

# Record Cash Flow from Operations of \$674M; Net Rooms Growth of 6.7% Exceeds Expectations

**CHICAGO (February 16, 2023)** - Hyatt Hotels Corporation ("Hyatt" or the "Company") (NYSE: H) today reported fourth quarter and full year 2022 financial results. Highlights include:

- **Net income** was \$294 million in the fourth quarter and \$455 million for the full year of 2022. Adjusted net income was \$278 million in the fourth quarter and \$365 million for the full year of 2022. Net income in the fourth quarter and for the full year of 2022 includes a non-cash benefit of \$250 million due to the release of a valuation allowance on U.S. federal and state deferred taxes.
- **Diluted EPS** was \$2.69 in the fourth quarter and \$4.09 for the full year of 2022. Adjusted Diluted EPS was \$2.55 in the fourth quarter and \$3.28 for the full year of 2022.
- **Adjusted EBITDA** was \$232 million in the fourth quarter and \$908 million for the full year of 2022. Apple Leisure Group ("ALG") contributed \$43 million of Adjusted EBITDA in the fourth quarter and \$231 million for the full year of 2022.
  - Adjusted EBITDA does not include ALG's Net Deferrals of \$28 million and \$94 million, and Net Financed Contracts of \$15 million and \$63 million, in the fourth quarter and for the full year of 2022, respectively.
- **Comparable system-wide RevPAR** increased 34.8% in the fourth quarter and 60.2% for the full year of 2022, compared to 2021.
- **Comparable owned and leased hotels RevPAR** increased 41.7% in the fourth quarter and 87.6% for the full year of 2022, compared to 2021. Comparable owned and leased hotels operating margin improved to 27.9% in the fourth quarter and to 27.1% for the full year of 2022.
- **All-inclusive Net Package RevPAR** was \$190.64 in the fourth quarter and \$187.28 for the full year of 2022.
- **Net Rooms Growth** was 6.7% for the full year of 2022.
- **Pipeline** of executed management or franchise contracts was approximately 117,000 rooms, inclusive of ALG's pipeline contribution of 8,000 rooms.
- **Share repurchase** activity was approximately 1.15 million shares repurchased for \$106 million in the fourth quarter and approximately 4.23 million shares repurchased for \$369 million for the full year of 2022.

Mark S. Hoplamazian, President and Chief Executive Officer of Hyatt, said, "Our results in the fourth quarter mark the completion of a truly transformative year. We generated a record level of fees and free cash flow while leading the industry in organic growth for a sixth consecutive year. This outcome is a direct result of successfully executing on our asset-light growth strategy. We continue to experience positive momentum in the markets in which we operate and are optimistic about the year ahead."

## Operational Update

Comparable system-wide RevPAR increased 2.4% in the fourth quarter and declined 6.1% for the full year of 2022, compared to the same periods in 2019. Excluding Greater China, system-wide RevPAR increased 6.6% in the fourth quarter and declined 2.5% for the full year of 2022, compared to the same periods in 2019. In the fourth quarter of 2022, the RevPAR recovery continued to be powered by strong pricing with leisure transient and group average rates up 19% and 15% compared to 2019 levels, respectively.

The ALG all-inclusive portfolio also continues to experience positive trends. Net package RevPAR for the same set of properties managed by ALG in the Americas increased 24.4% in the fourth quarter and 12.6% for the full year of 2022, compared to the same periods in 2019. Total Net package revenue for all ALG properties increased 65.4% in the fourth quarter and 48.2% for the full year of 2022, compared to the same periods in 2019, fueled by ALG's net rooms growth in the Americas and significant expansion into Europe.

## Segment Results and Highlights

<i>(in millions)</i>	Three Months Ended December 31,			Year Ended December 31,		
	2022	2021 <sup>1</sup>	2019 <sup>2</sup>	2022	2021 <sup>1</sup>	2019 <sup>2</sup>
Owned and leased hotels	\$88	\$57	\$98	\$307	\$91	\$389
Americas management and franchising	106	75	92	422	231	380
ASPAC management and franchising	16	8	28	42	29	87
EAME/SW Asia management and franchising	19	13	16	59	17	49

