



Rating
Buy

North America
United States

Consumer
Gaming & Lodging

Company
Hilton Worldwide

Reuters
HLT.N

Bloomberg
HLT UN

Exchange
NYS

Ticker
HLT

Date
25 July 2018

Forecast Change

| | |
|----------------------------|---------------|
| Price at 25 Jul 2018 (USD) | 80.49 |
| Price target | 95.00 |
| 52-week range | 87.69 - 60.82 |

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Forward Datapoints Encouraging; Reaffirm Buy & \$95 PT

Despite Noise, Core Bull Case Intact; Valuation Appealing

We found HLT's call to be incrementally reassuring with management expressing confidence in both the underlying strength of the industry (bullish '19 group pace) and the Company's business model, specifically the sustainability of ~6.5% unit growth. With HLT now trading at only a thin premium to the hotel REITs, we believe undue focus on 3Q RevPAR guidance (~50bps lighter than expected) and slightly negative FX revisions present an opportunity. HLT remains a favored lodging name for us given visible embedded unit growth and a track record of consistent capital returns. We maintain our Buy and \$95 PT.

The Keys to the Quarter / Outlook

We view the following as the key elements of the day for HLT: 1) HLT raised 2018 RevPAR growth guidance by 50 bps at the midpoint to +3% to +4%, similar to commentary on the 1Q18 call, 2) the power of HLT's unit growth momentum continues M&F fees grew 11% on 4.0% system-wide RevPAR growth, 3) capital return guidance was raised by \$50 mm at the midpoint to \$1.8 bn to \$1.9 bn, 4) International continues to bolster results with 2Q18 international RevPAR up 5.9% y/y, 5) U.S. RevPAR is expected to be +2.5% to 3.5%, with group outperforming, followed by leisure then corporate transient, 6) the pipeline accelerated by another 7K rooms sequentially, to a record 362K rooms (+9% y/y), with over half already under construction (thus providing solid visibility) and over half in international markets, 7) HLT expects group to be up mid-single digits for full year 2018 and into 2019 with booking pace in the quarter for all future periods up in low double digits and 8) the guided 3Q18 RevPAR deceleration is primarily a function of holiday shifts (4th of July / September Jewish Holidays).

Price Target Remains \$95; Risks

Our price target remains \$95 and is predicated on a blended multiple of 15.2x our 2019 EBITDA forecast. We value HLT's M&F fees at 15.5x and the Owned / Leased segment profits at 12.0x. We believe both multiples are appropriate based on historical multiples at this stage of the lodging cycle. We then extract capitalized 2019E unallocated SG&A and HLT's 2019E net debt to arrive at our equity value estimate. We note our share count (2019E) includes share repurchase activity. Risks include: 1) the impact from broader domestic infrastructure spend on construction costs for new builds could slow the pace of franchise development and 2) the potential inability for investors to break the mold of trading lodging based on changes in RevPAR despite the more limited reliance under the current model.

Forecasts And Ratios

| Year End Dec 31 | 2017A | 2018E | 2019E |
|------------------|-------|-------|-------|
| FY EPS (USD) | 2.03 | 2.70 | 3.21 |
| OLD FY EPS (USD) | 2.05 | 2.71 | 3.22 |

Source: Deutsche Bank estimates, company data

¹ Includes the impact of FAS123R requiring the expensing of stock options.

Deutsche Bank Securities Inc.

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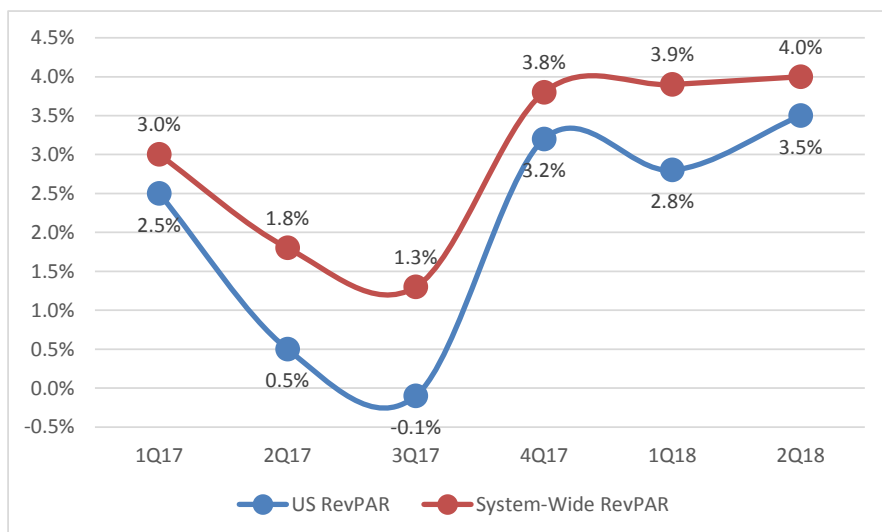
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Our Thoughts & Management Color from the Call

RevPAR Trends and Color by Region: HLT reported 2Q18 system-wide RevPAR of 4.0% which was above our estimate and the original 2-4% guidance range. By Region, U.S. RevPAR was up a solid 3.5% y/y, the strongest quarter since 4Q15. HLT saw international strength in Asia Pacific (+7.3%), Europe (+6.3%) and the Americas ex-US (+6.5%), while Middle East & Africa was down 0.1%. Overall International RevPAR was up 5.9%.

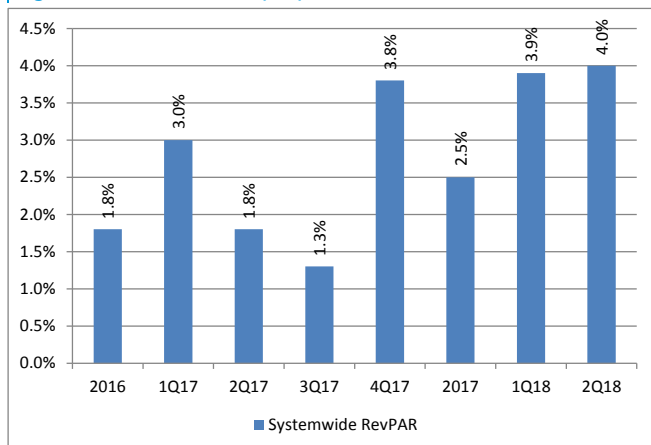
Figure 1: HLT Quarterly System-wide & U.S. RevPAR



Source: Company reports and Deutsche Bank

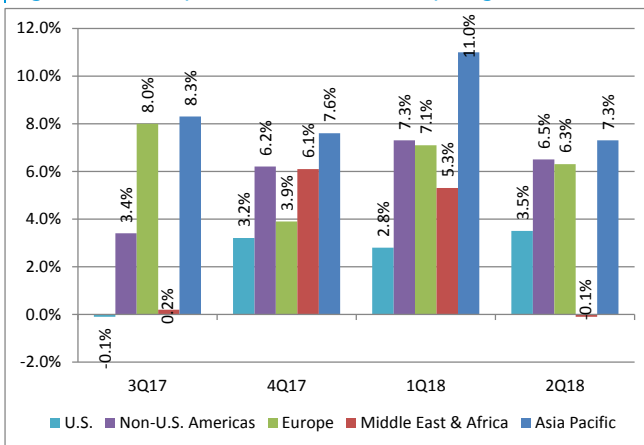
Overall RevPAR growth was primarily driven by rate (+2.3% y/y), while occupancy was up 1.7% y/y (+130 bps). Results were driven by outperformance across all three segments with management noting that leisure and corporate transient RevPAR was up 3% in the 1Q, while group was up high-single-digits y/y.

Figure 2: HLT Quarterly System-wide RevPAR



Source: Company reports and Deutsche Bank

Figure 3: HLT System-wide RevPAR by Region



Source: Company reports and Deutsche Bank

- U.S. system-wide RevPAR increased 3.5% as both rate (+2.3%) and occupancy (+1.1%) contributed. RevPAR was led by strong group demand, specifically in the company meeting and convention segments, better than expected luxury and resorts demand, and



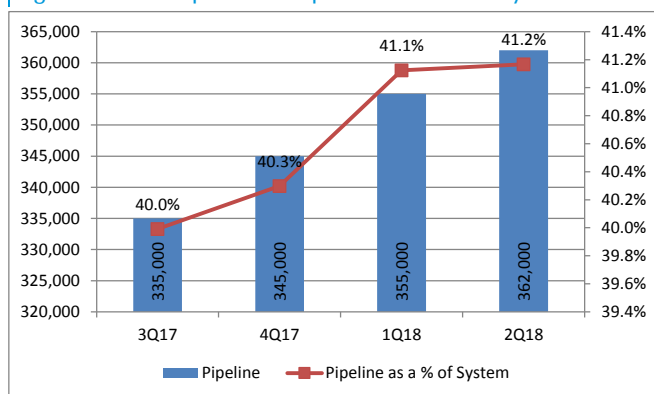
international inbound traffic, for which revenue was up ~8% y/y. HLT expects 2018 U.S. RevPAR growth to be 2.5% to 3.5%, versus prior commentary, which called for “the lower half” of the prior 2% to 4% system-wide guidance.

- Europe RevPAR growth was strong about 100 bps above mgt. expectations at 6.3%, fueled by rate (+3.7%) and occupancy (+2.0%). Growth was driven by strength in Turkey and increased demand in Russia driven by the World Cup. Mgt. expects 2018 RevPAR growth in the region to be up mid-single digits in-line with the 1Q outlook.
- The Asia-Pacific region was also strong as RevPAR rose 7.3%, primarily by occupancy up 3.8% and rates up 1.7%. Performance was driven by strong leisure demand across resort properties. RevPAR in greater China was up more than 11% in the quarter (occupancy +8%) Mgt. expects 2018 RevPAR growth in the region to be up high-single digits with RevPAR growth in China up 12% to 13% up from 10% to 11% last quarter.
- RevPAR for the Middle East and Africa region was down 0.1% as 3.8% of occupancy growth was offset by a 5.3% decline in rate. Mgt. noted softening leisure and group demand in U.A.E. offset improving trends in Egypt. HLT expects 2018 RevPAR for the region to be in-line with system-wide RevPAR guidance.

Sequential Expansion of the Pipeline a Key, in Our View: At 2Q18 end, HLT’s development pipeline stood at 362K rooms (+9% y/y), representing an increase of 3% in the U.S. pipeline and 15% internationally. On a sequential basis the pipeline expanded ~2% following ~3% in the 1Q18 and 4Q17 and ~1% in the 3Q17. Sequentially net unit growth in the 2Q18 was up 15,800 rooms (+18% y/y) on top of the 7,100 rooms (+6.3% y/y) in the 1Q18, 18,400 units in 4Q17, and ~11,900 units in the 3Q17. That said, HLT signed up 28,800 rooms for development in the 2Q18 in addition to the 25,700 in the 1Q18, 31,000 signed up in 4Q17 and 23,400 rooms signed up in 3Q17.

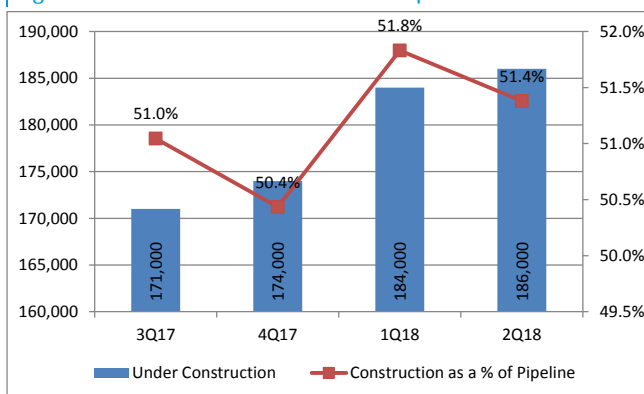
Importantly, about 54% of the pipeline (~194K rooms) is located outside the U.S. and ~52% (~186K rooms) is under construction. HLT’s development pipeline (362K) represents ~42% of its M&F unit base at 2Q18 end.

