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## **Hilton Worldwide Holdings Inc.**

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Conrad Hilton bought his first property, the Mobley Hotel, in sleepy Cisco, Texas in 1919 for \$5,000. Since those humble beginnings, the Hilton Hotel empire has grown to be one of the largest and most respected global hospitality brands. Hilton's vision is simple and remains true to its founder, Conrad Hilton's aspirations; "to fill the earth with the light and warmth of hospitality."<sup>1</sup> As of 2021, the hotel brand has more than cashed in on Conrad's vision. Hilton operates more than 6,500 properties, across 18 hotel brands that span 119 countries.<sup>2</sup>

Since 2007, Hilton has been led by Christopher Nassetta, a seasoned hospitality industry executive (see Exhibit 1 for top management bios). Nassetta previously held a variety of senior leadership positions at Host Hotels and Resorts, Inc., a real estate investment firm focused on the hotel industry.<sup>3</sup> Under his leadership, Hilton has continued to make great strides. Fortune Magazine has ranked Hilton #2 on its list of the "World's Best Places to Work", and Hilton remains the only hospitality brand on the list. According to Nassetta, "our team members have always been at the heart of our success, and at a time when the light and warmth we share with the world has never been more important, we remain deeply committed to showing them the same hospitality they share with our guests."<sup>4</sup>

Hilton's mission and values not only support this dedication to its team members, but also a dedication to provide a warm experience for the more than 3 billion guests it has welcomed at its properties. According to Hilton, its mission is "to be the most hospitable company in the world – by creating heartfelt experiences for guests, meaningful opportunities for team members, and high value for owners and a positive experience in our communities."<sup>5</sup> Hilton supports its mission through six core values, using an easy to remember acrostic format from their company name, Hilton.

- **Hospitality:** We're passionate about delivering exceptional guest experiences
- **Integrity:** We do the right thing, all the time
- **Leadership:** We're leaders in our industry and in our communities
- **Teamwork:** We're team players in everything we do
- **Owners:** We're the owners of our actions and decisions
- **Now:** We operate with a sense of urgency and discipline<sup>6</sup>

## OPERATIONAL STRATEGY

Hilton operates in the hotel industry and its portfolio includes a wide array of hospitality experiences, which include "luxury lifestyle properties (Waldorf Astoria Hotels & Resorts, LXR Hotels & Resorts, Conrad Hotels & Resorts, Canopy, Tempo and Motto), full service hotel brands (Signia, Hilton Hotels & Resorts, Curio Collection, DoubleTree, Tapestry Collection and Embassy Suites), service hotel brands (Hilton Garden Inn, Hampton, Tru, Homewood Suites and Home2 Suites), and finally a timeshare brand (Hilton Grand Vacations). Geographically, Hilton operates in three distinct regions: (i) the Americas, (ii) Europe, Middle East, and Africa, and (iii) Asia Pacific. The Americas includes North America, South America, and Central America and represents 72% of Hilton's rooms, although in recent years Hilton has invested to build out its Asia Pacific footprint, especially in China.<sup>7</sup> Hilton's two main business segments are: Management and Franchise and Property Ownership.

## **Management & Franchise Segment**

In 2020, 99% of Hilton's properties and 69% of Hilton's revenues were associated with its Management and Franchise segment. As of December 31, 2020, the Management & Franchise segment included 715 hotels and 5,646 franchised hotels consisting of 990,857 total rooms. The Management and Franchise segment includes all hotels Hilton manages for 3rd party owners and the franchisee hotels that license the "Hilton" brand. As the 3rd party manager of hotels, Hilton is generally responsible for supervising and on-site operations of the property. Hilton performs these services in exchange for management fees. As a franchisor of hotels, Hilton charges fees in exchange for the right to use the "Hilton" brand as well as other proprietary commercial systems such as reservation systems, marketing, and technology services.<sup>8</sup>

From a revenue perspective, Hilton's Management & Franchise segment earns revenue from two main sources: (i) franchise and licensing fees and (ii) base and incentive management fees. Hilton's licensing fees represent revenue earned from licensing the "Hilton" brand. For the right to "use" the Hilton brand, franchisees will pay Hilton fees that include monthly royalty payments, which are based on a percentage of the hotel's monthly gross revenue, and application initiation fees for when new hotels are entered into the system or there is a change of ownership. The base and incentive revenues that Hilton earns through hotel management services represent base fees, which are typically a percentage of the hotel's gross revenue, and an incentive fee, which is based on the hotel's operating profits and usually subject to a certain rate of return for the hotel owner.