Apple Leisure Group	43	4	—	231	4	—
Corporate and other	(40)	(45)	(42)	(154)	(116)	(152)
Eliminations	—	—	(1)	1	1	1
<b>Adjusted EBITDA</b>	<b>\$232</b>	<b>\$112</b>	<b>\$191</b>	<b>\$908</b>	<b>\$257</b>	<b>\$754</b>
	<b>Three Months Ended December 31,</b>			<b>Year Ended December 31,</b>		
	<b>2022</b>	<b>2021<sup>1</sup></b>	<b>2019</b>	<b>2022</b>	<b>2021<sup>1</sup></b>	<b>2019</b>
Net Deferrals	\$28	\$19	\$—	\$94	\$19	\$—
Net Financed Contracts	\$15	\$8	\$—	\$63	\$8	\$—

<sup>1</sup> Includes results for the two month period of ownership following the acquisition of ALG during three months and year ended December 31, 2021.

<sup>2</sup> Effective January 1, 2020, the results of Miraval are reported in the owned and leased hotels segment and Americas management and franchising segment. Fees from Hyatt Residence Club are reported in the Americas management and franchising segment. These changes are also reflected for the three months and year ended December 31, 2019.

- Owned and leased hotels segment: Comparable operating margins improved to 27.9% in the fourth quarter, reflecting strong operational execution and growth in average daily rates. Owned and leased hotels Adjusted EBITDA increased \$8 million, or 10%, when adjusted for the net impact of transactions, in the fourth quarter compared to the same period in 2019.
- Americas management and franchising segment: Results in the fourth quarter were led by ongoing strength in leisure transient revenue. Additionally, group room revenue was 1.3% above 2019 levels. New hotels added to the system since the start of 2019 contributed \$15 million in fee revenue during the quarter.
- ASPAC management and franchising segment: Results in the fourth quarter were below 2019 levels driven by Greater China. Asia Pacific, excluding Greater China, experienced an acceleration in demand with notable momentum in South Korea, Japan, and Southeast Asia.
- EAME/SW Asia management and franchising segment: Results in the fourth quarter were led by strong fee generation in the Middle East driven by the World Cup in Qatar. Additionally, the region enjoyed strong leisure demand throughout Europe.
- Apple Leisure Group segment: Results in the fourth quarter were led by the continued strength of leisure demand, favorable pricing, and airlift that remains above 2019 levels for key Americas destinations. ALG revenue and Adjusted EBITDA includes a \$23 million non-cash benefit primarily from the expiration of unredeemed pandemic-related travel credits.

### **Openings and Development**

In the fourth quarter, 57 new hotels (or 10,784 rooms) joined Hyatt's system. Notable openings included 31 franchised hotels (or 5,082 rooms), predominately across Germany, as part of Hyatt's agreement with Lindner Hotels & Resorts, Secrets Impression Moxché, Hyatt Centric Ville-Marie Montréal, and Fuji Speedway Hotel and Grayson Hotel in New York City, both part of The Unbound Collection by Hyatt portfolio.

For the full year of 2022, 120 new hotels (or 23,227 rooms) joined Hyatt's system with 48 properties (or 8,281 rooms) converted to a Hyatt brand.

As of December 31, 2022, the Company had a pipeline of executed management or franchise contracts for approximately 580 hotels (approximately 117,000 rooms), inclusive of ALG's pipeline contribution of approximately 20 hotels (or approximately 8,000 rooms).

### **Transactions and Capital Strategy**

On February 2, 2023, the Company completed the acquisition of Dream Hotel Group and paid cash of approximately \$125 million. The terms of the agreement provide for up to an additional \$175 million of contingent consideration through 2028 as properties come into the pipeline and open. The acquisition adds 12 lifestyle hotels (or approximately 1,700 rooms) to the Hyatt portfolio, with an additional 24 signed long-term management agreements for hotels expected to open in the future.

The Company is currently marketing two assets held for sale and intends to successfully execute plans to realize \$2.0 billion of gross proceeds from the sale of real estate, net of acquisitions, by the end of 2024 as part of its expanded asset-disposition commitment announced in August 2021. As of December 31, 2022, the Company has realized \$721 million of proceeds from the net disposition of real estate as part of this commitment.

### **Balance Sheet and Liquidity**

As of December 31, 2022, the Company reported the following:

- Total debt of \$3,113 million.
- Pro rata share of unconsolidated hospitality venture debt of \$538 million, substantially all of which is non-recourse to Hyatt and a portion of which Hyatt guarantees pursuant to separate agreements.
- Total liquidity of approximately \$2.6 billion with \$1,149 million of cash and cash equivalents and short-term investments, and borrowing availability of \$1,496 million under Hyatt's revolving credit facility, net of letters of credit outstanding.