Figure 4: HLT Pipeline & Pipeline as a % of System



Source: Company reports and Deutsche Bank

Figure 5: HLT Under Construction Pipeline



Source: Company reports and Deutsche Bank



Figure 6: HLT Pipeline by Geography

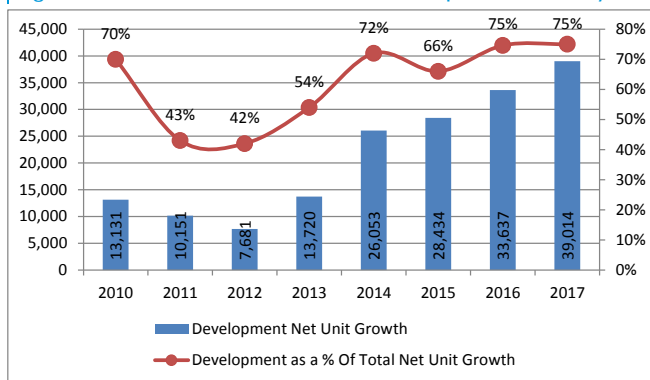
| | <u>% of Existing Supply</u> | <u>% of Existing Rooms Under Construction*</u> | <u>As a Multiple of Existing Base</u> |
|------------------------|-----------------------------|--|---------------------------------------|
| U.S. | 12% | 25% | 2.1x |
| Americas Ex U.S. | 3% | 15% | 5.0x |
| Europe | 2% | 13% | 6.5x |
| Middle East and Africa | 3% | 17% | 5.7x |
| Asia Pacific | 1% | 22% | 22.0x |
| Global | 5% | 20% | 4.0x |

Source: Investor Presentation

* As of May, 2018

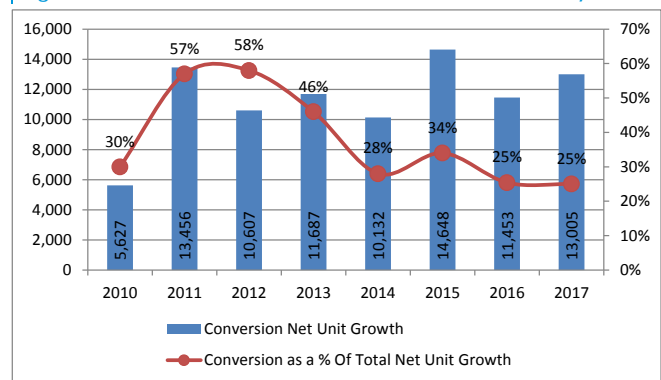
Source: HLT investor Presentation February, 2018 and Deutsche Bank

Figure 7: Net Unit Growth from Development Activity



Source: Company reports and Deutsche Bank

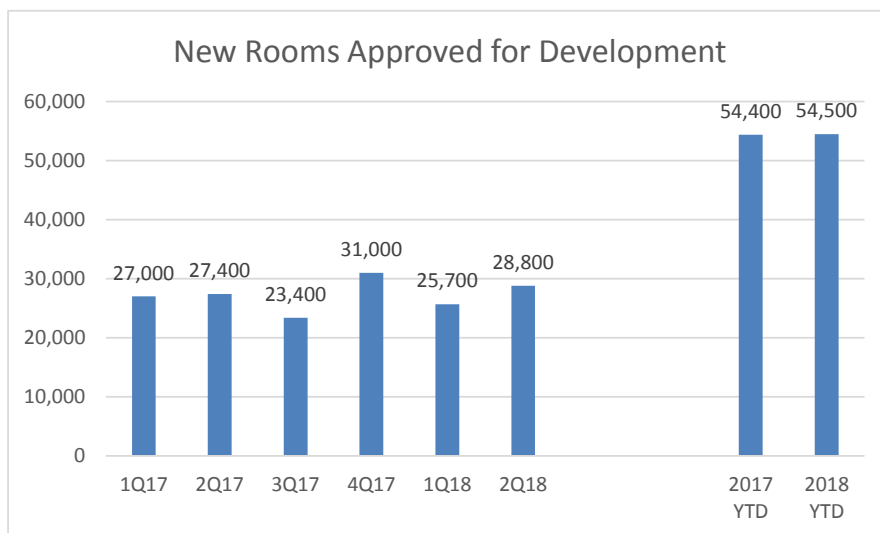
Figure 8: Net Unit Growth from Conversion Activity



Source: Company reports and Deutsche Bank

Importantly, development activity has accelerated, led by conversions (+60% y/y) and an uptick in signings in in EMEA (+40% y/y). AT present, HLT expects new signings in 2018 to outpace the record breaking 2017 result (108,800), Through the 1H18, HLT has signed up 54,500 new rooms for development, up 20 bps y/y. Management expects 2018 signings to eclipse 110K, implying the 2H pace should be up at least 2% y/y.

Figure 9: Quarterly Development Signings



Source: Company reports and Deutsche Bank



Share Repurchase: HLT repurchased 18.5 mm shares in 2Q18 for \$1.3 bn including 16.5 mm shares from HNA in April for \$1.17 bn. Total share repurchases in 2018 to date sum to 19.8 mm shares for ~\$1.4 bn, or ~6.1% of the 4Q17 diluted shares outstanding. The average implied share price is ~\$71.21 per share or a ~13% discount from current price. FY18 capital return guidance was raised to \$1.8 bn to \$1.9 bn, from \$1.7 bn to \$1.9 bn previously. Our model currently contemplates \$1.699 bn of buybacks in 2018 and \$1.320 bn in 2019.

As evidenced in Figure 10, every 100 bps change in RevPAR alters free cash flow by ~1.5%, or ~\$19 mm on an annual basis.

Figure 10: Free Cash Flow Sensitivity to RevPAR Changes (\$ in MM)

| | RevPAR Sensitivity | | | | | | |
|---|--------------------|-----------------|-----------------|----------------|----------------|----------------|----------------|
| | -300 bps | -200 bps | -100 bps | DB 2019E | +100 bps | +200 bps | +300 bps |
| RevPAR Forecast | -0.2% | 0.8% | 1.8% | 2.8% | 3.8% | 4.8% | 5.8% |
| y/y % chg. (bps) | (300) | (200) | (100) | 0 | 100 | 200 | 300 |
| EBITDA Forecast | \$2,192 | \$2,217 | \$2,242 | \$2,262 | \$2,282 | \$2,307 | \$2,332 |
| % chg. from Base | -3.1% | -2.0% | -0.9% | 0.0% | 0.9% | 2.0% | 3.1% |
| Less Cash Taxes | \$449 | \$455 | \$460 | \$464 | \$468 | \$473 | \$478 |
| Less Cash Interest | \$325 | \$324 | \$324 | \$323 | \$323 | \$322 | \$321 |
| Less Capex | \$200 | \$200 | \$200 | \$200 | \$200 | \$200 | \$200 |
| Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Free Cash Flow | \$1,218 | \$1,238 | \$1,259 | \$1,275 | \$1,292 | \$1,312 | \$1,333 |
| % chg. from Base | -4.5% | -2.9% | -1.3% | 0.0% | 1.3% | 2.9% | 4.5% |
| Equity Value Impact at PT EBITDA Multiple (15.6x) | (\$3.69) | (\$2.37) | (\$1.05) | \$0.00 | \$1.05 | \$2.37 | \$3.69 |
| % chg. from Price Target Base | -3.9% | -2.5% | -1.1% | 0.0% | 1.1% | 2.5% | 3.9% |
| Equity Value Impact at Implied PT FCF Multiple (21.5x) | (\$4.27) | (\$2.74) | (\$1.22) | \$0.00 | \$1.22 | \$2.74 | \$4.27 |
| % chg. from Price Target Base | -4.5% | -2.9% | -1.3% | 0.0% | 1.3% | 2.9% | 4.5% |
| Financial Leverage (YE 2019E) | 3.2x | 3.2x | 3.1x | 3.1x | 3.1x | 3.1x | 3.0x |

Source: Company reports and Deutsche Bank

Thus, assuming HLT seeks leverage of 3.0-3.5x net debt to EBITDA, and we assume 3.25x for analysis purposes here, we believe an incremental ~\$340 mm of buyback potential, relative to our \$1.320 bn modeled buyback, exists in 2019.

Figure 11: Buyback Potential

| | 2016 | 2017 | 2018E | 2019E |
|---------------------------------------|--------------|----------------|----------------|----------------|
| Gross Free Cash Flow | \$433 | \$860 | \$1,180 | \$1,275 |
| Plus Leverage on Incremental EBITDA | \$267 | \$471 | \$595 | \$556 |
| Capital for Shareholder Returns | \$700 | \$1,331 | \$1,775 | \$1,831 |
| Less Dividends | \$0 | \$195 | \$182 | \$173 |
| Capital Available for Buybacks | \$700 | \$1,136 | \$1,594 | \$1,658 |
| <i>DB Modeled Buybacks</i> | | <i>\$891</i> | <i>\$1,699</i> | <i>\$1,320</i> |

Source: Company reports and Deutsche Bank

Lastly, we see buybacks as accretive to EPS well beyond our \$95 PT, noting that every \$500 mm of incremental buyback activity between \$89 and \$101 per share equates to ~\$0.03 per share in annual earnings.



Figure 12: HLT Share Repurchase Sensitivity

| | Scenarios | | | | | | | |
|--------------------------------|-----------------|---|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2019E Base Case | Assumes \$500 mm in Incremental Share Repurchases at Various Share Price Levels | | | | | | |
| Assumed Share Price | | \$89 | \$91 | \$93 | \$95 | \$97 | \$99 | \$101 |
| Shares Repurchased | | 5.6 | 5.5 | 5.4 | 5.3 | 5.2 | 5.1 | 5.0 |
| Less Interest Expense | | \$15.0 | \$15.0 | \$15.0 | \$15.0 | \$15.0 | \$15.0 | \$15.0 |
| <i>Revolver Interest Rate</i> | | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| <i>Tax Rate</i> | | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% | 30.0% |
| Impact to Net Income | | \$10.5 | \$10.5 | \$10.5 | \$10.5 | \$10.5 | \$10.5 | \$10.5 |
| Net Income | \$928.5 | \$918.0 | \$918.0 | \$918.0 | \$918.0 | \$918.0 | \$918.0 | \$918.0 |
| Diluted Share Count | 289.3 | 283.7 | 283.8 | 283.9 | 284.0 | 284.1 | 284.2 | 284.3 |
| EPS | \$3.21 | \$3.24 | \$3.23 | \$3.23 | \$3.23 | \$3.23 | \$3.23 | \$3.23 |
| \$ Accretion (Dilution) | | \$0.03 | \$0.03 | \$0.02 | \$0.02 | \$0.02 | \$0.02 | \$0.02 |
| % Accretion (Dilution) | | 0.8% | 0.8% | 0.7% | 0.7% | 0.7% | 0.6% | 0.6% |

Source: Company reports and Deutsche Bank

2Q18 Conference Call Highlights:

- Mgt. feels good about fundamentals driven by positive setup of supply and demand feeling confident this year and next year. Think demand growing at decent pace around the world with the US still benefiting post tax reform with a lot of cash going back into the system and corporate profitability still growing. HLT expects supply to peak this year at ~2%.
- In 2Q Leisure and corporate transient RevPAR were both up ~3% and group outpaced expectations up high-single digits in the quarter.
- For 2H18 and FY18 mgt. ultimately sees group outperforming all segments followed by leisure transient then corporate transient.
- HLT expects group to be up mid-single digits for full year and into 2019 and booking pace in the quarter for all future periods is up in low double digits.
- 3Q RevPAR sequential deceleration is entirely the result of holiday shifts with Fourth of July falling on a Wednesday, which is the worst possible day to fall on for RevPAR growth according to mgt. and Jewish holidays falling on weekdays this year.
- Mgt. is comfortable in the 6% to 7% unit growth over the next two years. Signings for FY18 are on track for ~110k rooms, slightly up from 2017 and prior expectations. US will be relatively flat with Europe and Middle East and Africa regions total signings are on pace to be up ~40% y/y.
- Hilton Honors program is now ~78 mm members (+4 mm q/q). Honors share of occupancy in the quarter increased 120 bps to 60%.
- Increase in G&A by ~\$17.5 mm at the midpoint is due to 1) impact of new pension account moves some benefit out and into other below the line items 2,) some FX impact and 3) a little bit of stock compensation.