## **Property Ownership Segment**

In 2020, less than 1% of Hilton's properties and 26% of revenue were associated with its Property Ownership segment. Hilton's Property Ownership segment as of December 31, 2020 included 61 hotels totaling 19,400 rooms.<sup>9</sup> The revenues Hilton earns from its Property Ownership segment represent fees earned from normal hotel operations, room sales, food and beverage, and other hospitality services.

In recent years, Hilton has invested more heavily in its Management & Franchise segments as they require less upfront and maintenance capital and offer a higher return compared to new investments in the Property Ownership segment. As previously mentioned, in 2020 Hilton earned 69% of its total revenue from the Management & Franchise segment and moving forward the company aims to earn ~75% of its revenue from its Management & Franchise segment.<sup>10</sup>

## **GROWTH STRATEGIES**

Hilton's "2030 Goals" include developing the Hilton Effect Foundation, which partners with local stakeholders ranging from governments to suppliers to industry leaders to build out Hilton's operational footprint, with the goal of increasing net units available by 397,000 rooms.<sup>11</sup> To do so, Hilton (i) recently completed the Hilton Garden Inn Nequén in Argentina, (ii) is partnering with Resorts World on a \$4.3 billion Las Vegas resort, and (iii) is partnering with Country Garden, one of the largest developers in mainland China. Also, Hilton has continued opening new hotels and increasing new rooms despite COVID-19, which resulted in a net unit

growth of 5.1% from 2019 to 2020. It's new project pipeline is a key item Hilton repeatedly champions on its investor calls, and its development market share is over three times larger than its main competitors Marriott and IHG.<sup>12</sup>

The company in more recent years has worked to solidify its brand, logos, and patents as it views these as key aspects that differentiate Hilton from competitors and have real meaning for consumers. The firm expects to continue growth via "Dry Deals." Dry deals do not require Hilton to contribute capital and rely on 3rd party investors to take on the associated financial risk while Hilton advises and provides management services during and after the build (i.e., incremental Management & Franchise revenue).

Hilton plans to grow its hotel customer base through continued benefits offered via the Hilton Honors membership. The system was originally created to maintain and reward customers who frequently travel for work, but has been expanded to include all consumers in an effort to increase customer loyalty and capture more of the pent-up post COVID-19 market demand. To further capture demand, Hilton rolled out its "Confirmed Connecting Rooms" program that allows friends and family to book rooms adjacent to each other. This program was designed to make finding adjacent rooms easier and more convenient for clients and was based on customer feedback.

## FUNCTIONAL RESOURCE AREAS

### Marketing

Hilton's marketing strategy is as diverse as the brands that it oversees. In 2019, Hilton led the hospitality industry in US TV advertisement spending, with over \$100 million.<sup>13</sup> Overall, Hilton aggressively pursues advertising across all media channels. With so many brands in its portfolio, encompassing luxury lifestyle brands like the *Waldorf Astoria* to service hotel brands like *Hampton Inn*, Hilton pursues both a whole company marketing (enterprise) strategy as well as individual brand strategies. According to Chief Marketing Officer Kelly Smith Kenny, "The enterprise marketing strategy speaks to the broad base of consumers and our loyal customers who are members of Hilton Honors. Strong design targets, brand positioning and brand architecture are the keys to each brand meeting a unique consumer need." If the enterprise strategy is a swimming pool, the individual brand positions within their portfolio are dividers for the "swim lanes." Kenny also commented "all of our marketing strategies are grounded in deep consumer insight and rich data."<sup>14</sup>

For example, before launching its *Canopy by Hilton* brand in China, in addition to using traditional consumer research methods, Hilton also used neuroscience and brain monitoring to better determine actual Chinese consumer preferences. By monitoring brain activity and tracking eye movement, Hilton was able to understand unspoken emotional responses, likes, and dislikes of potential customers. Gary Steffen, Global Head of *Canopy by Hilton*, commented that "Hilton will continue to use human centered design approaches in its offerings to ensure its brand appeals to the evolving tastes and demands of discerning travelers."<sup>15</sup>