The Company repurchased a total of 1,158,003 Class A common shares for approximately \$106 million in the fourth quarter and repurchased a total of 4,233,894 Class A common shares for approximately \$369 million during the full year of 2022. The Company ended the fourth quarter with 47,482,787 Class A and 58,917,749 Class B shares issued and outstanding. As of December 31, 2022, the Company had approximately \$559 million remaining under its share repurchase authorization.

## **2023 Outlook**

The Company is providing the following guidance for the 2023 fiscal year:

	<b>Full Year 2023 vs. 2022</b>
System-Wide RevPAR <sup>1</sup>	10% to 15%
	<b>Full Year 2023 vs. 2022</b>
Net Rooms Growth	Approx. 6.0%
<i>(in millions)</i>	<b>Full Year 2023 HHC</b>
Capital Expenditures	Approx. \$200
Total Adjusted SG&A <sup>2</sup>	\$480 - \$490
One-Time Integration Costs <sup>3</sup>	Approx. \$15

<sup>1</sup> RevPAR is based on constant currency whereby previous periods are translated based on the current period exchange rate. RevPAR percentage for 2023 vs. 2022 is based on comparable hotels.

<sup>2</sup> Refer to the table on page A-18 of the schedules for a reconciliation of estimated selling, general, and administrative expenses to Adjusted selling, general, and administrative expenses.

<sup>3</sup> One-time integration costs are related to acquisition activity and are included within Adjusted selling, general, and administrative expenses.

No disposition or acquisition activity beyond what has been completed as of the date of this release has been included in the 2023 Outlook. The Company's 2023 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 Hyatt will achieve these results.

## **Conference Call Information**

The Company will hold an investor conference call this morning, February 16, 2023, at 8:00 a.m. CT.

Participants may listen to a simultaneous webcast of the conference call, which may be accessed through the Company's website at [investors.hyatt.com](http://investors.hyatt.com). Alternatively, participants may access the live call by dialing: 888-412-4131 (U.S. Toll-Free) or 646-960-0134 (International Toll Number) using conference ID# 9019679 approximately 15 minutes prior to the scheduled start time.

A replay of the call will be available Thursday, February 16, 2023 at 11:00 a.m. CT until Wednesday, February 22, 2023 at 10:59 p.m. CT by dialing: 800-770-2030 (U.S. Toll-Free) or 647-362-9199 (International Toll Number) using conference ID# 9019679. An archive of the webcast will be available on the Company's website for 90 days.

## **Investor Contact**

Noah Hoppe, 312.780.5991, [noah.hoppe@hyatt.com](mailto:noah.hoppe@hyatt.com)

## **Media Contact**

Franziska Weber, 312.780.6106, [franziska.weber@hyatt.com](mailto:franziska.weber@hyatt.com)

## **Forward-Looking Statements**

*Forward-Looking Statements in this press release, which are not historical facts, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include statements about our plans,*

