income (loss) attributable to Hyatt Hotels Corporation		\$ (203)	\$ 321
Earnings (losses) per diluted share		\$ (2.00)	\$ 3.08
Special items			
(a) (Gains) losses on sales of real estate and other	Gains (losses) on sales of real estate and other	44	(349)
(b) Asset impairments	Asset impairments	10	5
(c) Utilization of Avendra and other proceeds	Costs incurred on behalf of managed and franchised properties; depreciation and amortization	7	10
(d) Fund deficits	Revenues for the reimbursement of costs incurred and costs incurred on behalf of managed and franchised properties; other income (loss), net	4	3
(e) Restructuring expenses	Other income (loss), net	4	—
(f) Unrealized gains	Other income (loss), net	(23)	(3)
(g) Fund deficits not recovered	Revenues for the reimbursement of costs incurred and costs incurred on behalf of managed and franchised properties	(21)	—
(h) Gain on sale of contractual right	Other income (loss), net	—	(16)
Other	Equity losses from unconsolidated hospitality ventures; other income (loss), net	(2)	(2)
Special items - pre-tax		23	(352)
Income tax benefit for special items	Benefit (provision) for income taxes	1	80
Total special items - after-tax		24	(272)
Special items impact per diluted share		\$ 0.23	\$ (2.61)
Adjusted net income (loss) attributable to Hyatt Hotels Corporation		\$ (179)	\$ 49
Earnings (losses) per diluted share, adjusted for special items		\$ (1.77)	\$ 0.47

(a) **(Gains) losses on sales of real estate and other** - During the three months ended December 31, 2020 (Q4 2020), net losses were \$44 million, primarily driven by a \$30 million pre-tax loss on the sale of the entities which own Hyatt Regency Baku and a \$11 million pre-tax loss on the sale of the entity which owns the Exhale spa and fitness business. During the three months ended December 31, 2019 (Q4 2019), we recognized a \$349 million gain on the sale of the entity which owns Grand Hyatt Seoul and adjacent land.

(b) **Asset impairments** - During Q4 2020 and Q4 2019, we recognized impairment charges related to intangible assets.

(c) **Utilization of Avendra and other proceeds** - During Q4 2020 and Q4 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.

(d) **Fund deficits** - During Q4 2020 and Q4 2019, we recognized net deficits on certain funds due to the timing of revenue and expense recognition that we intend to recover in future periods.

(e) **Restructuring expenses** - During Q4 2020, we recognized \$4 million in restructuring expenses related to severance and related charges as a result of the COVID-19 pandemic.

(f) **Unrealized gains** - During Q4 2020 and Q4 2019, we recognized unrealized gains due to the change in fair value of our marketable securities.

(g) **Fund deficits not recovered** - Represents the reversal of costs incurred on behalf of managed and franchised properties that we do not intend to recover from hotel owners, which was reported as a special item during the nine months ended September 30, 2020.

(h) **Gain on sale of contractual right** - During Q4 2019, we recognized a \$16 million gain on the sale of our contractual right to purchase Hyatt Regency Portland at the Oregon Convention Center.

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Reconciliation of Non-GAAP Financial 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 - Year Ended December 31, 2020 and December 31, 2019

(in millions, except per share amounts)

	Location on Consolidated Statements of Income (Loss)	Year Ended December 31,	
		2020	2019
Net income (loss) attributable to Hyatt Hotels Corporation		\$ (703)	\$ 766
Earnings (losses) per diluted share		\$ (6.93)	\$ 7.21
Special items			
Restructuring expenses (a)	Other income (loss), net	73	—
Asset impairments (b)	Asset impairments	62	18
(Gains) losses on sales of real estate and other (c)	Gains (losses) on sales of real estate and other	36	(723)
Utilization of Avendra and other proceeds (d)	Costs incurred on behalf of managed and franchised properties; depreciation and amortization	36	40
Unrealized (gains) losses (e)	Other income (loss), net	13	(26)
Fund deficits (f)	Revenues for the reimbursement of costs incurred and costs incurred on behalf of managed and franchised properties; other income (loss), net	8	12
Realized gains	Other income (loss), net	(6)	(2)
Release of contingent consideration liability (g)	Other income (loss), net	(1)	(30)
Unconsolidated hospitality ventures (h)	Equity losses from unconsolidated hospitality ventures	(1)	(1)
Gain on sale of contractual right (i)	Other income (loss), net	—	(16)
Other	Other income (loss), net	(1)	1
Special items - pre-tax		219	(727)
Income tax benefit (provision) for special items	Benefit (provision) for income taxes	(63)	179
Total special items - after-tax		156	(548)
Special items impact per diluted share		\$ 1.53	\$ (5.16)
Adjusted net income (loss) attributable to Hyatt Hotels Corporation		\$ (547)	\$ 218
Earnings (losses) per diluted share, adjusted for special items		\$ (5.40)	\$ 2.05

(a) **Restructuring expenses** - During the year ended December 31, 2020 (YTD 2020), we recognized \$73 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 \$62 million of impairment charges related to goodwill, property and equipment, operating lease right-of-use assets, and intangible assets. During the year ended December 31, 2019 (YTD 2019), we recognized an \$18 million impairment charge related to intangible assets.

