

Hilton

BUY Rating

IRR: 17,2% Upside: 48,2%
(5-year investment)

LTS Challenge 2024



GAIA CAPITAL

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Investment Thesis

Hilton

Hilton is strategically positioned for **growth**, consistently following **market trends**

15% Asia Net Unit Growth

7% 2024 business travel growth

Unparalleled **brand** due to distinguished product **quality**

105 Years of operation

11 bn USD brand value

Hilton boasts a robust **customer base** driven by **satisfaction** and its **loyalty program**

16% CAGR loyalty members

1st satisfaction ranking

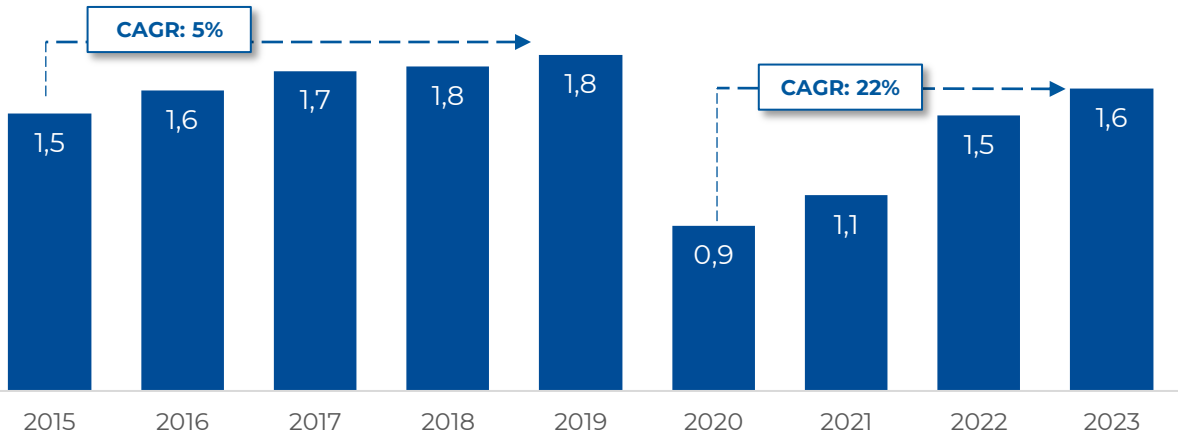
Thriving and Recovering Industry



Hilton is positioned in a rapidly growing sector with clear opportunities, particularly in the Asia Pacific region and the luxury segment

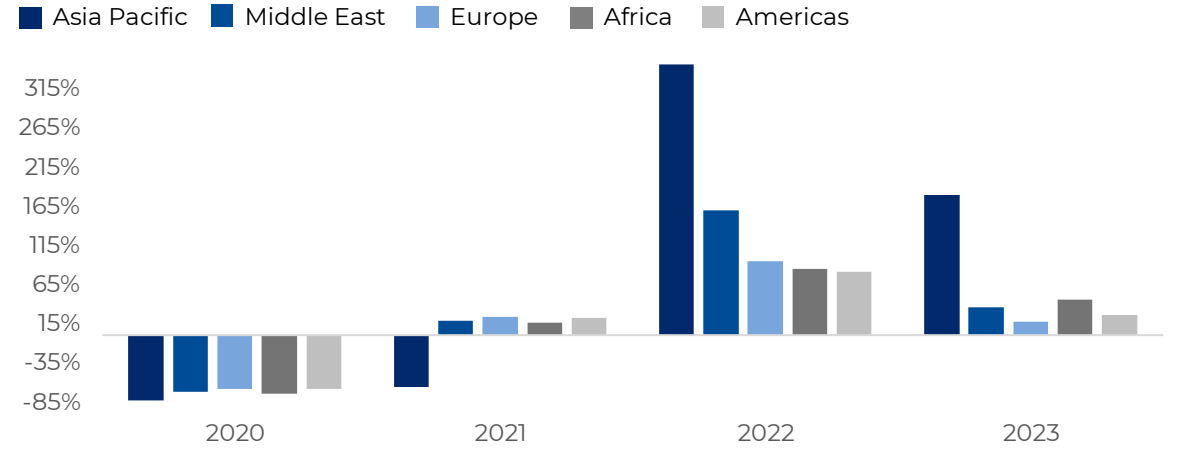
I. The hospitality sector is recovering at a CAGR of 22% from the pandemic

Market size of hotel industry worldwide (tn USD)



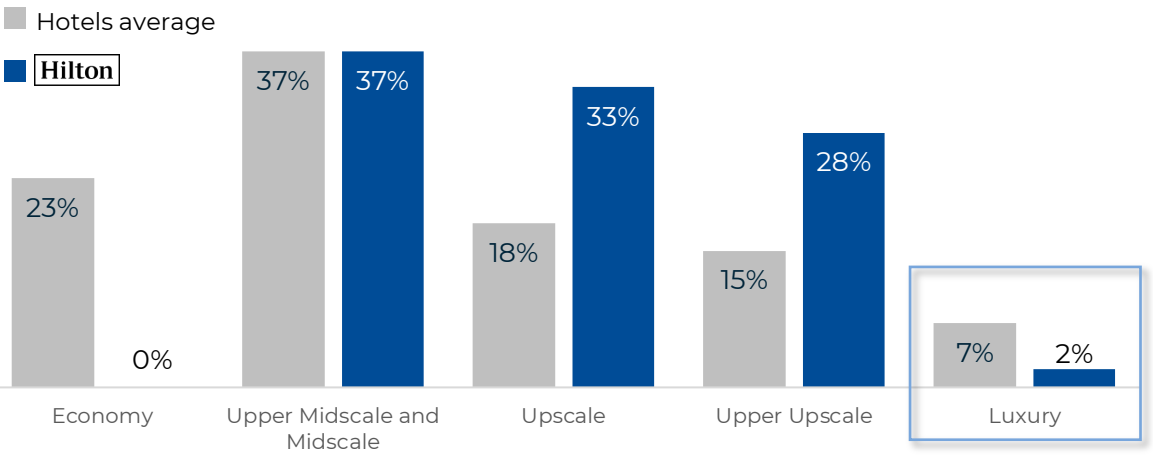
II. The Asia Pacific region is experiencing the most significant growth in tourism

Tourism visitor growth by region



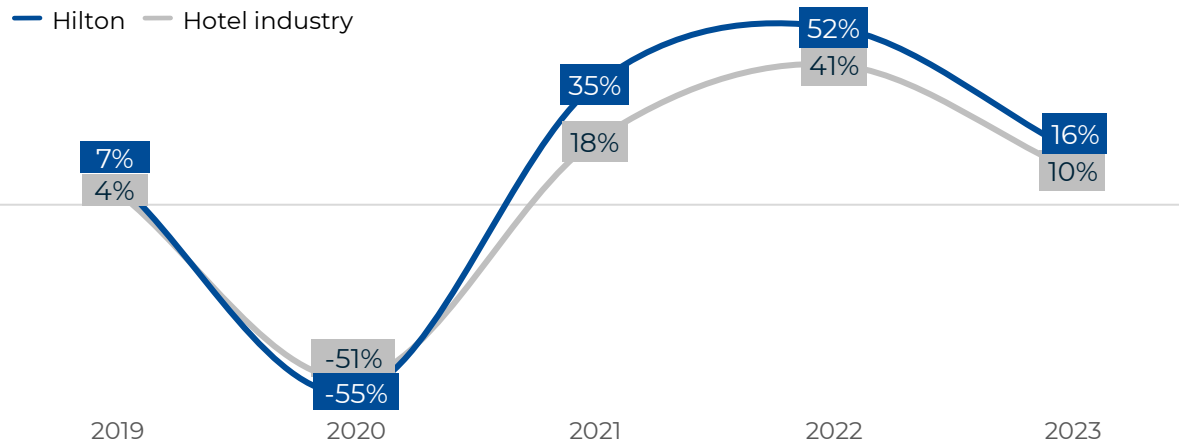
III. The luxury segment remains the least explored, representing an opportunity

% Rooms by type (2023)



IV. Hilton capitalizes on market opportunities and outpaces market growth

Hilton vs Hotel industry growth



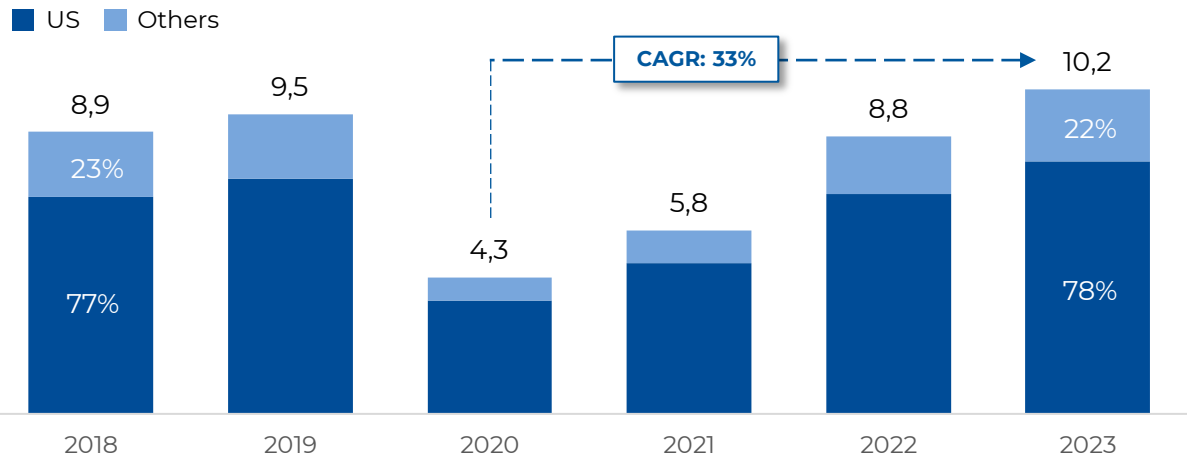
Hilton Shows Solid Financial Results



The combination of a solid business model and stable management results in strong financial results, most of which is invested in share buybacks

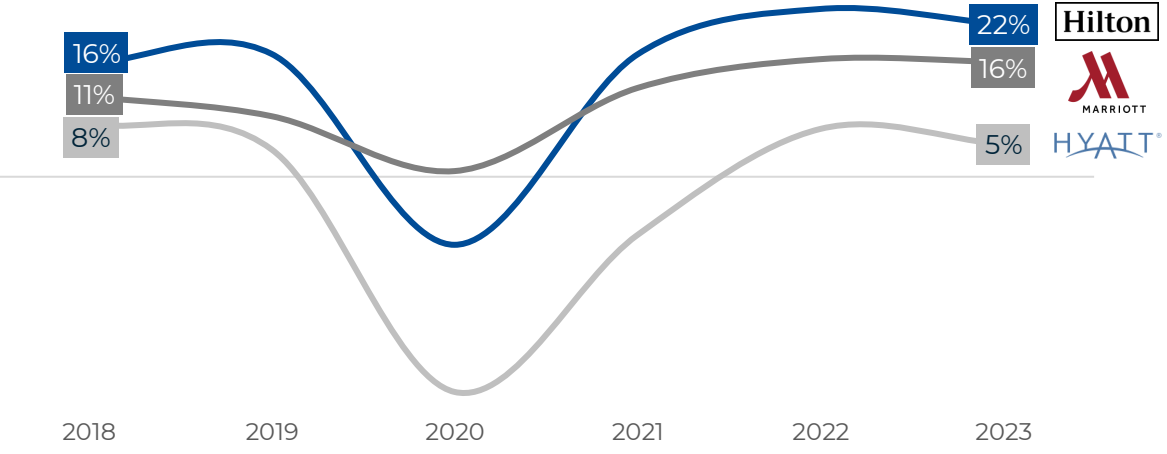
I. Revenue has been growing, and already recovered from the pandemics

Hilton total revenue by region (bn USD)



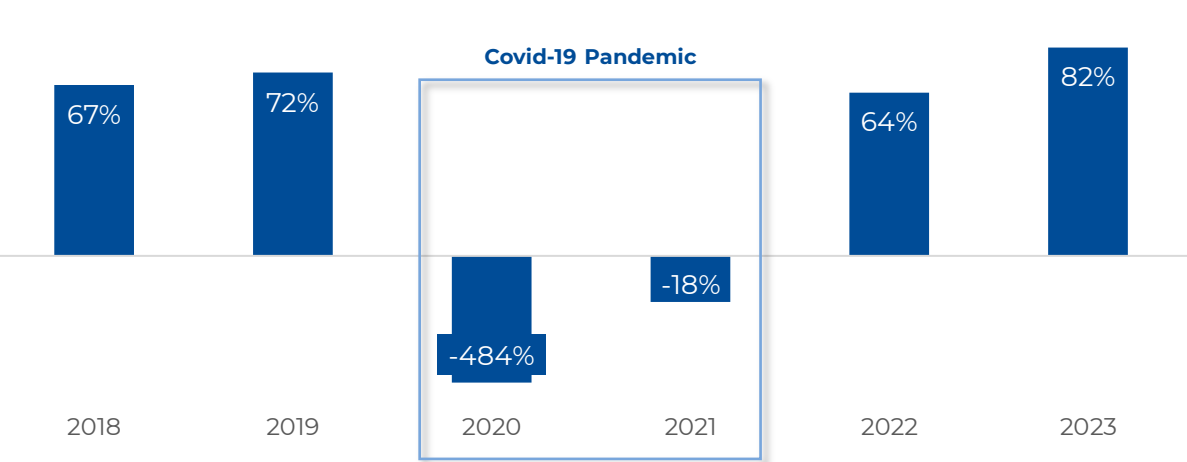
II. Hilton stands out on its operational efficiency

Hotels EBIT margin evolution



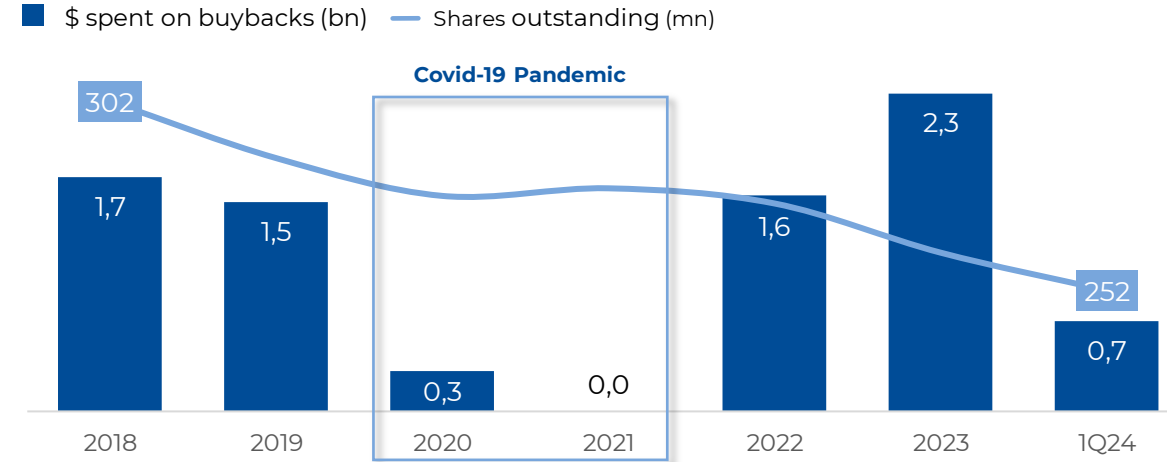
III. High FCF Conversion shows good capacity to generate cash

Hilton Free Cash Flow Conversion



IV. Most of Hilton's capital allocation is dedicated to share buybacks

Hilton share buybacks

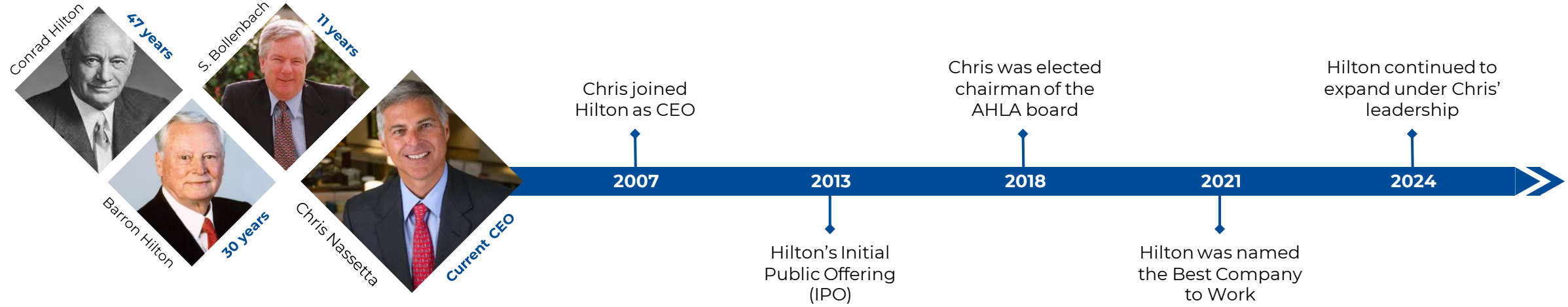


A Management Team with a Long-Term Vision



Hilton offers compensation based on annual and long-term goals, which incentivizes CEO and NEO to perform well

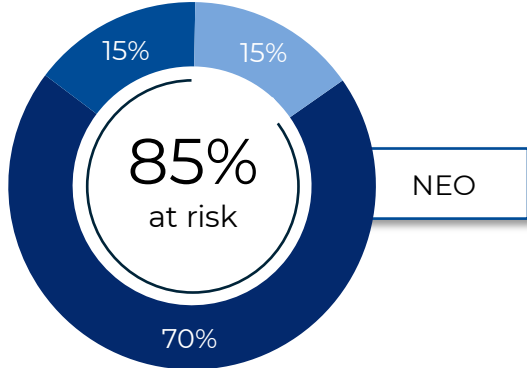
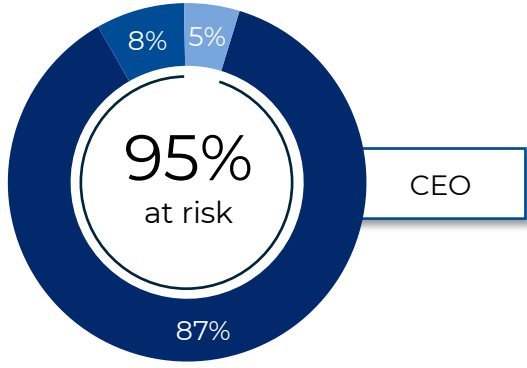
I. Throughout its history, Hilton has had **only four** long-serving CEOs. Today, **Chris Nassetta** holds this position with great excellence



II. More than 85% of CEO and NEO compensation is performance-based

CEO and NEO Target compensation

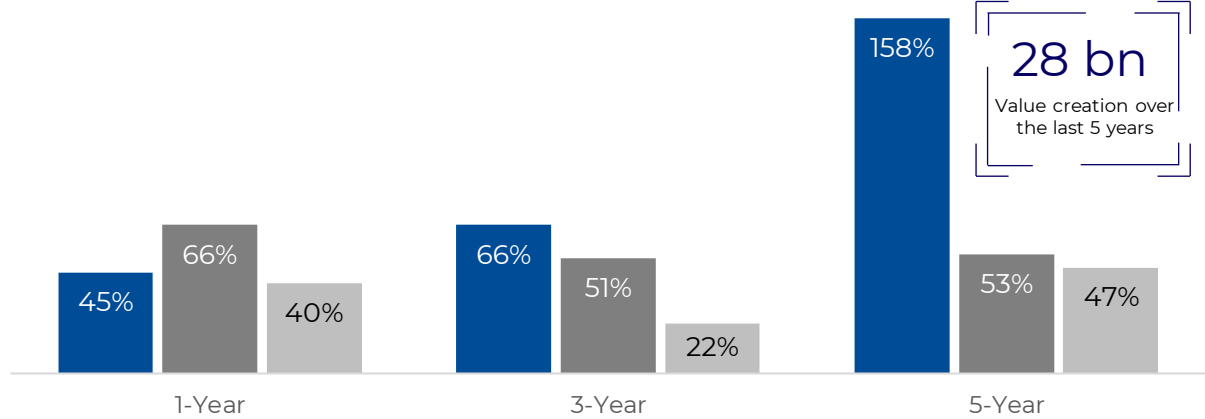
■ Long Term incentives ■ Annual incentives ■ Base



III. The incentive model is effective and delivers above market results

Total Shareholder Return (TSR)

■ Hilton ■ Index ■ Average Executive Compensation Peer Group



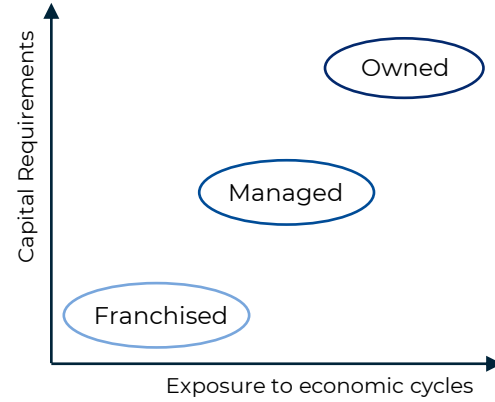
Transition to an Asset-Light Business Model



Hilton strategically focuses its business model on **franchising**, which offers clear advantages

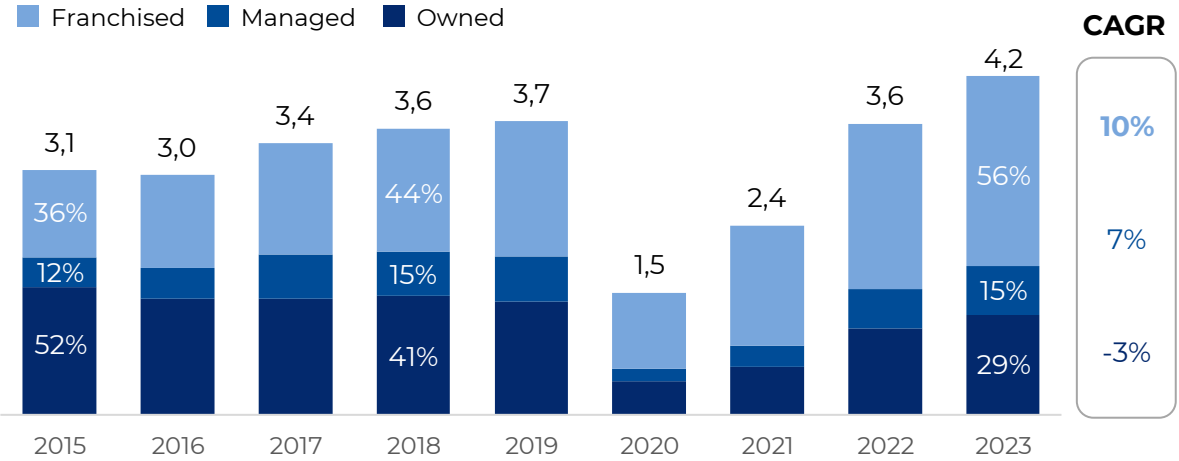
I. Franchising models require **lower costs and are less cyclical**

Differences between the business models

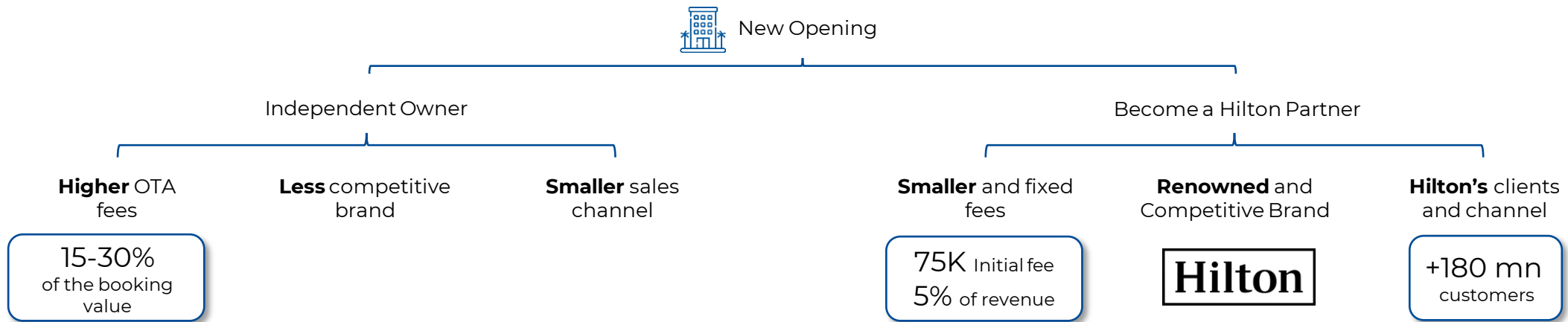


II. Revenue from the franchising model **grew at a CAGR of 10%** from 2015 to 2023

Hilton revenue breakdown by business model (bn USD)



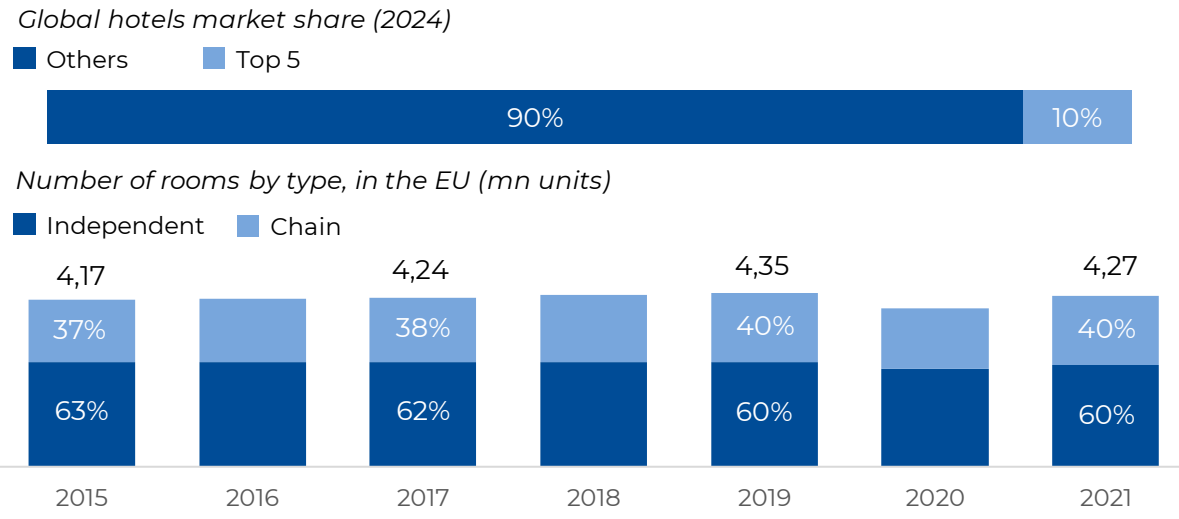
III. Consequently, Hilton's primary growth strategy now involves **converting more hotel owners** to become part of the Hilton brand



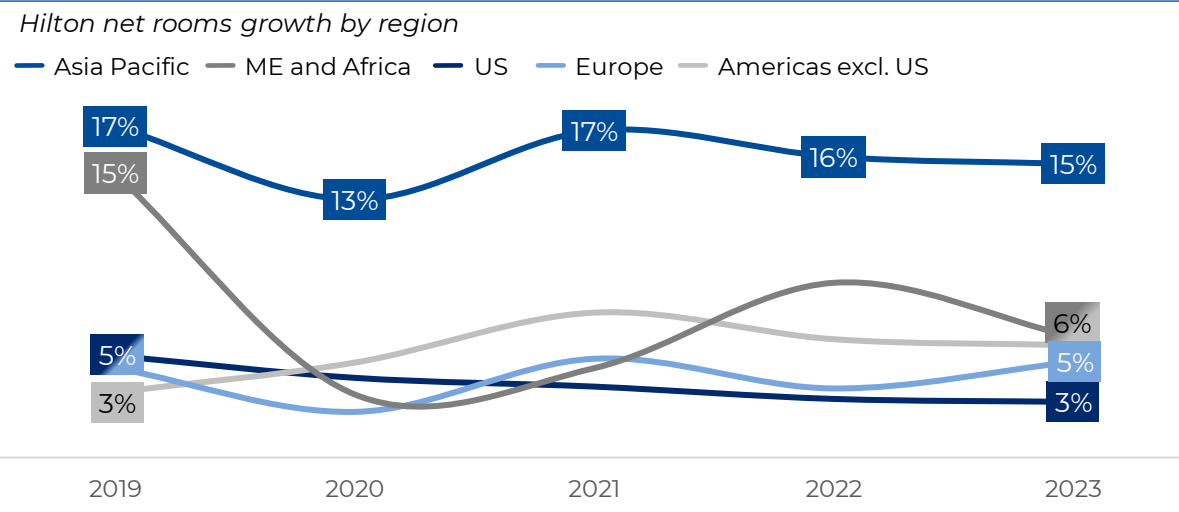
A Solid Presence in Growing Markets

From a low global market share, Hilton has been consolidating primarily in the Asia Pacific region and the US