2Q18 Results Recap

HLT's 2Q results came in at the high end of RevPAR guidance (S-W +4.0%) and adjusted EBITDA came in at \$555 mm, ahead of our \$546 mm forecast, FactSet consensus of \$548 mm, and guidance of \$530-\$550 mm. The EBITDA beat stemmed from the high end of RevPAR guidance, better than forecast license fees, and some timing elements.

Adjusted EPS of \$0.70 was in line with our estimate/Consensus and met the high end of guidance of \$0.66-\$0.70.

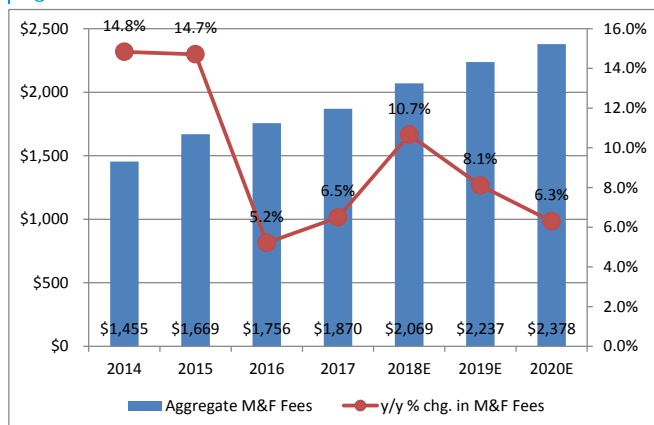
HLT increased its 2018 return of capital guidance by \$50 mm at the midpoint, to a range of \$1.8-\$1.9 bn. Recall, HLT repurchased \$1.3 bn of stock in the 2Q, primarily from HNA and Blackstone.

HLT's 2Q18 S-W RevPAR growth was +4.0% in CC and guidance called for +3-4%. HLT's franchise fees rose 14%, to \$404 mm, \$3 mm ahead of our forecast. Base management fees of \$84 mm were +4% y/y (+\$4 mm relative to our forecast), while incentive management fees rose 4% to \$59 mm (+\$3 mm vs. our forecast).

Overall, M&F fee growth was up 11% y/y, relative to the +7-9% guidance for the 2Q18. Overall unit growth (net) was up 6.5% y/y, with managed and franchised rooms up 6.8% y/y.

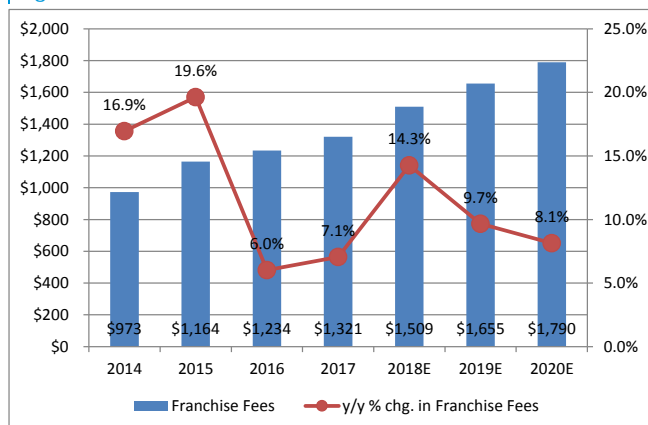
Comparable RevPAR in CC was +3.5% in the U.S., +6.5% in the Americas (ex-U.S.), +6.3% in Europe, +7.3% in Asia-Pacific, and -0.1% in the ME&A.

Figure 13: Annual M&F Fees & Y/Y Growth



Source: Company reports and Deutsche Bank

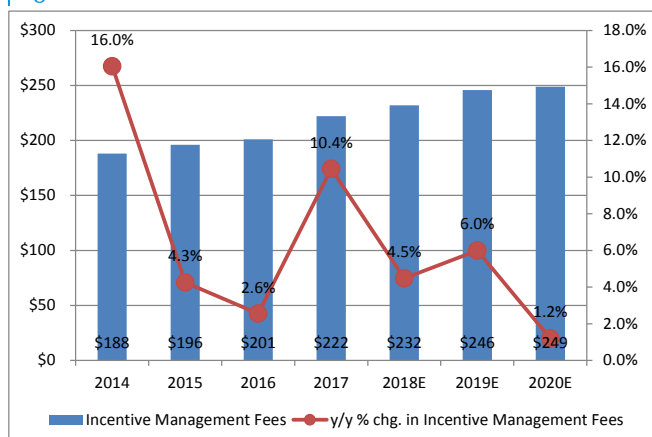
Figure 14: Annual Franchise Fees & Y/Y Growth



Source: Company reports and Deutsche Bank

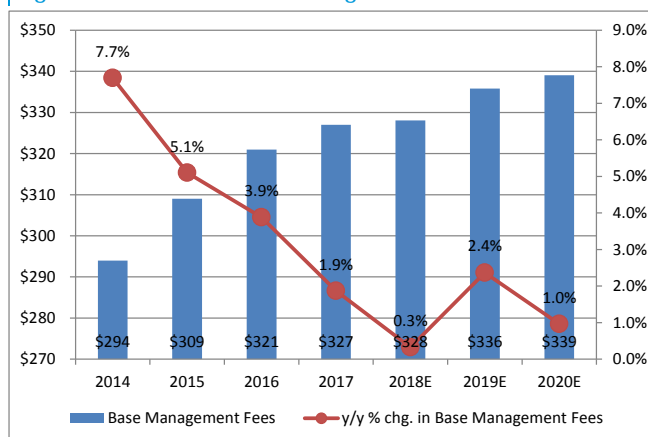


Figure 15: Annual IMF Fees & Y/Y Growth



Source: Company reports and Deutsche Bank

Figure 16: Annual Base Management Fees & Y/Y Growth



Source: Company reports and Deutsche Bank

Figure 17: 2Q 2018 Versus 2Q 2017 and Our Forecasts

(\$MM, except per share data)

| | HLT Actuals | | | | DB Estimates | |
|---|---------------|---------------|---------------|--------------|---------------|-----------------|
| | 2Q18 | 2Q17 | +/- | yoy % chg. | 2Q18E | +/- |
| Hotel Operating Results | | | | | | |
| M&F Systemwide RevPAR | 4.0% | 1.8% | 220 | | 3.6% | 38 |
| Unit Growth | 6.5% | 6.4% | 6 | | 6.3% | 19 |
| Net Revenue | | | | | | |
| Owned, Leased, & Joint Venture Hotels | \$392 | \$373 | \$19 | 5.1% | \$379 | \$13 |
| Other | \$22 | \$20 | \$2 | 10.0% | \$22 | \$0 |
| Core Base Fees | \$84 | \$81 | \$3 | 3.7% | \$80 | \$4 |
| Incentive Fees | \$59 | \$57 | \$2 | 3.5% | \$56 | \$3 |
| Franchise Fees | \$404 | \$355 | \$49 | 13.8% | \$401 | \$3 |
| Management, Franchise, & Other | \$547 | \$493 | \$54 | 11.0% | \$537 | \$10 |
| Total Revenue | \$961 | \$886 | \$75 | 8.5% | \$939 | \$22 |
| O&L Adjusted EBITDA | \$46 | \$52 | (\$7) | -12.5% | \$51 | (\$6) |
| O&L Adjusted EBITDA Margin | 11.6% | 13.9% | (233) | | 13.5% | (193) |
| Managed and Franchised Fees | \$547 | \$493 | \$54 | 11.0% | \$537 | \$10 |
| Corporate Expense / Other | \$38 | \$41 | (\$4) | -8.5% | \$42 | (\$5) |
| Total Adjusted EBITDA | \$555 | \$504 | \$51 | 10.1% | \$546 | \$9 |
| D&A and Other | (\$67) | (\$95) | \$29 | -30.0% | (\$81) | (\$15) |
| Operating Income | \$406 | \$324 | \$82 | 25.2% | \$400 | \$5 |
| Interest Income | \$1 | \$2 | (\$1) | -37.3% | \$1 | (\$0) |
| Interest Expense | (\$95) | (\$86) | (\$9) | 10.5% | (\$98) | (\$3) |
| Equity in Earnings from Unconsolidated Affiliates | \$0 | \$0 | \$0 | NM | \$0 | \$0 |
| Other | (\$13) | \$12 | (\$25) | NM | \$0 | (\$13) |
| Pre-tax Income | \$298 | \$250 | \$48 | 19.2% | \$302 | (\$4) |
| Income Tax Expense | (\$81) | (\$99) | \$18 | -17.7% | (\$91) | (\$9) |
| Net Income | \$217 | \$151 | \$66 | 43.4% | \$212 | \$5 |
| Non Controlling Interests | \$0 | (\$1) | \$1 | -100.0% | (\$1) | (\$1) |
| Net Income to Hilton | \$217 | \$150 | \$66 | 44.1% | \$211 | \$6 |
| GAAP EPS | \$0.71 | \$0.46 | \$0.26 | 56.5% | \$0.70 | \$0.02 |
| Adjusted EPS | \$0.70 | \$0.51 | \$0.18 | 35.1% | \$0.70 | (\$0.00) |
| Diluted Shares Outstanding | 302.9 | 329.0 | (26.1) | | 301.1 | 1.8 |

Source: Company reports and Deutsche Bank estimates



3Q18 & 2018 Guidance Update

FY18 adj. EBITDA guidance reflecting the application of the new revenue recognition standards was increased to \$2,070 to \$2,100 bn, from \$2.060 to \$2.100 bn previously, or a growth rate of approximately 8.0% to 10.0%. The guidance is up \$5 mm from the prior guidance midpoint, inclusive of the \$15 mm beat in the 2Q18, relative to the midpoint, adjusted for a \$10 mm headwind relative to prior FX guidance. We would also note that G&A guidance is up ~\$18 mm from the prior midpoint and we believe this relates to some non-cash pension accounting items.

The FY18 adj. EPS guidance range is now \$2.64-\$2.71 from \$2.62-\$2.71 vs our forecast of \$2.70. EPS does not incorporate incremental share repurchases, though our forecasts assume share repurchase activity.

FY18 RevPAR guidance was raised by 50 bps to +3-4% from +2-4%, Net unit growth was also maintained at 6.5% and M/F fees guidance was also maintained at 9.0-11.0%.