In 2019, Hilton launched a new enterprise campaign *Expect Better, Expect Hilton*. This campaign was built on market research showing that most travelers were unsure where they could go to receive the best hotel price or perks.<sup>16</sup> Hilton's *Expect Better, Expect Hilton* campaign introduced a price match guarantee and a series of additional perks like no-cost Wi-Fi, room selection, and digital keys.<sup>17</sup> In 2020, and to address travel concerns related to COVID-19, Hilton launched another enterprise marketing campaign, *To New Memories*. The campaign used heartwarming moments depicting people reconnecting and the new memories they will be able to make with Hilton. According to Mark Wesinstein, Senior Vice President and Global Head of Marketing and Loyalty, "(this campaign) is designed to unlock those possibilities with the assurances of the utmost in hospitality, cleanliness and flexibility Hilton hospitality is known for."<sup>18</sup>

Hilton also offers an award-winning Loyalty Program, *Hilton Honors*. This program allows guests to redeem points earned during stays for goods and services with Hilton and other brands. As such, Hilton has partnerships with over 70 companies for loyalty program perks and redemptions. These partner companies include airlines, rail and rental car companies, credit card providers, Amazon, Lyft, and more. According to Hilton, "the program provides targeted marketing, promotions and customized guest experiences."<sup>19</sup>

## **Human Capital Management**

As of 2020 – across its managed, owned / leased properties, and corporate locations – Hilton employed over 140,000 persons.<sup>20</sup> Hilton believes human capital management is essential to its success as a hospitality company and believes in investing in its employees' enrichment. It has been recognized as the one of the "World's Best Places to Work" by Fortune Magazine and has been ranked as a best place to work more than 100 times by the Great Place to Work Institute. According to Michael Bush, CEO of Great Places to Work, "[Hilton's] employee innovation score is among the best on our list and they re-invent their experience every year."<sup>21</sup>

Unlike many corporations of its size, Hilton offers the same employee benefits to all of its employees, both hourly and salaried.<sup>22</sup> Hilton also invests in its employees' continued education and training. Through *Hilton University*, a global learning system that contains a robust library of learning resources, Hilton allows its employees to curate their own learning experiences and "follow training paths that are best suited for their goals and aspirations".<sup>23</sup> Hilton estimates that its employees spend around 40 hours a year on continuing education and training. In 2017, Hilton furthered its employee enrichment resources by launching *Thrive@Hilton*. This employee initiative emphasizes employee total well-being with a focus on mind, body, and spirit. In addition to offering *Thrive@Hilton* travel benefits, paid time off, parental leave, and education assistance, a hallmark of *Thrive@Hilton* is the *Thrive Sabbatical Program*.<sup>24</sup> This sabbatical allows Hilton team members the opportunity to take a four-week paid sabbatical and \$5,000 to "spend time doing what is most meaningful to them".<sup>25</sup>

Hilton had to make significant changes to its human capital structure during the COVID-19 pandemic. In 2020, it instituted organizational changes that reduced global corporate headcount by 30%. Additionally, Hilton was forced to temporarily furlough 60% of its corporate employees. For the employees that remained, Hilton enacted a temporary salary reduction.

Corporate employees received between a 10%-20% salary reduction and executive committee members had salaries cut by as much as 50%.<sup>26</sup>

## **Sustainability**

In 2018, Hilton announced its “Travel with Purpose 2030” goals. These goals lay out a commitment to sustainability by doubling investment in social impact and cutting the company’s environmental footprint in half by 2030.<sup>27</sup> To accomplish this initiative, Hilton has categorized its environmental impacts into four main focus areas: Energy and Carbon, Water, Waste, and Responsible sourcing.<sup>28</sup> The company is aggressively pursuing targets in these focus areas, and according to Daniela Foster, Senior Director of Responsibility, “the company became the first major hotel company to set approved science-based targets in line with the Paris Climate Agreement to reduce carbon emissions, and will be the first to adopt a global standard for sustainable tourism.”<sup>29</sup> For example, Hilton was the first hotel brand to commit to sending zero soap waste to landfills and currently operates the largest soap recycling operation in the hotel industry. As of 2021 Hilton reported it was “on track” or “making progress” on all of its 2030 goals.<sup>30</sup>

## **Impact of Covid-19**

In 2020, the impact of the COVID-19 pandemic was felt throughout the hospitality industry. As mentioned previously, Hilton had to greatly reduce its global workforce to decrease overall operating costs and preserve liquidity. To assist the impacted employees, Hilton offered severance pay, access to its outplacement service, and extended access to Go Hilton travel discounts and Hilton Honors status.<sup>31</sup> Hilton also distributed \$500,000 to its team members and their families to help cover medical expenses, groceries, and childcare for those most impacted by COVID-19. Hilton’s trade association also helped advocate for owners and team members regarding the Paycheck Protection Program, tax relief, enhancements to unemployment, and relief from troubled debt.