strategies, outlook, occupancy, the amount by which the Company intends to reduce its real estate asset base, the expected amount of gross proceeds from the sale of such assets, and the anticipated timeframe for such asset dispositions, the number of properties we expect to open in the future, booking trends, RevPAR trends, our expected Adjusted SG&A expense, our expected capital expenditures, our expected net rooms growth, our expected system-wide RevPAR, our expected one-time integration costs, financial performance, prospects or future events and involve known and unknown risks that are difficult to predict. As a result, our actual results, performance or achievements may differ materially from those expressed or implied by these forward-looking statements. In some cases, you can identify forward-looking statements by the use of words such as "may," "could," "expect," "intend," "plan," "seek," "anticipate," "believe," "estimate," "predict," "potential," "continue," "likely," "will," "would" and variations of these terms and similar expressions, or the negative of these terms or similar expressions. Such forward-looking statements are necessarily based upon estimates and assumptions that, while considered reasonable by us and our management, are inherently uncertain. Factors that may cause actual results to differ materially from current expectations include, but are not limited to: general economic uncertainty in key global markets and a worsening of global economic conditions or low levels of economic growth; the rate and the pace of economic recovery following economic downturns; global supply chain constraints and interruptions, rising costs of construction-related labor and materials, and increases in costs due to inflation or other factors that may not be fully offset by increases in revenues in our business; risks affecting the luxury, resort, and all-inclusive lodging segments; levels of spending in business, leisure, and group segments, as well as consumer confidence; declines in occupancy and average daily rate; limited visibility with respect to future bookings; loss of key personnel; domestic and international political and geo-political conditions, including political or civil unrest or changes in trade policy; hostilities, or fear of hostilities, including future terrorist attacks, that affect travel; travel-related accidents; natural or man-made disasters, weather and climate-related events, such as earthquakes, tsunamis, tornadoes, hurricanes, droughts, floods, wildfires, oil spills, nuclear incidents, and global outbreaks of pandemics or contagious diseases, or fear of such outbreaks; the pace and consistency of recovery following the COVID-19 pandemic and the long-term effects of the pandemic, additional resurgence, or COVID-19 variants, including with respect to global and regional economic activity, travel limitations or bans, the demand for travel, transient and group business, and levels of consumer confidence; the ability of third-party owners, franchisees, or hospitality venture partners to successfully navigate the impacts of the COVID-19 pandemic, any additional resurgence, or COVID-19 variants or other pandemics, epidemics or other health crises; our ability to successfully achieve certain levels of operating profits at hotels that have performance tests or guarantees in favor of our third-party owners; the impact of hotel renovations and redevelopments; risks associated with our capital allocation plans, share repurchase program, and dividend payments, including a reduction in, or elimination or suspension of, repurchase activity or dividend payments; the seasonal and cyclical nature of the real estate and hospitality businesses; changes in distribution arrangements, such as through internet travel intermediaries; changes in the tastes and preferences of our customers; relationships with colleagues and labor unions and changes in labor laws; the financial condition of, and our relationships with, third-party property owners, franchisees, and hospitality venture partners; the possible inability of third-party owners, franchisees, or development partners to access the capital necessary to fund current operations or implement our plans for growth; risks associated with potential acquisitions and dispositions and our ability to successfully integrate completed acquisitions with existing operations, including with respect to our acquisition of Apple Leisure Group and Dream Hotel Group and the successful integration of each business; failure to successfully complete proposed transactions (including the failure to satisfy closing conditions or obtain required approvals); our ability to successfully execute on our strategy to expand our management and franchising business while at the same time reducing our real estate asset base within targeted timeframes and at expected values; declines in the value of our real estate assets; unforeseen terminations of our management or franchise agreements; changes in federal, state, local, or foreign tax law; increases in interest rates, wages, and other operating costs; foreign exchange rate fluctuations or currency restructurings; risks associated with the introduction of new brand concepts, including lack of acceptance of new brands or innovation; general volatility of the capital markets and our ability to access such markets; changes in the competitive environment in our industry, including as a result of the COVID-19 pandemic, industry consolidation, and the markets where we operate; our ability to successfully grow the World of Hyatt loyalty program and Unlimited Vacation Club paid membership program; cyber incidents and information technology failures; outcomes of legal or administrative proceedings; violations of regulations or laws related to our franchising business and licensing businesses and our international operations; and other risks discussed in the Company's filings with the SEC, including our annual report on Form 10-K, which filings are available from the SEC. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements set forth above. We caution you not to place undue reliance on any forward-looking statements, which are made only as of the date of this press release. We do not undertake or assume any obligation to update publicly any of these forward-looking statements to reflect actual results, new information or future events, changes in assumptions or changes in other factors affecting forward-looking statements, except to the extent required by applicable law. If we update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

## **Non-GAAP Financial Measures**

The Company refers to certain financial measures that are not recognized under U.S. generally accepted accounting principles (GAAP) in this press release, including: Adjusted Net Income (Loss); Adjusted Diluted EPS; Adjusted EBITDA; Adjusted EBITDA Margin; Adjusted SG&A Expenses; and Free Cash Flow. See the schedules to this earnings release, including the "Definitions" section, for additional information and reconciliations of such non-GAAP financial measures.