HLT's 3Q18 adjusted EPS guidance is \$0.71-\$0.76 and adjusted EBITDA guidance is \$540-\$560 mm.

3Q18 guidance assumes +2.5-3.0% system-wide RevPAR growth (ex-FX). The 3Q18 RevPAR guidance of 2.5-3.5% is likely a touch lower than expectations. We believe this relates to; 1) tougher comparisons in Europe where RevPAR was +8.0% in 3Q17, 2) the timing of July 4th (Wednesday), and 3) the Jewish holidays falling in the mid-week over two weeks in September. We expect August to be the best month of the 3Q18.

Figure 18: Deutsche Bank Versus Guidance (\$ in MM except per share data)

| | 3Q18 Guidance as of 7/25/18 | | DB 3Q18 Estimates | 2018 Guidance as of 2/14/18 | | 2018 Guidance as of 4/26/18 | | 2018 Guidance as of 7/25/18 | | | DB 2018 Estimates | DB 2019 Estimates |
|--|-----------------------------|--------|-------------------|-----------------------------|---------|-----------------------------|---------|-----------------------------|---------|---|-------------------|-------------------|
| | Guidance | | 2.8% | Guidance | | Guidance | | Guidance | | Delta Vs. Previously Established-Midpoint to Midpoint | 3.4% | 2.8% |
| | Low | High | | Low | High | Low | High | Low | High | | | |
| System-wide RevPAR | 2.5% | 3.0% | 2.8% | 1.0% | 3.0% | 2.0% | 4.0% | 3.0% | 4.0% | 50 bps | 3.4% | 2.8% |
| Adjusted EBITDA | \$540 | \$560 | \$555 | \$2,030 | \$2,080 | \$2,060 | \$2,100 | \$2,070 | \$2,100 | \$5 | \$2,091 | \$2,262 |
| M&F Fees | 8.0% | 10.0% | 9.6% | 8.0% | 10.0% | 9.0% | 11.0% | 9.0% | 11.0% | 00 bps | 10.7% | 8.1% |
| Diluted EPS from Cont. Ops | \$0.71 | \$0.76 | \$0.75 | \$2.49 | \$2.60 | \$2.57 | \$2.66 | \$2.61 | \$2.68 | \$0.03 | \$2.68 | \$3.21 |
| Diluted EPS Adjusted for Special Items | \$0.71 | \$0.76 | \$0.75 | \$2.49 | \$2.60 | \$2.62 | \$2.71 | \$2.64 | \$2.71 | \$0.01 | \$2.70 | \$3.21 |
| Net Unit Growth | | | | | -6.5% | | -6.5% | | -6.5% | | 6.5% | 6.6% |

Source: Company reports and Deutsche Bank estimates



Summary of Our Estimate Changes

In Figure 19 we show a summary of our estimate changes post 2Q18 results. Our 2018 adjusted EBITDA goes to \$2,091 mm from \$2,087 mm and our 2019 adjusted EBITDA goes to \$2,262 mm from \$2,253 mm. Our 2018 and 2019 EPS forecasts are \$2.70 and \$3.21, flat versus prior forecasts, respectively. See Figure 19 for a summary of our revisions.

Figure 19: Summary of Estimate Changes

| \$ in MM except per share data | 3Q18E | | | 2018E | | | 2019E | | | 2020E | | |
|---|---------------|---------------|-----------------|----------------|----------------|-----------------|----------------|----------------|-----------------|----------------|----------------|---------------|
| | Current | Prior | Delta | Current | Prior | Delta | Current | Prior | Delta | Current | Prior | Delta |
| M&F Systemwide RevPAR | 2.8% | 3.6% | (\$3) | 3.4% | 3.8% | (\$4) | 2.8% | 2.8% | 0 | 2.1% | 2.1% | (1) |
| M&F Unit Growth | 6.7% | 6.7% | 7 | 6.5% | 6.4% | 7 | 6.6% | 6.6% | (0) | 5.6% | 5.6% | (0) |
| Revenue | | | | | | | | | | | | |
| Owned, Leased, & Joint Venture Hotels | \$385 | \$393 | (\$8) | \$1,495 | \$1,496 | (\$1) | \$1,533 | \$1,548 | (\$16) | \$1,563 | \$1,586 | (\$24) |
| Management, Franchise, & Other | \$546 | \$551 | (\$6) | \$2,069 | \$2,066 | \$3 | \$2,237 | \$2,234 | \$3 | \$2,378 | \$2,367 | \$11 |
| Other | \$23 | \$23 | \$0 | \$98 | \$98 | \$0 | \$103 | \$103 | \$0 | \$108 | \$108 | \$0 |
| Total Revenue | \$954 | \$967 | (\$13) | \$3,662 | \$3,660 | \$2 | \$3,872 | \$3,885 | (\$13) | \$4,048 | \$4,061 | (\$12) |
| O&L Adjusted EBITDA | \$48 | \$51 | (\$3) | \$168 | \$171 | (\$3) | \$176 | \$174 | \$2 | \$179 | \$177 | \$1 |
| O&L Adjusted EBITDA Margin | 12.5% | 12.9% | (13) | 11.2% | 11.4% | 8 | 11.5% | 11.2% | 43 | 11.4% | 11.2% | 59 |
| Managed and Franchised Fees | \$546 | \$551 | (\$6) | \$2,069 | \$2,066 | \$3 | \$2,237 | \$2,234 | \$3 | \$2,378 | \$2,367 | \$11 |
| Corporate Expense / Other | \$39 | \$38 | \$1 | \$146 | \$150 | (\$4) | \$150 | \$155 | (\$4) | \$155 | \$159 | (\$4) |
| Total Adjusted EBITDA | \$555 | \$564 | (\$9) | \$2,091 | \$2,087 | \$4 | \$2,262 | \$2,253 | \$9 | \$2,401 | \$2,385 | \$17 |
| Adjusted EBITDA Margin | 58.2% | 58.3% | (13) | 57.1% | 57.0% | 8 | 58.4% | 58.0% | 43 | 59.3% | 58.7% | 59 |
| D&A / Other | (\$81) | (\$82) | \$1 | (\$312) | (\$326) | \$15 | (\$316) | (\$314) | (\$2) | (\$316) | (\$314) | (\$2) |
| Operating Income | \$415 | \$426 | (\$11) | \$1,525 | \$1,525 | (\$0) | \$1,726 | \$1,719 | \$7 | \$1,865 | \$1,851 | \$15 |
| Equity in Earnings from Unconsolidated Affiliates | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$2 | \$2 | \$0 | \$2 | \$2 | \$0 |
| Interest Expense, Net | \$96 | \$98 | (\$2) | \$370 | \$374 | (\$4) | \$393 | \$392 | \$1 | \$396 | \$396 | (\$0) |
| Other | \$0 | \$0 | \$0 | (\$13) | \$0 | (\$13) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Income Tax Expense | \$92 | \$98 | (\$6) | \$319 | \$335 | (\$16) | \$400 | \$397 | \$2 | \$441 | \$436 | \$5 |
| Net Income | \$226 | \$229 | (\$3) | \$819 | \$810 | \$9 | \$932 | \$927 | \$5 | \$1,029 | \$1,018 | \$11 |
| Non Controlling Interests | (\$1) | (\$1) | (\$1) | (\$4) | (\$4) | \$0 | (\$4) | (\$4) | \$0 | (\$4) | (\$4) | \$0 |
| Net Income to Hilton | \$225 | \$229 | (\$4) | \$815 | \$806 | \$9 | \$928 | \$923 | \$5 | \$1,025 | \$1,014 | \$11 |
| Diluted Shares Outstanding | 301.2 | 299.3 | 2.0 | 305.7 | 304.2 | 1.5 | 289.3 | 287.4 | 1.9 | 274.9 | 273.3 | 1.6 |
| GAAP EPS | \$0.75 | \$0.76 | (\$0.02) | \$2.68 | \$2.66 | \$0.01 | \$3.21 | \$3.22 | (\$0.00) | \$3.73 | \$3.71 | \$0.02 |
| Adjusted EPS | \$0.75 | \$0.76 | (\$0.02) | \$2.70 | \$2.71 | (\$0.01) | \$3.21 | \$3.22 | (\$0.00) | \$3.73 | \$3.71 | \$0.02 |

Source: Company reports and Deutsche Bank



Valuation

At current levels, HLT trades at multiples of 15.0x our 2018 EBITDA estimate and 13.4x our 2019 EBITDA estimate. On a free cash flow basis, HLT trades at a 4.8% yield on our 2018 gross free cash flow estimate and a 5.5% yield on our 2019 gross free cash flow estimate. See Figure 20 for a detailed valuation summary.

Figure 20: Hilton Valuation Summary

July 25, 2018

| <u>EV/EBITDA Multiples</u> | | <u>PE Multiples</u> | | <u>FCF Yields / Multiples</u> | |
|-----------------------------|--------------|---------------------|--------------|--------------------------------|--------------|
| Share Price | \$80.49 | Share Price | \$80.49 | Share Price | \$80.49 |
| Shares Outstanding 2017 | 326.8 | 2017 EPS | \$2.03 | 2017 Free Cash Flow per Share | \$2.63 |
| Shares Outstanding 2018E | 305.7 | 2018E EPS | \$2.70 | 2018E Free Cash Flow per Share | \$3.86 |
| Shares Outstanding 2019E | 289.3 | 2019E EPS | \$3.21 | 2019E Free Cash Flow per Share | \$4.41 |
| Shares Outstanding 2020E | 274.9 | 2020E EPS | \$3.73 | 2020E Free Cash Flow per Share | \$5.02 |
| 2017 Market Cap (\$ in MM) | \$26,300 | 2017 PE | 39.7x | 2017 FCF per Share | 30.6x |
| 2018E Market Cap (\$ in MM) | \$24,604 | 2018E PE | 29.8x | 2018E FCF per Share | 20.8x |
| 2019E Market Cap (\$ in MM) | \$23,286 | 2019E PE | 25.0x | 2019E FCF per Share | 18.3x |
| 2020E Market Cap (\$ in MM) | \$22,124 | 2020E PE | 21.6x | 2020E FCF per Share | 16.0x |
| 2017 Net Debt | \$5,932 | | | 2017 FCF Yield | 3.3% |
| 2018E Net Debt | \$6,838 | | | 2018E FCF Yield | 4.8% |
| 2019E Net Debt | \$7,055 | | | 2019E FCF Yield | 5.5% |
| 2020E Net Debt | \$7,159 | | | 2020E FCF Yield | 6.2% |
| 2017 EV | \$32,232 | | | | |
| 2018E EV | \$31,442 | | | | |
| 2019E EV | \$30,341 | | | | |
| 2020E EV | \$29,283 | | | | |
| 2017 EBITDA | \$1,908 | | | | |
| 2018E EBITDA | \$2,091 | | | | |
| 2019E EBITDA | \$2,262 | | | | |
| 2020E EBITDA | \$2,401 | | | | |
| 2017 EV/EBITDA | 16.9x | | | | |
| 2018E EV/EBITDA | 15.0x | | | | |
| 2019E EV/EBITDA | 13.4x | | | | |
| 2020E EV/EBITDA | 12.2x | | | | |

Source: Deutsche Bank and Company Reports



Price Target Analysis and Risks

Our \$95 PT is on a blended multiple of 15.2x our 2019 EBITDA forecast. We value HLT's M&F fees at 15.5x and the Owned / Leased segment profits at 12.0x. We believe both multiples are appropriately based on historical multiples at this stage of the lodging cycle. We then extract capitalized 2019E unallocated SG&A and HLT's 2019E net debt to arrive at our equity value expectation. We note that our share count (2019E) includes share repurchase activity.