From a business response perspective, Hilton worked with the Mayo Clinic’s Infection Prevention and Control team and implemented “CleanStay” health and safety protocols, which developed social distancing guidelines, signage, and provided PPE to employees. Of these, the Digital Key became a popular feature, which Hilton plans to continue rolling out across its footprint. From a community perspective, Hilton partnered with American Express and Jose Andres World Central Kitchen to provide one million free room nights and 30,000 free meals to medical professionals and front-line workers.

Many 3<sup>rd</sup> party hotel owners within Hilton’s portfolio experienced significant financing difficulties due to the pandemic with lenders and creditors. Hilton itself received a downgrade in its credit rating by S&P Global Ratings from BB+ to BB, with a negative outlook.<sup>32</sup>

## FINANCIAL STATUS

Hilton Worldwide Hotels Inc., formerly Hilton Hotels, is a publicly traded New York Stock Exchange entity listed under the ticker symbol “HLT.” The company had a market capitalization around \$40 billion as of October 2021, with about 2% of shares owned by company insiders and the remaining 98% owned by institutional investors. Blackstone Group held a large stake in the company until 2018, when it decided to exit the hotel chain.

Due to the impacts of the COVID-19 pandemic, Hilton’s revenues fell from \$3.77 billion in 2019 to \$1.6 billion in 2020, and earnings fell from \$881 million to a loss of \$715 million during the same time frame (see Exhibits 2 and 3). In response to financial distress, Hilton dramatically reduced its operating expenses and tapped the debt capital markets to end 2020 with over \$4 billion in current assets. As the effects from COVID-19 began to subside in 2021, Hilton’s revenues increased to \$2.4 billion, and the company earned \$410 million in net income, still not up to pre-COVID levels, but a vast improvement over 2020.

## HILTON’S EXTERNAL ENVIRONMENT

Hilton’s business and operations are primarily impacted by the following drivers: (i) consumer demand / global economic conditions, (ii) changes in technology, and (iii) contracts / relationships with 3rd party owners, franchisees, and developers.<sup>33</sup> Consumer demand for Hilton’s services is very closely linked to the general economy. A decrease in global demand / consumer spending quickly and directly impacts the hospitality industry, as consumers are quick to reduce their spending on luxury items or services during times of austerity. Most recently, and as previously discussed, the effects of the COVID-19 pandemic severely impacted Hilton as well as its competitors throughout the industry.

With regard to changes in technology, with the creation and popularity of home sharing / vacation home rentals competitors (i.e.; Airbnb and VRBO), the business model for the traditional hotel industry has been greatly impacted. More and more consumers are switching from traditional hotel chains in favor of Airbnb and VRBO; in fact, through June 2021, Airbnb reported over 83 million customer nights at its locations, and Airbnb and VRBO continue to invest heavily to advertise their brands. Through February 2021, Airbnb and VRBO spent a combined \$30 million in advertising.<sup>34</sup>

Finally, contracts and relationships with 3rd party hotel owners, franchisees, and developers also remains a primary consideration and priority for Hilton. Hilton depends on long-term management and franchisee contracts with its 3rd party owners. As previously mentioned, most of Hilton’s revenues are from its Management and Franchisee business segment and, going forward, Hilton aims to receive at least 75% of its revenue from this group of customers. If Hilton’s relationships with these partners or their financial positions were to deteriorate, the Company’s near-term and long-term viability would be significantly impacted.

## **Industry Competition**

Hilton encounters robust competition as a hotel manager, franchisor, owner, and lessee. Hilton properties primarily compete with hotels, resorts, inns, and “other accommodation rental services” owned by local interests to national and international chains. Hilton has identified several key areas through which it competes with other hospitality brands. Most notably, the key areas identified include: “room rate, quality of accommodation, consistency of service, brand reputation, and ability to earn and redeem loyalty program points”.<sup>35</sup>

### **Marriott International, Inc.**

Starting out as an A&W Root Beer franchise in Washington D.C. in 1927, founders J. Willard Marriott and his wife Alice eventually shifted their business and opened the first motor hotel in Arlington, Virginia in 1956.<sup>36</sup> Since then, Marriott has become the largest hospitality brand in the world measured by both revenue and reach. It currently operates 30 brands and more than 7,000 properties across 131 countries.<sup>37</sup> At the end of 2020, Marriott had over \$10 billion in revenue, compared to \$4.3 billion for Hilton during that same period.<sup>38</sup> Like Hilton, Marriott operates a quality tier brand structure that covers Luxury, Premium, and Select tiers.<sup>39</sup>

Marriott made headlines in 2016 when it outbid China’s Anbang Insurance Group to acquire Starwood Hotels & Resorts Worldwide, Inc for \$13.6 billion.<sup>40</sup> Following the merger, Marriott International owned 1 out of every 15 hotel rooms globally<sup>41</sup>.