## **Availability of Information on Hyatt's Website and Social Media Channels**

Investors and others should note that Hyatt routinely announces material information to investors and the marketplace using U.S. Securities and Exchange Commission (SEC) filings, press releases, public conference calls, webcasts and the Hyatt Investor Relations website. The Company uses these channels as well as social media channels (e.g., the Hyatt Facebook account ([facebook.com/hyatt](https://www.facebook.com/hyatt)); the Hyatt Instagram account ([instagram.com/hyatt/](https://www.instagram.com/hyatt/)); the Hyatt Twitter account ([twitter.com/hyatt](https://twitter.com/hyatt)); the Hyatt LinkedIn account ([linkedin.com/company/hyatt/](https://www.linkedin.com/company/hyatt/)); and the Hyatt YouTube account ([youtube.com/user/hyatt](https://www.youtube.com/user/hyatt))) as a means of disclosing information about the Company's business to our guests, customers, colleagues, investors, and the public. While not all of the information that the Company posts to the Hyatt Investor Relations website or on the Company's social media channels is of a material nature, some information could be deemed to be material. Accordingly, the Company encourages investors, the media, and others interested in Hyatt to review the information that it shares at the Investor Relations link located at the bottom of the page on [hyatt.com](https://www.hyatt.com) and on the Company's social media channels. Users may automatically receive email alerts and other information about the Company when enrolling an email address by visiting "Email Alerts" in the "Investor Resources" section of Hyatt's website at [investors.hyatt.com](https://investors.hyatt.com). The contents of these websites are not incorporated by reference into this press release or any report or document Hyatt files with the SEC, and any references to the websites are intended to be inactive textual references only.

## **About Hyatt Hotels Corporation**

Hyatt Hotels Corporation, headquartered in Chicago, is a leading global hospitality company guided by its purpose – to care for people so they can be their best. As of December 31, 2022, the Company's portfolio included more than 1,250 hotels and all-inclusive properties in 75 countries across six continents. The Company's offering includes brands in the *Timeless Collection*, including **Park Hyatt®**, **Grand Hyatt®**, **Hyatt Regency®**, **Hyatt®**, **Hyatt Residence Club®**, **Hyatt Place®**, **Hyatt House®**, and **UrCove**; the *Boundless Collection*, including **Miraval®**, **Alila®**, **Andaz®**, **Thompson Hotels®**, **Hyatt Centric®**, and **Caption by Hyatt®**; the *Independent Collection*, including **The Unbound Collection by Hyatt®**, **Destination by Hyatt®**, and **JdV by Hyatt®**; and the *Inclusive Collection*, including **Hyatt Ziva®**, **Hyatt Zilara®**, **Zoëtry® Wellness & Spa Resorts**, **Secrets® Resorts & Spas**, **Breathless Resorts & Spas®**, **Dreams® Resorts & Spas**, **Hyatt Vivid Hotels & Resorts**, **Alua Hotels & Resorts®**, and **Sunscape® Resorts & Spas**. Subsidiaries of the Company operate the World of Hyatt® loyalty program, ALG Vacations®, Unlimited Vacation Club®, Amstar DMC destination management services, and Trisept Solutions® technology services. For more information, please visit [www.hyatt.com](https://www.hyatt.com).

## **Hyatt Hotels Corporation**

### Definitions

#### **Adjusted Earnings Before Interest Expense, Taxes, Depreciation, and Amortization (Adjusted EBITDA) and EBITDA**

We use the terms Adjusted EBITDA and EBITDA throughout this earnings release. Adjusted EBITDA and EBITDA, as we define them, are non-GAAP measures. We define consolidated Adjusted EBITDA as net income (loss) attributable to Hyatt Hotels Corporation plus our pro rata share of unconsolidated owned and leased hospitality ventures' Adjusted EBITDA based on our ownership percentage of each owned and leased venture, adjusted to exclude the following items:

- interest expense;
- benefit (provision) for income taxes;
- depreciation and amortization;
- amortization of management and franchise agreement assets and performance cure payments, which constitute payments to customers (Contra revenue);
- revenues for the reimbursement of costs incurred on behalf of managed and franchised properties;
- costs incurred on behalf of managed and franchised properties that we intend to recover over the long term;
- equity earnings (losses) from unconsolidated hospitality ventures;
- stock-based compensation expense;
- gains (losses) on sales of real estate and other;
- asset impairments; and
- other income (loss), net

We calculate consolidated Adjusted EBITDA by adding the Adjusted EBITDA of each of our reportable segments and eliminations to corporate and other Adjusted EBITDA.