(c) **(Gains) losses on sales of real estate and other** - During YTD 2020, net losses were \$36 million, primarily driven by a \$30 million pre-tax loss on the sale of the entities which own Hyatt Regency Baku. During YTD 2019, we recognized a \$349 million gain on the sale of the entity which owns Grand Hyatt Seoul and adjacent land, 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.

(d) **Utilization of Avendra and other proceeds** - During YTD 2020 and YTD 2019, we recognized expenses related to the partial utilization of the aforementioned Avendra LLC sale proceeds for the benefit of our hotels.

(e) **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.

(f) **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 intend to recover in future periods.

(g) **Release of contingent consideration liability** - During YTD 2020 and YTD 2019, we recognized \$1 million and \$30 million, respectively, of income related to the release of the contingent consideration liability recorded in connection with the acquisition of Two Roads in 2018.

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

(i) **Gain on sale of contractual right** - During YTD 2019, we recognized a \$16 million gain on the sale of our contractual right to purchase Hyatt Regency Portland at the Oregon Convention Center.

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Reconciliation of Non-GAAP Financial Measure: SG&A Expenses to Adjusted SG&A Expenses

Results of operations as presented on the 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 December 31,				Year Ended December 31,			
	2020	2019	Change (\$)	Change (%)	2020	2019	Change (\$)	Change (%)
SG&A expenses	\$ 104	\$ 111	\$ (7)	(5.9)%	\$ 321	\$ 417	\$ (96)	(22.9)%
Less: rabbi trust impact	(32)	(17)	(15)	(79.2)%	(52)	(53)	1	2.0 %
Less: stock-based compensation expense	(4)	(7)	3	45.3 %	(24)	(35)	11	31.6 %
Adjusted SG&A expenses	\$ 68	\$ 87	\$ (19)	(20.7)%	\$ 245	\$ 329	\$ (84)	(25.4)%

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

	Three Months Ended December 31,				Year Ended December 31,			
	2020	2019	Change (\$)	Change (%)	2020	2019	Change (\$)	Change (%)
Americas management and franchising (a)	\$ 21	\$ 15	\$ 6	37.0 %	\$ 59	\$ 64	\$ (5)	(7.0)%
ASPAC management and franchising	10	13	(3)	(22.9)%	36	50	(14)	(25.6)%
EAME/SW Asia management and franchising	10	10	—	6.5 %	39	34	5	14.1 %
Owned and leased hotels (a)	3	2	1	4.5 %	13	16	(3)	(23.9)%
Corporate and other (a)	24	47	(23)	(47.2)%	98	165	(67)	(40.7)%
Adjusted SG&A expenses	\$ 68	\$ 87	\$ (19)	(20.7)%	\$ 245	\$ 329	\$ (84)	(25.4)%

(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 months and year ended December 31, 2019.

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Reconciliation of Non-GAAP Financial Measure: Guidance: SG&A Expenses to Adjusted SG&A Expenses

For the Year Ended December 31, 2021

No additional disposition of acquisition activity beyond what has been completed as of the date of this release has been included in the forecast. 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. Results of operations as presented on the 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 forecasted measure excluding the impact of our rabbi trust investments and forecasted stock-based compensation expense.

(in millions)

	Year Ended December 31, 2021
	Forecast
SG&A expenses	\$ 278
Less: rabbi trust impact (a)	—
Less: stock-based compensation expense	(38)
Adjusted SG&A expenses	\$ 240

(a) Impact of rabbi trust is not forecasted for the year ended December 31, 2021 as performance of underlying invested assets is not estimable.

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Reconciliation of Non-GAAP Financial 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 (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 December 31,				Year Ended December 31,			
	2020	2019	Change (\$)	Change (%)	2020	2019	Change (\$)	Change (%)
Revenues								
Comparable owned and leased hotels	\$ 86	\$ 431	\$ (345)	(80.0)%	\$ 499	\$ 1,664	\$ (1,165)	(70.0)%
Non-comparable owned and leased hotels	5	27	(22)	(80.4)%	14	184	(170)	(92.2)%
Owned and leased hotels revenues	\$ 91	\$ 458	\$ (367)	(80.1)%	\$ 513	\$ 1,848	\$ (1,335)	(72.2)%
Expenses								
Comparable owned and leased hotels	\$ 120	\$ 328	\$ (208)	(63.4)%	\$ 597	\$ 1,271	\$ (674)	(53.0)%
Non-comparable owned and leased hotels	7	22	(15)	(69.2)%	22	144	(122)	(84.6)%
Rabbi trust impact	5	4	1	53.9%	8	9	(1)	(11.6)%
Owned and leased hotels expenses	\$ 132	\$ 354	\$ (222)	(62.7)%	\$ 627	\$ 1,424	\$ (797)	(56.0)%
Owned and leased hotels operating margin percentage	(44.3)%	22.8%		(67.1)%	(22.2)%	22.9%		(45.1)%
Comparable owned and leased hotels operating margin percentage	(39.5)%	23.8%		(63.3)%	(19.6)%	23.6%		(43.2)%