### **IHG Hotels & Resorts (IHG)**

Forged over time from both Pan American Airways and Bass Brewing, this U.K. based hospitality group owns popular hotel chains such as Holiday Inn, Crowne Plaza, and its flagship Intercontinental Hotels.<sup>42</sup> IHG is the third largest global hospitality brand by revenue, with \$2.4 billion in revenue in 2020.<sup>43</sup> IHG oversees 16 brands, 6,000 hotels, and operates in 100 countries.<sup>44</sup>

In 2021, as a result of the COVID-19 pandemic, IHG restructured its portfolio and underwent a brand redesign. Formally known as Intercontinental Hotel Group, it added the descriptor “Hotels and Resorts” and restructured its 16 brands in 4 distinct “collections” to better help guests identify its offerings. The four collections are Luxury and Lifestyle, Premium, Essentials, and Suites. In addition, IHG updated its brand look and feel and changed the name of its loyalty program to be more inclusive of all travelers. According to the company, “With an updated identity, IHG is focused on strengthening perception, how it engages guests, hotel owners and colleagues and better promoting the breadth of its portfolio.”<sup>45</sup>

### **Hyatt**

A major player in the global hospitality industry, Hyatt Hotels Corporation earned \$2.1 billion in revenue in 2020. While this makes Hyatt the fourth largest within the hospitality group by revenue, comparatively, its revenue was less than half of Hilton’s and one-fifth of Marriott’s



during this same time period. The Chicago based company operates 20 brands and 1,000 hotel properties across 68 countries.<sup>46</sup>

Like its global hospitality competitors, Hyatt structures its brand across different quality tiers; however, according to CEO Mark Hoplamazian, Hyatt is “the only multi brand company focused exclusively on the higher end traveler.”<sup>47</sup> As such, Hyatt has pursued a different growth strategy than industry giants like Marriott and Hilton. Hyatt differentiates by promoting health and wellness hospitality experiences and, in 2017, acquired the resort and spa group, Miraval Group, to expand its wellness offerings.<sup>48</sup> Hoplamazian noted that “our research has shown that our guests value wellness in an increasingly intense way.”<sup>49</sup>

## **Airbnb**

Envisioned in 2007 in a San Francisco apartment, Airbnb is a tech company that brokers connections between guests looking for places to stay and hosts who have open accommodations.<sup>50</sup> Airbnb does not own any of its locations; instead, it connects travelers with hosts who have homes, apartments, or residences in which they can stay. According to Airbnb, hosts make it “possible for guests to experience the world in a more authentic, connected way.”<sup>51</sup> Travelers pay the hosts and Airbnb collects a fee for its services. Most commonly, Airbnb charges a split fee for guests and hosts - hosts pay a service fee of 3% of the total stay and guests pay a service fee of approximately 14% of the booking subtotal.<sup>52</sup>

Since 2007, Airbnb has grown to become a titan and, by many measures, has a larger reach than the largest global hospitality brands. It currently has 5.6 million listings worldwide, 4 million hosts, listings in 220 countries, and has welcomed over 1 billion guests.<sup>53</sup> It is estimated that in 2014, Airbnb reduced total hotel industry profits by 3.7 percent.<sup>54</sup> After its IPO in December 2020, Airbnb had an \$86 billion valuation - more than Hilton, Marriott, and IHG combined on the same date.<sup>55</sup>

## **Other Influences**

Hilton operates around the world and markets outside of the U.S. continue to offer new sources of growth, most notably China. Hilton views itself as a “local business that operates at a global level.” The company engages on the local, state, and national level throughout its footprint and has a compelling list of benefits it brings to the communities and markets outside of additional jobs. Hilton also focuses on environmental protection / sustainability, fighting for racial justice, combating slavery and human trafficking, and many more initiatives. Hilton wants to enhance its ability to open new hotels throughout the world and in the markets that offer the highest ROI. Hilton supports several lobbying groups, trade associations, and travel associations in the United States and worldwide. In 2020, Hilton spent over \$1 million in these lobbying efforts.<sup>56</sup> Hilton’s trade associations provide publicity and financial support for various governments. These efforts, along with the additional tax revenue the company provides to the governments where it operates, make Hilton a sought a partner for local and international governments.