Our board of directors and executive management team focus on Adjusted EBITDA as one of the key performance and compensation measures both on a segment and on a consolidated basis. Adjusted EBITDA assists us in comparing our performance over various reporting periods on a consistent basis because it removes from our operating results the impact of items that do not reflect our core operations both on a segment and on a consolidated basis. Our President and Chief Executive Officer, who is our chief operating decision maker ("CODM"), also evaluates the performance of each of our reportable segments and determines how to allocate resources to those segments, in part, by assessing the Adjusted EBITDA of each segment. In addition, the compensation committee of our board of directors determines the annual variable compensation for certain members of our management based in part on consolidated Adjusted EBITDA, segment Adjusted EBITDA, or some combination of both.

We believe Adjusted EBITDA is useful to investors because it provides investors with the same information that we use internally for purposes of assessing our operating performance and making compensation decisions and facilitates our comparison of results with results from other companies within our industry.

Adjusted EBITDA excludes certain items that can vary widely across different industries and among companies within the same industry including interest expense and benefit (provision) for income taxes, which are dependent on company specifics, including capital structure, credit ratings, tax policies, and jurisdictions in which they operate; depreciation and amortization which are dependent on company policies including how the assets are utilized as well as the lives assigned to the assets; Contra revenue which is dependent on company policies and strategic decisions regarding payments to hotel owners; and stock-based compensation expense which varies among companies as a result of different compensation plans companies have adopted. We exclude revenues for the reimbursement of costs and costs incurred on behalf of managed and franchised properties which relate to the reimbursement of payroll costs and for system-wide services and programs that we operate for the benefit of our hotel owners as contractually we do not provide services or operate the related programs to generate a profit over the terms of the respective contracts. Over the long term, these programs and services are not designed to impact our economics, either positively or negatively. Therefore, we exclude the net impact when evaluating period-over-period changes in our operating results. Adjusted EBITDA includes costs incurred on behalf of our managed and franchised properties related to system-wide services and programs that we do not intend to recover from hotel owners. Finally, we exclude other items that are not core to our operations, such as asset impairments and unrealized and realized gains and losses on marketable securities.

Adjusted EBITDA and EBITDA are not substitutes for net income (loss) attributable to Hyatt Hotels Corporation, net income (loss), or any other measure prescribed by GAAP. There are limitations to using non-GAAP measures such as Adjusted EBITDA and EBITDA. Although we believe that Adjusted EBITDA can make an evaluation of our operating performance more consistent because it removes items that do not reflect our core operations, other companies in our industry may define Adjusted EBITDA differently than we do. As a result, it may be difficult to use Adjusted EBITDA or similarly named non-GAAP measures that other companies may use to compare the performance of those companies to our performance. Because of these limitations, Adjusted EBITDA should not be considered as a measure of the income (loss) generated by our business. Our management compensates for these limitations by referencing our GAAP results and using Adjusted EBITDA supplementally.

#### Adjusted EBITDA Margin

We define Adjusted EBITDA margin as Adjusted EBITDA divided by total revenues excluding Contra revenue and revenues for the reimbursement of costs incurred on behalf of managed and franchised properties (Adjusted revenues). We believe Adjusted EBITDA margin is useful to investors because it provides investors the same information that the Company uses internally for purposes of assessing operating performance.

#### Adjusted Net Income (Loss) and Adjusted Diluted Earnings (Losses) per Share (EPS)

Adjusted net income (loss) and Adjusted Diluted EPS, as we define them, are non-GAAP measures. We define Adjusted net income (loss) as net income (loss) attributable to Hyatt Hotels Corporation excluding special items, which are those items deemed not to be reflective of ongoing operations. We define Adjusted Diluted EPS as Adjusted net income (loss) per diluted share. We consider Adjusted net income (loss) and Adjusted Diluted EPS to be an indicator of operating performance because excluding special items allows for period-over-period comparisons of our ongoing operations.

Adjusted net income (loss) and Adjusted Diluted EPS are not a substitute for net income (loss) attributable to Hyatt Hotels Corporation, net income (loss), diluted earnings (losses) per share, or any other measure prescribed by GAAP. There are limitations to using non-GAAP measures such as Adjusted net income (loss) and Adjusted Diluted EPS. Although we believe that Adjusted net income (loss) and Adjusted Diluted EPS can make an evaluation of our operating performance more consistent because they remove special items that are deemed not to be reflective of ongoing operations, other companies in our industry may define Adjusted net income (loss) and Adjusted Diluted EPS differently than we do. As a result, it may be difficult to use Adjusted net income (loss) or Adjusted Diluted EPS or similarly named non-GAAP measures that other companies may use to compare the performance of those companies to our performance. Because of these limitations, Adjusted net income (loss) and Adjusted Diluted EPS should not be considered as measures of the income (loss) and earnings (losses) per share generated by our business. Our management compensates for these limitations by reference to its GAAP results and using Adjusted net income (loss) and Adjusted Diluted EPS supplementally.