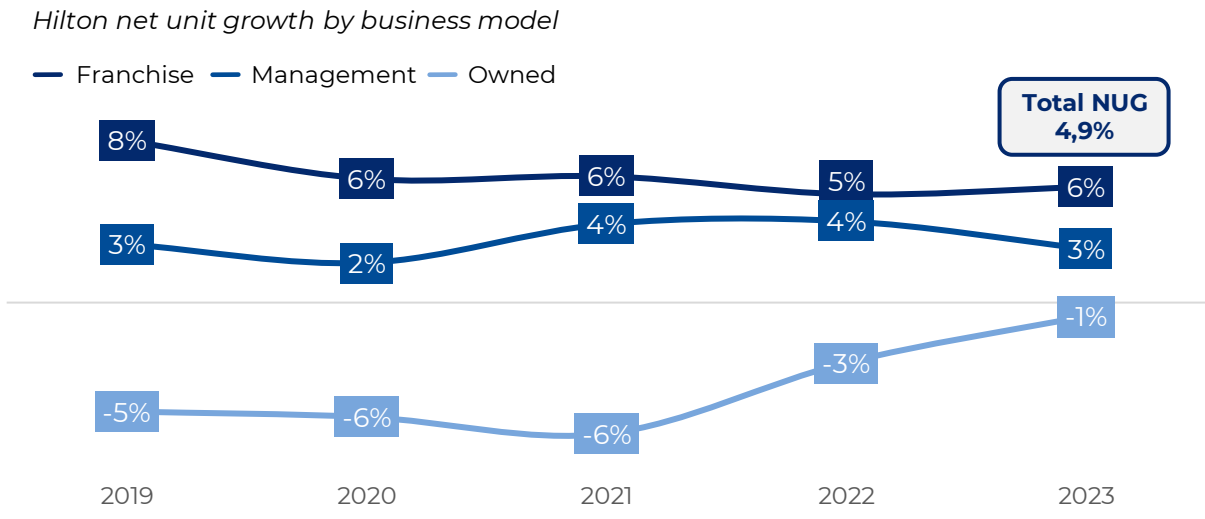
I. A low market share means there are plenty of hotels available for conversion



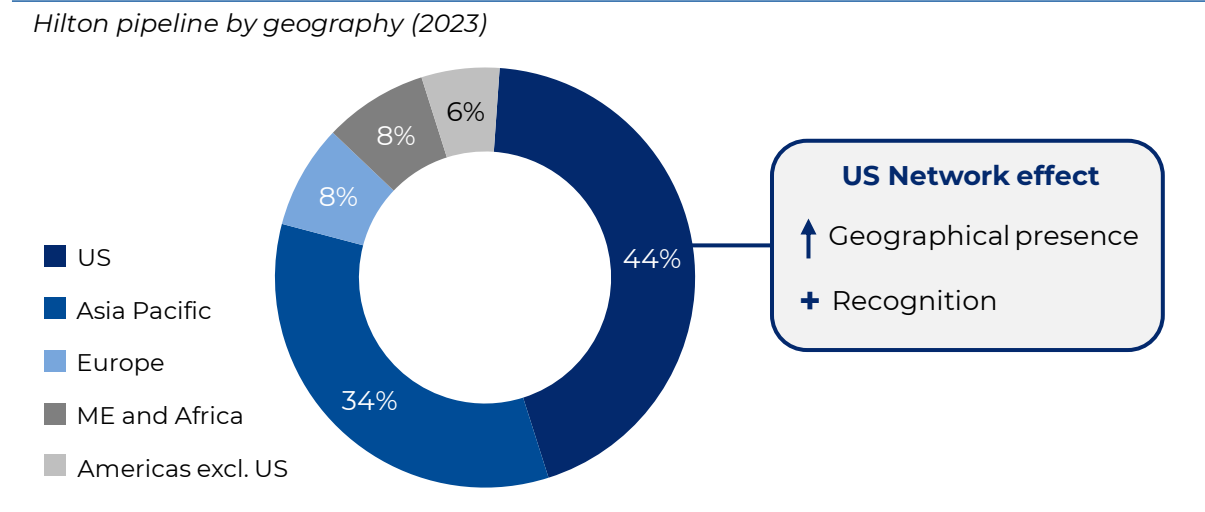
III. The company has been increasingly penetrating the Asian market



II. Hilton manages to achieve these conversions, having a franchise NUG of 6%



IV. But it continues to grow in the US, where it already has a strong presence



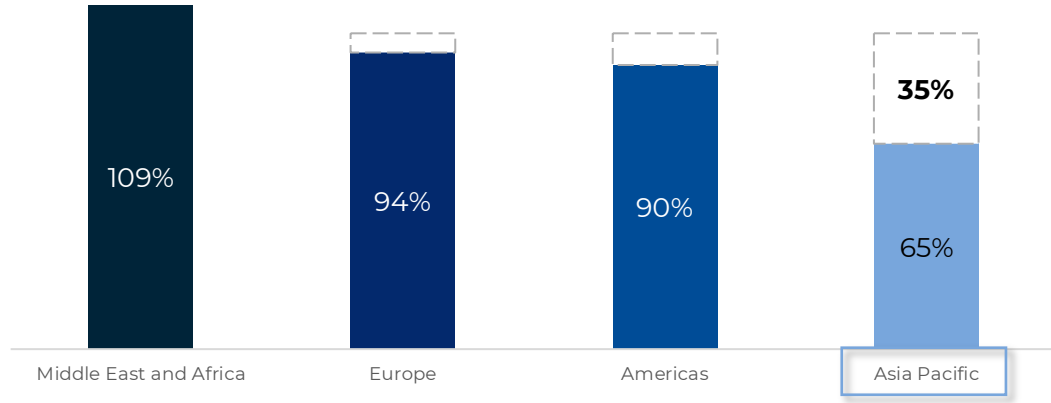
There is Still Room for Additional Growth

Hilton will benefit from the **post-pandemic recovery** and from tapping into **underexplored segments**

I. The Asia Pacific region has not fully recovered from the pandemic yet

Recovery of international tourist arrivals from pandemic (2023)

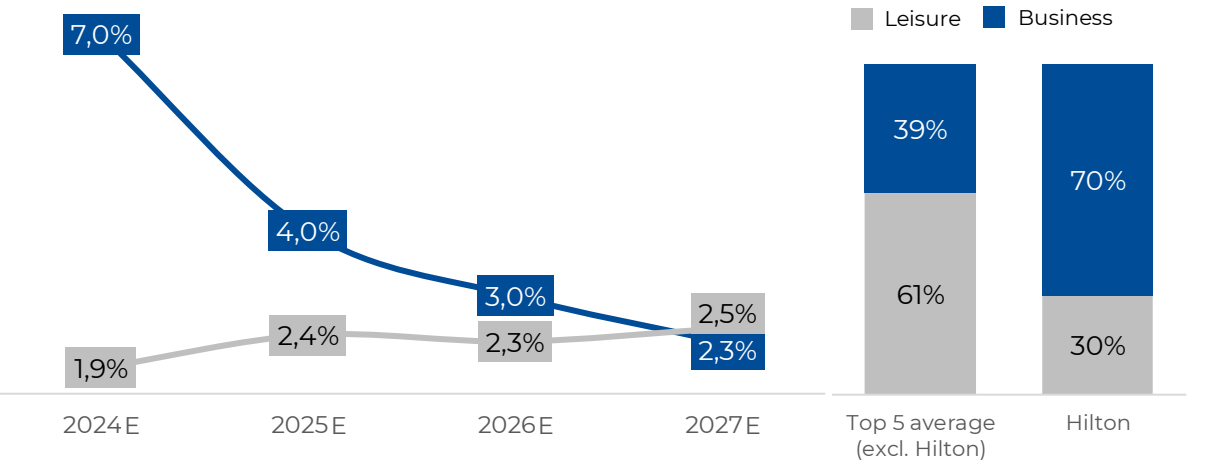
Recovery (dark blue) Not Recovery (light blue)



II. Business travel, Hilton's main clientele, is still recovering from pandemic

Business x Leisure travels growth in the US

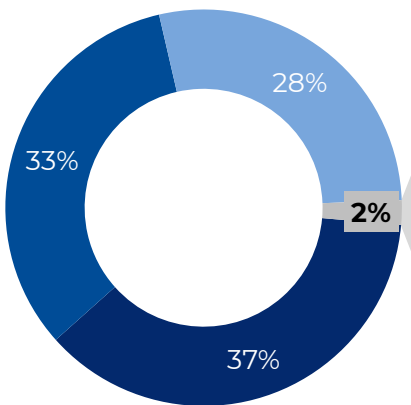
Hotels customers mix (2023)



III. Hilton is starting to explore the luxury segment, diversifying its portfolio

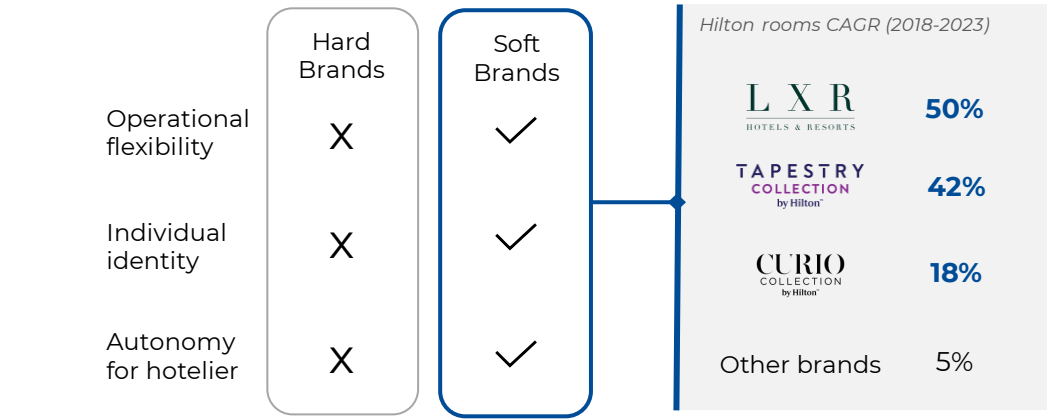
Hilton rooms by type (2023)

Upper Midscale (dark blue) Upper Upscale (light blue) Upscale (medium blue) Luxury (grey)



IV. The company is also investing in soft brands that facilitate franchise adoption

Differences between hard and soft brands



Hilton's Brand Strength Leads to More Conversions

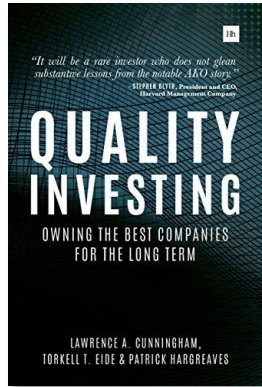


In many aspects related to its branding Hilton stands out, which builds a strong name for customers, and helps to expand the company

I. Hilton's brand value outshines competitors due to historical legacy, overall brand awareness and customer loyalty

Major Hotel Brands Foundation Date

Qualities in Brand Strength vs Peers



	Hilton	MARRIOTT	HYATT
Brand Heritage	1st	2nd	3rd
Brand Portfolio Volume	2nd	1st	3rd
Customer Loyalty	1st	2nd	3rd
Evaluated Brand Value	11 bn	3 bn	6 bn



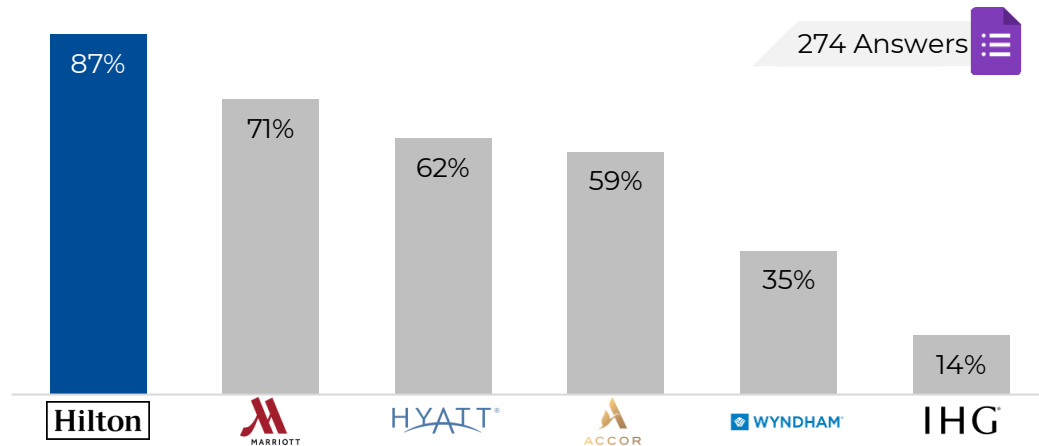
Lawrence Cunningham
Author of "Quality Investing"



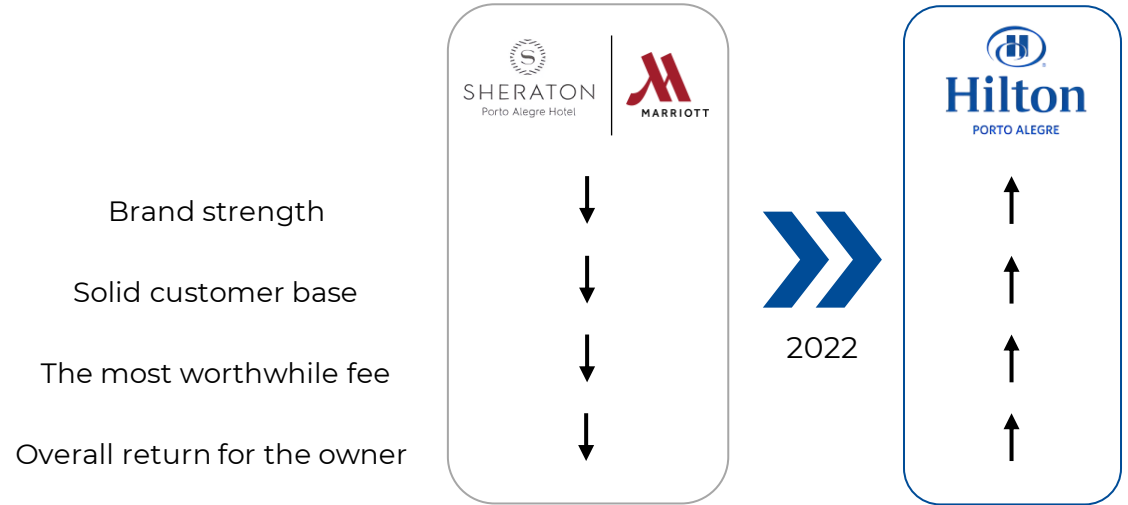
"Some brands get better with age. [...] Such legacies are impossible to replicate: no amount of capital can reproduce such a history."

II. Field research confirms Hilton's brand awareness

Forms Question Asked: Which of the following companies have you heard of?



III. Hilton Porto Alegre: A brand-to-brand conversion case study



Quality is Key for a Strong Branding



Because of its culture, Hilton offers a high-quality service for its guests, which is crucial for building its brand strength

I. Hilton's brand strength is a consequence of the quality of its service, which is based on the company's culture

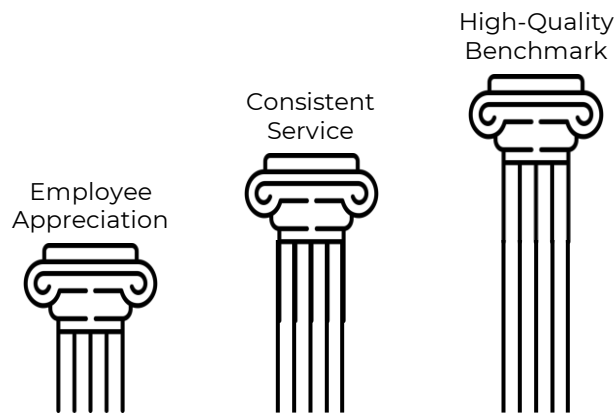
Videoconference with Richard Clarke

Pillars of Hilton culture



“ Hilton has developed its brand strength by offering consumers extremely high-quality service based on its culture. ”

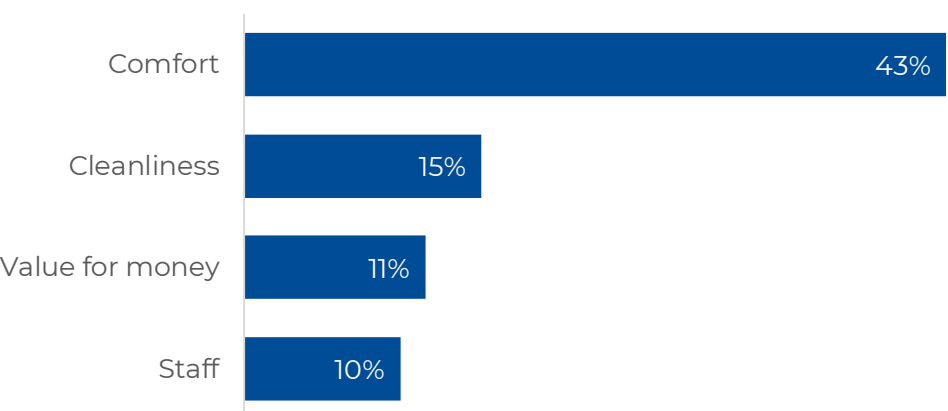
Richard Clarke
Managing Director at AB Bernstein



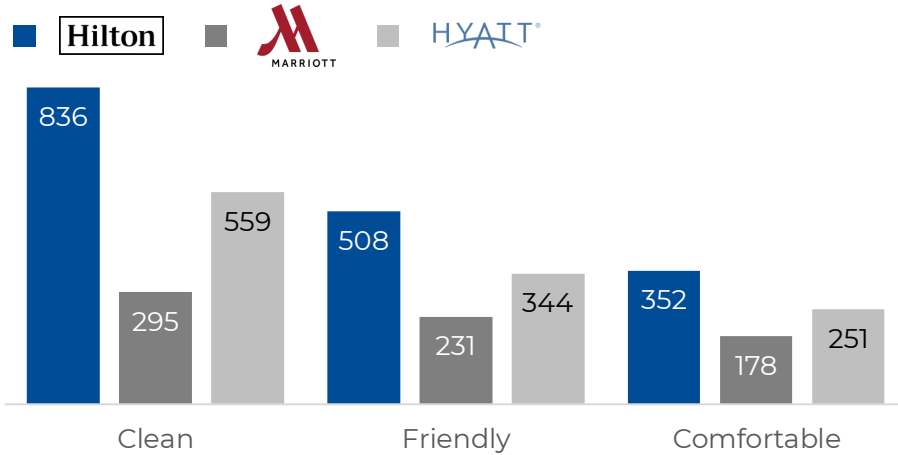
Our visit to Hilton Morumbi

II. The most important factors for customers are the ones that Hilton stands out the most

Key drivers for customer satisfaction



Most common words on hotels online reviews



```

import sys
import requests
import re
import json
import pandas as pd
import matplotlib.pyplot as plt

# Hilton
def get_hilton_reviews():
    url = "https://www.hilton.com/api/v1/reviews"
    headers = {"User-Agent": "Mozilla/5.0"}
    response = requests.get(url, headers=headers)
    return response.json()

# Marriott
def get_marriott_reviews():
    url = "https://www.marriott.com/hotels-and-resorts/property-reviews"
    headers = {"User-Agent": "Mozilla/5.0"}
    response = requests.get(url, headers=headers)
    return response.json()

# Hyatt
def get_hyatt_reviews():
    url = "https://www.hyatt.com/hotels-and-resorts/property-reviews"
    headers = {"User-Agent": "Mozilla/5.0"}
    response = requests.get(url, headers=headers)
    return response.json()

# Analyze reviews
def analyze_reviews(reviews):
    words = {}
    for review in reviews:
        text = review['text']
        words_list = text.split()
        for word in words_list:
            word = word.lower()
            if word in words:
                words[word] += 1
            else:
                words[word] = 1

    return words

# Main execution
hilton_reviews = get_hilton_reviews()
marriott_reviews = get_marriott_reviews()
hyatt_reviews = get_hyatt_reviews()

hilton_words = analyze_reviews(hilton_reviews)
marriott_words = analyze_reviews(marriott_reviews)
hyatt_words = analyze_reviews(hyatt_reviews)

# Print results
print("Hilton Words:", hilton_words)
print("Marriott Words:", marriott_words)
print("Hyatt Words:", hyatt_words)

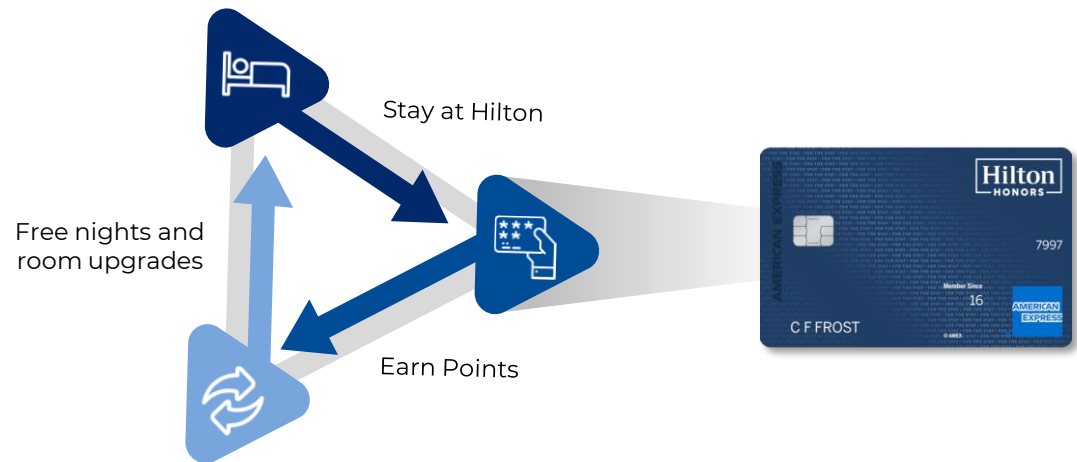
```

Loyal Customers: One of Hilton's Greatest Assets

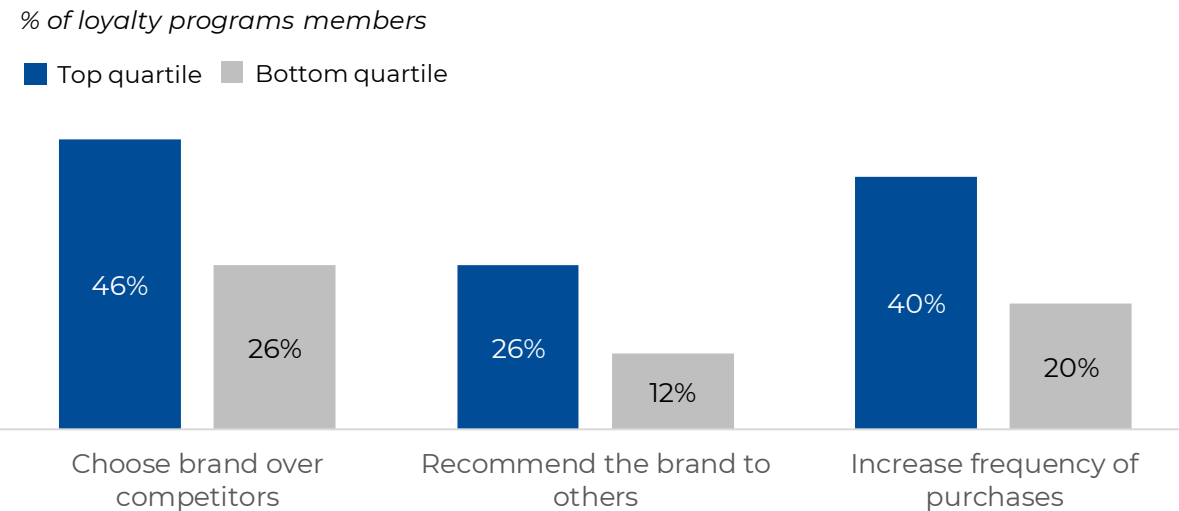


Hilton Honors stands out in the market, being a key aspect for customer retention, which makes Hilton more attractive to hotel owners

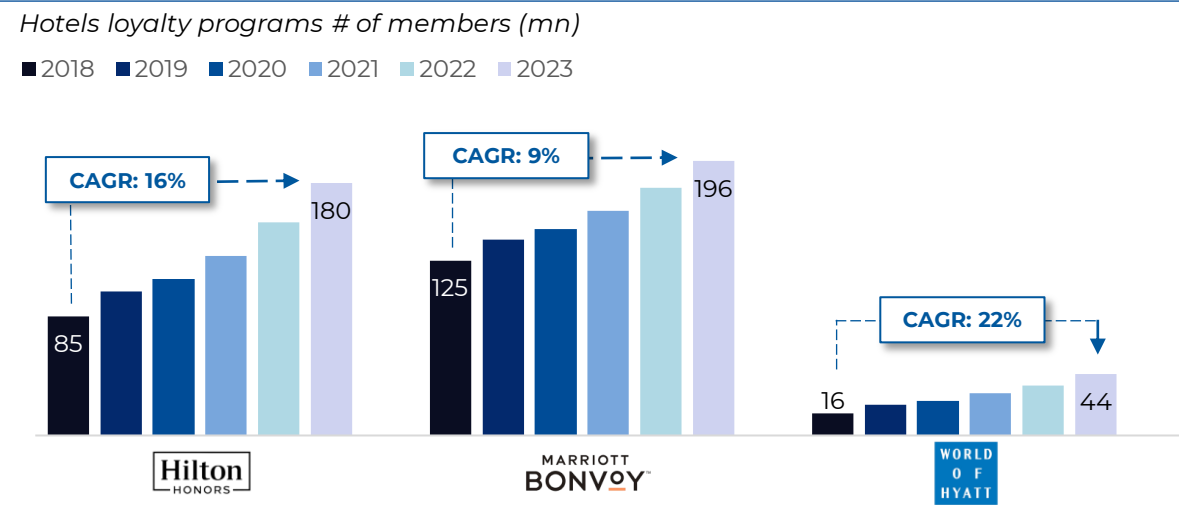
I. Hilton Honors: The key for driving customer loyalty



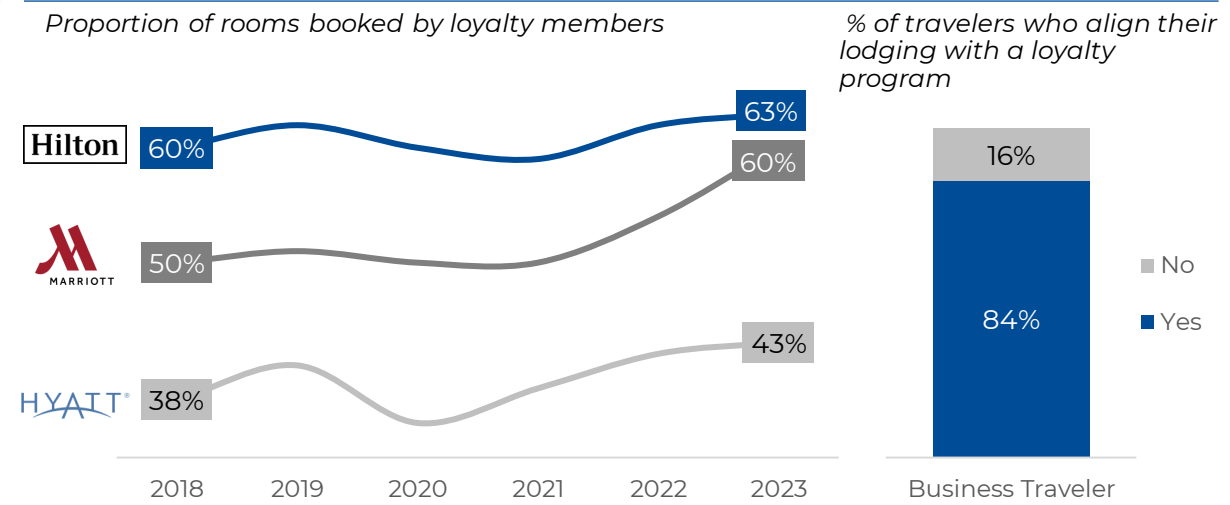
II. Top-performing loyalty programs have higher success at driving value



III. Hilton Honors leads market by successfully combining volume and growth



IV. The program is a core aspect of Hilton's business model



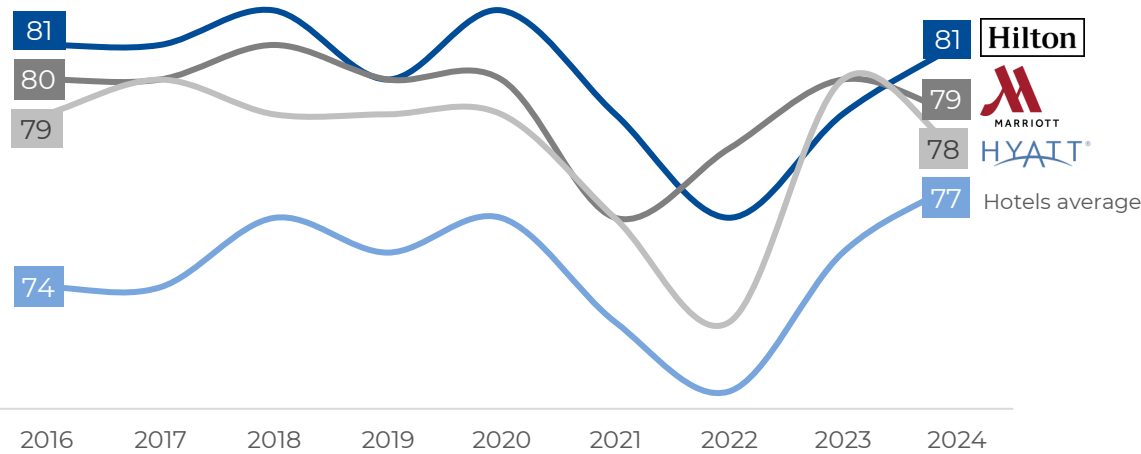
Satisfaction Creates a Strong Customer Base



Hilton stands out in its customer satisfaction numbers, which maintains demand high, and appeals to hotel owners