Another external influence Hilton contends with is access to credit and capital markets. Lenders are a critical stakeholder upon which Hilton and other hotel operators depend. COVID-19 hurt

investor appetites for much of the hotel industry. Securing adequate capital and financing continue to be top priorities for Hilton as it attempts to grow its asset base.

### **PRESSING STRATEGIC ISSUES**

As Hilton continues to build upon Conrad's vision, Mr. Nassetta and his leadership team face several challenges. How can the company best plan to address any future impacts from the COVID-19 pandemic or similar problems? How can Hilton stop the erosion of its market share due to newcomers like Airbnb? Also, what is the best approach to grow in developing markets, especially China? In order to successfully operate for another century, Hilton will need to plan for and address these issues in the near future.

## EXHIBIT 1: HILTON TOP MANAGEMENT

### Christopher J. Nassetta - *President and Chief Executive Officer.*

Mr. Nassetta joined Hilton in 2007. Prior to joining Hilton, Mr. Nassetta was President and Chief Executive Officer of Host Hotels & Resorts, Inc. Prior to Host Hotels & Resorts, Inc., Mr. Nassetta co-founded Bailey Capital Corporation in 1991, where he was responsible for the operations of the real estate investment and advisory firm. Prior to founding Bailey Capital Corporation, he spent seven years at The Oliver Carr Company, ultimately serving as Chief Development Officer. In this role, he was responsible for all development and related activities for one of the largest commercial real estate companies in the mid-Atlantic region. Mr. Nassetta graduated from the University of Virginia McIntire School of Commerce with a degree in finance. He currently serves on the McIntire School of Commerce Advisory Board.

### Kristin Campbell - *Executive Vice President, General Counsel & Chief ESG Officer.*

Ms. Campbell leads Hilton's global legal, compliance, government affairs and corporate responsibility functions, and joined Hilton in June 2011. Ms. Campbell is responsible for corporate governance, regulatory compliance, M&A, commercial transactions, and litigation. Ms. Campbell also oversees Hilton's global environmental, social and corporate governance (ESG) efforts. Prior to joining Hilton, Ms. Campbell was Senior Vice President, General Counsel, and Corporate Secretary for Staples, Inc., an international office products company. Prior to joining Staples, Inc. in 1993, Ms. Campbell worked at law firms Goodwin Procter and Rackemann, Sawyer & Brewster.

### Laura Fuentes - *Executive Vice President and Chief Human Resources Officer.*

Ms. Fuentes joined Hilton in 2013 and has led teams across Human Resources functions including recruiting, diversity & inclusion, learning & leadership development, total rewards, people analytics & strategy and HR Consulting. Most recently, she served as Chief Talent Officer. Prior to joining Hilton, Ms. Fuentes spent 6 years at Capital One Financial in various corporate strategy and Human Resources roles: leading workforce analytics, recruitment, and compensation functions for the organization. Prior to Capital One, she worked at McKinsey & Company. Originally from Spain, Ms. Fuentes holds a B.S. from the University of Virginia, a M.S. in Structural Engineering from the University of Texas at Austin and an M.B.A. from Columbia University.

### Kevin Jacobs - *Chief Financial Officer and President, Global Development for Hilton.*

Mr. Jacobs leads Hilton's finance, real estate, development and architecture and construction functions globally and joined the company in 2008 as Senior Vice President, Corporate Strategy; was elected Treasurer in 2009; was appointed Executive Vice President & Chief of Staff in 2012; assumed the role of Chief Financial Officer in 2013; and added the role of President, Global Development in 2020. Prior to Hilton, Mr. Jacobs was Senior Vice President, Mergers & Acquisitions and Treasurer of Fairmont Raffles Hotels International. Prior to Fairmont Raffles, Mr. Jacobs spent seven years with Host Hotels & Resorts, ultimately serving as Vice President, Corporate Strategy & Investor Relations. Prior to Host, Mr. Jacobs had various roles in the Hospitality Consulting Practice of PwC and the Hospitality Valuation Group of Cushman & Wakefield. Mr. Jacobs is a graduate of the Cornell University School of Hotel Administration.