Risks to our estimates and target price include: 1) infrastructure spend impact on construction costs for new builds could slow development and force HLT to be more reliant on conversions, 2) an inability for investors to break the mold of trading lodging based on changes in RevPAR despite the more limited reliance on RevPAR under the current model, and 3) international inbound travel softness stemming from the USD strength.

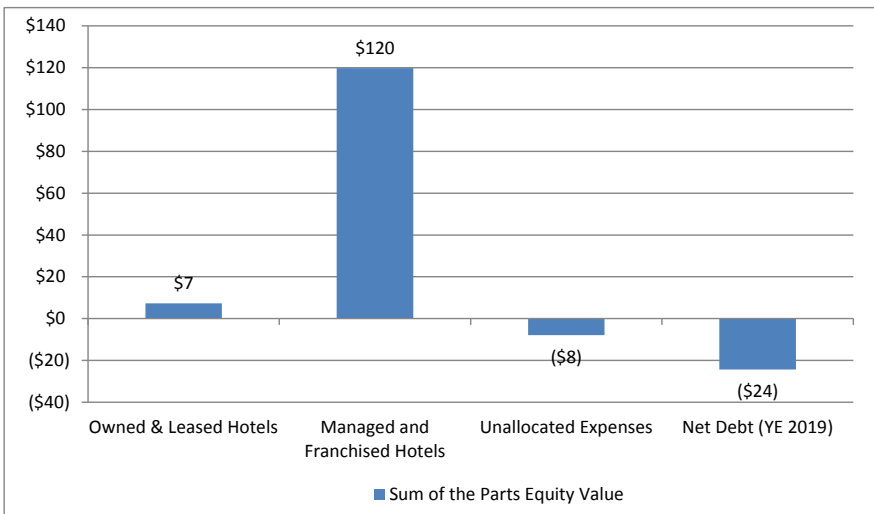
Figure 21: Price Target Analysis (\$ in MM, except per share data)

| Segment | 2019E EBITDA | Price Target Multiple | Enterprise Value |
|----------------------------------|-----------------|--------------------------|---------------------|
| Owned and Leased | \$176 | 12.0 x | \$2,108 |
| Managed and Franchised Fees | \$2,237 | 15.5 x | \$34,672 |
| Segment Operating EBITDA | \$2,413 | 15.2 | \$36,780 |
| Unallocated Expenses | \$150 | 15.2 x | \$2,294 |
| Total | \$2,262 | 15.2 | \$34,486 |
| Less Net Debt (YE 2019E) | | | \$7,055 |
| Equity Value | | | \$27,431 |
| Shares Outstanding (YE 2019E) | | | 289 |
| Price Target | | | \$95 |
| <i>Upside/Downside to Target</i> | | | <i>17.8%</i> |
| 2019E Free Cash Flow per Share | | | \$4.41 |
| Implied FCF Multiple | | | 21.5x |
| 2019E Recurring EPS | | | \$3.21 |
| Implied PE Multiple | | | 29.5x |

Source: Factset, Company reports, and Deutsche Bank



Figure 22: Equity Value Sum of Parts



Source: Company reports and Deutsche Bank

Figure 23: Price Target Sensitivity (\$ in MM, except per share data)

| | | Price Target Sensitivity | | | | | | | | |
|-----------------------------|-------|--------------------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|
| | | -20.0% | -15.0% | -10.0% | -5.0% | 5.0% | 10.0% | 15.0% | 20.0% | |
| % chg. in EBITDA | | | | | | | | | | |
| 2019E EBITDA | | \$1,809.7 | \$1,922.8 | \$2,035.9 | \$2,149.0 | \$2,262.1 | \$2,375.2 | \$2,488.3 | \$2,601.4 | \$2,714.5 |
| Net Debt (Includes JV Debt) | | \$7,371.8 | \$7,292.6 | \$7,213.4 | \$7,134.2 | \$7,055.1 | \$6,975.9 | \$6,896.7 | \$6,817.5 | \$6,738.4 |
| Shares Outstanding | | 289.3 | 289.3 | 289.3 | 289.3 | 289.3 | 289.3 | 289.3 | 289.3 | 289.3 |
| Price Target Multiples | 13.2x | \$57 | \$63 | \$68 | \$74 | \$79 | \$85 | \$90 | \$96 | \$101 |
| | 13.7x | \$60 | \$66 | \$72 | \$77 | \$83 | \$89 | \$94 | \$100 | \$106 |
| | 14.2x | \$64 | \$69 | \$75 | \$81 | \$87 | \$93 | \$99 | \$105 | \$110 |
| | 14.7x | \$67 | \$73 | \$79 | \$85 | \$91 | \$97 | \$103 | \$109 | \$115 |
| | 15.2x | \$70 | \$76 | \$82 | \$89 | \$95 | \$101 | \$107 | \$114 | \$120 |
| | 15.7x | \$73 | \$79 | \$86 | \$92 | \$99 | \$105 | \$112 | \$118 | \$124 |
| | 16.2x | \$76 | \$83 | \$89 | \$96 | \$103 | \$109 | \$116 | \$123 | \$129 |
| | 16.7x | \$79 | \$86 | \$93 | \$100 | \$107 | \$113 | \$120 | \$127 | \$134 |
| | 17.2x | \$82 | \$89 | \$96 | \$103 | \$110 | \$117 | \$124 | \$132 | \$139 |

Source: Company reports and Deutsche Bank



Model

Figure 24: Earnings Model (\$ in MM)

| (in US\$ millions, except per-share amounts) | 2016 | 1Q17 | 2Q17 | 3Q17 | 4Q17 | 2017 | 1Q18 | 2Q18 | 3Q18E | 4Q18E | 2018E | 2019E | 2020E |
|---|----------------|---------------|---------------|---------------|----------------|----------------|---------------|---------------|---------------|---------------|----------------|----------------|----------------|
| Revenues | | | | | | | | | | | | | |
| Owned, Leased, & Joint Venture Hotels | \$1,452 | \$296 | \$373 | \$388 | \$385 | \$1,442 | \$334 | \$392 | \$385 | \$384 | \$1,495 | \$1,533 | \$1,563 |
| <i>yoy % Chg.</i> | -9.0% | -7.2% | -6.3% | 4.3% | 6.1% | -0.7% | 12.8% | 5.1% | -0.7% | -0.2% | 3.7% | 2.5% | 2.0% |
| Management, Franchise, & Other | \$1,756 | \$412 | \$493 | \$498 | \$467 | \$1,870 | \$463 | \$547 | \$546 | \$514 | \$2,069 | \$2,237 | \$2,378 |
| <i>yoy % Chg.</i> | 5.2% | 3.0% | 6.3% | 8.0% | 8.4% | 6.5% | 12.4% | 11.0% | 9.6% | 10.0% | 10.7% | 8.1% | 6.3% |
| Other | \$82 | \$37 | \$20 | \$21 | \$27 | \$105 | \$23 | \$22 | \$23 | \$30 | \$98 | \$103 | \$108 |
| <i>yoy % Chg.</i> | 17.1% | 117.6% | 11.1% | 16.7% | -6.9% | 28.0% | -37.8% | 10.0% | 10.0% | 10.0% | -6.9% | 5.0% | 5.0% |
| Total Revenue | \$3,290 | \$745 | \$886 | \$907 | \$879 | \$3,417 | \$820 | \$961 | \$954 | \$927 | \$3,662 | \$3,872 | \$4,048 |
| <i>yoy % Chg.</i> | -1.3% | 1.2% | 0.7% | 6.6% | 6.8% | 3.9% | 10.1% | 8.5% | 5.2% | 5.5% | 7.2% | 5.7% | 4.5% |
| Owned, Leased, & Joint Venture Expenses | \$1,295 | \$268 | \$327 | \$345 | \$339 | \$1,279 | \$320 | \$352 | \$343 | \$330 | \$1,345 | \$1,379 | \$1,406 |
| <i>yoy % Chg.</i> | -8.5% | -12.7% | -6.3% | 6.2% | 8.1% | -1.2% | 19.4% | 7.6% | -0.7% | -2.6% | 5.2% | 2.5% | 2.0% |
| Segment EBITDA | \$158 | \$28 | \$46 | \$43 | \$46 | \$163 | \$14 | \$40 | \$42 | \$54 | \$150 | \$154 | \$157 |
| Adjustments | \$25 | \$2 | \$6 | \$6 | \$7 | \$21 | \$1 | \$6 | \$6 | \$6 | \$18 | \$22 | \$22 |
| O&L Adjusted EBITDA | \$182 | \$30 | \$52 | \$49 | \$53 | \$184 | \$15 | \$46 | \$48 | \$59 | \$168 | \$176 | \$179 |
| <i>yoy % chg</i> | -7.6% | 63.0% | -6.1% | -6.5% | -5.2% | 1.0% | -50.0% | -12.5% | -2.1% | 12.0% | -8.8% | 4.7% | 1.7% |