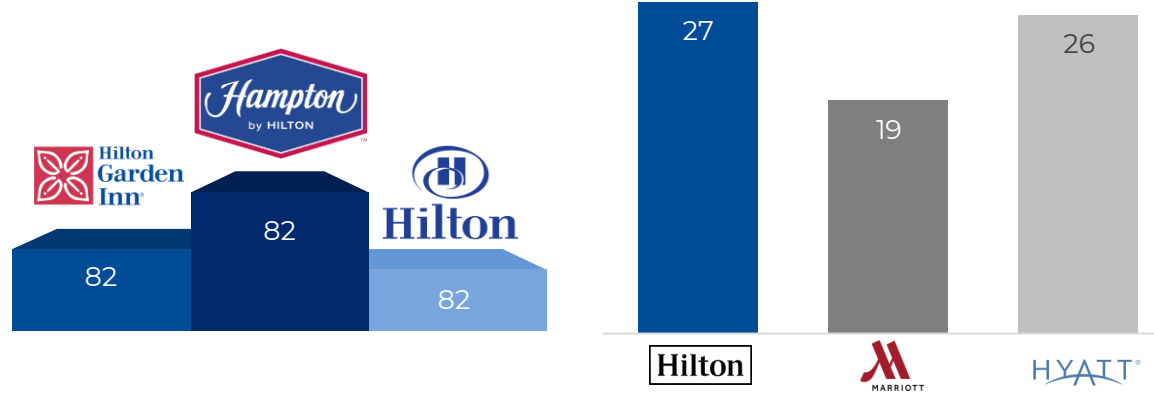
I. Hilton is consistently ahead in customer satisfaction

American Customer Satisfaction Index for lodging companies



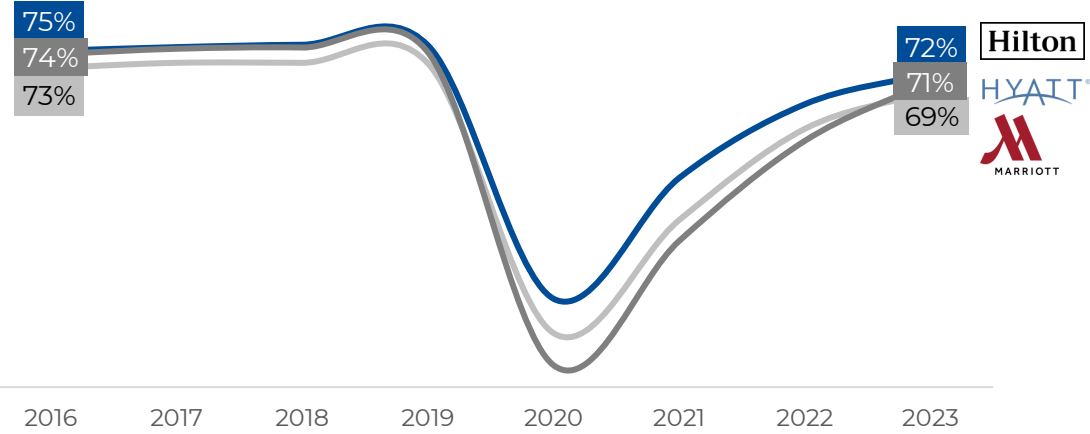
II. Dominance in this aspect leads to higher NPS

American Customer Satisfaction Index by brand Net Promoter Score (NPS)



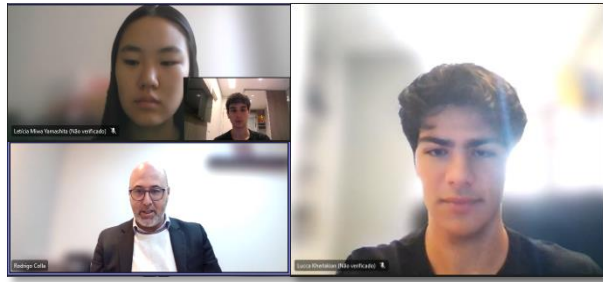
III. Stronger customer base raises Hilton's occupancy levels

Hotels worldwide occupancy



IV. Safe flow of revenue stimulates hotel owners to become a Hilton

Videoconference with Rodrigo Colla



Rodrigo Colla
General Manager at Hilton Porto Alegre

“ The moment you become a Hilton owner you begin your journey in the world with **over 180 million customers.** ”

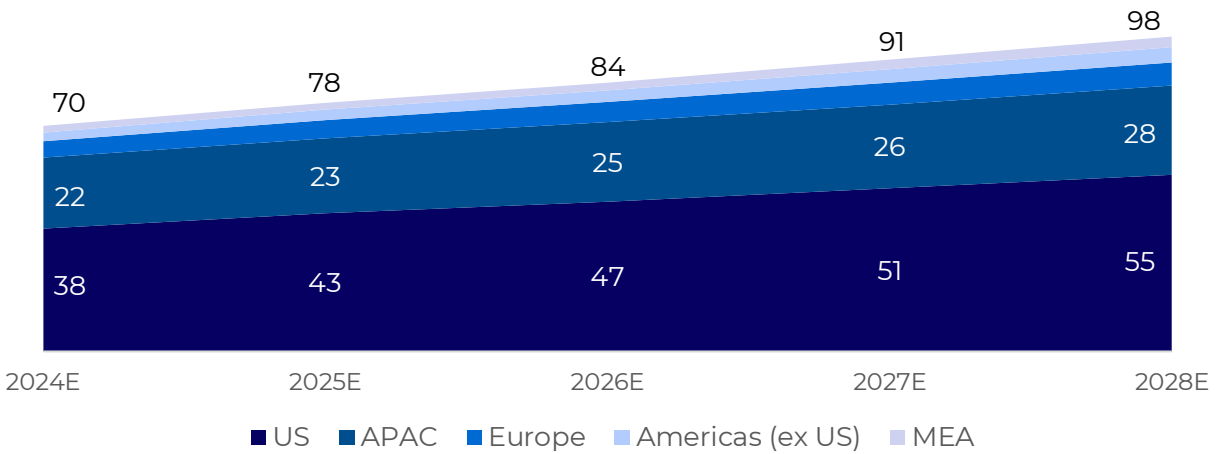
Our Thesis in Numbers: A Promising Future



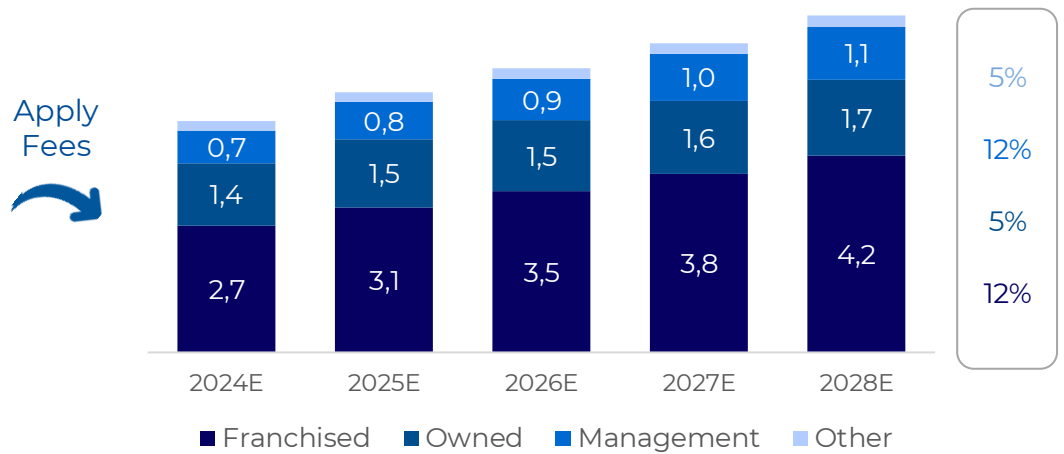
Our projections indicate **significant growth** in **fee-related revenue** in both the **US** and **APAC**, driven by **pipeline growth** and **demand variance**

I. Growth trends in future years **remain robust** for hotels in the **Hilton system**. With **fee revenues** continuing to be the main **drivers for growth**

Total System Revenue (bn USD)

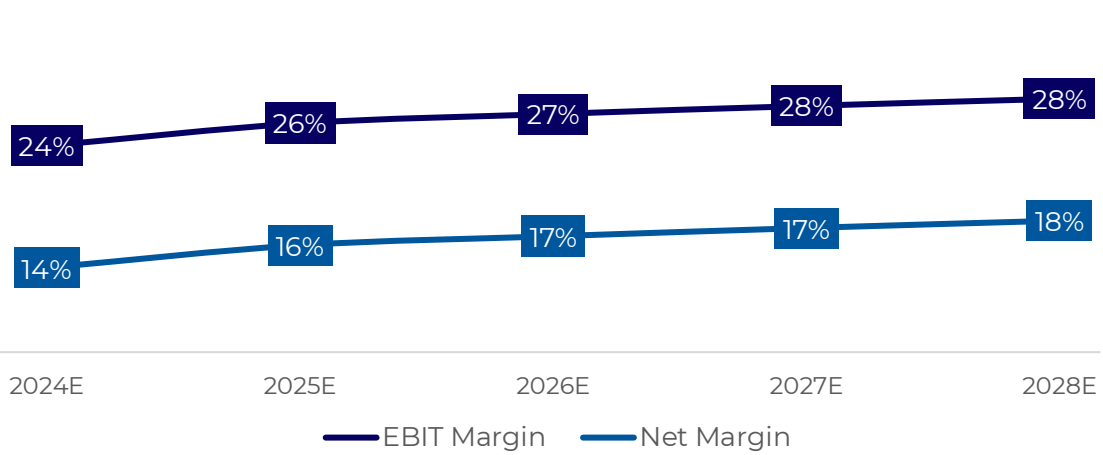


Total Hilton Underlying Revenue (mn USD)



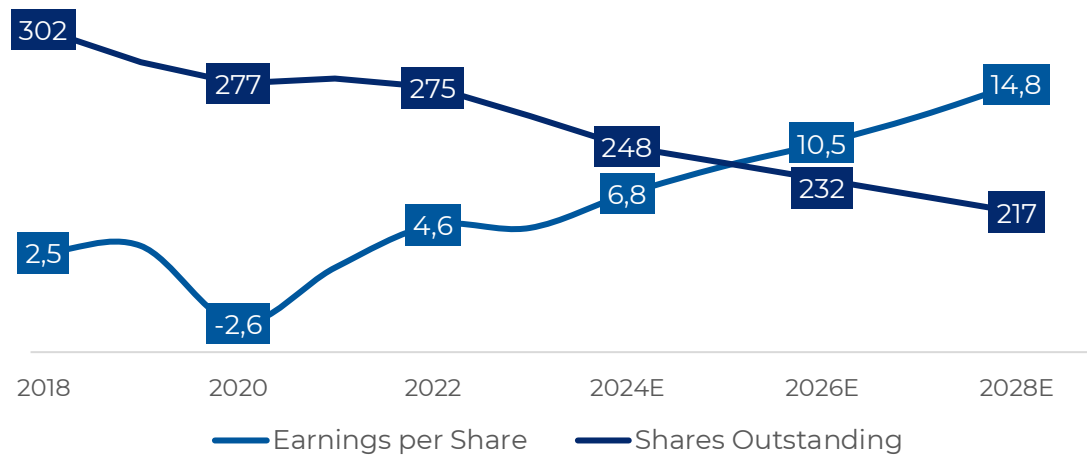
II. A projected marginal **gain in efficiency**

Projected EBIT margin and Net Margin for Hilton



III. Considerable **increase in profitability** with future scenarios

Earnings per Share (USD) x Shares Outstanding (mn)

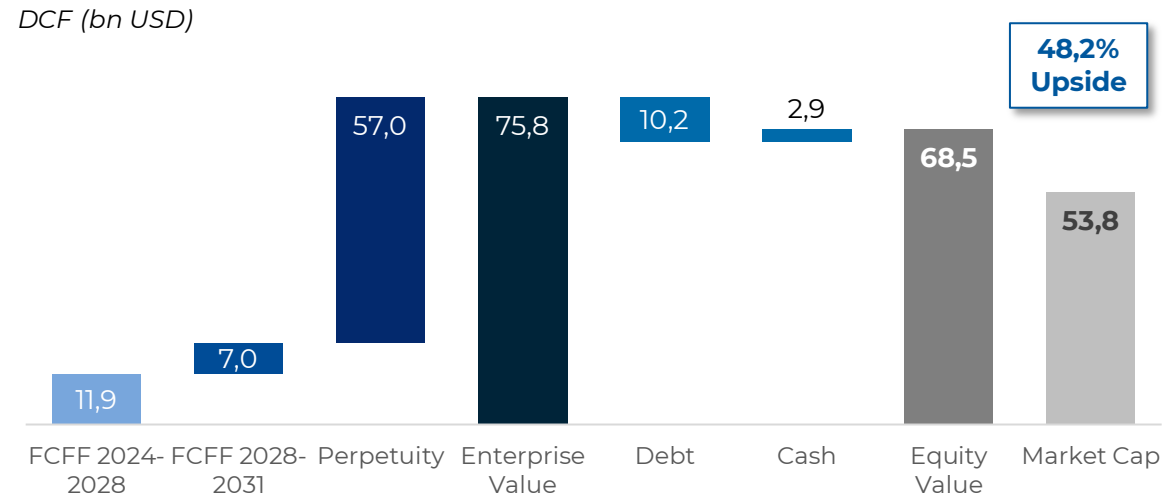


Valuation Results Reaffirm Buy on Hilton

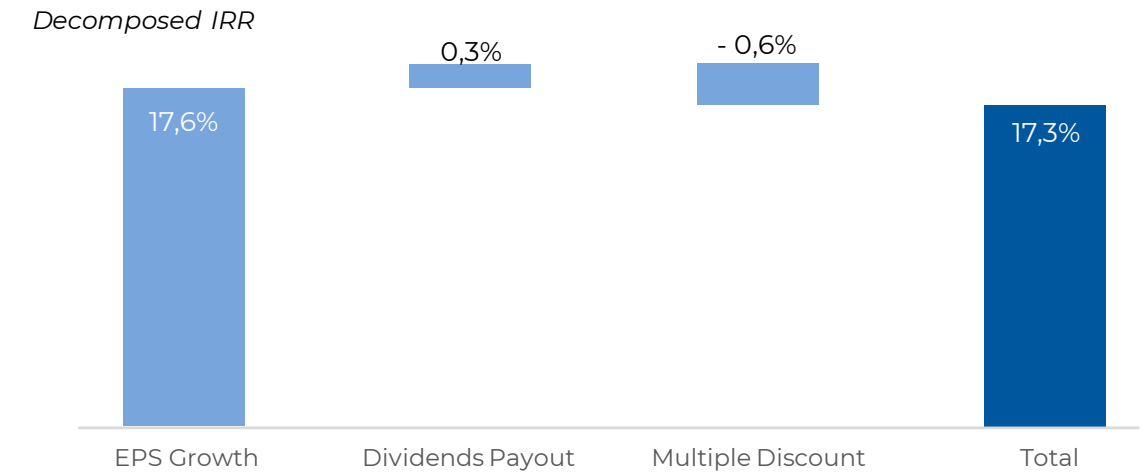


DCF valuation model on Hilton states in numbers the **outperform** recommendation on the company

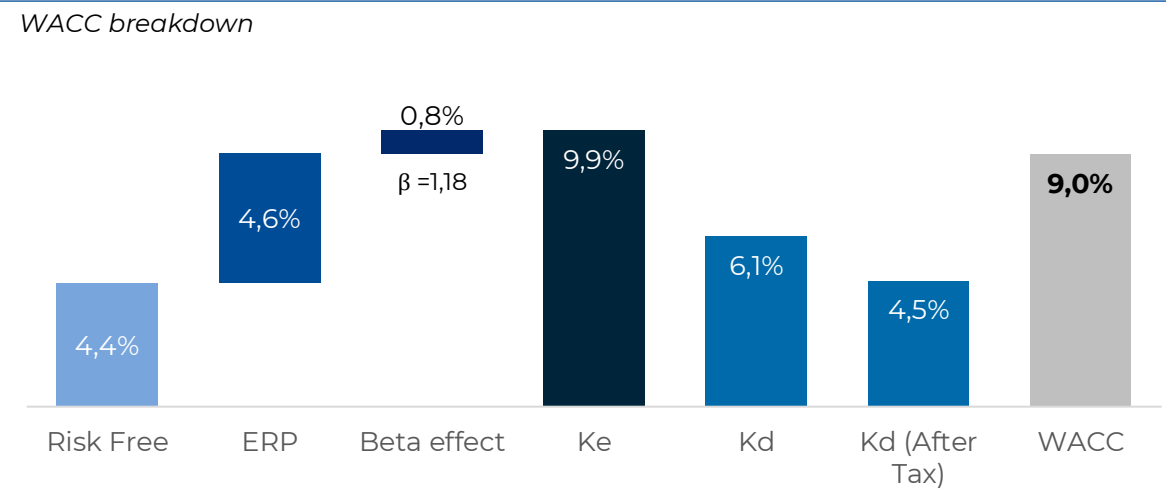
I. DCF valuation results are a solid 48,2% upside, and a target price of USD 315,68



II. Model shows a high IRR, mainly due to EPS growth



III. Hilton has a much higher Ke than Kd, resulting in a 9% WACC



IV. Outstanding prospects in different scenarios

5-year IRR sensitivity analysis

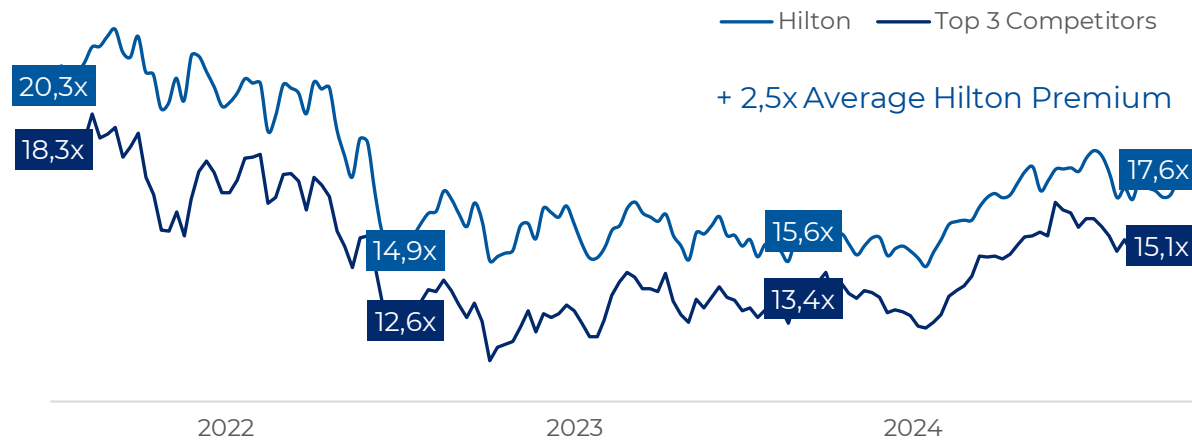
Demand Variation	Pipeline Growth				
	4%	5%	6%	7%	8%
-1,0%	14,8%	14,9%	15,1%	15,3%	15,4%
-0,5%	15,8%	16,0%	16,1%	16,3%	16,5%
0%	16,8%	17,0%	17,2%	17,3%	17,5%
0,5%	17,9%	18,0%	18,2%	18,4%	18,5%
1,0%	18,9%	19,0%	19,2%	19,4%	19,5%

Multiples Indicate a Positive View from the Market

Despite seeming expensive, Hilton is considered a premium investment, especially because of its precise use of capital.

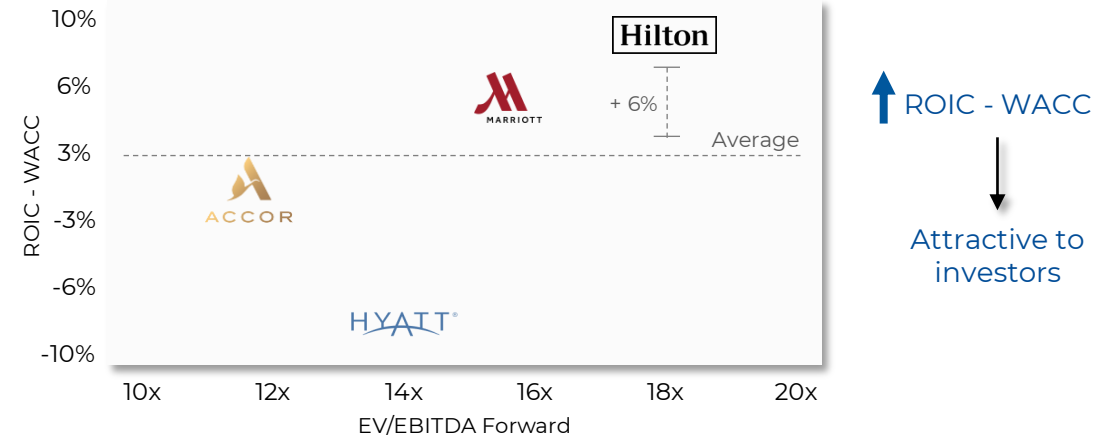
I. Historically, there is a premium associated with Hilton

Historical EV/EBITDA Forward (1Y)



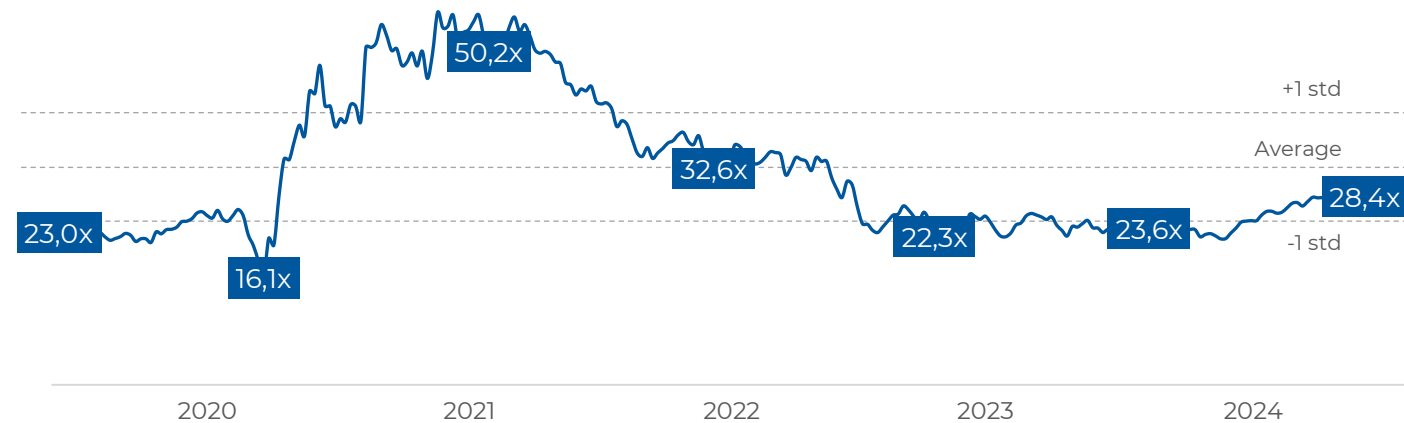
II. Hilton invests more accurately than its peers, justifying its higher price

Calculated ROIC – WACC x Current EV/EBITDA Forward (1Y)



III. Arriving at our exit multiple: Our projections

Historical P/E Forward (1Y)



28,2x
P/E Forward in 2024



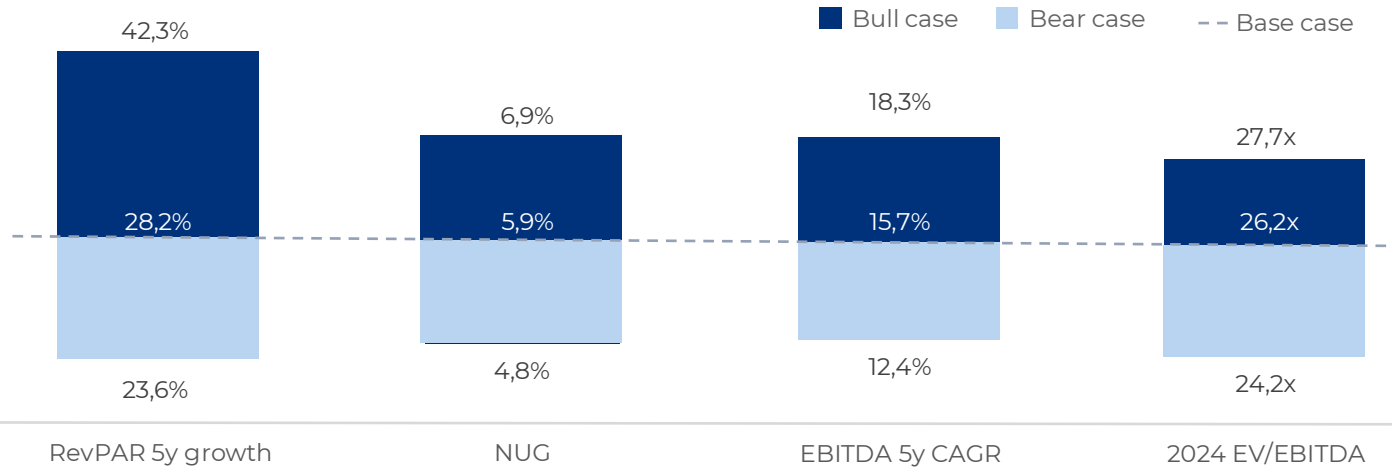
27,5x
P/E Forward in 2028

Possible scenarios and risks to our analysis

Macroeconomic context, incorrect business operations forecasts, and market dynamics can lead to results different from the predicted ones

I. Travel demand and unit growth are the main factors that can differ from our predictions, causing different valuation results

Bear and Bull analysis



Bull Case

- ▶ APAC strong recovery
- ▶ Pipeline growth increase
- ▶ New hotels open early

+ 62.70%
USD 346,63
21,4% IRR

Base Case

- ▶ APAC expected recovery
- ▶ Pipeline growth in line
- ▶ New hotels open in time

+ 48,17%
USD 315,18
17,2% IRR

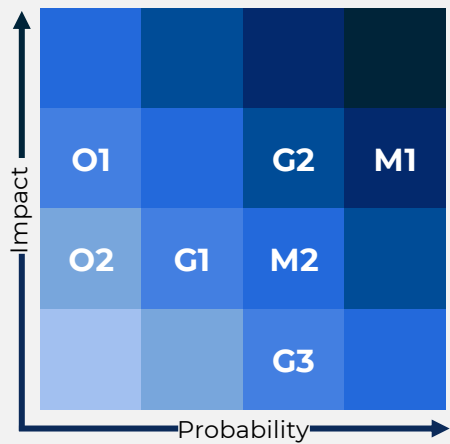
Bear Case

- ▶ APAC slow recovery
- ▶ Pipeline growth decrease
- ▶ New hotels open late

+ 32.20%
USD 281,65
13,3% IRR

II. Hilton is subject to risks that can affect its business, from which we have highlighted two

Risk matrix



Market Risks

- [M1] – Credit Card Competition
- [M2] – Geopolitical Events and Disasters

Operational Risks

- [O1] – Quality Inconsistency in Franchises
- [O2] – Technology and Data Security

Macro Risks

- [G1] – APAC Slow Recovery
- [G2] – Economic Recession
- [G3] – Foreign Exchange