Source: Hilton Worldwide Holdings, Inc. 2021. [www.hilton.com/en/corporate/executive-bios/](http://www.hilton.com/en/corporate/executive-bios/)

## EXHIBIT 2: INCOME STATEMENT\*

	12 months Dec-31-2017	12 months Dec-31-2018	12 months Dec-31-2019	12 months Dec-31-2020	12 months Dec-31-2021
Revenue	3,299.0	3,570.0	3,665.0	1,527.0	2,365.0
Other Revenue	105.0	98.0	101.0	73.0	79.0
<b>Total Revenue</b>	<b>3,404.0</b>	<b>3,668.0</b>	<b>3,766.0</b>	<b>1,600.0</b>	<b>2,444.0</b>
Cost Of Goods Sold	1,269.0	1,332.0	1,254.0	620.0	679.0
<b>Gross Profit</b>	<b>2,135.0</b>	<b>2,336.0</b>	<b>2,512.0</b>	<b>980.0</b>	<b>1,765.0</b>
Selling General & Admin Exp.	449.0	454.0	437.0	304.0	390.0
R & D Exp.	-	-	-	-	-
Depreciation & Amort.	336.0	325.0	346.0	331.0	188.0
Other Operating Expense/(Income)	228.0	136.0	149.0	280.0	155.0
<b>Other Operating Exp., Total</b>	<b>1,013.0</b>	<b>915.0</b>	<b>932.0</b>	<b>915.0</b>	<b>733.0</b>
<b>Operating Income</b>	<b>1,122.0</b>	<b>1,421.0</b>	<b>1,580.0</b>	<b>65.0</b>	<b>1,032.0</b>
Interest Expense	(351.0)	(371.0)	(414.0)	(429.0)	(397.0)
<b>Net Interest Exp.</b>	<b>(351.0)</b>	<b>(371.0)</b>	<b>(414.0)</b>	<b>(429.0)</b>	<b>(397.0)</b>
Currency Exchange Gains (Loss)	3.0	(11.0)	(2.0)	(27.0)	(7.0)
Other Non-Operating Inc. (Exp.)	39.0	47.0	9.0	(9.0)	8.0
<b>EBT Excl. Unusual Items</b>	<b>813.0</b>	<b>1,086.0</b>	<b>1,173.0</b>	<b>(400.0)</b>	<b>636.0</b>
Restructuring Charges	-	-	-	(218.0)	-
Impairment of Goodwill	-	-	-	(104.0)	-
Gain (Loss) On Sale Of Assets	-	-	81.0	-	(7.0)
Asset Writedown	-	-	-	(154.0)	-
Other Unusual Items	(60.0)	(8.0)	(10.0)	(48.0)	(69.0)
<b>EBT Incl. Unusual Items</b>	<b>753.0</b>	<b>1,078.0</b>	<b>1,244.0</b>	<b>(924.0)</b>	<b>560.0</b>
Income Tax Expense	(336.0)	309.0	358.0	(204.0)	153.0
<b>Earnings from Cont. Ops.</b>	<b>1,089.0</b>	<b>769.0</b>	<b>886.0</b>	<b>(720.0)</b>	<b>407.0</b>
Minority Int. in Earnings	(5.0)	(5.0)	(5.0)	5.0	3.0
<b>Net Income</b>	<b><u>1,084.0</u></b>	<b><u>764.0</u></b>	<b><u>881.0</u></b>	<b><u>(715.0)</u></b>	<b><u>410.0</u></b>
<b>Supplemental Items</b>					
General and Administrative Exp.	439.0	443.0	441.0	311.0	405.0
Net Rental Exp.	284.0	367.0	144.0	129.0	125.0

Source: Source of data: Standard & Poor's Global NetAdvantage, Accessed March 18, 2022; figures in millions.

\*Note: Does not include "Other revenues from managed and franchised properties" because these revenues and the costs associated with them are not attributable to Hilton stockholders. 10-K statements and business articles may include these other revenues and costs, which means that their figures may be different from what is included here. Inclusion or exclusion of these other items does not change figures in the balance sheet.