| O&L Adjusted EBITDA Margin | 12.5% | 10.1% | 13.9% | 12.6% | 13.8% | 12.8% | 4.5% | 11.6% | 12.5% | 15.5% | 11.2% | 11.5% | 11.4% |
| <i>bps chg</i> | 30 | 437 | 2 | -146 | -163 | 22 | -564 | -233 | -17 | 169 | -154 | 24 | -3 |
| <i>Flow Through</i> | 10.3% | 0.0% | 0.0% | 0.0% | 0.0% | NM | -39.5% | -34.2% | 36.4% | -669.9% | -30.4% | 21.0% | 9.8% |
| Managed and Franchised Fees | \$1,756 | \$412 | \$493 | \$498 | \$467 | \$1,870 | \$463 | \$547 | \$546 | \$514 | \$2,069 | \$2,237 | \$2,378 |
| <i>yoy % chg</i> | 5.2% | 3.0% | 6.3% | 8.0% | 8.4% | 6.5% | 12.4% | 11.0% | 9.6% | 10.0% | 10.7% | 8.1% | 6.3% |
| Corporate Expense / Other | \$175 | \$32 | \$41 | \$37 | \$36 | \$146 | \$33 | \$38 | \$39 | \$37 | \$146 | \$150 | \$155 |
| <i>yoy % chg</i> | -5.4% | -37.7% | -13.5% | -14.7% | 9.4% | -16.6% | 3.1% | -8.5% | 5.0% | 2.0% | 0.0% | 3.0% | 3.0% |
| Total Adjusted EBITDA | \$1,763 | \$410 | \$504 | \$510 | \$484 | \$1,908 | \$445 | \$555 | \$555 | \$536 | \$2,091 | \$2,262 | \$2,401 |
| <i>yoy % chg</i> | 4.9% | 11.7% | 6.8% | 8.5% | 6.6% | 8.2% | 8.5% | 10.1% | 8.8% | 10.8% | 9.6% | 8.2% | 6.2% |
| <i>Adjusted EBITDA Margin</i> | 53.6% | 55.0% | 56.9% | 56.2% | 55.1% | 55.8% | 54.4% | 57.8% | 58.2% | 57.8% | 57.1% | 58.4% | 59.3% |
| FF&E Reserve | \$55 | \$6 | \$15 | \$16 | \$18 | \$55 | \$12 | \$15 | \$13 | \$13 | \$53 | \$50 | \$50 |
| Share Based Comp Expense | \$83 | \$25 | \$34 | \$32 | \$30 | \$121 | \$28 | \$40 | \$36 | \$28 | \$132 | \$120 | \$120 |
| Other Adjustments | \$93 | \$138 | \$36 | \$4 | \$2 | \$180 | \$19 | \$28 | \$10 | \$13 | \$70 | \$50 | \$50 |
| EBITDA | \$1,532 | \$241 | \$419 | \$458 | \$434 | \$1,552 | \$386 | \$472 | \$496 | \$482 | \$1,836 | \$2,042 | \$2,181 |
| <i>y/y % chg.</i> | | | | | | | 60.2% | 12.6% | 8.3% | 11.1% | 18.3% | 11.2% | 6.8% |
| D&A | \$364 | \$86 | \$83 | \$83 | \$88 | \$340 | \$82 | \$79 | \$81 | \$82 | \$324 | \$316 | \$316 |
| Other | (\$2) | \$0 | \$12 | \$7 | \$12 | \$31 | \$0 | (\$13) | \$0 | \$0 | (\$13) | \$0 | \$0 |
| Operating Income | \$1,170 | \$155 | \$324 | \$368 | \$334 | \$1,181 | \$304 | \$406 | \$415 | \$400 | \$1,525 | \$1,726 | \$1,865 |
| <i>yoy % Chg.</i> | 5.1% | -29.9% | -2.7% | 15.4% | 12.5% | 1.0% | 96.1% | 25.2% | 12.8% | 19.8% | 29.1% | 13.2% | 8.1% |
| Interest Expense | (\$394) | (\$89) | (\$86) | (\$100) | (\$104) | (\$379) | (\$83) | (\$95) | (\$97) | (\$99) | (\$374) | (\$396) | (\$398) |
| Equity in Earnings from Unconsolidated Affiliates | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$2 | \$2 |
| Other | (\$5) | \$0 | \$12 | (\$5) | \$0 | \$7 | (\$2) | (\$13) | (\$1) | (\$1) | (\$13) | (\$4) | (\$4) |
| Pre-tax Income | \$774 | \$66 | \$250 | \$263 | \$230 | \$809 | \$221 | \$298 | \$318 | \$301 | \$1,138 | \$1,332 | \$1,469 |
| Income Tax Expense | (\$647) | (\$18) | (\$99) | (\$108) | \$585 | \$360 | (\$58) | (\$81) | (\$92) | (\$87) | (\$319) | (\$400) | (\$441) |
| <i>Tax Rate</i> | 84% | 27% | 40% | 41% | -254% | -44% | 26% | 27% | 29% | 29% | 28% | 30% | 30% |
| Net Income | \$127 | \$48 | \$151 | \$155 | \$815 | \$1,169 | \$163 | \$217 | \$226 | \$214 | \$819 | \$932 | \$1,029 |
| Non Controlling Interests | (\$76) | (\$1) | (\$1) | (\$2) | (\$1) | (\$5) | (\$2) | \$0 | (\$1) | (\$1) | (\$4) | (\$4) | (\$4) |
| Net Income to Hilton | \$51 | \$47 | \$150 | \$153 | \$814 | \$1,164 | \$161 | \$217 | \$225 | \$213 | \$815 | \$928 | \$1,025 |
| <i>yoy % Chg.</i> | -88.1% | -75.5% | 56.6% | 31.0% | -329.8% | 2201.0% | 242.6% | 44.1% | 46.9% | -73.9% | -30.0% | 13.9% | 10.3% |
| GAAP EPS | \$0.15 | \$0.14 | \$0.46 | \$0.47 | \$2.53 | \$3.60 | \$0.50 | \$0.71 | \$0.75 | \$0.71 | \$2.68 | \$3.21 | \$3.73 |
| <i>yoy % Chg.</i> | -88.5% | -75.6% | 57.0% | 33.0% | NM | NM | 255.4% | 56.5% | 58.5% | NM | -25.6% | 20.1% | 15.9% |
| EPS Adjustments | | | | | | | | | | | | | |
| Income from Continuing Operations | \$51 | \$47 | \$150 | \$153 | \$814 | \$1,164 | \$161 | \$217 | \$225 | \$213 | \$815 | \$928 | \$1,025 |
| Restructuring, other | \$8 | | | \$2 | | \$2 | | | | | \$0 | | |
| Gains / losses | \$14 | \$7 | | | | \$7 | \$2 | \$1 | | | \$3 | | |
| Debt extinguishment costs | \$30 | \$60 | | \$3 | | \$63 | | | | | \$0 | | |
| Other | \$436 | \$60 | \$30 | \$31 | (\$635) | (\$514) | \$15 | (\$7) | | | \$8 | | |
| Total Special Items Pre-tax | \$488 | \$127 | \$30 | \$36 | (\$635) | (\$442) | \$17 | (\$6) | \$0 | \$0 | \$11 | \$0 | \$0 |
| Income tax benefit/(expense) for special items | (\$22) | (\$49) | (\$11) | (\$1) | \$1 | (\$60) | (\$3) | (\$1) | | | (\$4) | | |
| Adjusted Net Income | \$516 | \$125 | \$169 | \$188 | \$180 | \$662 | \$175 | \$210 | \$225 | \$213 | \$823 | \$928 | \$1,025 |
| Adjusted EPS | \$1.57 | \$0.38 | \$0.51 | \$0.58 | \$0.56 | \$2.03 | \$0.55 | \$0.70 | \$0.75 | \$0.71 | \$2.70 | \$3.21 | \$3.73 |
| <i>yoy % Chg.</i> | 20.0% | 5.6% | 75.1% | 44.0% | 8.9% | 29.6% | 45.3% | 35.1% | 29.1% | 26.9% | 33.0% | 19.1% | 15.9% |
| Basic Shares Outstanding | 329 | 330 | 327 | 322 | 319 | 325 | 316 | 301 | 300 | 298 | 304 | 288 | 273 |
| Diluted Shares Outstanding | 330 | 331 | 329 | 325 | 322 | 327 | 319 | 303 | 301 | 300 | 306 | 289 | 275 |