## Adjusted Selling, General, and Administrative (SG&A) Expenses

Adjusted SG&A expenses, as we define it, is a non-GAAP measure. Adjusted SG&A expenses exclude the impact of deferred compensation plans funded through rabbi trusts and stock-based compensation expense. Adjusted SG&A expenses assist us in comparing our performance over various reporting periods on a consistent basis because it removes from our operating results the impact of items that do not reflect our core operations, both on a segment and consolidated basis.

## Comparable Owned and Leased Hotels Operating Margin

We define comparable owned and leased hotels operating margin as the difference between comparable owned and leased hotels revenues and comparable owned and leased hotels expenses. Comparable owned and leased hotels revenues is calculated by removing non-comparable hotels revenues from owned and leased hotels revenues as reported in our consolidated statements of income (loss). Comparable owned and leased hotels expenses is calculated by removing both non-comparable owned and leased hotels expenses and the impact of expenses funded through rabbi trusts from owned and leased hotels expenses as reported in our consolidated statements of income (loss). We believe comparable owned and leased hotels operating margin is useful to investors because it provides investors the same information that the Company uses internally for purposes of assessing operating performance.

## Comparable Hotels

"Comparable system-wide hotels" represents all properties we manage or franchise, including owned and leased properties, that are operated for the entirety of the periods being compared and that have not sustained substantial damage, business interruption, or undergone large scale renovations during the periods being compared or for which comparable results are not available. We may use variations of comparable system-wide hotels to specifically refer to comparable system-wide Americas full service hotels, including our wellness resorts, our select service hotels, or our all-inclusive resorts, for those properties that we manage or franchise within the Americas management and franchising segment, comparable system-wide ASPAC full service or select service hotels for those properties we manage or franchise within the ASPAC management and franchising segment, or comparable system-wide EAME/SW Asia full service or select service hotels for those properties that we manage or franchise within the EAME/SW Asia management and franchising segment. "Comparable owned and leased hotels" represents all properties we own or lease and that are operated and consolidated for the entirety of the periods being compared and have not sustained substantial damage, business interruption, or undergone large scale renovations during the periods being compared or for which comparable results are not available. Comparable system-wide hotels and comparable owned and leased hotels are commonly used as a basis of measurement in our industry. "Non-comparable system-wide hotels" or "non-comparable owned and leased hotels" represent all hotels that do not meet the respective definition of "comparable" as defined above.

## Constant Dollar Currency

We report the results of our operations both on an as-reported basis, as well as on a constant dollar basis. Constant dollar currency, which is a non-GAAP measure, excludes the effects of movements in foreign currency exchange rates between comparative periods. We believe constant dollar analysis provides valuable information regarding our results as it removes currency fluctuations from our operating results. We calculate constant dollar currency by restating prior-period local currency financial results at the current period's exchange rates. These restated amounts are then compared to our current period reported amounts to provide operationally driven variances in our results.

## Average Daily Rate (ADR)

ADR represents hotel room revenues, divided by the total number of rooms sold in a given period. ADR measures the average room price attained by a hotel and ADR trends provide useful information concerning the pricing environment and the nature of the customer base of a hotel or group of hotels. ADR is a commonly used performance measure in our industry, and we use ADR to assess the pricing levels that we are able to generate by customer group, as changes in rates have a different effect on overall revenues and incremental profitability than changes in occupancy, as described below.

## Occupancy

Occupancy represents the total number of rooms sold divided by the total number of rooms available at a hotel or group of hotels. Occupancy measures the utilization of a hotel's available capacity. We use occupancy to gauge demand at a specific hotel or group of hotels in a given period. Occupancy levels also help us determine achievable ADR levels as demand for hotel rooms increases or decreases.