Q&A



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7. Phase 1

7.1. Slide 1

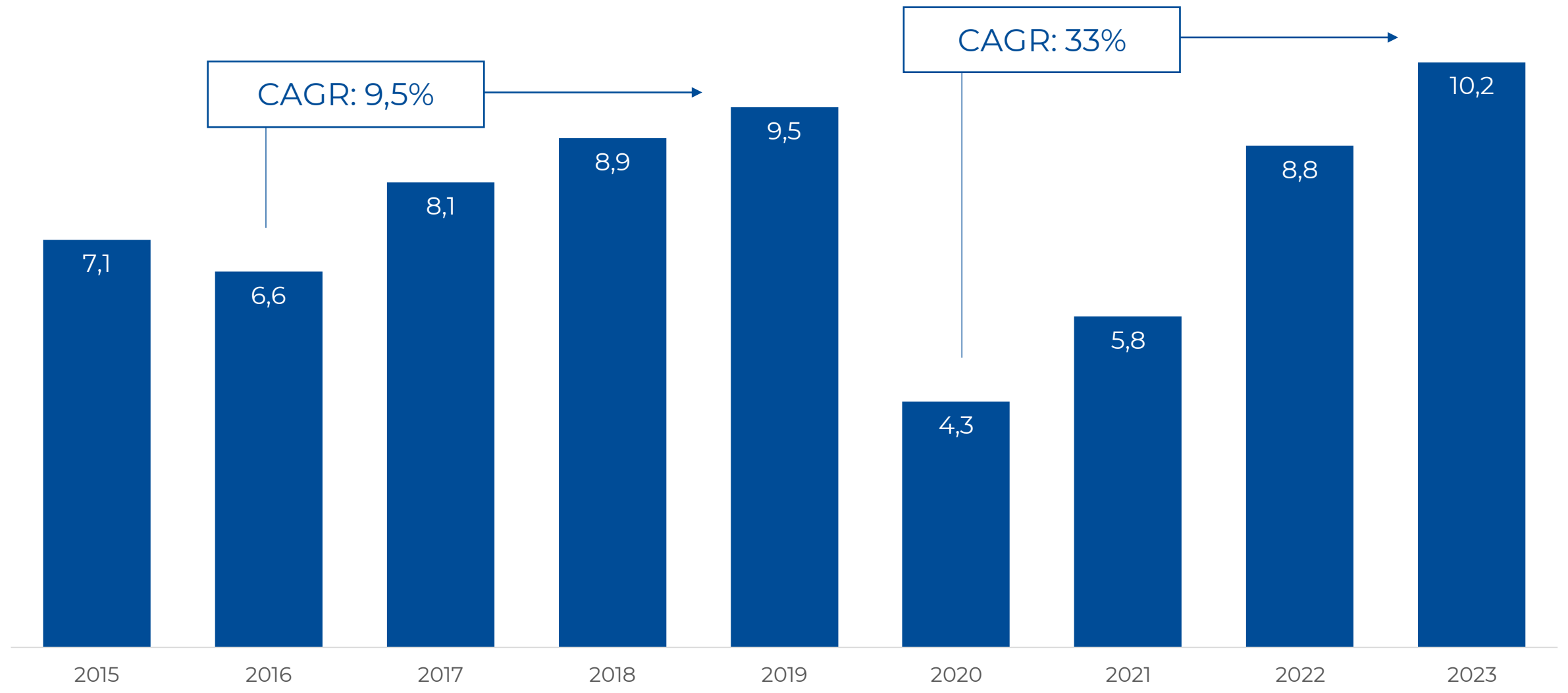
7.2. Slide 2

7.3. Slide 3

7.4. Slide 4

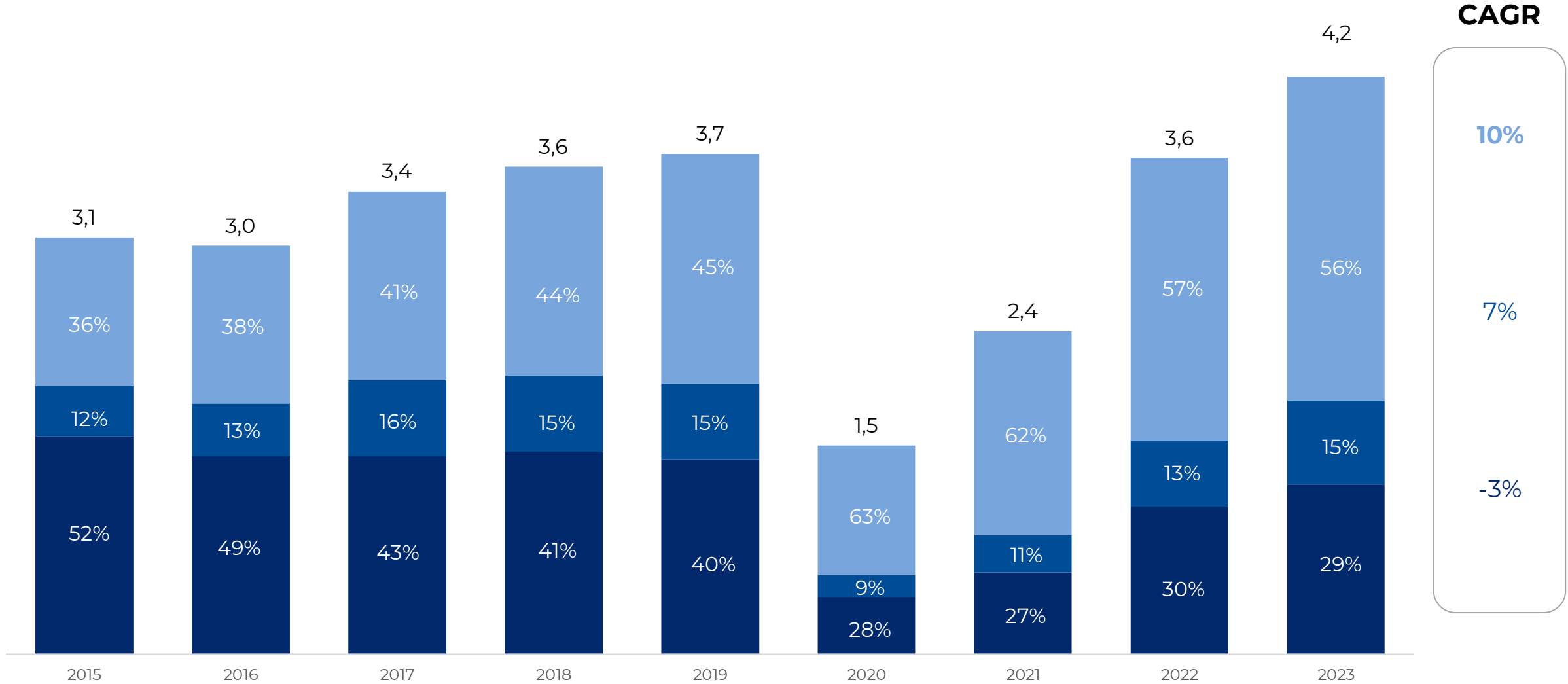
7.5. Slide 5

Hilton Total Revenue (bn USD)

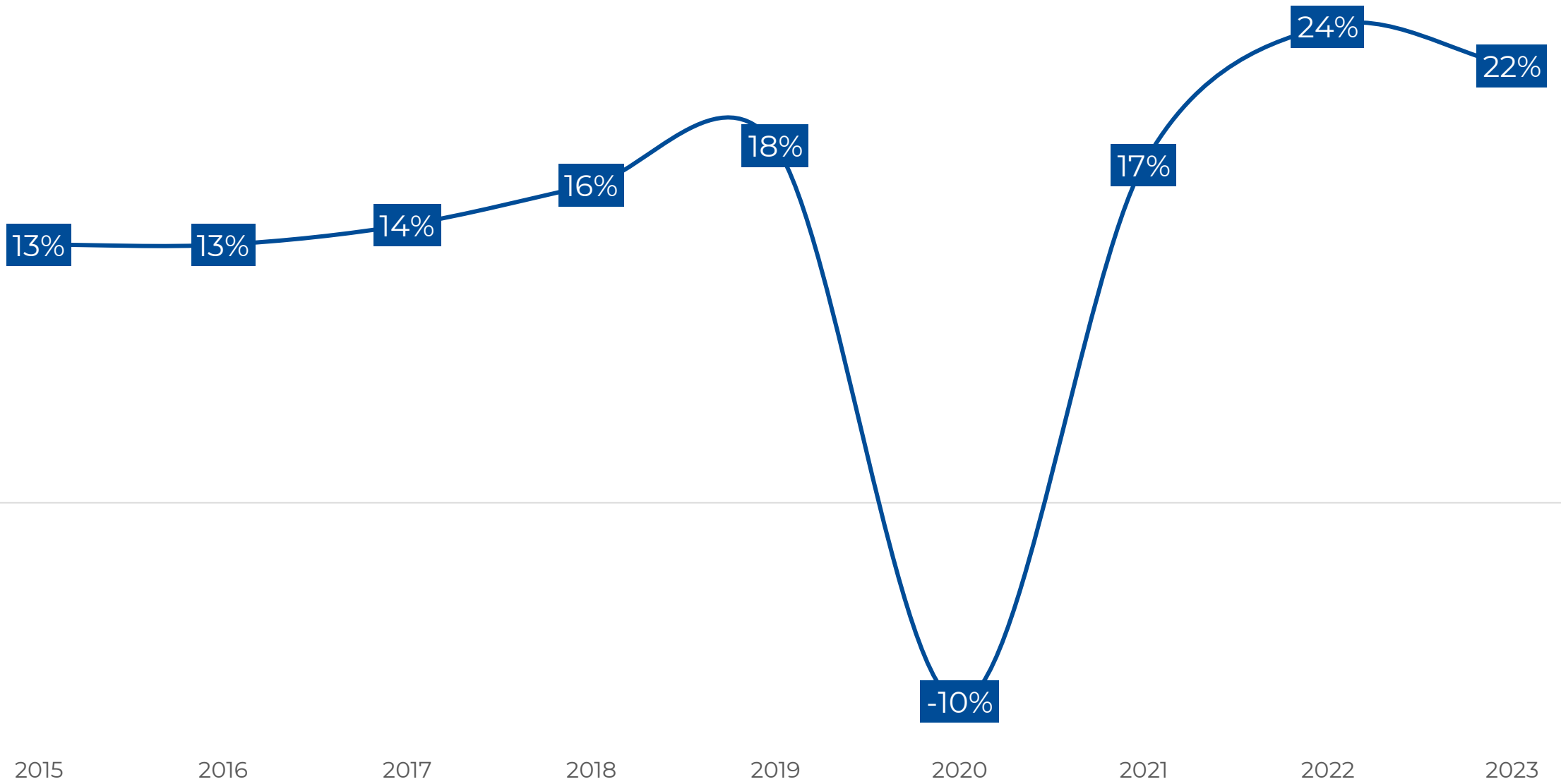


Hilton Revenue by Model (bn USD)

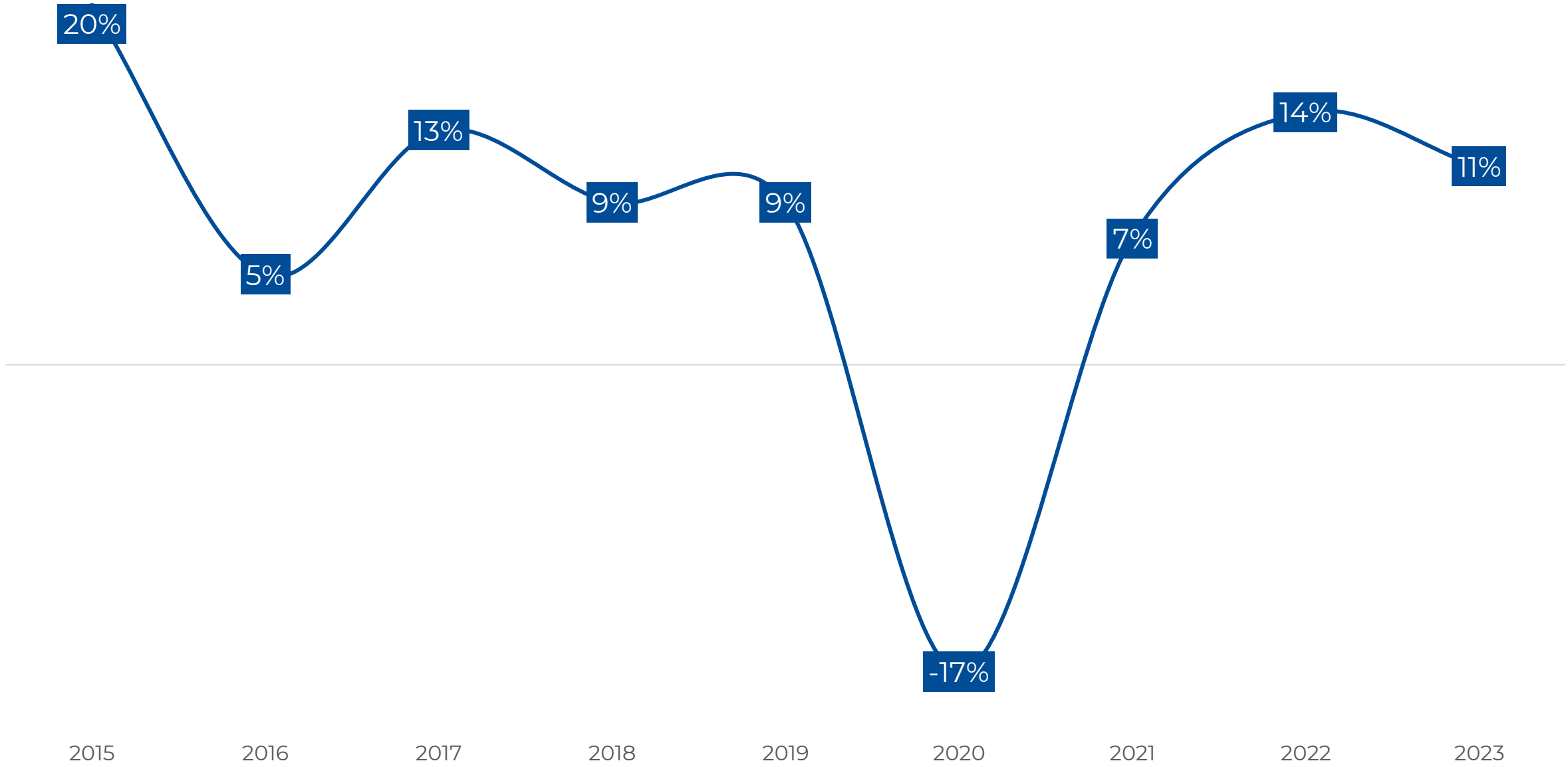
■ Franchised
 ■ Managed
 ■ Owned



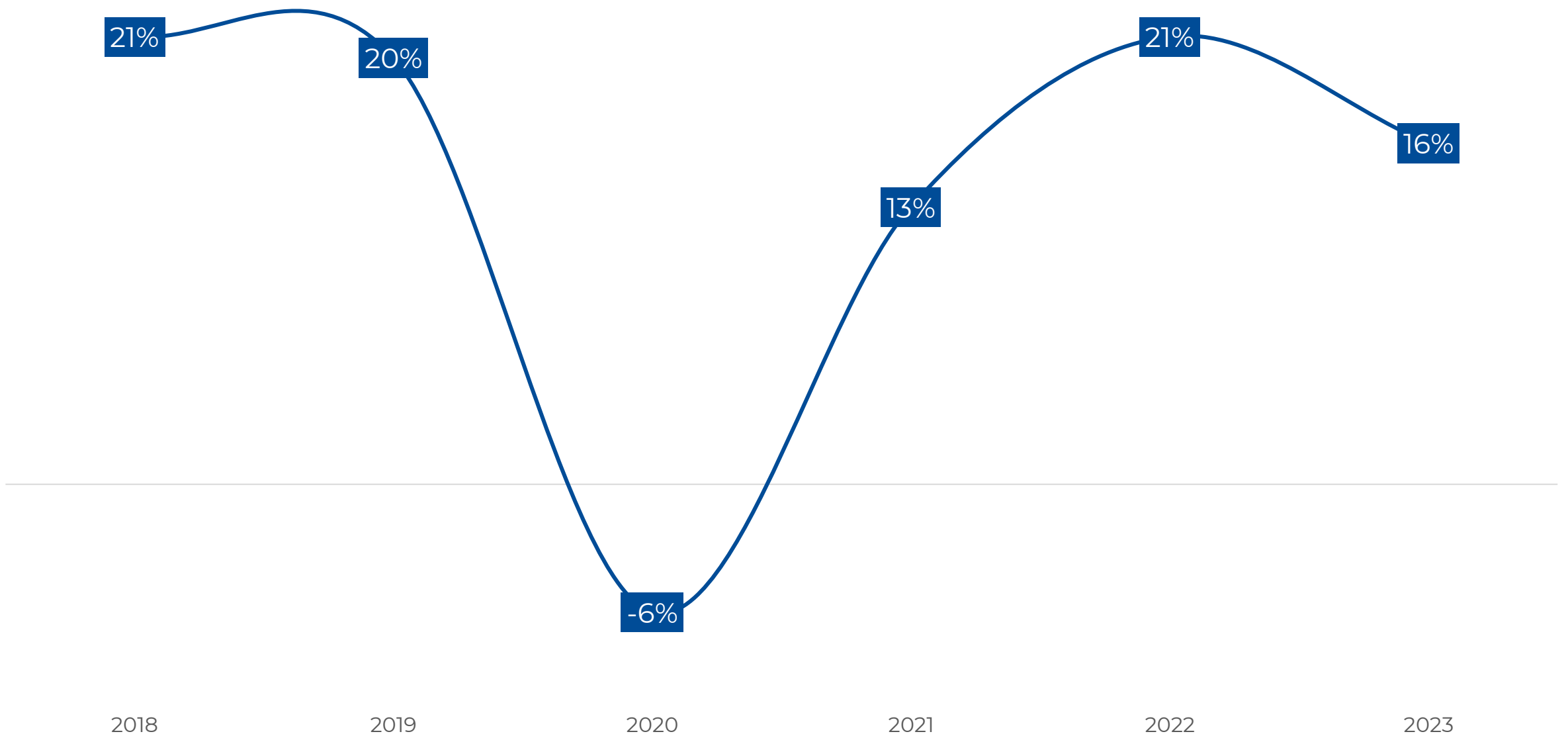
Hilton EBIT Margin



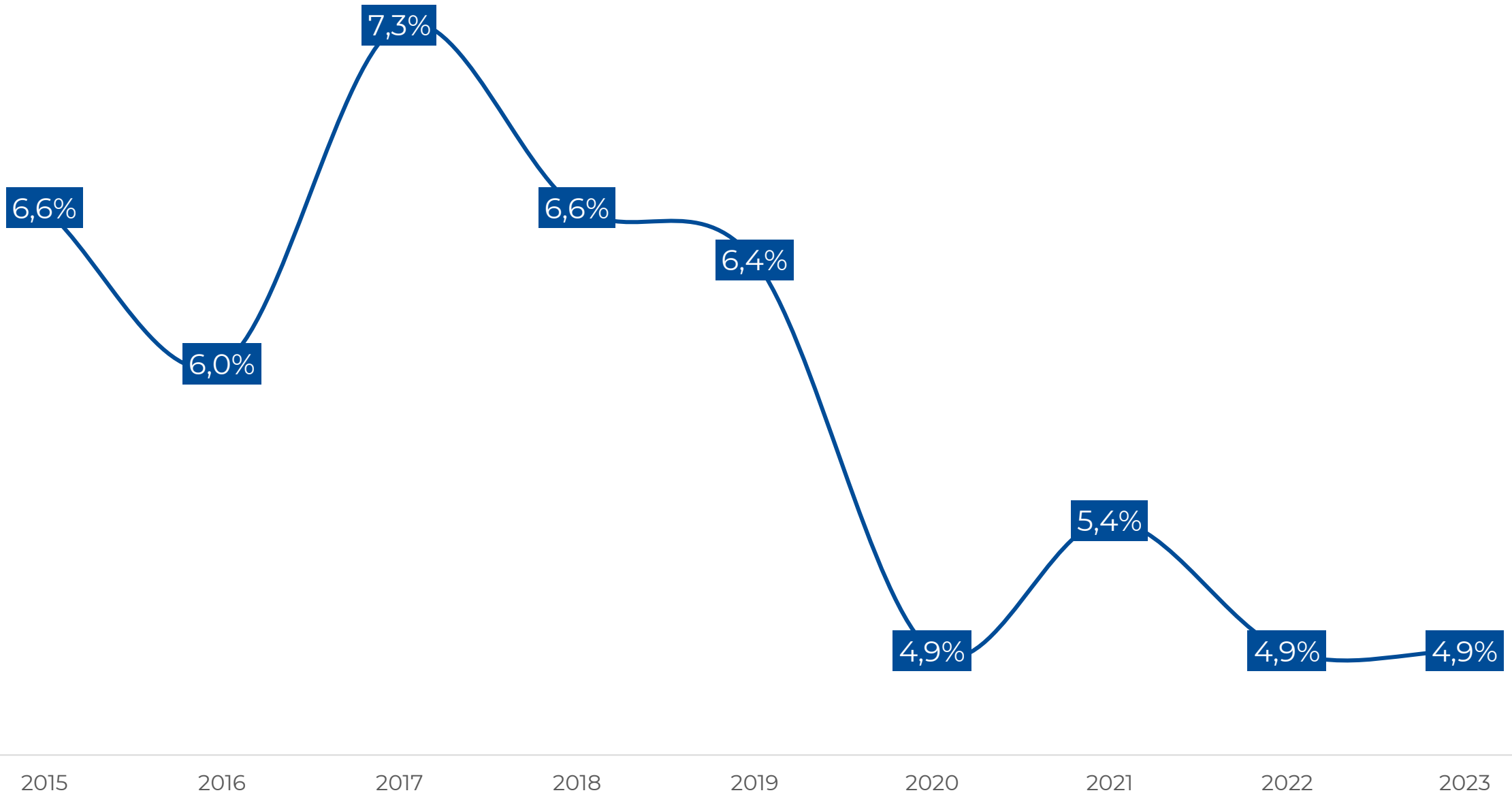
Hilton Net Margin



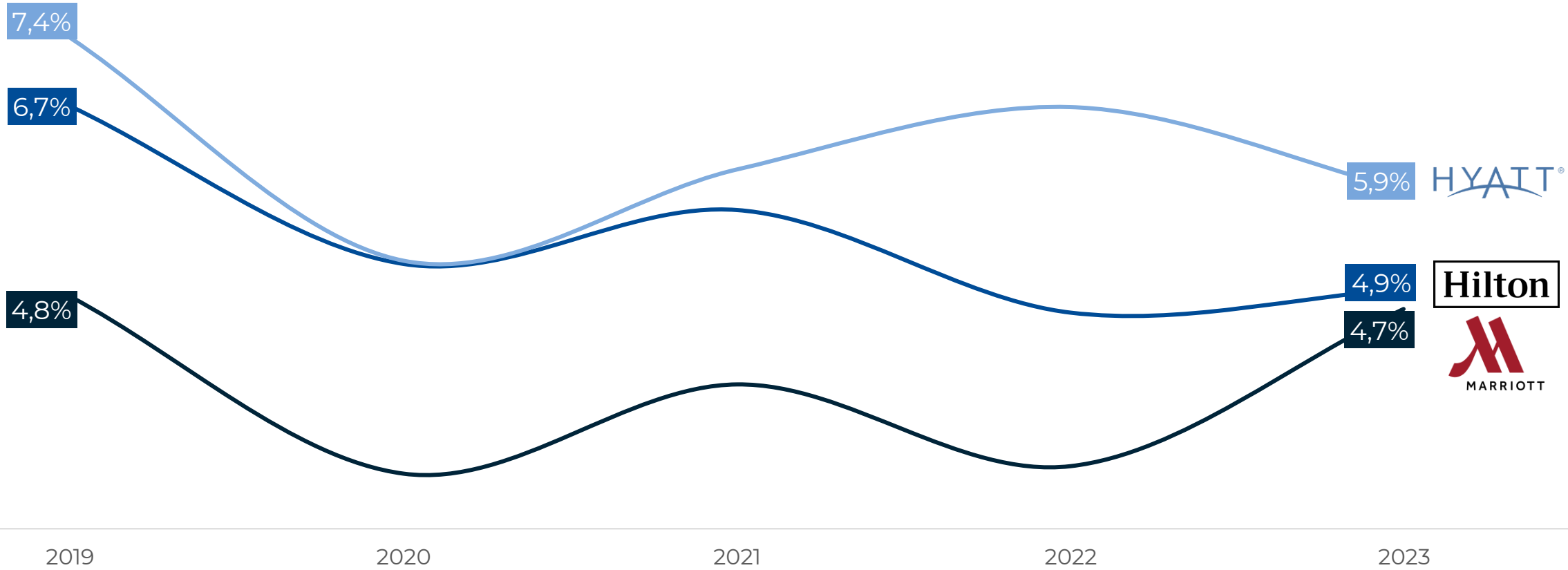
Hilton ROIC Evolution



Net Unit Growth (NUG)

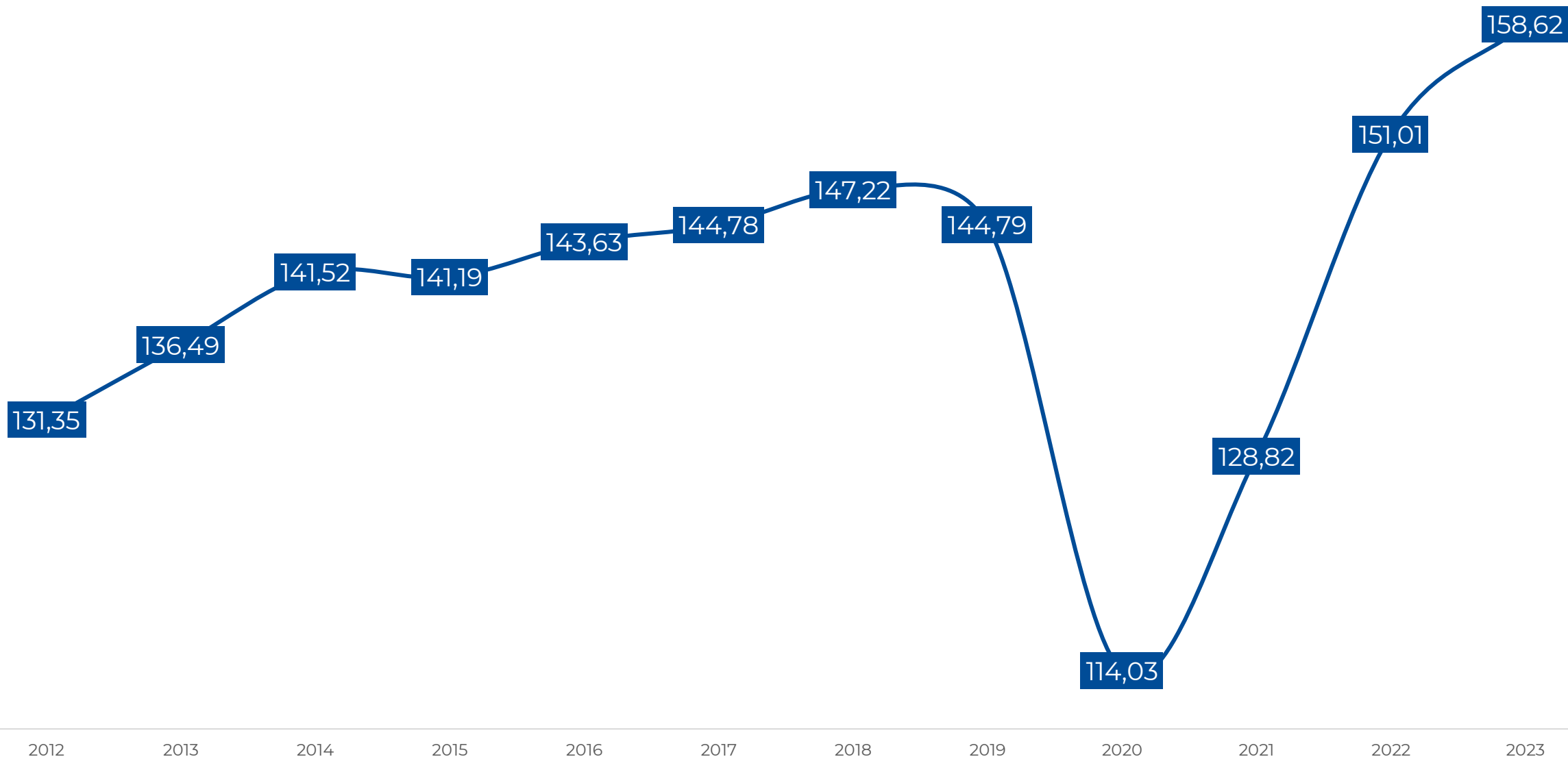


Net Unit Growth (NUG)

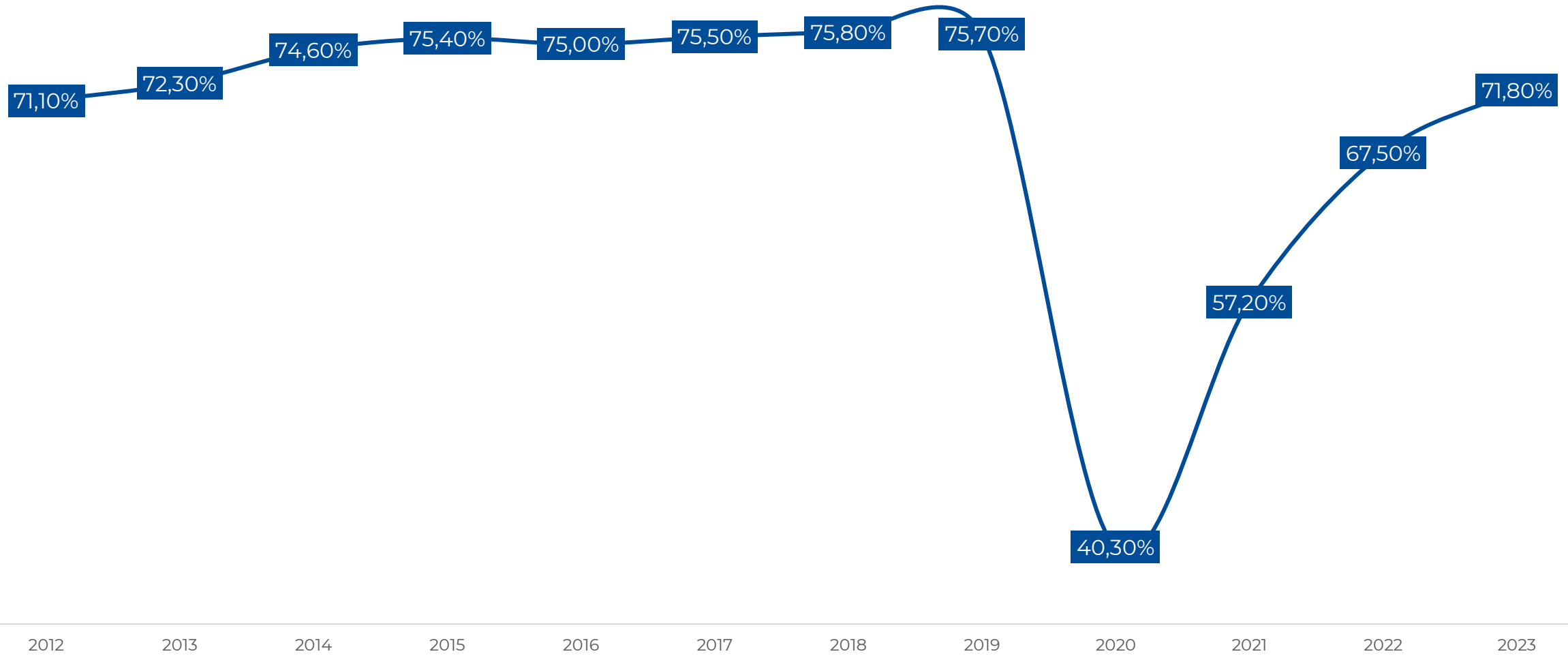


Hilton Average Daily Rate (USD)