Source: Company reports and Deutsche Bank estimates



Figure 25: Managed and Franchised Hotel Driver Model (\$ in MM)

| | 2016 | 1Q17 | 2Q17 | 3Q17 | 4Q17 | 2017 | 1Q18 | 2Q18 | 3Q18E | 4Q18E | 2018E | 2019E | 2020E |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|
| <i>Days in Period</i> | 366 | 90 | 91 | 92 | 92 | 365 | 90 | 91 | 92 | 92 | 365 | 365 | 365 |
| Managed Hotels | 2016 | 1Q17 | 2Q17 | 3Q17 | 4Q17 | 2017 | 1Q18 | 2Q18 | 3Q18E | 4Q18E | 2018E | 2019E | 2020E |
| Managed Rooms | 200,114 | 200,189 | 202,476 | 203,496 | 208,235 | 208,235 | 206,908 | 210,231 | | | | | |
| <i>sequential change</i> | 200,114 | 75 | 2,287 | 1,020 | 4,739 | 8,121 | -1,327 | 3,323 | | | | | |
| <i>y/y chg.</i> | 200,114 | 8,326 | 8,155 | 6,974 | 8,121 | 8,121 | 6,719 | 7,755 | | | | | |
| <i>y/y % chg.</i> | | 4.3% | 4.2% | 3.5% | 4.1% | 4.1% | 3.4% | 3.8% | | | | | |
| Managed Rooms (Includes Owned) | 222,405 | 222,467 | 224,810 | 225,700 | 230,441 | 230,441 | 228,626 | 231,948 | 233,198 | 234,948 | 234,948 | 239,948 | 244,448 |
| <i>sequential change</i> | 4,094 | 62 | 2,345 | 890 | 4,741 | 8,036 | -1,815 | 3,322 | 1,250 | 1,750 | 4,507 | 5,000 | 4,500 |
| <i>y/y chg.</i> | 4,094 | 7,295 | 7,910 | 6,728 | 8,036 | 8,036 | 6,159 | 7,138 | 7,498 | 4,507 | 4,507 | 5,000 | 4,500 |
| <i>y/y % chg.</i> | 1.9% | 3.4% | 3.6% | 3.1% | 3.6% | 3.6% | 2.8% | 3.2% | 3.3% | 2.0% | 2.0% | 2.1% | 1.9% |
| Systemwide Occupancy | 74.5% | 70.9% | 78.8% | 79.3% | 72.6% | 75.4% | 71.8% | 79.5% | 79.6% | 73.1% | 76.0% | 76.2% | 76.3% |
| <i>y/y chg.</i> | -0.6% | 1.5% | 0.1% | 0.3% | 3.1% | 1.2% | 1.2% | 0.9% | 0.3% | 0.7% | 0.8% | 0.3% | 0.1% |
| <i>y/y % chg. in bps Comp</i> | 160 | 40 | 50 | 180 | 180 | 180 | 130 | 25 | 50 | 50 | 10 | 10 | 10 |
| <i>y/y % chg. non Comp</i> | -44 | 104 | 7 | 20 | 220 | 88 | 86 | 73 | 25 | 50 | 58 | 25 | 10 |
| Systemwide ADR | \$139.30 | \$141.55 | \$147.37 | \$145.80 | \$143.65 | \$144.59 | \$145.21 | \$150.76 | \$149.45 | \$146.52 | \$147.98 | \$151.68 | \$154.72 |
| <i>y/y % chg. Comp</i> | 0.6% | 1.2% | 0.6% | 0.6% | 0.6% | 1.2% | 2.3% | 2.5% | 2.0% | 2.0% | 2.3% | 2.5% | 2.0% |
| <i>y/y % chg. non Comp</i> | 2.2% | 2.8% | 3.7% | 3.2% | 5.5% | 3.8% | 2.6% | 2.3% | 2.5% | 2.0% | 2.3% | 2.5% | 2.0% |
| Systemwide RevPAR | \$103.91 | \$100.42 | \$116.09 | \$115.62 | \$104.29 | \$109.10 | \$104.26 | \$119.85 | \$118.88 | \$107.11 | \$112.53 | \$115.72 | \$118.11 |
| <i>y/y % chg. Comp</i> | 1.9% | 3.0% | 1.8% | 1.3% | 3.8% | 2.5% | 3.9% | 4.0% | 2.8% | 2.7% | 3.4% | 2.8% | 2.1% |
| <i>y/y % chg. non Comp</i> | 1.6% | 4.3% | 3.8% | 3.5% | 8.8% | 5.0% | 3.8% | 3.2% | 2.8% | 2.7% | 3.1% | 2.8% | 2.1% |
| Managed Room Revenue | \$8,283 | \$2,010 | \$2,362 | \$2,396 | \$2,188 | \$8,957 | \$2,154 | \$2,512 | \$2,544 | \$2,307 | \$9,516 | \$10,032 | \$10,441 |
| <i>sequential change</i> | 103.3% | 5.9% | 7.4% | 6.9% | 12.3% | 8.1% | 6.3% | 6.2% | 6.3% | 6.2% | 6.2% | 5.4% | 4.1% |
| <i>y/y chg.</i> | \$2,417 | \$690 | \$338 | \$504 | \$412 | \$1,943 | \$413 | \$288 | \$323 | \$396 | \$1,420 | \$1,162 | \$862 |
| <i>y/y % chg.</i> | -59.2% | -6.2% | -36.9% | 28.3% | -45.4% | -19.6% | -40.1% | -14.6% | -35.9% | -3.9% | -26.9% | -18.1% | -25.9% |
| <i>Non Room as a % of Room Revenue</i> | 29.2% | 34.3% | 14.3% | 21.0% | 18.8% | 21.7% | 19.2% | 11.5% | 12.7% | 17.1% | 14.9% | 11.6% | 8.3% |
| Total Hotel Revenue | \$10,700 | \$2,700 | \$2,700 | \$2,900 | \$2,600 | \$10,900 | \$2,567 | \$2,800 | \$2,867 | \$2,702 | \$10,936 | \$11,195 | \$11,303 |
| <i>y/y % chg.</i> | 7.0% | 2.5% | -1.2% | 10.1% | -3.7% | 1.9% | -4.9% | 3.7% | -1.1% | 3.9% | 0.3% | 2.4% | 1.0% |
| Core Base Fees | \$321 | \$81 | \$81 | \$87 | \$78 | \$327 | \$77 | \$84 | \$86 | \$81 | \$328 | \$336 | \$339 |
| <i>as a % of Total Hotel Revenue</i> | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| <i>as a % of Room Revenue</i> | 3.9% | 4.0% | 3.4% | 3.6% | 3.6% | 3.7% | 3.6% | 3.3% | 3.4% | 3.5% | 3.4% | 3.3% | 3.2% |
| <i>y/y % chg.</i> | 7.0% | 2.5% | -1.2% | 10.1% | -3.7% | 1.9% | -4.9% | 3.7% | -1.1% | 3.9% | 0.3% | 2.4% | 1.0% |
| Incentive Fees | \$201 | \$49 | \$57 | \$53 | \$63 | \$222 | \$55 | \$59 | \$54 | \$64 | \$232 | \$246 | \$249 |
| <i>as a % of Hotel Revenue</i> | 1.88% | 1.81% | 2.11% | 1.83% | 2.42% | 2.04% | 2.14% | 2.11% | 1.88% | 2.37% | 2.12% | 2.20% | 2.20% |
| <i>y/y % chg.</i> | 2.6% | -2.0% | 16.3% | 10.4% | 16.7% | 10.4% | 12.2% | 3.5% | 1.6% | 1.8% | 4.5% | 6.0% | 1.2% |
| Other Management Fees | | | | | | | | | | | | | |
| <i>as a % of Hotel Revenue</i> | | | | | | | | | | | | | |
| <i>y/y % chg.</i> | | | | | | | | | | | | | |
| Franchised Hotels | 2016 | 1Q17 | 2Q17 | 3Q17 | 4Q17 | 2017 | 1Q18 | 2Q18 | 3Q18E | 4Q18E | 2018E | 2019E | 2020E |
| Franchised Rooms | 574,035 | 581,789 | 592,836 | 603,891 | 617,573 | 617,573 | 626,513 | 639,034 | | | | | |
| <i>sequential change</i> | 574,035 | 7,754 | 11,047 | 11,055 | 13,682 | 43,538 | 8,940 | 12,521 | | | | | |
| <i>y/y chg.</i> | 574,035 | 39,093 | 41,515 | 41,591 | 43,538 | 43,538 | 44,724 | 46,198 | | | | | |
| <i>y/y % chg.</i> | | 7.2% | 7.5% | 7.4% | 7.6% | 7.6% | 7.7% | 7.8% | | | | | |
| Franchised Rooms (Incl. Timeshare) | 581,692 | 589,874 | 600,937 | 611,992 | 625,674 | 625,674 | 634,615 | 647,401 | 660,901 | 676,401 | 676,401 | 731,401 | 781,401 |
| <i>sequential change</i> | 41,501 | 8,182 | 11,063 | 11,055 | 13,682 | 43,982 | 8,941 | 12,786 | 13,500 | 15,500 | 50,727 | 55,000 | 50,000 |
| <i>y/y chg.</i> | 41,501 | 39,776 | 41,971 | 42,100 | 43,982 | 43,982 | 44,741 | 46,464 | 48,909 | 50,727 | 50,727 | 55,000 | 50,000 |
| <i>y/y % chg.</i> | 7.7% | 7.2% | 7.5% | 7.4% | 7.6% | 7.6% | 7.6% | 7.7% | 8.0% | 8.1% | 8.1% | 8.1% | 6.8% |
| Systemwide Occupancy | 74.5% | 70.9% | 78.8% | 79.3% | 72.6% | 75.4% | 71.8% | 79.5% | 79.6% | 73.1% | 76.0% | 76.2% | 76.3% |
| <i>y/y chg.</i> | -0.6% | 1.5% | 0.1% | 0.3% | 3.1% | 1.2% | 1.2% | 0.9% | 0.3% | 0.7% | 0.8% | 0.3% | 0.1% |
| <i>y/y % chg. in bps Comp</i> | 0 | 160 | 40 | 50 | 180 | 0 | 180 | 130 | 25 | 50 | 0 | 0 | 10 |
| <i>y/y % chg. non Comp</i> | -44 | 104 | 7 | 20 | 220 | 88 | 86 | 73 | 25 | 50 | 58 | 25 | 10 |
| Systemwide ADR | \$139.30 | \$141.55 | \$147.37 | \$145.80 | \$143.65 | \$144.59 | \$145.21 | \$150.76 | \$149.45 | \$146.52 | \$147.98 | \$151.68 | \$154.72 |
| <i>y/y % chg. Comp</i> | 0.6% | 1.2% | 0.6% | 0.6% | 0.6% | 1.2% | 2.3% | 2.5% | 2.0% | 2.0% | 2.3% | 2.5% | 2.0% |
| <i>y/y % chg. non Comp</i> | 2.2% | 2.8% | 3.7% | 3.2% | 5.5% | 3.8% | 2.6% | 2.3% | 2.5% | 2.0% | 2.3% | 2.5% | 2.0% |
| Systemwide RevPAR | \$103.91 | \$100.42 | \$116.09 | \$115.62 | \$104.29 | \$109.10 | \$104.26 | \$119.85 | \$118.88 | \$107.11 | \$112.53 | \$115.72 | \$118.11 |
| <i>y/y % chg. Comp</i> | 1.9% | 3.0% | 1.8% | 1.3% | 3.8% | 2.5% | 3.9% | 4.0% | 2.8% | 2.7% | 3.4% | 2.8% | 2.1% |
| <i>y/y % chg. non Comp</i> | 1.6% | 4.3% | 3.8% | 3.5% | 8.8% | 5.0% | 3.8% | 3.2% | 2.8% | 2.7% | 3.1% | 2.8% | 2.1% |
| Franchised Room Revenue | \$21,297 | \$5,294 | \$6,290 | \$6,451 | \$5,937 | \$23,972 | \$5,913 | \$6,991 | \$7,155 | \$6,589 | \$26,648 | \$29,748 | \$32,608 |
| <i>sequential change</i> | 23.1% | 10.9% | 11.4% | 11.2% | 17.0% | 12.6% | 11.7% | 11.2% | 10.9% | 11.0% | 11.2% | 11.6% | 9.6% |
| <i>y/y chg.</i> | \$1,234 | \$282 | \$355 | \$358 | \$326 | \$1,321 | \$331 | \$404 | \$406 | \$368 | \$1,509 | \$1,655 | \$1,790 |
| <i>as a % of Franchised Room Revenue</i> | 5.79% | 5.33% | 5.64% | 5.55% | 5.49% | 5.51% | 5.60% | 5.78% | 5.67% | 5.59% | 5.66% | 5.56% | 5.49% |
| <i>y/y % chg.</i> | 6.0% | 4.1% | 6.6% | 7.2% | 10.1% | 7.1% | 17.4% | 13.8% | 13.4% | 13.0% | 14.3% | 9.7% | 8.1% |
| Total Managed and Franchised Segment | 2016 | 1Q17 | 2Q17 | 3Q17 | 4Q17 | 2017 | 1Q18 | 2Q18 | 3Q18E | 4Q18E | 2018E | 2019E | 2020E |
| Managed and Franchised Rooms | 774,149 | 781,978 | 795,312 | 807,387 | 825,808 | 825,808 | 833,421 | 849,265 | | | | | |
| <i>sequential change</i> | 774,149 | 7,829 | 13,334 | 12,075 | 18,421 | 51,659 | 7,613 | 15,844 | | | | | |
| <i>y/y chg.</i> | 774,149 | 47,419 | 49,670 | 48,565 | 51,659 | 51,659 | 51,443 | 53,953 | | | | | |
| <i>y/y % chg.</i> | | 6.5% | 6.7% | 6.4% | 6.7% | 6.7% | 6.6% | 6.8% | | | | | |
| Total Rooms (Includes Owned & Timeshare) | 804,097 | 812,341 | 825,747 | 837,692 | 856,115 | 856,115 | 863,241 | 879,349 | 894,099 | 911,349 | 911,349 | 971,349 | 1,025,849 |
| <i>sequential change</i> | 45,595 | 8,244 | 13,406 | 11,945 | 18,423 | 52,018 | 7,126 | 16,108 | 14,750 | 17,250 | 53,234 | 60,000 | 54,500 |
| <i>y/y chg.</i> | 45,595 | 47,071 | 49,881 | 48,828 | 52,018 | 52,018 | 50,900 | 53,602 | 56,407 | 55,234 | 53,234 | 60,000 | 54,500 |
| <i>y/y % chg.</i> | 6.0% | 6.2% | 6.4% | 6.2% | 6.5% | 6.5% | 6.3% | 6.5% | 6.7% | 6.5% | 6.5% | 6.6% | 5.6% |
| Managed and Franchised Fees | \$1,756 | \$412 | \$493 | \$498 | \$467 | \$1,870 | \$463 | \$547 | \$546 | \$514 | \$2,069 | \$2,237 | \$2,378 |
| <i>y/y % chg.</i> | 5.2% | 3.0% | 6.3% | 8.0% | 8.4% | 6.5% | 12.4% | 11.0% | 9.6% | 10.0% | 10.7% | 8.1% | 6.3% |

Source: Company reports and Deutsche Bank estimates



Figure 26: Owned Hotel Driver Model (\$ in MM)