## Revenue per Available Room (RevPAR)

RevPAR is the product of the average daily rate and the average daily occupancy percentage. RevPAR does not include non-room revenues, which consist of ancillary revenues generated by a hotel property, such as food and beverage, parking, and other guest service revenues. Our management uses RevPAR to identify trend information with respect to room revenues from comparable properties and to evaluate hotel performance on a regional and segment basis. RevPAR is a commonly used

performance measure in our industry.

RevPAR changes that are driven predominantly by changes in occupancy have different implications for overall revenue levels and incremental profitability than do changes that are driven predominantly by changes in average room rates. For example, increases in occupancy at a hotel would lead to increases in room revenues and additional variable operating costs, including housekeeping services, utilities, and room amenity costs, and could also result in increased ancillary revenues, including food and beverage. In contrast, changes in average room rates typically have a greater impact on margins and profitability as average room rate changes result in minimal impacts to variable operating costs.

#### Net Package ADR

Net Package ADR represents net package revenues, divided by the total number of rooms sold in a given period. Net package revenues generally include revenue derived from the sale of package revenue at all-inclusive resorts comprised of rooms revenue, food and beverage, and entertainment, net of compulsory tips paid to employees. Net Package ADR measures the average room price attained by a hotel, and Net Package ADR trends provide useful information concerning the pricing environment and the nature of the customer base of a hotel or group of hotels. Net Package ADR is a commonly used performance measure in our industry, and we use Net Package ADR to assess the pricing levels that we are able to generate by customer group, as changes in rates have a different effect on overall revenues and incremental profitability than changes in occupancy, as described above.

#### Net Package RevPAR

Net Package RevPAR is the product of the net package ADR and the average daily occupancy percentage. Our management uses Net Package RevPAR to identify trend information with respect to room revenues from comparable properties and to evaluate hotel performance on a regional and segment basis. Net Package RevPAR is a commonly used performance measure in our industry.

#### Net Financed Contracts

Net Financed Contracts represent Unlimited Vacation Club contracts signed during the period for which an initial cash down payment has been received and the remaining balance is contractually due in monthly installments over an average term of less than 4 years. The Net Financed Contract balance is calculated as the unpaid portion of membership contracts reduced by expenses related to fulfilling the membership program contracts and further reduced by an allowance for future estimated uncollectible installments. Net Financed Contract balances are not reported on our consolidated balance sheets as our right to collect future installments is conditional on our ability to provide continuous access to member benefits at ALG resorts over the contract term, and the associated expenses to fulfill the membership contracts become liabilities of the Company only after the installments are collected. We believe Net Financed Contracts is useful to investors as it represents an estimate of future cash flows due in accordance with contracts signed in the current period. At December 31, 2022, the Net Financed Contract balance not recorded on our consolidated balance sheet was \$186 million.

#### Net Deferrals


Net Deferrals represent the change in contract liabilities associated with the Unlimited Vacation Club membership contracts less the change in deferred cost assets associated with the contracts. The contract liabilities and deferred cost assets are recognized as revenue and expense, respectively, on our consolidated statements of income (loss) over the customer life, which ranges from 3 to 25 years.

#### Free Cash Flow

Free cash flow represents net cash provided by operating activities less capital expenditures. We believe free cash flow to be a useful liquidity measure to us and investors to evaluate the ability of our operations to generate cash for uses other than capital expenditures and, after debt service and other obligations, our ability to grow our business through acquisitions and investments, as well as our ability to return cash to shareholders through dividends and share repurchases. Free cash flow is not necessarily a representation of how we will use excess cash. Free cash flow is not a substitute for net cash provided by operating activities or any other measure prescribed by GAAP. There are limitations to using non-GAAP measures such as free cash flow and management compensates for these limitations by referencing our GAAP results and using free cash flow supplementally. See our consolidated statements of cash flows in our consolidated financial statements included in our Annual Report on Form 10-K.

*Refer to the tables beginning on page A - 15 of the schedules for a summary of special items impacting Adjusted net income (loss) and Adjusted diluted earnings (losses) per share in the three months and year ended December 31, 2022 and December 31, 2021.*

*Note: All RevPAR and ADR percentage changes are in constant dollars. This release includes references to non-GAAP financial measures. Refer to the non-GAAP reconciliations included in the schedules and the definitions of the non-GAAP measures presented beginning on page A - 12.*

Additional assets available online:  (1)

<https://stage.mediaroom.com/hyatt2/news-releases?item=124350>