ADR = Total Revenue from Occupied Rooms / Number of Occupied Rooms

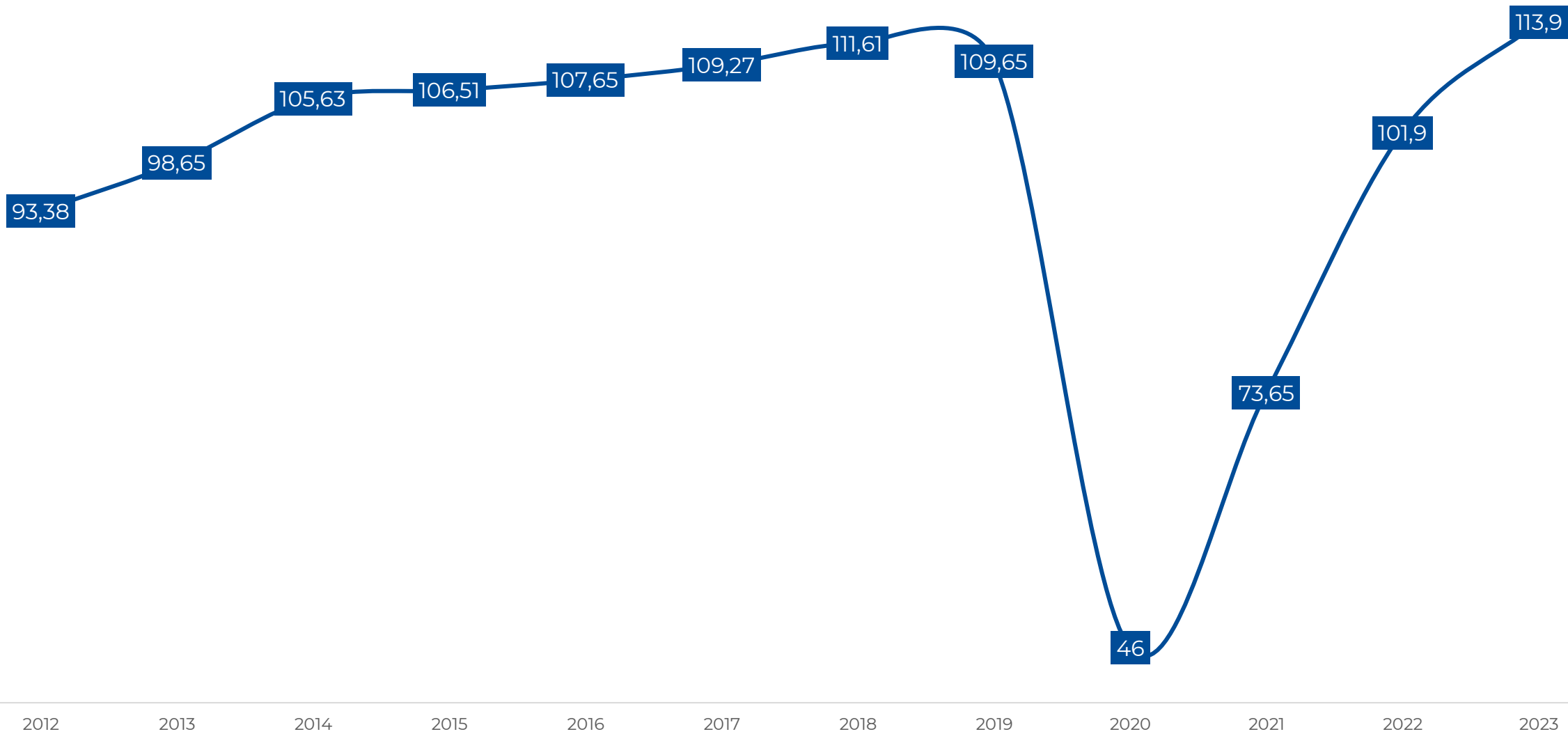


Hilton Occupancy



Hilton Revenue Per Available (USD)

RevPar = ADR x Occupancy Rate

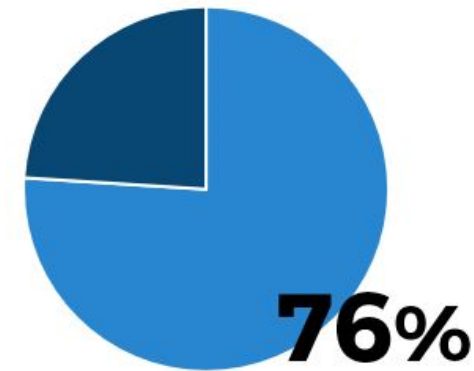
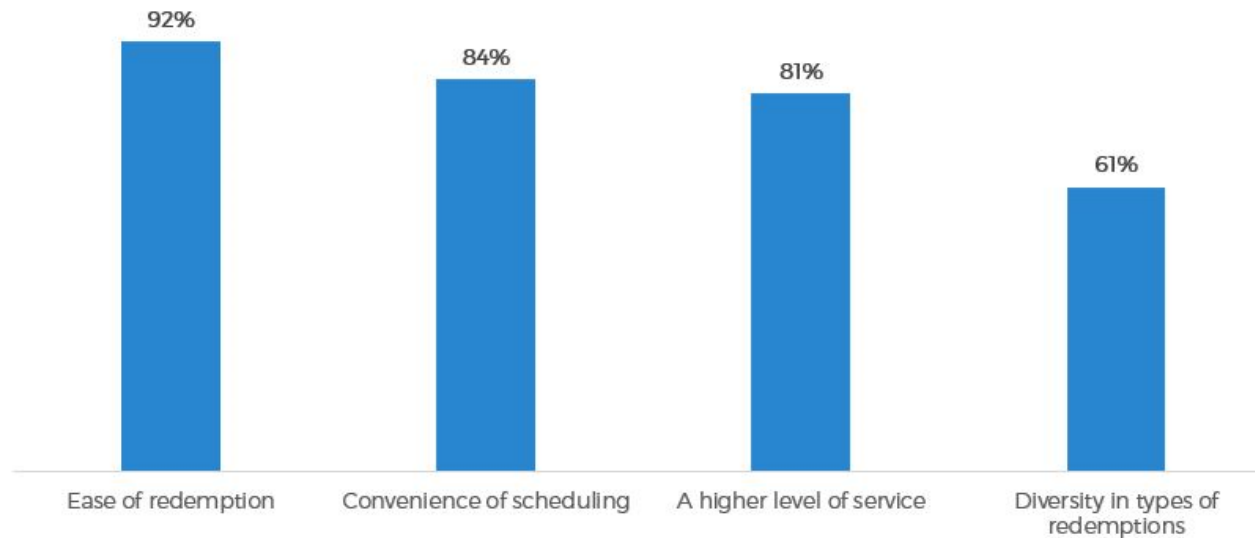


Executive Compensation Program

Pay Elements	Form	Performance Measures & Key Characteristics
Base Salary (on page 29)	Cash	<ul style="list-style-type: none"> Provide a competitive fixed level of pay
Annual Cash Incentives Maximum Payout: 2x target (on page 29)	Financial <i>CEO: 50%</i> <i>Other NEOs: 40%</i>	<ul style="list-style-type: none"> Annual Adjusted EBITDA⁽¹⁾
	Cash Business Area & Organizational Strength <i>CEO: 50%</i> <i>Other NEOs: 60%</i>	<ul style="list-style-type: none"> Business Area: Primarily quantitative objectives Organizational Strength: ESG and HCM objectives (including our ongoing commitment to an inclusive workplace, Team Member engagement and talent management efforts), as well as Customer Promise objectives (including providing guests with the most reliable and friendly stays)
Long-Term Incentives ("LTI") (on page 34)	PSUs: 50% Maximum Payout: 2x target	<ul style="list-style-type: none"> Free Cash Flow ("FCF") per share, Adjusted EBITDA⁽¹⁾, Net Unit Growth ("NUG") compound annual growth rate ("CAGR") and RevPAR Index Growth ("RPI Growth") Vest at the end of a 3-year period
	Equity Stock Options: 25%	<ul style="list-style-type: none"> Vest ratably over 3 years
	Restricted Stock Units ("RSUs"): 25%	<ul style="list-style-type: none"> Vest ratably over 2 years

Business travelers look for a lot in a loyalty program

Top aspects of loyalty program sought after by business travelers:



Of business travelers said they would extend their business trips for leisure if their hotels offered discounts for additional nights or the chance to have a friend or family member join at a discounted rate

Long Stay – Hilton Portfolio




**HOMEWOOD
SUITES**
Hilton



HOME 2
SUITES BY HILTON

United States 10-Year Bond Yield





Luxury				
Upper Upscale				
Upscale				
Upper Midscale				
Midscale				

Royalty Relief Methodology

Determines the value a company would be willing to pay to license its brand as if it did not own it.

1 – Calculate Brand Strength from 1-100

2 – Determine royalty rate for the sector

3 – Brand royalty rate = Brand Strength x Sector royalty rate

4 – Forecast Revenues

5 – Apply brand royalty rate to revenues

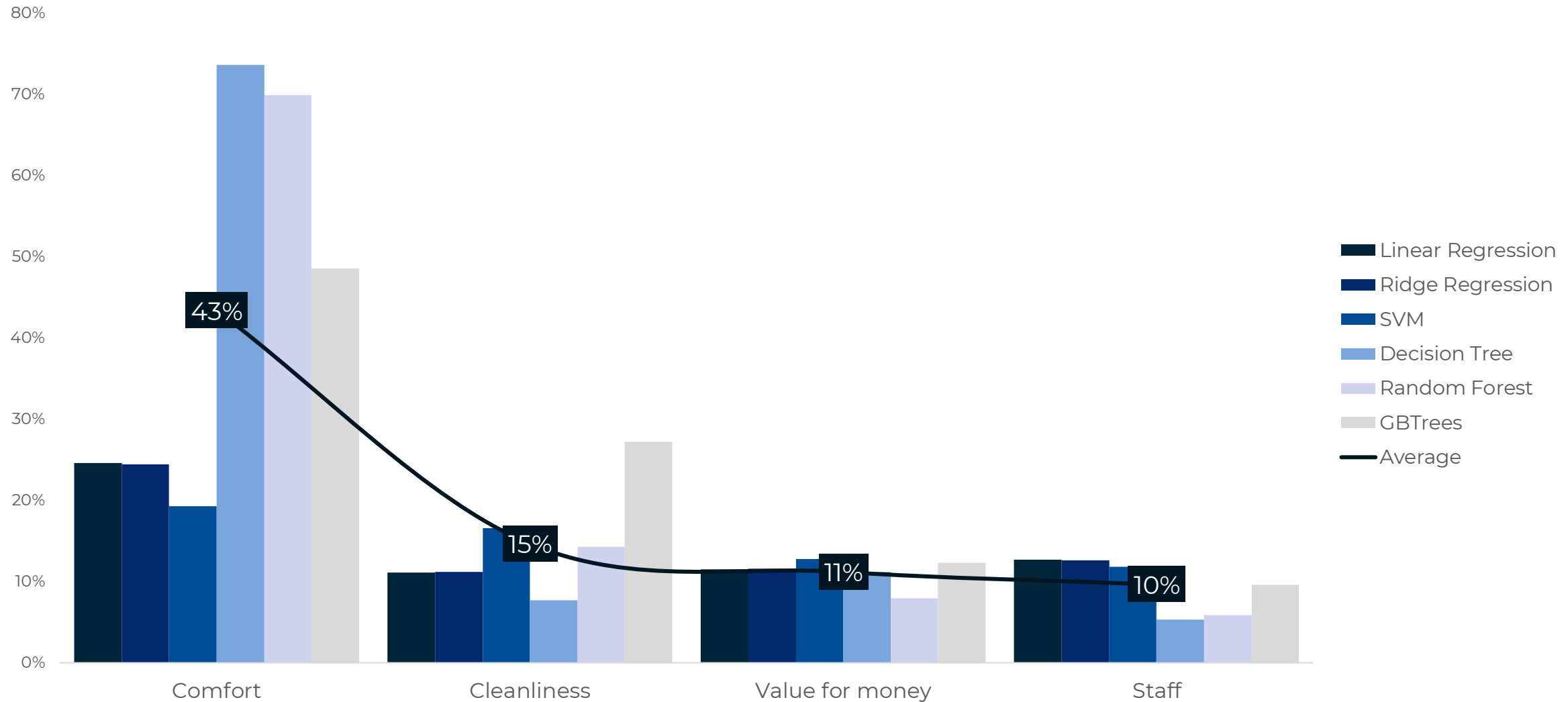
6 – Discounted post tax to a net present value

Python WordCloud



Python Machine Learning Analysis

P





Occupancy * ADR = RevPAR

RevPAR * Number of Rooms = Revenue

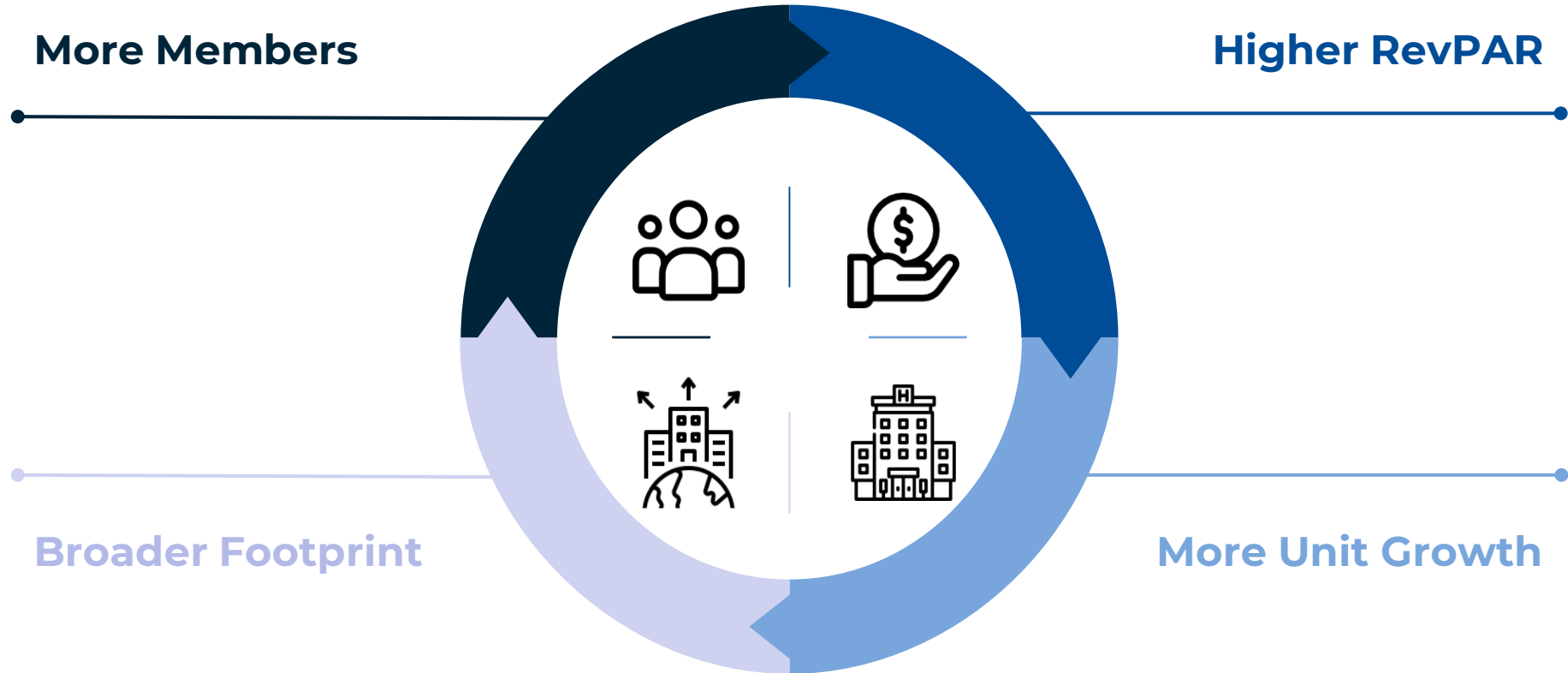
Revenue * (1 - fees) = Revenue for owner

Revenue for owner * margin = Net income for owner

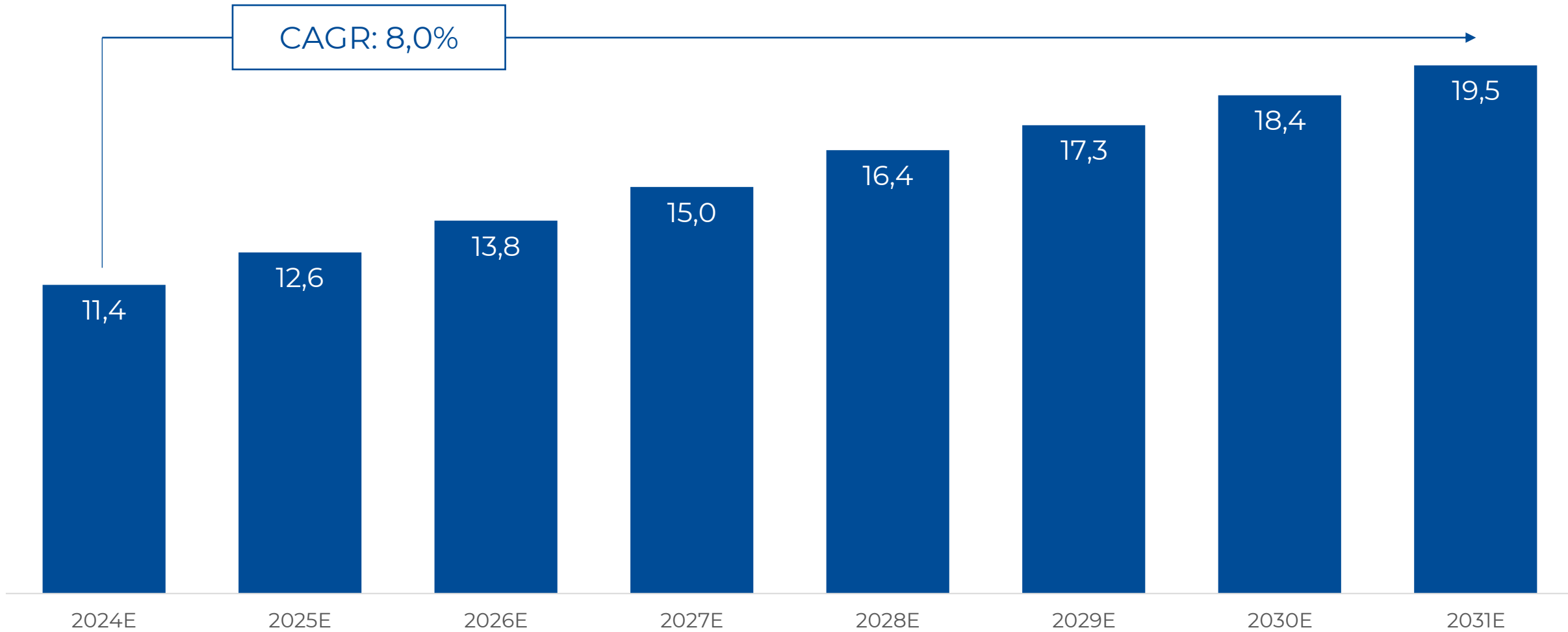
Initial costs / Net income for owner = Payback (years)

Company	Average Payback
	55,7 years
	41,2 years

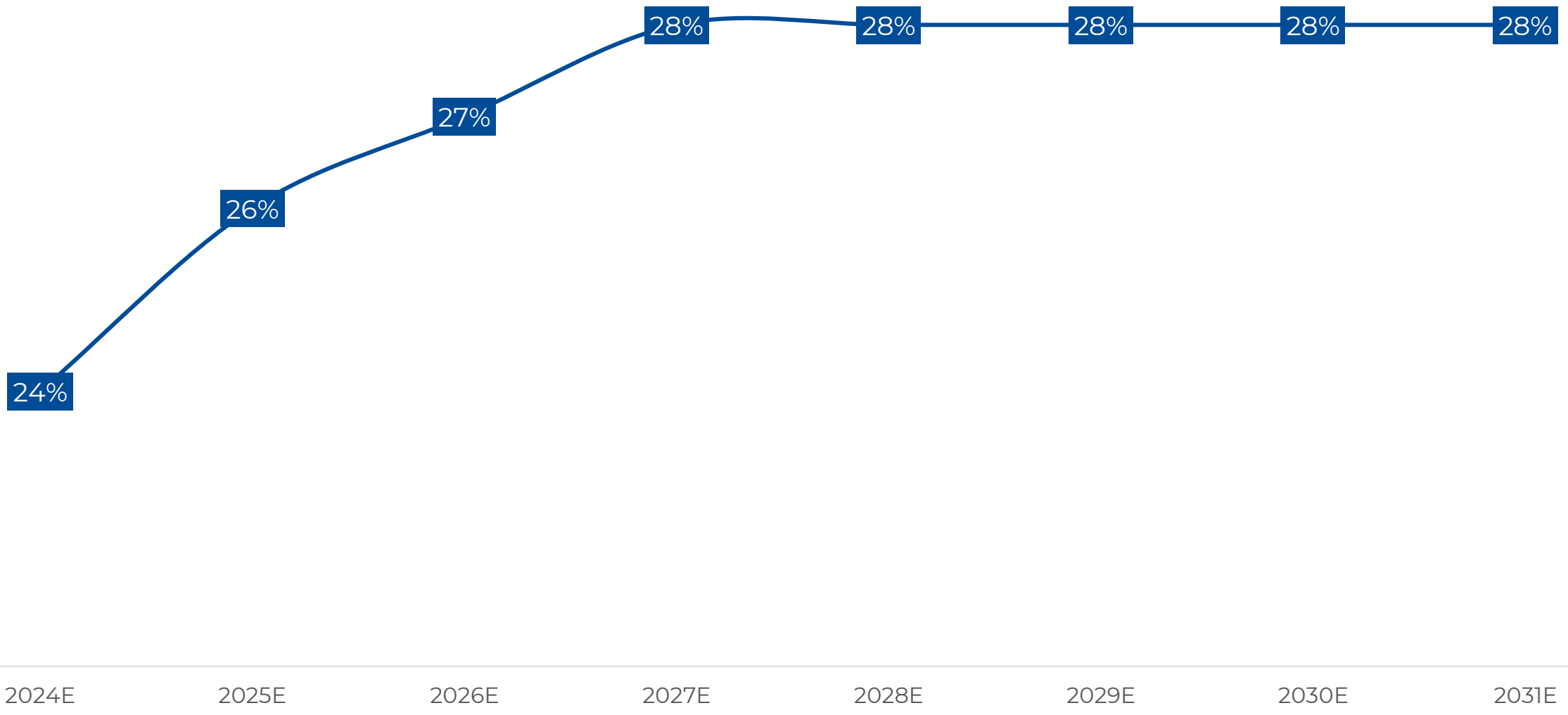
Loyalty Franchise Cycle



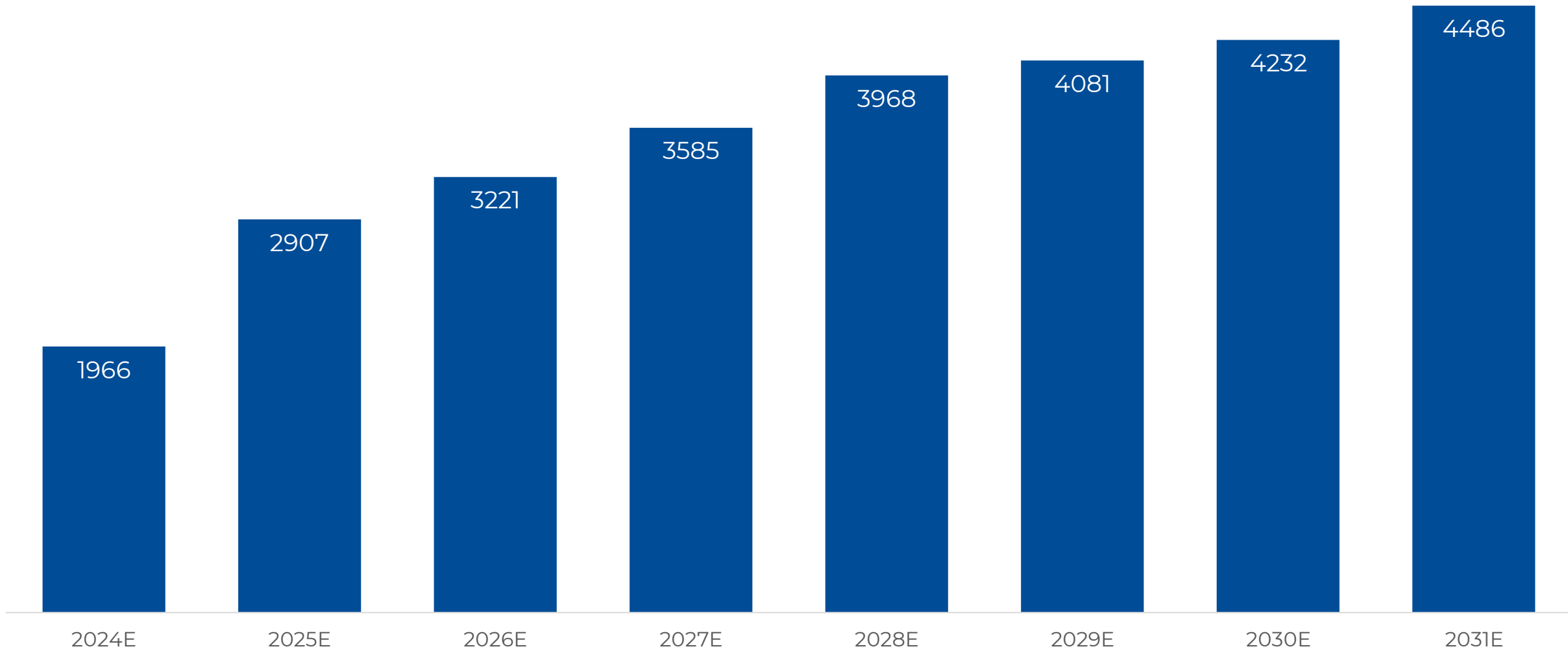
Revenue Projection (bn USD)



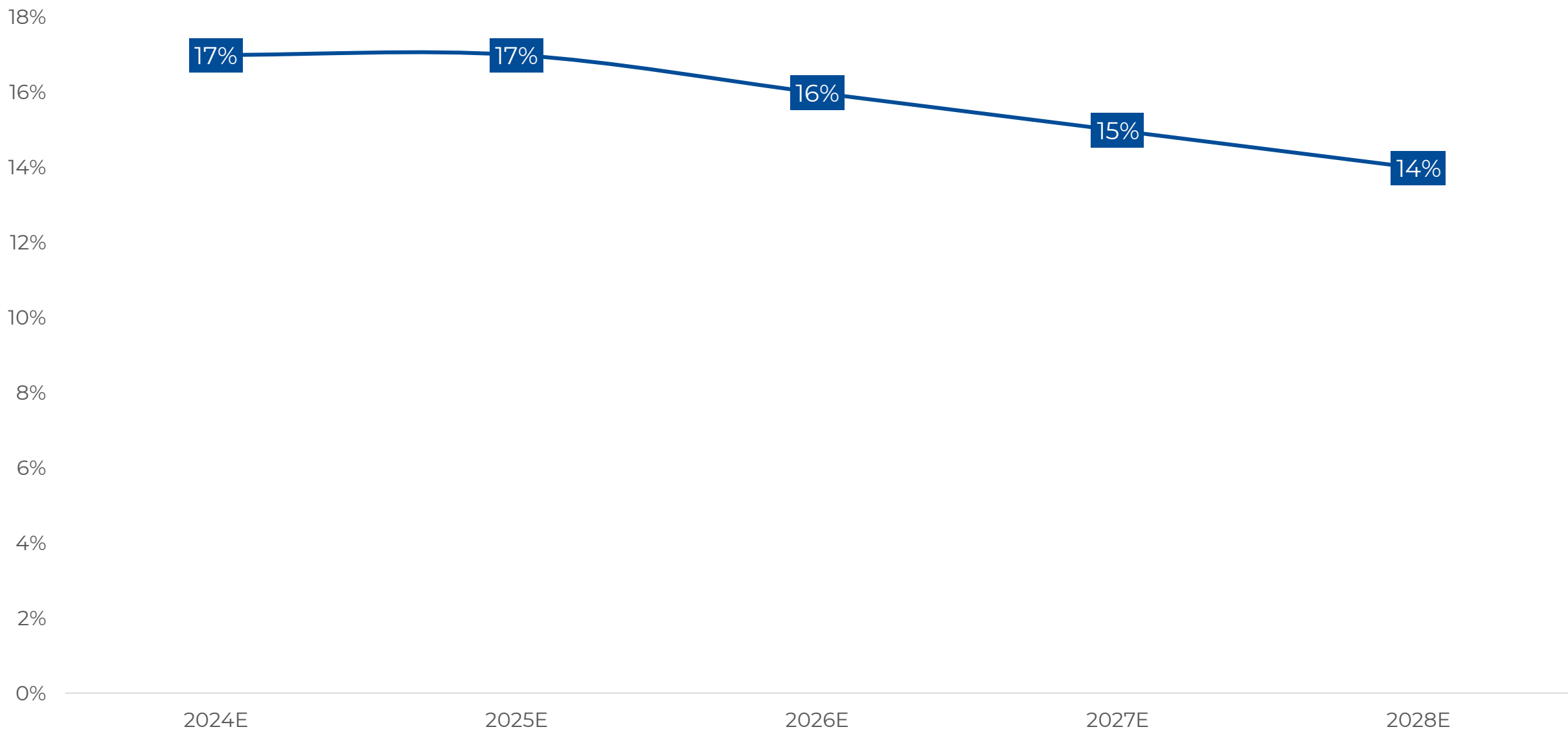
EBIT Margin Projection



FCFF Projection (mn USD)