### EXHIBIT 3: BALANCE SHEET

	Dec-31-2017	Dec-31-2018	Dec-31-2019	Dec-31-2020	Dec-31-2021
<b>ASSETS</b>					
Cash And Equivalents	570.0	403.0	538.0	3,218.0	1,427.0
<b>Total Cash &amp; ST Investments</b>	<b>570.0</b>	<b>403.0</b>	<b>538.0</b>	<b>3,218.0</b>	<b>1,427.0</b>
Accounts Receivable	1,005.0	1,150.0	1,261.0	771.0	1,068.0
Other Receivables	36.0	-	-	-	-
<b>Total Receivables</b>	<b>1,041.0</b>	<b>1,150.0</b>	<b>1,261.0</b>	<b>771.0</b>	<b>1,068.0</b>
Prepaid Exp.	127.0	160.0	130.0	70.0	89.0
Restricted Cash	100.0	81.0	92.0	45.0	85.0
Other Current Assets	169.0	189.0	72.0	98.0	202.0
<b>Total Current Assets</b>	<b>2,007.0</b>	<b>1,983.0</b>	<b>2,093.0</b>	<b>4,202.0</b>	<b>2,871.0</b>
Gross Property, Plant & Equipment	803.0	848.0	1,756.0	1,604.0	1,504.0
Accumulated Depreciation	(450.0)	(481.0)	(509.0)	(486.0)	(505.0)
<b>Net Property, Plant &amp; Equipment</b>	<b>353.0</b>	<b>367.0</b>	<b>1,247.0</b>	<b>1,118.0</b>	<b>999.0</b>
Long-term Investments	11.0	16.0	-	-	-
Goodwill	5,190.0	5,160.0	5,159.0	5,095.0	5,071.0
Other Intangibles	6,276.0	6,156.0	6,078.0	5,823.0	5,835.0
Deferred Tax Assets, LT	111.0	90.0	100.0	194.0	213.0
Other Long-Term Assets	280.0	223.0	280.0	323.0	452.0
<b>Total Assets</b>	<b>14,228.0</b>	<b>13,995.0</b>	<b>14,957.0</b>	<b>16,755.0</b>	<b>15,441.0</b>
<b>LIABILITIES</b>					
Accounts Payable	282.0	283.0	303.0	224.0	274.0
Accrued Exp.	1,756.0	1,431.0	1,448.0	1,175.0	1,645.0
Curr. Port. of LT Debt	46.0	16.0	-	-	-
Curr. Port. of Leases	-	-	170.0	226.0	194.0
Curr. Income Taxes Payable	12.0	-	-	-	-
Unearned Revenue, Current	366.0	350.0	332.0	370.0	350.0
Other Current Liabilities	-	535.0	618.0	436.0	556.0
<b>Total Current Liabilities</b>	<b>2,462.0</b>	<b>2,615.0</b>	<b>2,871.0</b>	<b>2,431.0</b>	<b>3,019.0</b>
Long-Term Debt	6,323.0	7,041.0	7,785.0	10,317.0	8,599.0
Long-Term Leases	233.0	225.0	1,245.0	1,167.0	1,024.0
Unearned Revenue, Non-Current	829.0	826.0	827.0	1,004.0	896.0
Pension & Other Post-Retire. Benefits	165.0	145.0	134.0	143.0	25.0
Def. Tax Liability, Non-Curr.	931.0	898.0	795.0	649.0	700.0
Other Non-Current Liabilities	1,594.0	1,687.0	1,772.0	2,530.0	1,997.0
<b>Total Liabilities</b>	<b>12,537.0</b>	<b>13,437.0</b>	<b>15,429.0</b>	<b>18,241.0</b>	<b>16,260.0</b>
Common Stock	3.0	3.0	3.0	3.0	3.0
Additional Paid In Capital	10,298.0	10,372.0	10,489.0	10,552.0	10,720.0
Retained Earnings	(6,981.0)	(6,417.0)	(5,965.0)	(6,732.0)	(6,322.0)
Treasury Stock	(891.0)	(2,625.0)	(4,169.0)	(4,453.0)	(4,443.0)
Comprehensive Inc. and Other	(741.0)	(782.0)	(840.0)	(860.0)	(779.0)
<b>Total Common Equity</b>	<b>1,688.0</b>	<b>551.0</b>	<b>(482.0)</b>	<b>(1,490.0)</b>	<b>(821.0)</b>
Minority Interest	3.0	7.0	10.0	4.0	2.0
<b>Total Equity</b>	<b>1,691.0</b>	<b>558.0</b>	<b>(472.0)</b>	<b>(1,486.0)</b>	<b>(819.0)</b>
<b>Total Liabilities And Equity</b>	<b>14,228.0</b>	<b>13,995.0</b>	<b>14,957.0</b>	<b>16,755.0</b>	<b>15,441.0</b>

Source of data: Source: Standard & Poor's Global NetAdvantage, Accessed March 18, 2022; figures in millions.

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