| | 2016 | 1Q17 | 2Q17 | 3Q17 | 4Q17 | 2017 | 1Q18 | 2Q18 | 3Q18E | 4Q18E | 2018E | 2019E | 2020E |
|--------------------------------------|------------------|----------------|----------------|----------------|----------------|------------------|----------------|----------------|----------------|----------------|------------------|------------------|------------------|
| Owned, Leased, JV Model | | | | | | | | | | | | | |
| Days in Period | 366 | 90 | 91 | 92 | 92 | 365 | 90 | 91 | 92 | 92 | 365 | 365 | 365 |
| U.S. Room Count | 676 | 676 | 676 | 676 | 676 | 676 | 676 | 676 | 676 | 676 | 676 | 676 | 676 |
| Sequential chg. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| y/y % chg. | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| International Room Count | 21,615 | 21,602 | 21,658 | 21,528 | 21,530 | 21,530 | 21,042 | 21,041 | 21,041 | 21,041 | 21,041 | 21,041 | 21,041 |
| Sequential chg. | 85 | (13) | 56 | (130) | 2 | (85) | (488) | (1) | 0 | 0 | (489) | 0 | 0 |
| y/y % chg. | 0.4% | -4.6% | -1.1% | -1.1% | -0.4% | -0.4% | -2.6% | -2.8% | -2.3% | -2.3% | -2.3% | 0.0% | 0.0% |
| Total O&L Room Count | 22,291 | 22,278 | 22,334 | 22,204 | 22,206 | 22,206 | 21,718 | 21,717 | 21,717 | 21,717 | 21,717 | 21,717 | 21,717 |
| Sequential chg. | 85 | (13) | 56 | (130) | 2 | (85) | (488) | (1) | 0 | 0 | (489) | 0 | 0 |
| y/y % chg. | 0.4% | -4.4% | -1.1% | -1.1% | -0.4% | -0.4% | -2.5% | -2.8% | -2.2% | -2.2% | -2.2% | 0.0% | 0.0% |
| O&L Total RevPOR | | \$147.63 | \$183.53 | \$189.94 | \$188.45 | \$177.39 | \$170.88 | \$198.36 | \$192.79 | \$192.22 | \$188.56 | \$193.27 | \$197.14 |
| yoy % chg | | 6.0% | 5.2% | 14.6% | 15.7% | 5.4% | 15.7% | 8.1% | 1.5% | 2.0% | 6.3% | 2.5% | 12.6% |
| yoy % chg (Comparable & Constant FX) | | 6.0% | 5.2% | 6.2% | 4.0% | 5.4% | 4.8% | 4.5% | 1.5% | 2.0% | 3.2% | 2.5% | 2.0% |
| O&L Net Revenue | \$1,452.0 | \$296.0 | \$373.0 | \$388.0 | \$385.0 | \$1,442.0 | \$334.0 | \$392.0 | \$385.2 | \$384.1 | \$1,495.2 | \$1,532.6 | \$1,562.7 |
| yoy % chg | -9.0% | -7.2% | -6.3% | 4.3% | 6.1% | -0.7% | 12.8% | 5.1% | -0.7% | -0.2% | 3.7% | 2.5% | 2.0% |
| O&L Expenses | \$1,269.9 | \$266.0 | \$321.0 | \$339.0 | \$332.0 | \$1,258.0 | \$319.0 | \$346.5 | \$337.2 | \$324.7 | \$1,327.4 | \$1,356.9 | \$1,384.1 |
| Opex per Room per Day | \$156 | \$133 | \$158 | \$165 | \$163 | \$155 | \$161 | \$175 | \$169 | \$163 | \$166 | \$171 | \$175 |
| yoy % chg | | -8.6% | -3.6% | 7.2% | 8.9% | -0.7% | 21.7% | 10.9% | 2.0% | 0.0% | 6.9% | 3.4% | 2.0% |
| O&L Adjusted EBITDA | \$182.1 | \$30.0 | \$52.0 | \$49.0 | \$53.0 | \$184.0 | \$15.0 | \$45.5 | \$48.0 | \$59.3 | \$167.8 | \$175.7 | \$178.6 |
| yoy % chg | -7.6% | 63.0% | -6.1% | -6.5% | -5.2% | 1.0% | -50.0% | -12.5% | -2.1% | 12.0% | -8.8% | 4.7% | 1.7% |
| O&L Adjusted EBITDA Margins | 12.5% | 10.1% | 13.9% | 12.6% | 13.8% | 12.8% | 4.5% | 11.6% | 12.5% | 15.5% | 11.2% | 11.5% | 11.4% |
| bps chg | 50 | 437 | 2 | -146 | -163 | 22 | -564 | -233 | -17 | 169 | -154 | 24 | -3 |
| Flow Through | 10.3% | | | | | NM | -39.5% | -34.2% | 36.4% | -669.9% | -30.4% | 21.0% | 9.8% |

Source: Company reports and Deutsche Bank estimates

Figure 27: Free Cash Flow and Balance Sheet Model (\$ in MM)

| | 2016 | 1Q17 | 2Q17 | 3Q17 | 4Q17 | 2017 | 1Q18 | 2Q18 | 3Q18E | 4Q18E | 2018E | 2019E | 2020E |
|--|--------------|----------------|---------------|---------------|----------------|----------------|--------------|------------------|--------------|--------------|----------------|----------------|----------------|
| Free Cash Flow (in \$ millions) | | | | | | | | | | | | | |
| Adjusted EBITDA | \$1,763 | \$410 | \$504 | \$510 | \$484 | \$1,908 | \$445 | \$555 | \$555 | \$536 | \$2,091 | \$2,262 | \$2,401 |
| Less Cash Taxes | \$677 | \$103 | \$135 | \$140 | \$149 | \$526 | \$9 | \$140 | \$128 | \$123 | \$400 | \$464 | \$492 |
| Less Cash Interest | \$478 | \$113 | \$45 | \$67 | \$89 | \$314 | \$72 | \$77 | \$82 | \$81 | \$312 | \$323 | \$329 |
| Less Capex | \$175 | \$31 | \$48 | \$53 | \$76 | \$208 | \$39 | \$65 | \$48 | \$48 | \$199 | \$200 | \$200 |
| Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Gross Free Cash Flow | \$433 | \$164 | \$277 | \$250 | \$170 | \$860 | \$325 | \$273 | \$298 | \$284 | \$1,180 | \$1,275 | \$1,380 |
| Gross FCF / Share | \$1.31 | | | | | \$2.63 | | | | | \$3.86 | \$4.41 | \$5.02 |
| Gross FCF Yield | 1.6% | | | | | 3.3% | | | | | 4.8% | 5.5% | 6.2% |
| Less Acquisitions | | | | | | \$0 | | | | | | | |
| Asset Sales | | | | | | \$0 | | | | | | | |
| Less Dividends | | \$49 | \$49 | \$49 | \$48 | \$195 | \$47 | \$45 | \$45 | \$45 | \$182 | \$173 | \$164 |
| as a % of Gross FCF | | | | | | 2.3% | | | | | 15% | 14% | 12% |
| Less Share Repurchases | | \$70 | \$282 | \$273 | \$266 | \$891 | \$110 | \$1,329 | \$130 | \$130 | \$1,699 | \$1,320 | \$1,320 |
| Other | | (\$302) | (\$11) | \$52 | \$29 | (\$231) | (\$158) | (\$47) | | | (\$205) | \$0 | \$0 |
| Net Free Cash Flow | \$100 | (\$257) | (\$65) | (\$20) | (\$115) | (\$457) | \$10 | (\$1,148) | \$123 | \$110 | (\$906) | (\$218) | (\$104) |
| Balance Sheet (in \$ millions) | | | | | | | | | | | | | |
| Cash & Cash Equivalents | \$1,118 | \$986 | \$909 | \$796 | \$670 | \$670 | \$683 | \$805 | \$805 | \$805 | \$505 | \$287 | \$287 |
| Gross Debt | \$6,593 | \$6,718 | \$6,706 | \$6,613 | \$6,602 | \$6,602 | \$6,605 | \$7,575 | \$7,452 | \$7,343 | \$7,343 | \$7,343 | \$7,446 |
| Net Debt | \$5,475 | \$5,732 | \$5,797 | \$5,817 | \$5,932 | \$5,932 | \$5,922 | \$7,070 | \$6,947 | \$6,838 | \$6,838 | \$7,055 | \$7,159 |
| chg. in Net Debt | | \$257 | \$65 | \$20 | \$115 | \$457 | (\$10) | \$1,148 | (\$123) | (\$110) | \$906 | \$218 | \$104 |
| Shareholders' Equity | \$1,573 | \$1,598 | \$1,515 | \$1,448 | \$1,691 | \$1,691 | \$1,747 | \$560 | \$610 | \$648 | \$648 | \$84 | -\$376 |
| Debt / Cap | 81% | 81% | 82% | 82% | 80% | 80% | 79% | 93% | 92% | 92% | 92% | 99% | 105% |
| Book Value per share | | | | | | | | | | | | | |
| TTM EBITDA | \$1,763 | \$1,806 | \$1,838 | \$1,878 | \$1,908 | \$1,908 | \$1,943 | \$1,994 | \$2,039 | \$2,091 | \$2,091 | \$2,262 | \$2,401 |
| TTM Interest Expense | \$394 | \$393 | \$380 | \$383 | \$379 | \$379 | \$373 | \$382 | \$379 | \$374 | \$374 | \$396 | \$398 |
| Gross Debt/EBITDA | 3.7x | 3.7x | 3.6x | 3.5x | 3.5x | 3.5x | 3.4x | 3.8x | 3.7x | 3.5x | 3.5x | 3.2x | 3.1x |
| Net Debt/EBITDA | 3.1x | 3.2x | 3.2x | 3.1x | 3.1x | 3.1x | 3.0x | 3.5x | 3.4x | 3.3x | 3.3x | 3.1x | 3.0x |
| Interest Coverage | 4.5x | 4.6x | 4.8x | 4.9x | 5.0x | 5.0x | 5.2x | 5.2x | 5.4x | 5.6x | 5.6x | 5.7x | 6.0x |

Source: Company reports and Deutsche Bank estimates



Appendix 1

Important Disclosures

*Other information available upon request

Disclosure checklist

| Company | Ticker | Recent price* | Disclosure |
|------------------|--------|-----------------------|------------|
| Hilton Worldwide | HLT.N | 80.49 (USD) 24 Jul 18 | 1,7,8 |

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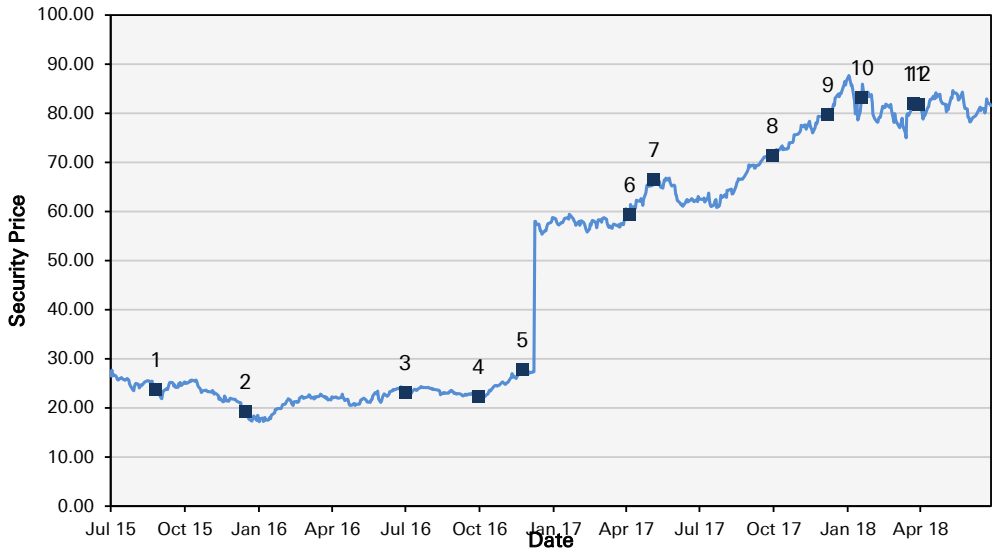
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Historical recommendations and target price: Hilton Worldwide (HLT.N)
 (as of 7/24/2018)



Previous Recommendations

- Strong Buy
- Buy
- Market Perform
- Underperform
- Not Rated
- Suspended Rating

Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

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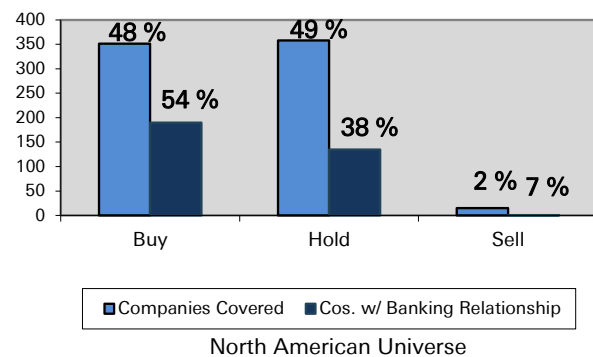
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Equity rating dispersion and banking relationships





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