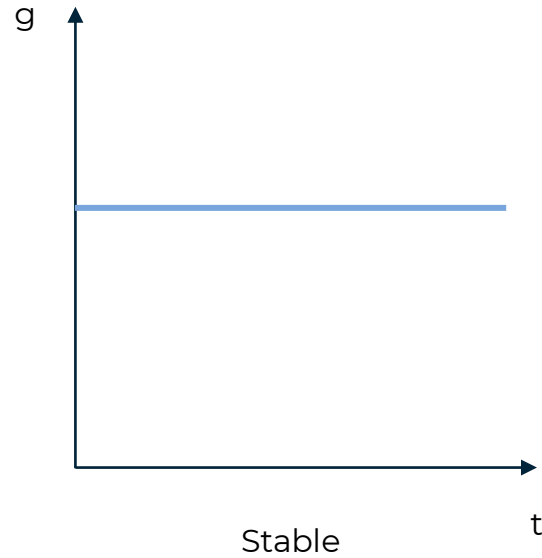


ROIC Projection



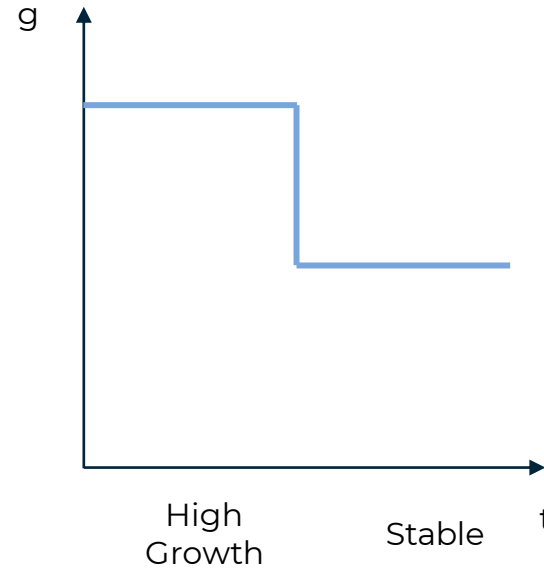
Rationale for the Three-Stage DCF

1-stage
Stable growth



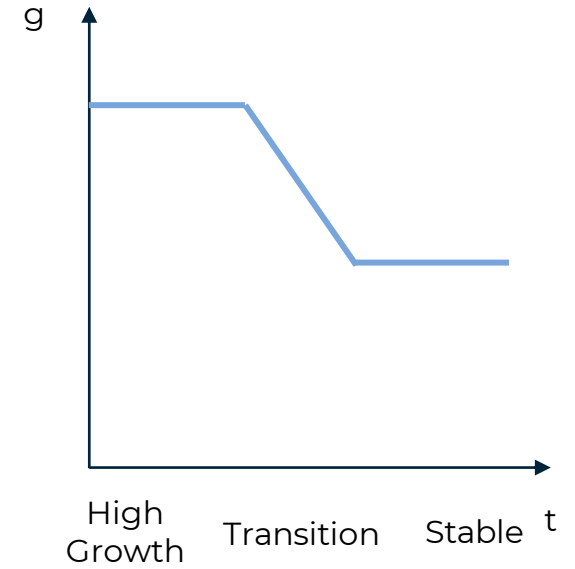
1st Stage
9,8%
CAGR

2-stages
Strong change on g



2nd Stage
6%
CAGR

3-stages
Transition on growth



3rd Stage
4,5%
Growth in
perpetuity

CAPM	
Risk Free Rate (5y T Bond)	4,43%
Beta	1,18
Equity Risk Premium	4,60%
Country Risk	0,00%
CAPM Nominal	9,9%

WACC - Market cap	
Tax Rate	26%
Total Debt	10.173
Total Equity	53.754
Debt + Equity	63.927
D/D+E	16%
E/E+D	84%
Kd	6,1%
Kd*(1-Tax Rate)	4,5%
WACC	9,0%

Operating Metrics

Operating Metrics	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	5y CAGR
Revenue	8.906	9.452	4.307	5.788	8.773	10.235	11.401	12.609	13.765	15.008	16.362	9,8%
Revenue Growth (y-o-y)		6%	(54%)	34%	52%	17%	11%	11%	9%	9%	9%	
EBIT	1.432	1.657	(418)	1.010	2.094	2.225	2.770	3.297	3.706	4.141	4.613	15,7%
EBIT Growth (y-o-y)		16%	(125%)	(342%)	107%	6%	24%	19%	12%	12%	11%	
Net Income	769	886	(720)	407	1.257	1.151	1.616	2.022	2.310	2.621	2.958	20,8%
Net Income Growth (y-o-y)		15%	(181%)	(157%)	209%	(8%)	40%	25%	14%	13%	13%	
EBITDA	1.774	2.004	(164)	1.145	2.311	2.303	2.893	3.458	3.865	4.297	4.766	15,7%
EBITDA Growth (y-o-y)		13%	(108%)	(798%)	102%	(0%)	26%	20%	12%	11%	11%	
Cash From Operations	1.348	1.561	885	(152)	1.582	2.190	1.790	2.793	3.088	3.435	3.798	11,6%
CFO / EBITDA	76%	78%	(540%)	(13%)	68%	95%	62%	81%	80%	80%	80%	
Margins												
EBIT Margin	16%	18%	(10%)	17%	24%	22%	24%	26%	27%	28%	28%	
Net Income Margin	9%	9%	(17%)	7%	14%	11%	14%	16%	17%	17%	18%	
EBITDA Margin	20%	21%	(4%)	20%	26%	23%	25%	27%	28%	29%	29%	
DuPont Analysis												
ROIC	21%	20%	(6%)	13%	21%	16%	17%	17%	16%	15%	14%	
ROE	25%	25%	(23%)	11%	26%	21%	21%	21%	19%	18%	17%	
ROA	5%	6%	(4%)	3%	8%	7%	10%	13%	14%	16%	18%	

Key Metrics	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
EV / EBITDA	16,0x	18,4x	935,7x	39,2x	17,9x	22,3x	26,2x	21,9x	19,6x	17,6x	15,9x
EV / Revenue	3,2x	4,1x	8,8x	8,8x	4,8x	5,5x	6,6x	6,0x	5,5x	5,1x	4,6x
P / E	25,8x	31,2x	31,0x	84,7x	27,1x	39,6x	48,4x	37,5x	31,7x	27,0x	23,2x
Net Debt / EBITDA	3,8x	3,7x	-44,0x	6,3x	3,2x	3,6x	3,3x	2,9x	2,8x	2,6x	2,4x

Income Statement I

	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Income Statement											
Total Revenue	8.906	9.452	4.307	5.788	8.773	10.235	11.401	12.609	13.765	15.008	16.362
YoY	-	6%	-54%	34%	52%	17%	11%	11%	9%	9%	9%
Fee Revenues	2.086	2.243	1.106	1.767	2.558	2.986	3.434	3.931	4.373	4.842	5.351
YoY	-	7,5%	-50,7%	59,8%	44,8%	16,7%	15,0%	14,5%	11,2%	10,7%	10,5%
Franchise and licensing fees	1.530	1.681	945	1.493	2.068	2.370	2.728	3.128	3.472	3.836	4.228
Base and other management fees	321	332	123	176	294	342	406	469	527	590	660
Incentive management fees	235	230	38	98	196	274	299	335	374	416	463
Other Revenues	6.820	7.209	3.201	4.021	6.215	7.249	7.967	8.677	9.393	10.166	11.011
YoY	-	6%	-56%	26%	55%	17%	10%	9%	8%	8%	8%
Ow ned and leased hotels	1.484	1.422	421	598	1.076	1.244	1.350	1.460	1.522	1.584	1.652
Other revenues	98	101	73	79	102	178	207	220	231	243	255
Other income from managed and franchised properties	5.238	5.686	2.707	3.344	5.037	5.827	6.410	6.998	7.639	8.339	9.104
Total Expenses	(7.474)	(7.876)	(4.725)	(4.771)	(6.679)	(8.010)	(8.638)	(9.311)	(10.059)	(10.867)	(11.749)
YoY	-	5,4%	-40,0%	1,0%	40,0%	19,9%	7,8%	7,8%	8,0%	8,0%	8,1%
Ow ned and leased hotels	(1.332)	(1.254)	(620)	(679)	(999)	(1.141)	(1.253)	(1.361)	(1.419)	(1.476)	(1.540)
Depreciation and amortization	(325)	(346)	(331)	(188)	(162)	(147)	(160)	(161)	(158)	(156)	(153)
General and administrative	(443)	(441)	(311)	(405)	(382)	(408)	(540)	(619)	(660)	(704)	(752)
Reorganization costs	0	0	(41)	0	0	0	0	0	0	0	0
Impairment Loss	0	0	(258)	0	0	(112)	0	0	0	0	0
Other expenses	(51)	(72)	(60)	(45)	(60)	(38)	(165)	(173)	(182)	(191)	(200)
Subtotal Expenses	(2.151)	(2.113)	(1.621)	(1.317)	(1.603)	(1.846)	(2.119)	(2.314)	(2.420)	(2.527)	(2.646)
YoY	-	-2%	-23%	-19%	22%	15%	15%	9%	5%	4%	5%
Other expenses from managed and franchised properties	(5.323)	(5.763)	(3.104)	(3.454)	(5.076)	(6.164)	(6.519)	(6.998)	(7.639)	(8.339)	(9.104)
Gain on sale of assets, net		81		(7)							

Income Statement II

	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Operating Income (EBIT)	1.432	1.657	(418)	1.010	2.094	2.225	2.770	3.297	3.706	4.141	4.613
YoY	-	16%	-125%	-342%	107%	6%	24%	19%	12%	12%	11%
Operational margin	16%	18%	-10%	17%	24%	22%	24%	26%	27%	28%	28%
Interest expense, net	(371)	(414)	(429)	(397)	(415)	(464)	(546)	(565)	(585)	(599)	(616)
Gain (loss) on foreign currency transactions	(11)	(2)	(27)	(7)	5	(16)	(1)	0	0	0	0
Other non-operating income (loss), net	28	3	(50)	(46)	50	(53)	(36)	0	0	0	0
Pretax Income (EBT)	1.078	1.244	(924)	560	1.734	1.692	2.187	2.732	3.122	3.542	3.997
Income tax expense	(309)	(358)	204	(153)	(477)	(541)	(571)	(710)	(812)	(921)	(1.039)
Tax rate	29%	29%	22%	27%	28%	32%	26%	26%	26%	26%	26%
Net Income	769	886	(720)	407	1.257	1.151	1.616	2.022	2.310	2.621	2.958
YoY	-	15%	-181%	157%	209%	-8%	40%	25%	14%	13%	13%
Net income margin	9%	9%	-17%	7%	14%	11%	14%	16%	17%	17%	18%
Non-controlling interest	(5)	(5)	5	3	(2)	(10)	(3)	0	0	0	0
Net Income available to Hilton Shareholders	764	881	(715)	410	1.255	1.141	1.613	2.022	2.310	2.621	2.958
EBITDA	1.774	2.004	(164)	1.145	2.311	2.303	2.893	3.458	3.865	4.297	4.766
YoY	-	13%	-108%	798%	102%	0%	26%	20%	12%	11%	11%
EBITDA margin	20%	21%	-4%	20%	26%	23%	25%	27%	28%	29%	29%
EPS	2,53	3,07	(2,58)	1,47	4,56	4,35	6,53	8,43	9,95	11,68	13,69
YoY	-	21%	-184%	157%	211%	-5%	50%	29%	18%	17%	17%
Dividends per share	0,59	0,59	0,15	0,00	0,44	0,59	0,60	0,60	0,60	0,60	0,60
YoY	-	1%	-75%	-100%	-	33%	1%	0%	0%	0%	0%
Weighted Average Shares Outstanding	302	287	277	279	275	262	248	240	232	225	216

Balance Sheet

	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Balance Sheet											
Total Assets	13.995	14.957	16.755	15.441	15.512	15.401	15.630	15.995	16.186	16.462	16.595
Total current assets	1.983	2.093	4.202	2.871	2.870	2.614	2.895	3.281	3.494	3.798	3.962
Cash & Cash equivalents (+ Restricted)	484	630	3.263	1.512	1.286	875	750	939	951	1.038	971
Accounts Receivable	1.150	1.261	771	1.068	1.327	1.487	1.805	1.979	2.156	2.348	2.553
Prepaid Expenses	160	130	70	89	105	131	237	260	284	309	336
Other current assets	189	72	98	202	152	121	103	103	103	103	103
Total long term assets	12.012	12.864	12.553	12.570	12.642	12.787	12.735	12.715	12.691	12.664	12.633
Property & equipment, net	367	380	346	305	280	382	360	339	316	292	265
Goodwill	5.160	5.159	5.095	5.071	5.032	5.052	5.044	5.044	5.044	5.044	5.044
Brands	4.869	4.877	4.904	4.883	4.840	4.846	4.831	4.831	4.831	4.831	4.831
Management and franchise contracts, net	872	780	653	758	887	1.064	1.087	1.087	1.087	1.087	1.087
Other intangibles	415	421	266	194	161	173	176	177	176	174	168
Other non-current assets	329	1.247	1.289	1.359	1.442	1.270	1.237	1.237	1.237	1.237	1.237
Total liabilities & shareholders' equity	13.995	14.957	16.755	15.441	15.512	15.401	15.630	15.995	16.186	16.462	16.595
Total Liabilities	13.437	15.429	18.241	16.260	16.610	17.748	19.186	20.569	21.766	23.036	24.149
Accounts payable	1.530	1.703	1.302	1.568	1.790	1.979	2.226	2.441	2.660	2.897	3.149
Deferred revenue	1.176	1.159	1.374	1.246	1.419	1.634	1.710	1.875	2.043	2.225	2.419
Short term debt	16	37	56	54	39	39	39	42	44	46	47
Long term debt	7.266	7.956	10.431	8.712	8.708	9.157	10.340	11.078	11.616	12.173	12.530
Liability for guest loyalty programme	1.669	1.859	2.469	2.364	2.395	2.732	2.736	2.999	3.269	3.560	3.869
Other liabilities	1.780	2.715	2.609	2.316	2.259	2.207	2.135	2.135	2.135	2.135	2.135
Shareholders' equity	558	(472)	(1.486)	(819)	(1.098)	(2.347)	(3.555)	(4.574)	(5.581)	(6.573)	(7.554)
Shareholders' equity	551	(482)	(1.490)	(821)	(1.102)	(2.360)	(3.571)	(4.590)	(5.597)	(6.589)	(7.570)
Minorities interest	7	10	4	2	4	13	16	16	16	16	16
Check	0	0	0	0	0	0	0	0	0	0	0

Cash Flow Statement

	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Cash Flow Statement											
CFO	1.348	1.561	885	(152)	1.582	2.190	1.790	2.793	3.088	3.435	3.798
Net income	769	886	(720)	407	1.257	1.151	1.616	2.022	2.310	2.621	2.958
(+) D&A - Non Cash	325	346	331	188	162	147	160	161	158	156	153
(+/-) changes in WC	93	177	177	(261)	(99)	244	(89)	446	455	493	523
Other Operations (share based compensation)	161	152	1.097	(486)	262	648	103	164	164	164	164
CFI	(131)	(123)	(107)	(57)	(123)	(305)	(137)	(140)	(135)	(129)	(122)
(-) Total capex	(159)	(205)	(92)	(79)	(102)	(247)	(144)	(140)	(135)	(129)	(122)
(-) Other Investments	28	82	(15)	22	(21)	(58)	7	0	0	0	0
CFF	(1.300)	(1.113)	2.032	(1.793)	(1.765)	(2.040)	(1.766)	(2.464)	(2.940)	(3.219)	(3.744)
(+/-) Debt variation (debt amortization)	(1.005)	(1.547)	(2.121)	(3.230)	(48)	(183)	(4)	741	541	559	359
(-) Dividends paid	(181)	(172)	(42)	0	(123)	(158)	(150)	(144)	(139)	(135)	(130)
(-) Repurchase of stock	(1.721)	(1.538)	(296)	0	(1.590)	(2.338)	(2.764)	(3.060)	(3.342)	(3.643)	(3.973)
(+) Other Financing	1.607	2.144	4.491	1.437	(4)	639	1.152	0	0	0	0
FX	(10)	(2)	0	(10)	(19)	(12)	(12)	0	0	0	0
FCF	(186)	146	2.633	(1.751)	(226)	(411)	(125)	189	12	86	(67)
Cash in BoP	670	484	630	3.263	1.512	1.286	875	750	939	951	1.038
Changes in cash	(186)	146	2.633	(1.751)	(226)	(411)	(125)	189	12	86	(67)
Cash in EoP	484	630	3.263	1.512	1.286	875	750	939	951	1.038	970
FCF Conversion	67,0%	71,8%	-483,5%	-18,3%	64,0%	81,8%	56,9%	76,7%	76,4%	76,9%	77,1%

Working Capital

	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Working Capital											
Assets											
Accounts Receivable	1.150	1.261	771	1.068	1.327	1.487	1.805	1.979	2.156	2.348	2.553
Days of revenues (underlying)	114	122	176	160	130	123	132	129	128	129	129
% revenue	31,4%	33,5%	48,2%	43,7%	35,5%	33,7%	36,2%	35,3%	35,2%	35,2%	35,2%
Prepaid Expenses	160	130	70	89	105	131	237	260	284	309	336
Days of revenues (underlying)	16	13	16	13	10	11	17	17	17	17	17
% revenue	4,4%	3,5%	4,4%	3,6%	2,8%	3,0%	4,8%	4,6%	4,6%	4,6%	4,6%
Liabilities											
Accounts Payable	1.530	1.703	1.302	1.568	1.790	1.979	2.226	2.441	2.660	2.897	3.149
% revenue	41,7%	45,2%	81,4%	64,2%	47,9%	44,9%	44,6%	43,5%	43,4%	43,4%	43,4%
Deferred Revenue	1.176	1.159	1.374	1.246	1.419	1.634	1.710	1.875	2.043	2.225	2.419
% revenue	32,1%	30,8%	85,9%	51,0%	38,0%	37,1%	34,3%	33,4%	33,4%	33,4%	33,3%
Loyalty Programme Liability	1.669	1.859	2.469	2.364	2.395	2.732	2.736	2.999	3.269	3.560	3.869
% revenue	45,5%	49,4%	154,3%	96,7%	64,1%	62,0%	54,8%	53,5%	53,4%	53,4%	53,3%
Working Capital Position	(3.065)	(3.330)	(4.304)	(4.021)	(4.172)	(4.727)	(4.630)	(5.076)	(5.532)	(6.025)	(6.548)
Changes in Working Capital	(125)	265	974	(283)	151	555	(97)	446	455	493	523

	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
D&A											
Total fixed assets	11.683	11.617	11.264	11.211	11.200	11.517	11.498	11.478	11.454	11.427	11.396
Total depreciable assets	1.654	1.581	1.265	1.257	1.328	1.619	1.623	1.603	1.579	1.552	1.521
PP&E	367	380	346	305	280	382	360	339	316	292	265
Other Intangibles	415	421	266	194	161	173	176	177	176	174	168
Management & Franchise Contracts (net)	872	780	653	758	887	1.064	1.087	1.087	1.087	1.087	1.087
Non depreciable assets	10.029	10.036	9.999	9.954	9.872	9.898	9.875	9.875	9.875	9.875	9.875
Goodwill	5.160	5.159	5.095	5.071	5.032	5.052	5.044	5.044	5.044	5.044	5.044
Brands	4.869	4.877	4.904	4.883	4.840	4.846	4.831	4.831	4.831	4.831	4.831
D&A	325	346	331	188	162	147	160	161	158	156	153
% depreciable assets	18,7%	20,9%	20,9%	14,9%	12,9%	11,1%	9,9%	10,0%	10,0%	10,1%	10,1%

Capex	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Total Capex	159	205	92	79	102	247	144	140	135	129	122
Capital expenditures for PP&E	72	81	46	35	39	151	84	86	81	75	69
% Owned revenue	4,9%	5,7%	10,9%	5,9%	3,6%	12,1%	6%	6%	5%	5%	4%
% PP&E	19,6%	21,3%	13,3%	11,5%	13,9%	39,5%	23,2%	25,5%	25,6%	25,8%	26,0%
Capitalized software costs	87	124	46	44	63	96	61	54	54	54	53
% Intangibles	21,0%	29,5%	17,3%	22,7%	39,1%	55,5%	35%	31%	31%	31%	31%
YoY	16,0%	42,5%	-62,9%	-4,3%	43,2%	52,4%	-37%	-11%	0%	-1%	-2%

ROIC Calculation

	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
ROIC											
ROIC	10%	11%	-3%	7%	12%	11%	12%	12%	12%	12%	12%
ROIC (without goodwill)	21%	20%	-6%	13%	21%	16%	17%	17%	16%	15%	14%
NOPAT	1.022	1.180	(326)	734	1.518	1.514	2.047	2.440	2.743	3.064	3.413
Invested Capital	9.974	11.050	10.187	10.876	12.399	14.354	17.216	19.809	22.672	25.795	29.213
Total debt	7.282	7.993	10.487	8.766	8.747	9.196	10.378	11.119	11.660	12.218	12.577
Equity (w ithout treasury stock)	3.176	3.687	2.963	3.622	4.938	6.033	7.587	9.629	11.964	14.614	17.606
Cash	484	630	3.263	1.512	1.286	875	750	939	951	1.038	971

ROE Calculation

	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
ROE											
ROE (without treasury stock)	25%	25%	-23%	11%	26%	21%	21%	21%	19%	18%	17%
ROE (with treasury stock)	143%	-195%	46%	-51%	-117%	-53%	-46%	-44%	-41%	-40%	-39%
EBT margin (EBT / Revenue)	12%	13%	-21%	10%	20%	17%	19%	22%	23%	24%	24%
EBT	1.078	1.244	(924)	560	1.734	1.692	2.187	2.732	3.122	3.542	3.997
Revenue	8.906	9.452	4.307	5.788	8.773	10.235	11.401	12.609	13.765	15.008	16.362
Revenue / Assets	0,6x	0,6x	0,3x	0,4x	0,6x	0,7x	0,7x	0,8x	0,9x	0,9x	1,0x
Assets	13.995	14.957	16.755	15.441	15.512	15.401	15.630	15.995	16.186	16.462	16.595
Revenue	8.906	9.452	4.307	5.788	8.773	10.235	11.401	12.609	13.765	15.008	16.362
Assets / Equity (with treasury stock)	25,1x	(31,7)	(11,3)	(18,9)	(14,1)	(6,6)	(4,4)	(3,5)	(2,9)	(2,5)	(2,2)
Assets	13.995	14.957	16.755	15.441	15.512	15.401	15.630	15.995	16.186	16.462	16.595
Equity (with treasury stock)	558	(472)	(1.486)	(819)	(1.098)	(2.347)	(3.555)	(4.574)	(5.581)	(6.573)	(7.554)
Assets / Equity (without treasury stock)	4,4x	4,1x	5,7x	4,3x	3,1x	2,6x	2,1x	1,7x	1,4x	1,1x	0,9x
Equity (without treasury stock)	3.176	3.687	2.963	3.622	4.938	6.033	7.587	9.629	11.964	14.614	17.606
Tax rate	26%	26%	26%	26%	26%	26%	26%	26%	26%	26%	26%

ROA Calculation

	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
ROA											
ROA	5%	6%	-4%	3%	8%	7%	10%	13%	14%	16%	18%
ROA (without goodwill)	9%	9%	-6%	4%	12%	11%	15%	18%	21%	23%	26%
Net income	769	886	(720)	407	1.257	1.151	1.616	2.022	2.310	2.621	2.958
Assets	13.995	14.957	16.755	15.441	15.512	15.401	15.630	15.995	16.186	16.462	16.595

	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
US											
<u>Rooms by type</u>											
Franchised	577,566	615,589	647,921	676,419	699,185	721,043	751,239	783,256	817,194	853,169	891,302
Managed	90,749	88,398	85,255	83,775	84,105	84,833	88,396	92,163	96,157	100,390	104,877
Owned & Leased	215	0	0	0	0	0	0	0	0	0	0
Total	668,530	703,987	733,176	760,194	783,290	805,876	839,635	875,419	913,351	953,558	996,178
US Room Growth YoY		5%	4%	4%	3%	3%	4%	4%	4%	4%	4%
<u>Room Split</u>											
Franchised	86%	87%	88%	89%	89%	89%	89%	89%	89%	89%	89%
Managed	14%	13%	12%	11%	11%	11%	11%	11%	11%	11%	11%
Owned & Leased	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
<u>Openings Split</u>											
Franchised							89%	89%	89%	89%	89%
Managed							11%	11%	11%	11%	11%
Owned & Leased							0%	0%	0%	0%	0%
<u>Pipeline</u>	150,680	149,688	149,539	144,607	148,411	167,330	177,370	188,012	199,293	211,250	223,925
US Pipeline Growth YoY		-1%	0%	-3%	3%	13%	6%	6%	6%	6%	6%
<u>Net room openings</u>											
Franchised	32,062	38,023	32,332	28,498	22,766	21,858	30,196	32,017	33,938	35,974	38,133
Managed	(63)	(2,351)	(3,143)	(1,480)	330	728	3,563	3,767	3,993	4,233	4,487
Owned & Leased	0	(215)	0	0	0	0	0	0	0	0	0
Total	31,999	35,457	29,189	27,018	23,096	22,586	33,759	35,784	37,932	40,207	42,620
% pipeline opened (net)		24%	19%	18%	16%	15%	20%	20%	20%	20%	20%
US Occupancy	76%	76%	42%	61%	70%	72%	75%	79%	80%	81%	81%
Calculated change		0%	-34%	19%	9%	2%	3%	1%	1%	1%	1%
Demand Growth (Global Room Nights YoY)							5%	2%	2%	2%	2%
Supply Growth (Projected Rooms Growth)							1%	1%	1%	1%	1%
US ADR	149,09	148,7	117,4	132,94	157,44	165,16	169,52	174,26	179,14	184,15	189,08
Calculated change YoY		0%	-21%	13%	18%	5%	3%	3%	3%	3%	3%
Demand Growth (Global Room Nights YoY)							5%	2%	2%	2%	2%
Supply Growth (Projected Rooms Growth)							1%	1%	1%	1%	1%
CPI							2%	3%	3%	3%	3%
US RevPar	113,7	113,4	49,5	80,9	110,9	119,2	126,5	137,0	142,6	148,5	153,4
Actual growth		0%	-56%	63%	37%	8%	6%	8%	4%	4%	3%
System Room Revenue (\$m)											
Franchised	23,965	25,471	11,745	19,969	28,302	31,376	34,335	38,552	41,864	45,483	49,207
Managed	3,765	3,658	1,546	2,473	3,404	3,692	4,040	4,536	4,926	5,352	5,790
Owned & Leased	9	0	0	0	0	0	0	0	0	0	0
Total	27,739	29,128	13,291	22,442	31,706	35,068	38,375	43,088	46,790	50,835	54,997

Build-Up: Americas excl. US

	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Americas (Excluding US)											
<u>Rooms by type</u>											
Franchised	36,485	38,118	40,233	42,676	45,328	48,834	52,426	55,902	59,586	63,491	67,630
Managed	14,723	14,838	15,350	17,114	18,156	18,374	19,266	20,543	21,897	23,332	24,853
Owned & Leased	405	405	405	405	405	405	405	405	405	405	405
Total	51,613	53,361	55,988	60,195	63,889	67,613	72,097	76,849	81,887	87,227	92,888
Americas (Excluding US) Room Growth		3%	5%	8%	6%	6%	7%	7%	7%	7%	6%
<u>Room Split</u>											
Franchised	71%	71%	72%	71%	71%	72%	73%	73%	73%	73%	73%
Managed	29%	28%	27%	28%	28%	27%	27%	27%	27%	27%	27%
Owned & Leased	1%	1%	1%	1%	1%	1%	1%	1%	0%	0%	0%
<u>Openings Split</u>											
Franchised							73%	73%	73%	73%	73%
Managed							27%	27%	27%	27%	27%
Owned & Leased							0%	0%	0%	0%	0%
<u>Pipeline</u>											
Americas (Excluding US) Pipeline Growth	22,260	23,220	27,790	28,560	29,148	32,340	34,280	36,337	38,517	40,829	43,278
		4%	20%	3%	2%	11%	6%	6%	6%	6%	6%
<u>Net room openings</u>											
Franchised	4,312	1,633	2,115	2,443	2,652	3,506	3,592	3,476	3,684	3,905	4,139
Managed	349	115	512	1,764	1,042	218	892	1,277	1,354	1,435	1,521
Owned & Leased	0	0	0	0	0	0	0	0	0	0	0
Total	4,661	1,748	2,627	4,207	3,694	3,724	4,484	4,753	5,038	5,340	5,661
% pipeline opened (net)		8%	11%	15%	13%	13%	14%	14%	14%	14%	14%
<u>Americas (Excluding US) Occupancy</u>											
Calculated change	72%	71%	29%	44%	64%	69%	70%	73%	74%	75%	76%
Demand Growth (Global Room Nights YoY)		-1%	-41%	15%	20%	6%	1%	1%	1%	1%	1%
Supply Growth (Projected Rooms Growth)							2%	2%	4%	4%	4%
							1%	1%	3%	3%	3%
<u>Americas (Excluding US) ADR</u>											
Calculated change	127,57	122,13	98,55	111,68	138,55	152,51	159,24	165,69	172,40	179,38	186,65
Demand Growth (Global Room Nights YoY)		-4%	-19%	13%	24%	10%	4%	4%	4%	4%	4%
Supply Growth (Projected Rooms Growth)							2%	2%	4%	4%	4%
Americas Inflation							1%	1%	3%	3%	3%
							4%	4%	4%	4%	4%
<u>Americas (Excluding US) RevPar</u>											
Actual growth	91,4	86,2	29,0	49,2	88,4	105,8	111,5	120,1	126,7	133,6	140,9
		-6%	-66%	70%	80%	20%	5%	8%	5%	5%	5%
System Room Revenue (\$m)											
Franchised	1,130	1,166	409	752	1,435	1,809	2,086	2,389	2,686	3,019	3,400
Managed	490	452	159	288	569	701	767	878	987	1,109	1,250
Owned & Leased	13	13	4	7	13	16	17	18	19	20	21
Total	1,633	1,630	572	1,047	2,017	2,526	2,869	3,284	3,692	4,148	4,671

Build-Up: Europe

	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Europe											
<u>Rooms by type</u>											
Franchised	44538	49637	51772	57982	62037	67855	72658	76967	81535	86377	91509
Managed	27892	27371	28546	28387	28105	27479	28327	30007	31787	33675	35676
Owned & Leased	14887	14382	13220	11977	11725	11604	11604	11604	11604	11604	11604
Total	87317	91390	93538	98346	101867	106938	112588	118578	124926	131656	138789
Europe Room Growth		5%	2%	5%	4%	5%	5%	5%	5%	5%	5%
<u>Room Split</u>											
Franchised	51%	54%	55%	59%	61%	63%	65%	65%	65%	66%	66%
Managed	32%	30%	31%	29%	28%	26%	25%	25%	25%	26%	26%
Owned & Leased	17%	16%	14%	12%	12%	11%	10%	10%	9%	9%	8%
<u>Openings Split</u>											
Franchised							72%	72%	72%	72%	72%
Managed							28%	28%	28%	28%	28%
Owned & Leased							0%	0%	0%	0%	0%
<u>Pipeline</u>											
Europe Pipeline Growth	-5%	2%	12%	0%	-7%	1%	6%	6%	6%	6%	6%
<u>Net room openings</u>											
Franchised	6002	5099	2135	6210	4055	5818	4803	4309	4568	4842	5132
Managed	67	-521	1175	-159	-282	-626	848	1680	1781	1888	2001
Owned & Leased	-511	-505	-1162	-1243	-252	-121	0	0	0	0	0
Total	5558	4073	2148	4808	3521	5071	5650	5989	6349	6730	7133
% pipeline opened (net)		14%	6%	14%	12%	16%	18%	18%	18%	18%	18%
Europe Occupancy	77,0%	77,5%	28,6%	41,9%	67,0%	72,5%	73,8%	77,6%	78,1%	78,6%	79,1%
Calculated change	0%	1%	-49%	13%	25%	5%	1%	1%	0%	0%	0%
Demand Growth (Global Room Nights YoY)							3%	3%	3%	2%	2%
Supply Growth (Projected Rooms Growth)							2%	2%	2%	2%	2%
Europe ADR	148,4	140,0	107,4	121,8	147,0	165,0	169,85	174,52	179,32	184,25	189,32
Calculated change		-6%	-23%	13%	21%	12%	3%	3%	3%	3%	3%
Demand Growth (Global Room Nights YoY)							3%	3%	3%	2%	2%
Supply Growth (Projected Rooms Growth)							2%	2%	2%	2%	2%
Europe Inflation							3%	3%	3%	3%	3%
Europe RevPar	114	108	31	51	99	120	125	135	140	145	150
Actual growth		-5%	-72%	66%	93%	21%	5%	8%	3%	3%	3%
System Room Revenue (\$m)											
Franchised	1783	1885	553	1050	2201	2894	3290	3733	4090	4480	4919
Managed	1137	1087	307	529	1001	1200	1283	1455	1594	1747	1918
Owned & Leased	618	565	155	236	430	512	536	575	594	615	637
Total	3538	3537	1015	1815	3632	4606	5109	5764	6279	6841	7473

Build-Up: ME and Africa

	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Middle East & Africa											
<u>Rooms by type</u>											
Franchised	3092	3188	2843	3398	4027	5207	5645	6240	6872	7540	8250
Managed	19825	23503	24812	25671	28209	29199	32561	35995	39635	43493	47583
Owned & Leased	2612	2612	2612	2606	2319	2319	2320	2320	2320	2320	2320
Total	25529	29303	30267	31675	34555	36725	40526	44555	48826	53353	58152
Middle East & Africa Room Growth		15%	3%	5%	9%	6%	10%	10%	10%	9%	9%
<u>Room Split</u>											
Franchised	12%	11%	9%	11%	12%	14%	14%	14%	14%	14%	14%
Managed	78%	80%	82%	81%	82%	80%	80%	81%	81%	82%	82%
Owned & Leased	10%	9%	9%	8%	7%	6%	6%	5%	5%	4%	4%
<u>Openings Split</u>											
Franchised							15%	15%	15%	15%	15%
Managed							85%	85%	85%	85%	85%
Owned & Leased							0%	0%	0%	0%	0%
Pipeline	33235	32877	35364	33951	35256	35639	37777	40044	42447	44993	47693
Middle East & Africa Pipeline Growth							6%	6%	6%	6%	6%
<u>Net room openings</u>											
Franchised	1999	96	-345	555	629	1180	438	595	631	669	709
Managed	494	3678	1309	859	2538	990	3362	3434	3640	3858	4090
Owned & Leased	0	0	0	-6	-287	0	1	0	0	0	0
Total	2493	3774	964	1408	2880	2170	3801	4029	4271	4527	4799
% pipeline opened (net)		11%	3%	4%	8%	6%	11%	11%	11%	11%	11%
<u>Middle East & Africa Occupancy</u>											
Calculated change	73%	74%	36%	53%	67%	72%	73%	73%	73%	74%	75%
Demand Growth (Global Room Nights YoY)		1%	-38%	17%	14%	6%	1%	1%	1%	1%	1%
Supply Growth (Projected Rooms Growth)							5%	5%	4%	4%	4%
							4%	4%	4%	4%	4%
<u>Middle East & Africa ADR</u>											
Calculated change	151,2	144,7	125,3	139,0	154,6	171,4	177,99	182,49	195,92	206,04	216,72
Demand Growth (Global Room Nights YoY)		-4%	-13%	11%	11%	11%	4%	3%	7%	5%	5%
Supply Growth (Projected Rooms Growth)							5%	5%	4%	4%	4%
MEA Inflation							4%	4%	4%	4%	4%
Egypt Currency Drop							11%	9%	7%	5%	5%
Participation in Region Revenue											
Middle East & Africa RevPar	110	107	45	73	103	124	129	133	144	152	162
Actual growth		-3%	-58%	64%	41%	20%	4%	3%	8%	6%	6%
System Room Revenue (\$m)											
Franchised	85	122	48	85	136	201	258	292	348	406	474
Managed	792	848	388	670	1003	1287	1487	1684	2010	2344	2733
Owned & Leased	104	101	42	70	94	104	110	112	122	129	138
Total	981	1070	478	824	1233	1593	1854	2088	2480	2879	3345

Build-Up: Asia Pacific

	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Asia Pacific											
Rooms by type											
Franchised	14122	23076	31213	41525	55204	72035	84435	95127	106461	118475	131209
Managed	62248	67505	71942	79693	85462	90587	100251	112946	126402	140667	155786
Owned & Leased	3601	3158	3163	3163	3163	3163	3163	3163	3163	3163	3163
Total	79971	93739	106318	124381	143829	165785	187848	211236	236026	262304	290159
Asia Pacific Room Growth		17%	13%	17%	16%	15%	13%	12%	12%	11%	11%
Room Split											
Franchised	18%	25%	29%	33%	38%	43%	45%	45%	45%	45%	45%
Managed	78%	72%	68%	64%	59%	55%	53%	53%	54%	54%	54%
Owned & Leased	5%	3%	3%	3%	2%	2%	2%	1%	1%	1%	1%
Openings Split											
Franchised							46%	46%	46%	46%	46%
Managed							54%	54%	54%	54%	54%
Owned & Leased							0%	0%	0%	0%	0%
Pipeline	109808	120003	132569	139675	142955	150333	159353	168914	179049	189792	201179
Asia Pacific Pipeline Growth		9%	10%	5%	2%	5%	6%	6%	6%	6%	6%
Net room openings											
Franchised	5754	8954	8137	10312	13679	16831	12400	10692	11334	12014	12735
Managed	6355	5257	4437	7751	5769	5125	9664	12695	13457	14264	15120
Owned & Leased	25	-443	5	0	0	0	0	0	0	0	0
Total	12134	13768	12579	18063	19448	21956	22063	23387	24790	26278	27855
% pipeline opened (net)		13%	10%	14%	14%	15%	15%	15%	15%	15%	15%
Asia Pacific Occupancy	73%	72%	44%	51%	53%	70%	74%	77%	77%	77%	77%
Calculated change		-1%	-29%	7%	3%	17%	4%	0%	0%	0%	0%
Demand Growth (Global Room Nights YoY)							10%	4%	4%	4%	4%
Supply Growth (Projected Rooms Growth)							4%	4%	4%	4%	4%
Asia Pacific ADR	135,6	123,7	93,9	101,1	103,7	113,5	116,12	118,90	121,74	124,65	127,63
Calculated change		-9%	-24%	8%	3%	9%	2%	2%	2%	2%	2%
Demand Growth (Global Room Nights YoY)							10%	4%	4%	4%	4%
Supply Growth (Projected Rooms Growth)							4%	4%	4%	4%	4%
Asia Inflation							1%	1%	1%	1%	1%
Asia Pacific RevPar	100	90	41	51	55	80	86	91	94	96	99
Actual growth		-10%	-54%	24%	8%	44%	8%	6%	2%	3%	3%
System Room Revenue (\$m)											
Franchised	422	658	418	703	1013	1879	2545	3034	3487	3989	4557
Managed	2122	2140	1045	1425	1664	2541	3022	3602	4141	4736	5410
Owned & Leased	131	111	48	59	64	92	100	106	108	111	114
Total	2675	2908	1510	2187	2741	4511	5668	6742	7736	8837	10082

Revenue Build-Up

	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Revenue Build-Up											
Total Room Number	912.960	971.780	1.019.287	1.074.791	1.127.430	1.182.937	1.252.695	1.326.638	1.405.017	1.488.100	1.576.167
Net Unit Growth		6%	5%	5%	5%	5%	6%	6%	6%	6%	6%
Total System Room Revenue											
Franchised	27.386	29.301	13.173	22.559	33.087	38.159	42.514	48.000	52.475	57.378	62.556
Managed	8.306	8.184	3.444	5.385	7.641	9.421	10.598	12.155	13.658	15.288	17.101
Owned & Leased	876	789	249	371	601	724	763	811	843	875	910
Total	36.568	38.275	16.866	28.315	41.330	48.303	53.875	60.966	66.976	73.540	80.567
Franchising & Licensing Fees	1.530	1.681	945	1.493	2.068	2.370	2728	3128	3472	3836	4228
% franchise volume	6%	6%	7%	7%	6%	6%	6%	7%	7%	7%	7%
Hotel franchise fees	1.342	1.465	659	1.128	1.654	1.908 ▲	2146 ▲	2458 ▲	2718 ▲	3007	3315
Hotel franchise fee %	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Non-revpar licensing fees	188	216	286	365	414	582 ▲	582 ▲	670 ▲	754 ▲	830	913
YoY %		15%	33%	27%	13%	12%	26%	15%	12%	10%	10%
Base and other management fees	321	332	123	176	294	342 ▲	406 ▲	469 ▲	527 ▲	590	660
% managed volume	4%	4%	4%	3%	4%	4%	4%	4%	4%	4%	4%
Incentive management fees	235	230	38	98	196	274 ▲	299 ▲	335 ▲	374 ▲	416	463
Total Managed Rooms	215.437	221.615	225.905	234.640	244.037	250.472	268.800	291.653	315.878	341.556	368.775
Incentive management fee per managed room	1091	1038	168	418	803	1094	1149	1183	1219	1255	1293
Growth		-5%	-84%	148%	92%	36%	5%	3%	3%	3%	3%
Owned & Leased Revenue	1.484	1.422	421	598	1.076	1.244 ▲	1.350 ▲	1.460 ▲	1.522 ▲	1.584	1.652
Cash Generated/Base Room Revenue O&L (%)	169%	180%	169%	161%	179%	172%	177%	180%	181%	181%	182%
Other Revenue	98	101	73	79	102	178 ▲	207 ▲	220 ▲	231 ▲	243 ▲	255
% growth YoY		3%	-28%	8%	29%	75%	16%	6%	5%	5%	5%
Revenue Excluding Reimbursed Costs	3.668	3.766	1.600	2.444	3.736	4.408	4.991	5.611	6.126	6.668	7.258
% growth YoY		3%	-58%	53%	53%	18%	13%	12%	9%	9%	9%
Reimbursed costs in Managed/Franchise hotels	5.238	5.686	2.707	3.344	5.037	5.827	6.176	6.545	6.937	7.353	7.793
Cost per managed/franchised rooms (th)	5,9	6,0	2,7	3,2	4,5	5,0	5,0	5,0	5,0	5,0	5,0
YoY %		2%	-55%	17%	43%	10%					
Total Franchised Rooms	675.803	729.608	773.982	822.000	865.781	914.974	966.403	1.017.493	1.071.647	1.129.052	1.189.900

DCF	2024	2025	2026	2027	2028	2029	2030	2031	Perpetuity
EBIT	2.770	3.297	3.706	4.141	4.613	4.856	5.148	5.456	
(-) Taxes	(723)	(857)	(964)	(1.077)	(1.199)	(1.263)	(1.338)	(1.419)	
Tax Rate	26%	26%	26%	26%	26%	26%	26%	26%	
NOPAT	2.047	2.440	2.743	3.064	3.413	3.594	3.809	4.038	
(+) D&A	160	161	158	156	153	151	151	151	
(+/-) Working Capital	(97)	446	455	493	523	487	422	447	
(-) CAPEX	(144)	(140)	(135)	(129)	(122)	(151)	(150)	(150)	
Free Cash Flow to Firm (FCFF)	1.966	2.907	3.221	3.585	3.968	4.081	4.232	4.486	
WACC	9,0%	9,0%	9,0%	9,0%	9,0%	9,0%	9,0%	9,0%	
Discounted FCFF	1.803	2.446	2.487	2.539	2.579	2.433	2.315	2.251	56.953
EV/EBITDA	26,20x	21,92x	19,62x	17,64x	15,91x	15,14x	14,31x	13,52x	
EV/Revenue	6,65x	6,01x	5,51x	5,05x	4,63x	4,37x	4,12x	3,89x	
P/E	41,67x	32,27x	27,34x	23,29x	19,87x				

IRR Calculation

IRR Calculation (P/E)	2024E	2025E	2026E	2027E	2028E	2029E
Earnings per share	6,5	8,4	9,9	11,7	13,6	14,4
(-) Value Invested	(213)					
(+) Dividends	0,6	0,6	0,6	0,6	0,6	
(+) Sell Price	-	-	-	-	397	
Fluxes	(212)	0,6	0,6	0,6	398	
FWD Multiples					27,5x	
IRR	17,17%					
Exit Yr	2028					

G calculation							
Regions	SystemRoomRe %	Inflação	PIB	PIB + Inflaçã Product			Perpetuity g
US	35.068	72,6%	2,0%	1,9%	3,9%	2,9%	
Americas Ex	2.526	5,2%	4,5%	2,0%	6,6%	0,3%	2nd stage g
Europe	4.606	9,5%	2,4%	1,4%	3,8%	0,4%	6,0%
MEA	1.593	3,3%	10,7%	2,5%	13,5%	0,4%	2nd stage margin
Asia (china)	4.511	9,3%	1,0%	4,6%	5,6%	0,5%	28,0%

Valuation	
Growth Rate	4,5%
WACC	9,0%
NPV 24-28	11.855
NPV 29-31	6.999
NPV Perpetuity	56.953
Enterprise Value	75.807
(-) Debt	(10.173)
(+) Cash	2.895
Equity Value	68.530
Current Value	213,05
Target Value	315,68
Upside	48,17%
EV/EBITDA 2024	26,20x
EV/Revenue 2024	6,65x
EBITDA 2029	5.008
DCF Multiple	15,1x

IRR Sensitivity		Exit P/E Forward Multiple				
Projected EPS		25,5x	26,5x	27,5x	28,5x	29,5x
	12,8	11,7%	12,8%	13,8%	14,8%	15,8%
	13,6	13,4%	14,5%	15,5%	16,5%	17,6%
	14,4	15,0%	16,1%	17,2%	18,2%	19,2%
	15,2	16,5%	17,7%	18,7%	19,8%	20,8%
	16,0	18,0%	19,2%	20,3%	21,3%	22,4%

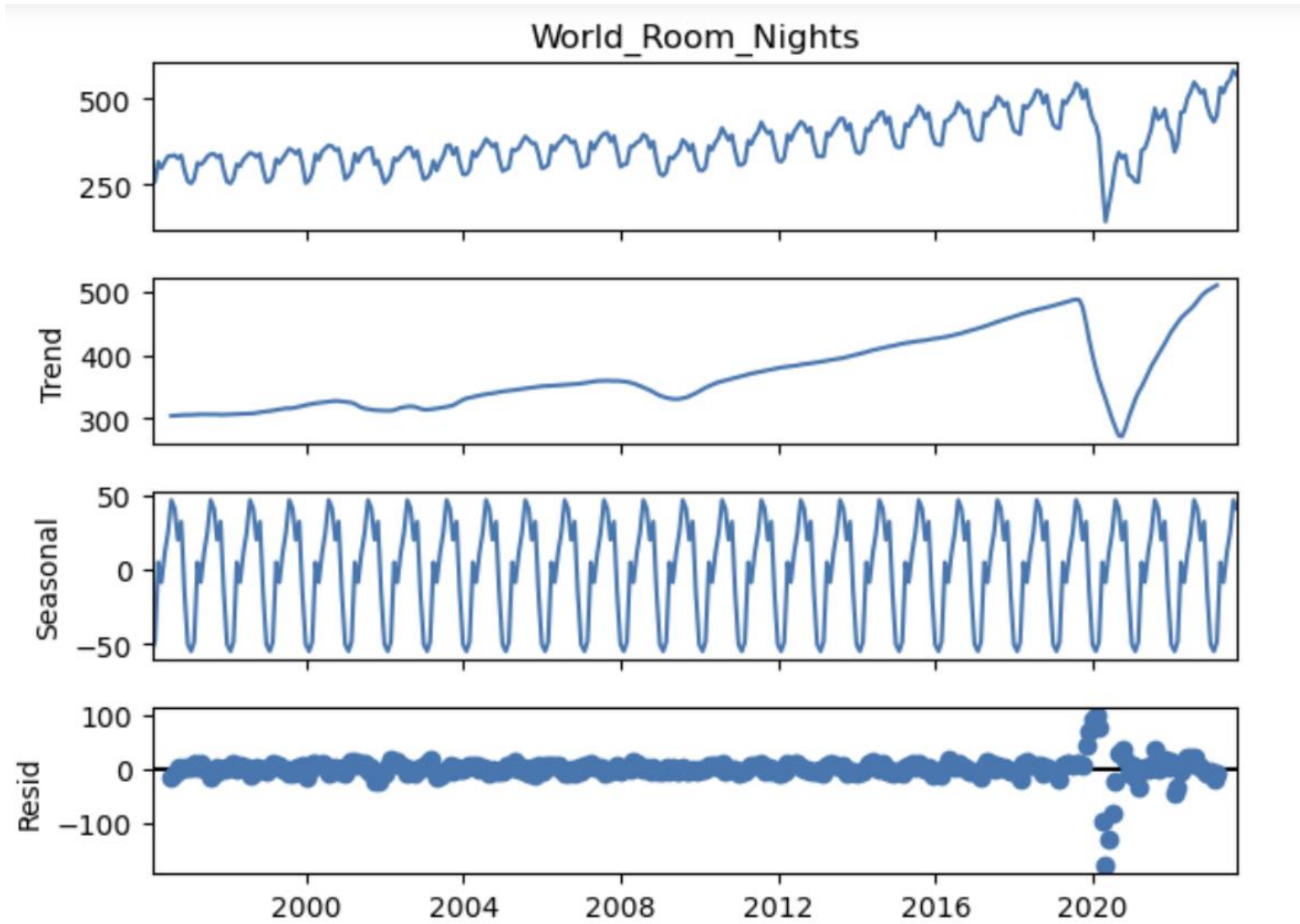
Upside sensitivity analysis		WACC (last period)				
g		8,5%	8,8%	9,0%	9,3%	9,5%
	4,9%	84,6%	71,8%	60,7%	50,9%	42,1%
	4,7%	75,9%	64,3%	54,1%	45,1%	37,1%
	4,5%	68,1%	57,5%	48,2%	39,8%	32,4%
	4,3%	61,0%	51,3%	42,7%	35,0%	28,0%
	4,1%	54,6%	45,7%	37,7%	30,5%	24,0%

EV/EBITDA		WACC				
g		8,5%	8,8%	9,0%	9,3%	9,5%
	4,9%	32,0x	30,0x	28,2x	26,6x	25,2x
	4,7%	30,6x	28,8x	27,2x	25,7x	24,4x
	4,5%	29,4x	27,7x	26,2x	24,9x	23,7x
	4,3%	28,3x	26,7x	25,3x	24,1x	23,0x
	4,1%	27,2x	25,8x	24,5x	23,4x	22,3x

Share Buybacks

	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
Repurchase of stock											
Share count (million)	302	287	277	279	275	262	248	240	232	225	217
Share price	71,80	110,91	111,26	155,99	126,36	182,09	209	227	247	269	304
\$ spent on buybacks	(1.721)	(1.538)	(296)	0	(1.590)	(2.338)	(2.764)	(3.060)	(3.342)	(3.643)	(3.973)
YoY		-10,6%	-80,8%	-100,0%	-	47,0%	18,2%	10,7%	9,2%	9,0%	9,0%
Shares bought back (m)	21,9	15,9	4,3	0,0	13,1	15,0	13,2	13,5	13,5	13,5	13,1
\$ Stock base compensation	127	154	97	193	162	169	164	164	164	164	164
Stock base compensation	1,6	1,6	1,0	1,5	1,3	1,1	0,8	0,7	0,7	0,6	0,5
Treasury stock	(2.625)	(4.169)	(4.453)	(4.443)	(6.040)	(8.393)	(11.158)	(14.219)	(17.560)	(21.204)	(25.176)
Shareholders' equity (other)	3.176	3.687	2.963	3.622	4.938	6.033	7.587	9.629	11.964	14.614	17.606

Demand Breakdown



Hilton

LTS Challenge 2024

PHASE 1



GAIA CAPITAL

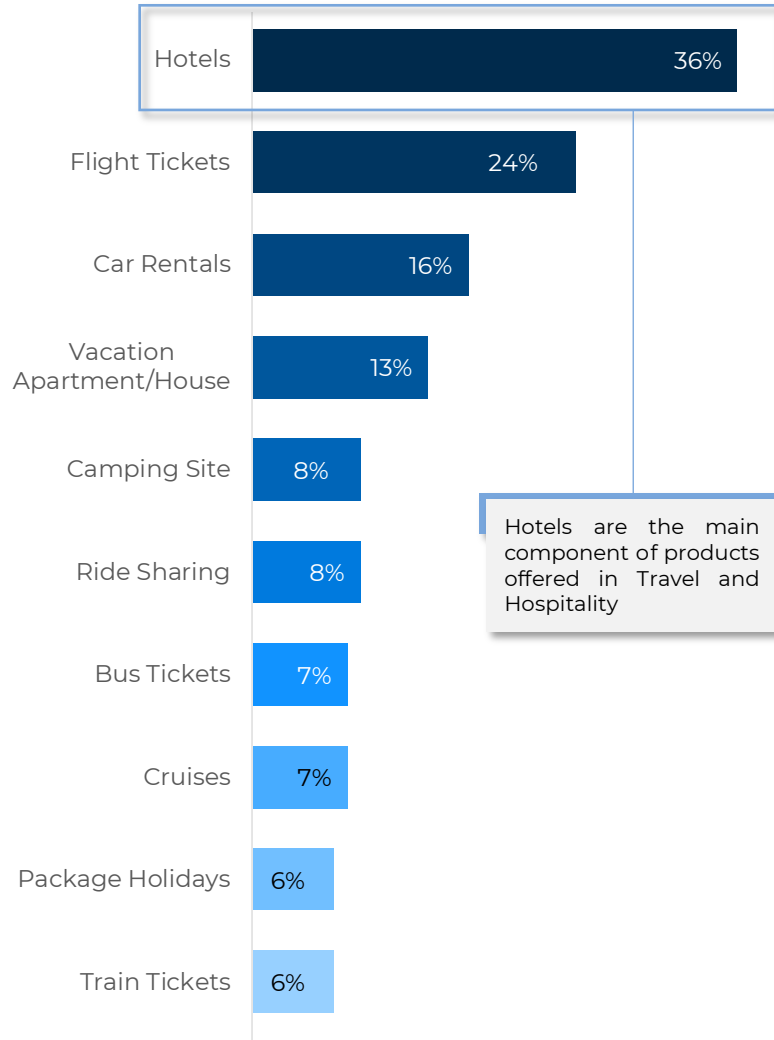
Gabriel Della Piazza | Leticia Miwa | Lucca Kherlakian

A worldwide sector plagued with seasonality

The **Travel and Hospitality sector** offers services from hotels all the way to car rentals. It is characterized as a **seasonal sector**, while also valuing **customer behavior analysis**, which is significant to the industry.

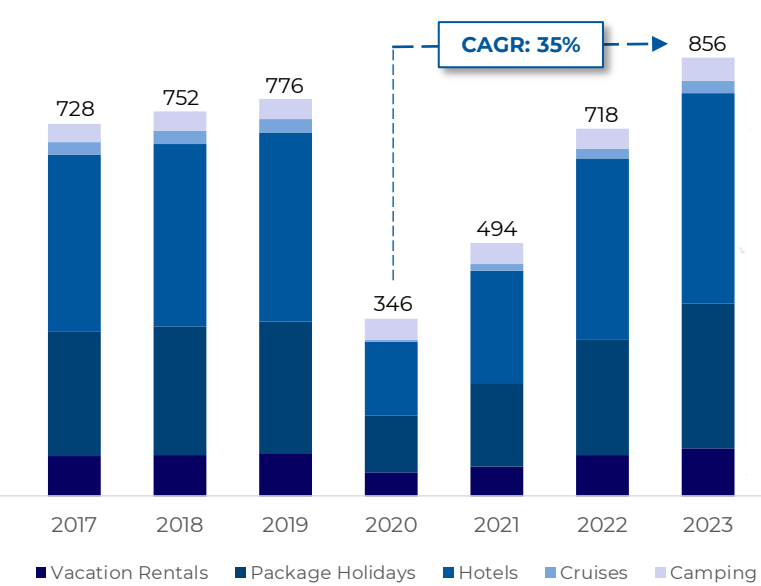
I. Hotels shine amidst travel products

Survey on travel product online bookings in the U.S. (2023)

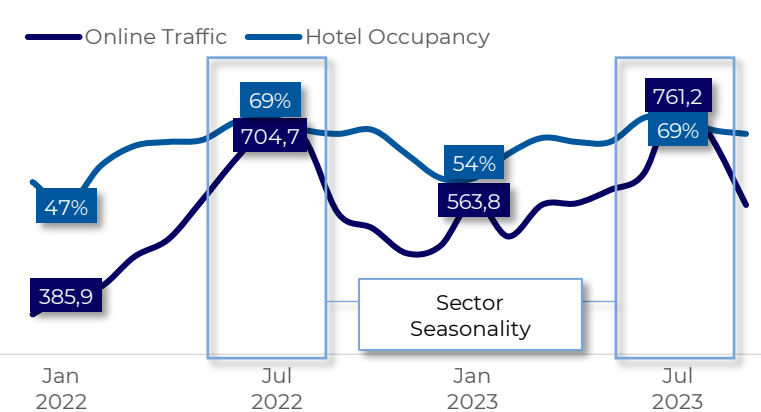


II. A sector filled with growth and seasonality

Yearly sector revenue divided by subsector (USD bn)

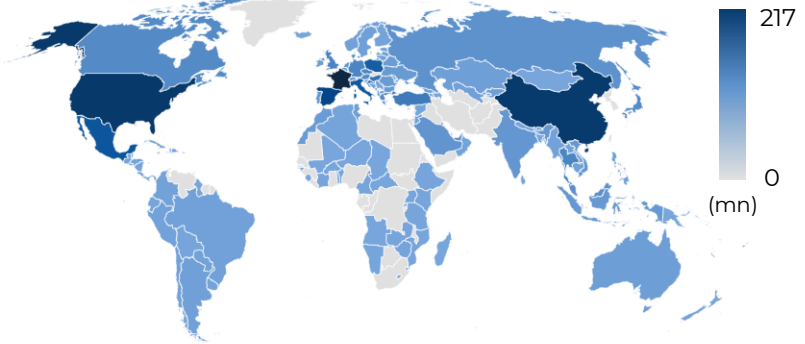


Monthly booking.com online traffic (mn of visits) & Hotel Occupancy

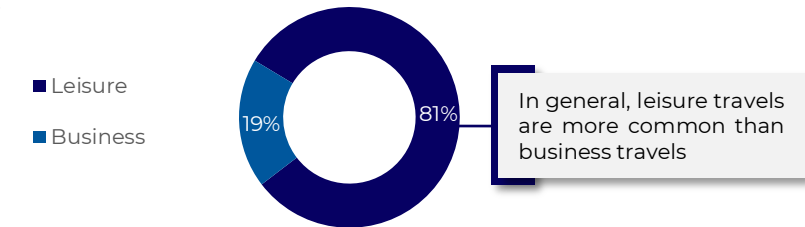


III. Behavioral tendencies are key to understanding

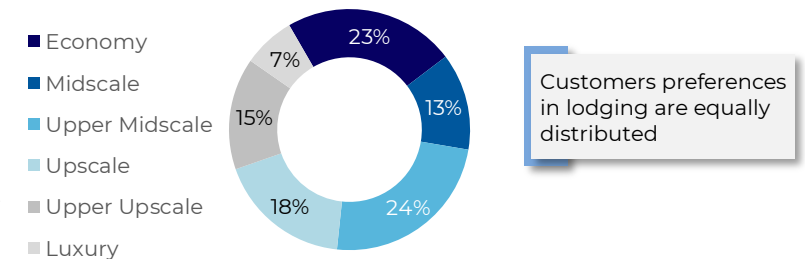
International tourist arrivals by region



Travel and Tourism spending worldwide by type



U.S. Hotel Industry, rooms by class

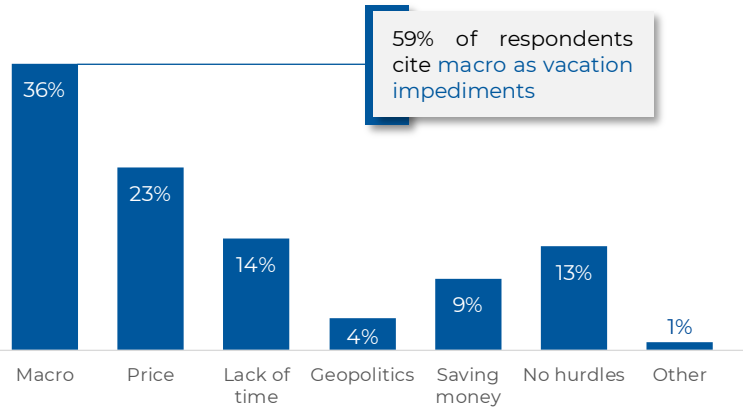


Flying through the macro landscape

Analyzing the Hospitality and Travel sector, we quickly conclude that its **main drivers** are related to **macro characteristics**, which can be observed in **currency, GDP** and **flight prices**.

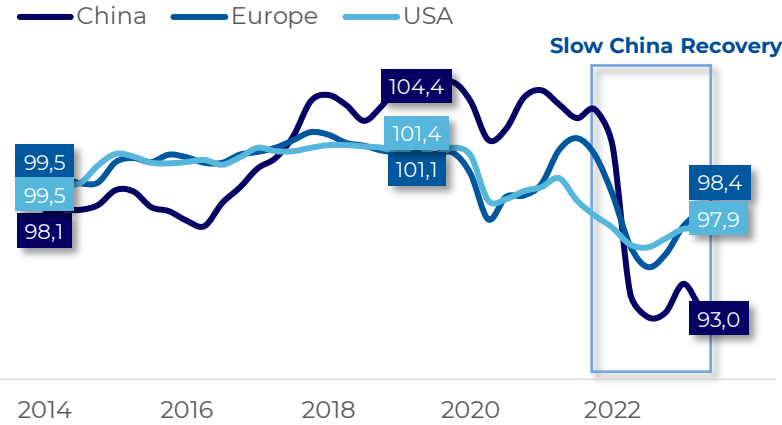
I. Macro perspectives haunt consumers

Survey results: What is the biggest hurdle preventing a vacation?



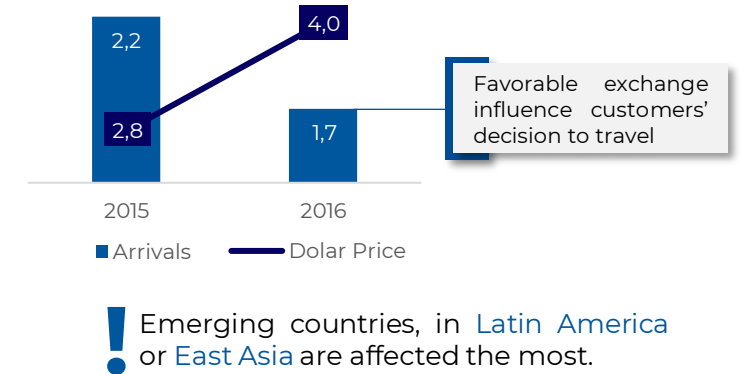
II. Outside perception in numbers

Consumer Confidence Index (long-term average = 100)



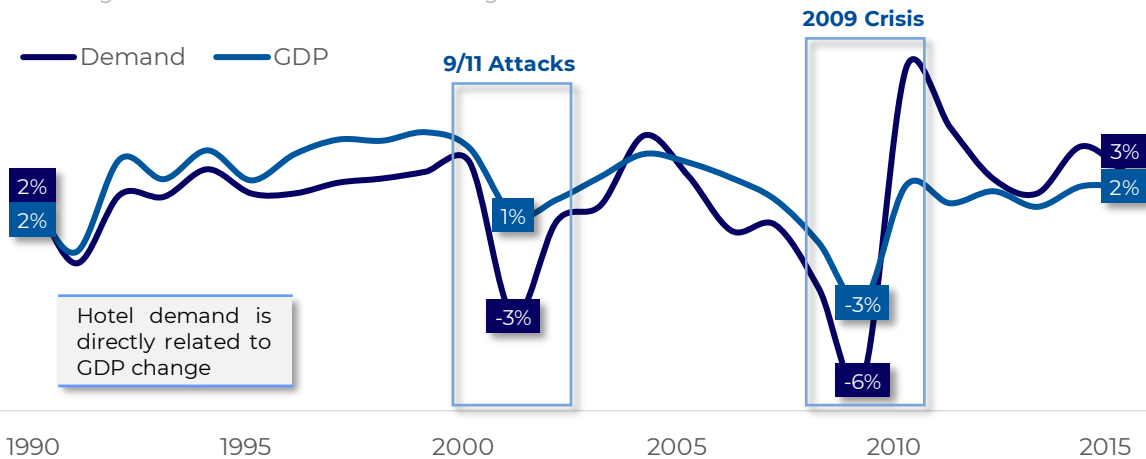
III. Currency as a determining factor

Number of Brazilian arrivals in the U.S. (mn) & BRL-USD exchange rate



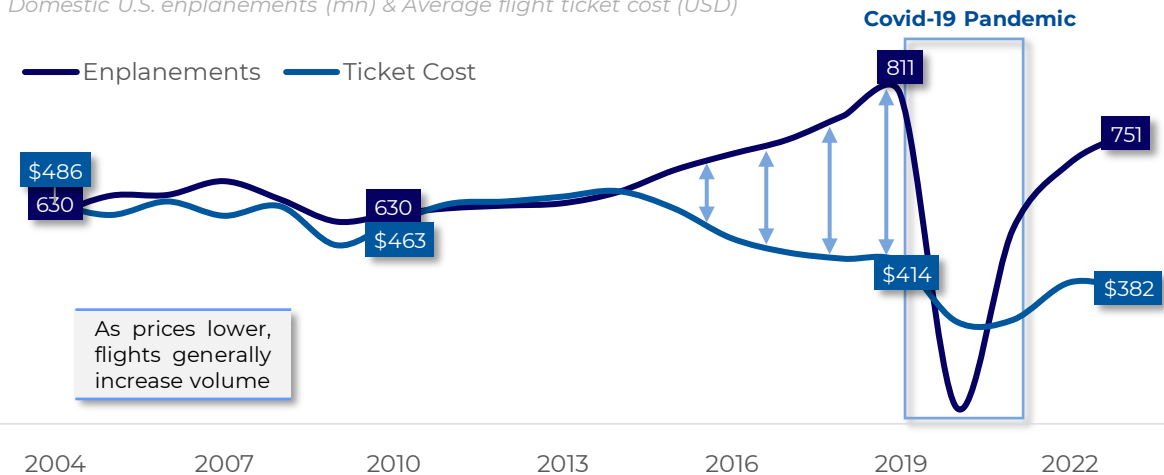
IV. Historical proof of macro influence

YoY change in U.S. hotel demand & YoY change in U.S. GDP



V. Lower prices prove to be a key component

Domestic U.S. enplanements (mn) & Average flight ticket cost (USD)

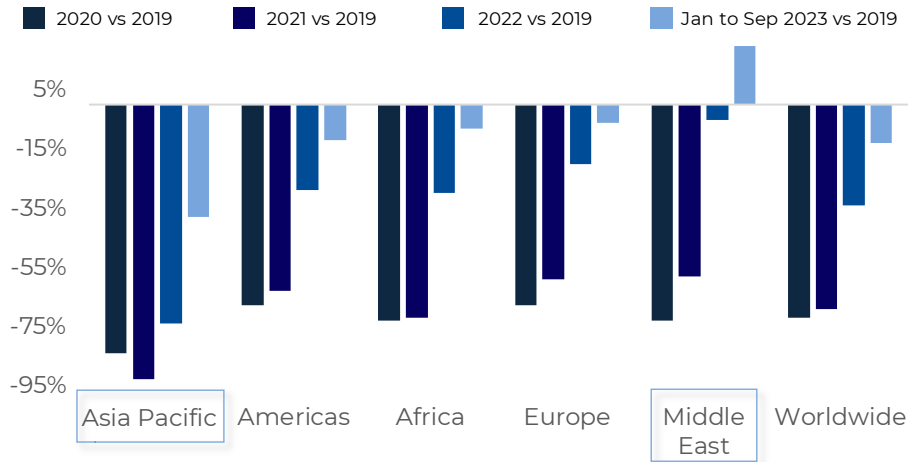


Post Covid-19: different recoveries and digital essential

The tourism and hospitality sector has been **gradually recovering** post-pandemic. In this process, there have been **changes** in **customer preferences** and in the use of **technology**.

I. Different recovery paces according to border reopening

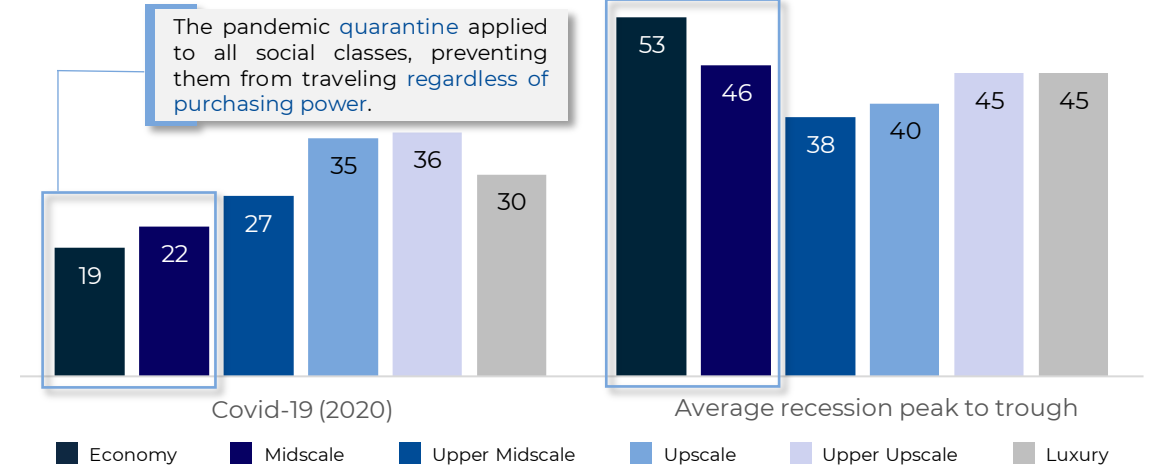
Change in international tourist arrivals worldwide



The delayed reopening of borders in Asia hindered the tourism sector's recovery in the region, whereas in the Middle East, borders were reopened earlier along with tourism incentive measures.

II. The economy and midscale had the fastest recovery during the pandemic

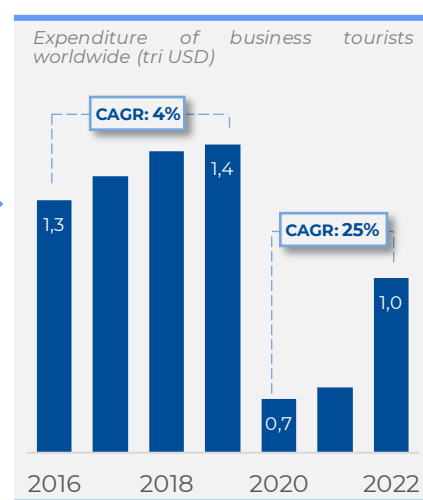
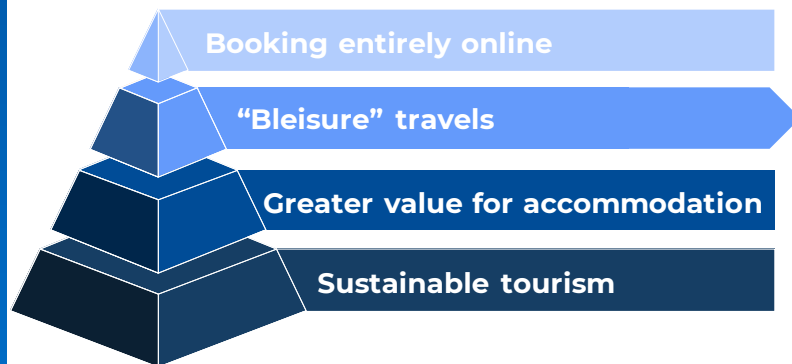
RevPAR in a recession: months to prior peak



The pandemic quarantine applied to all social classes, preventing them from traveling regardless of purchasing power.

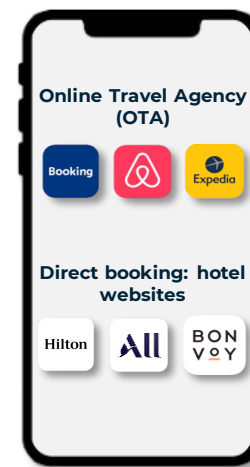
III. Appreciation for new experiences post-quarantine

Consumer preference trends

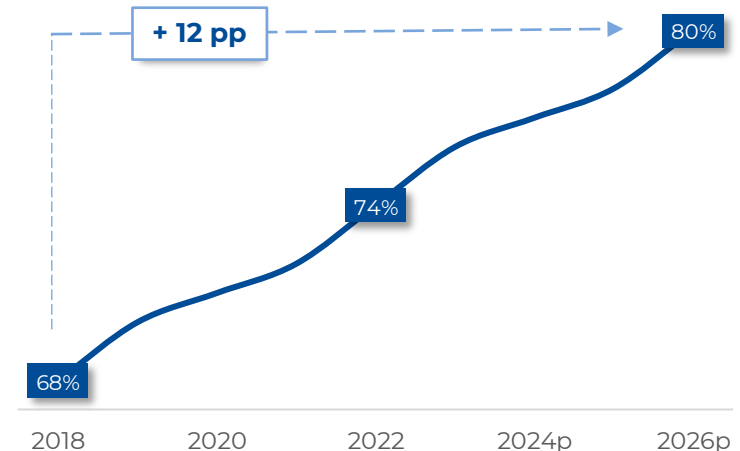


IV. Online platforms are the main channel of sales in the tourism sector

Online hotel booking types



% of online sales share

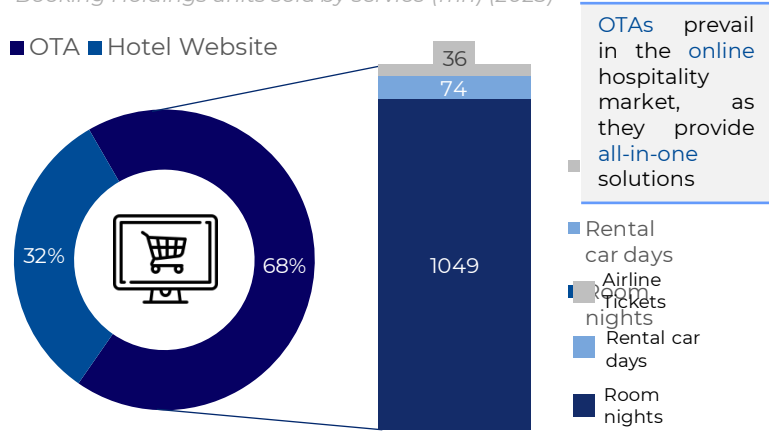


Asset light, fee based business models takeover

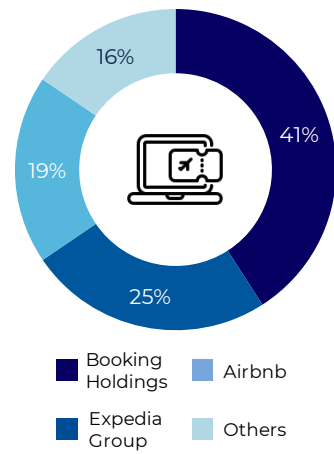
Hospitality industry divides itself in hotels and online travel agencies, both of which have big players that compete and operate in different business models

I. OTA market is dominated by giants and provides solutions in different segments

% of total online bookings by platform type (2023)
Booking Holdings units sold by service (mn) (2023)

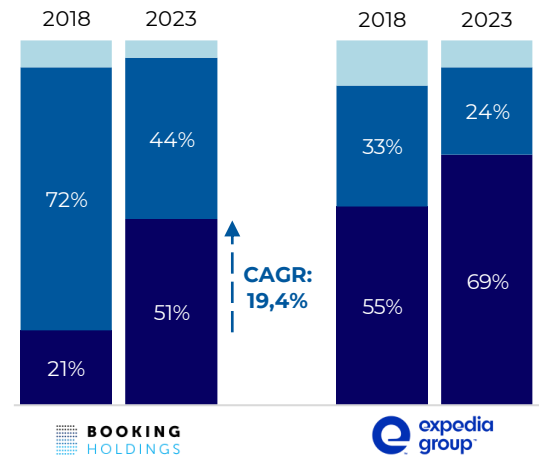


OTA segment market share



II. Ongoing shift to merchant model indicates search for more control and loyalty

% of revenue per business model (2023)



Advertising & Other Models

- Advertising that leads customer to another site for service Booking;
- Airbnb and VRBO Model - Property owners list their homes for rent. Owners and customers pay fees.

Agency Model

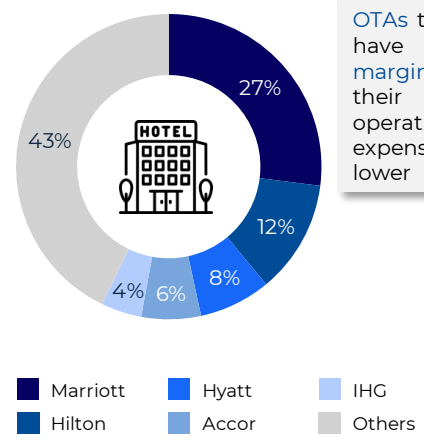
- Middlemen between travelers and service providers;
- Receive fees for services sold through platform;
- Do not own inventory;
- Dependency on service providers.

Merchant Model

- Purchase of travel services in advance for low costs and resale over time;
- Inventory ownership, more flexibility and control;
- Higher exposure to demand below expectations;
- Enables independent loyalty programs.

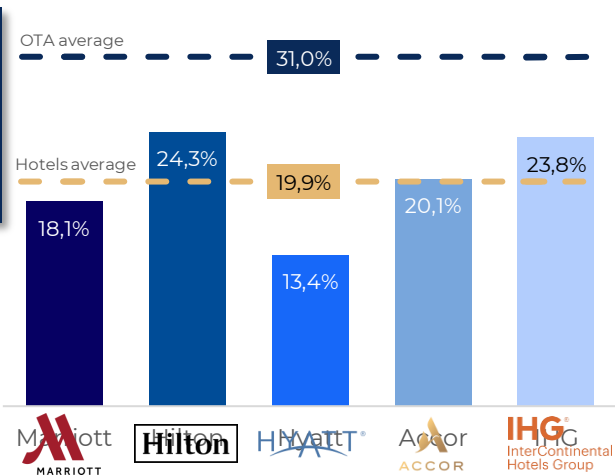
III. Hotels market is more pulverized, and has lower margins due to higher costs

Hotels segment market share



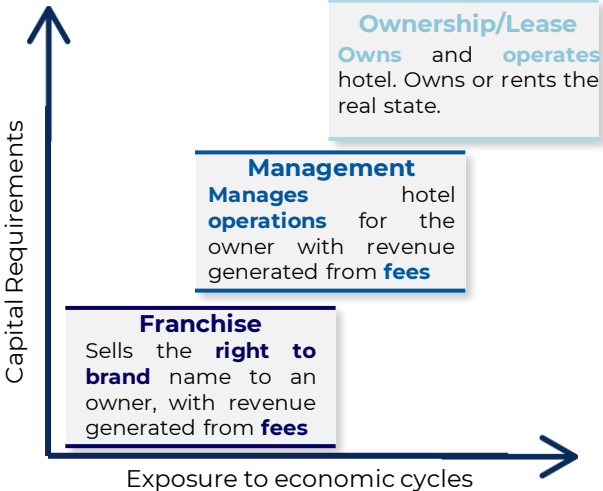
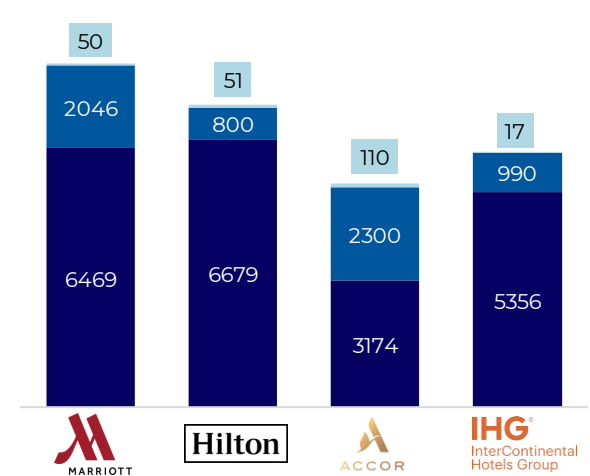
OTAs tend to have higher margins, as their operational expenses are lower

Hotels EBITDA margin (2023)



IV. Asset light, fee based business models are the top picks of major hotel chains

Number of properties per business model (2023)

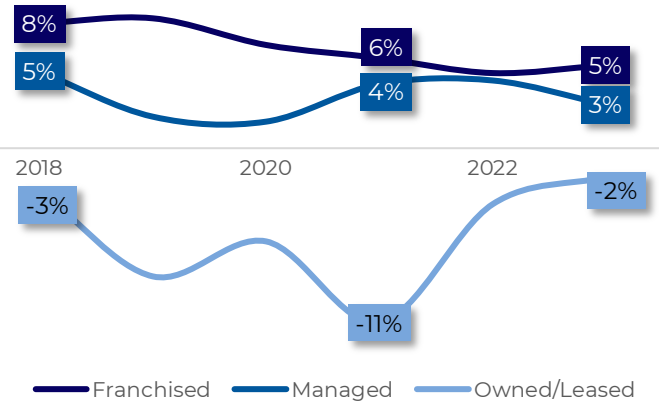


Hilton: Prominence, Excellence and Evolution

Hilton has established itself as one of the leaders of hospitality industry, with a strong brand, and is still expanding and embracing opportunities, especially in Asia Pacific, along with its loyalty program. However, its multiples are still within market average

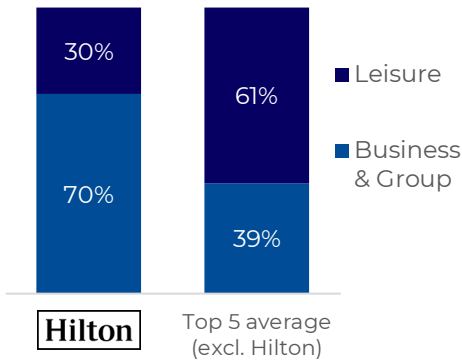
I. Hilton is expanding towards fee based business models focused on business travel

Hilton properties by business model change



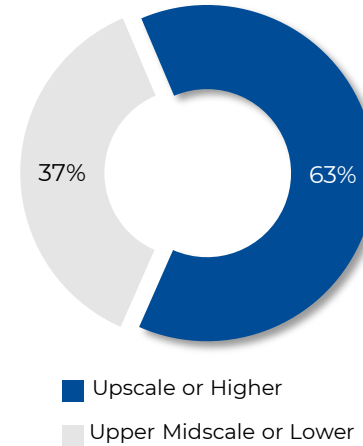
Hilton customers business mix (2023)

Focus on business and group customers, which have not fully recovered after pandemics period yet

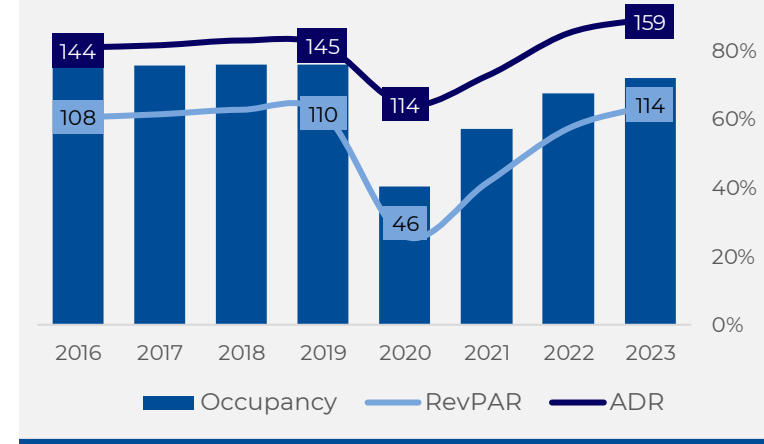


II. The large share of upscale rooms allows for high pricing and excellent metrics

Hilton % of rooms by chain scale

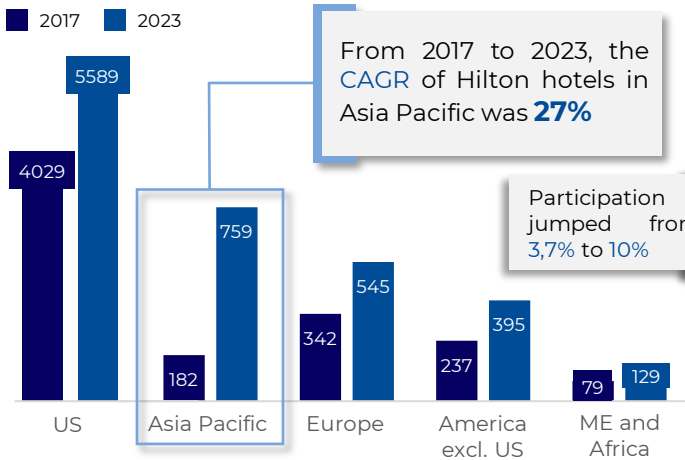


Hilton occupancy rate x RevPAR and ADR index (USD)



III. The greatest concentration is in the US, but the largest expansion is in APAC

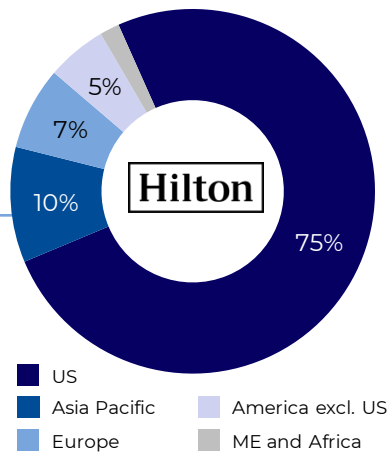
Number of Hilton hotels by region



From 2017 to 2023, the CAGR of Hilton hotels in Asia Pacific was **27%**

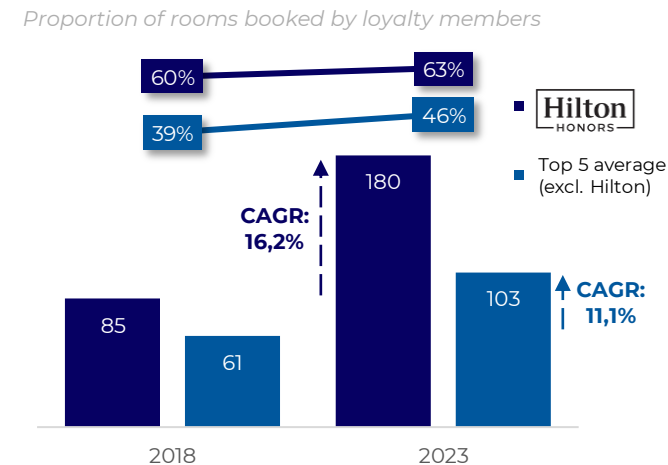
Participation jumped from 3,7% to 10%

Division of Hilton hotels by region (2023)

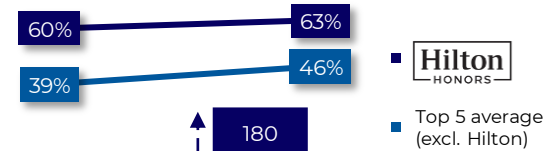


IV. Hilton Honors stands out in driving loyalty

Hotels loyalty programs # of members (mn)

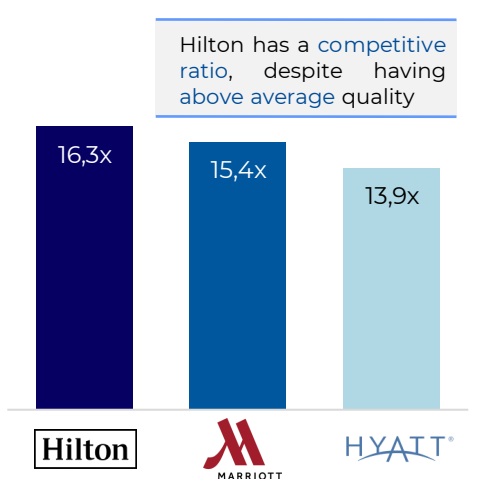


Proportion of rooms booked by loyalty members



V. Hilton has market multiples

Forward EV/EBITDA of main hotel companies



Hilton has a competitive ratio, despite having above average quality