



Lisbon School  
of Economics  
& Management  
Universidade de Lisboa

# **MASTER OF SCIENCE IN FINANCE**

## **MASTERS FINAL WORK PROJECT**

**EQUITY RESEARCH:  
HYATT HOTELS CORPORATION**

**CLÁUDIA SOFIA FERREIRA RODRIGUES**

**OCTOBER 2021**



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**SUPERVISOR:  
PHD. TIAGO RODRIGO ANDRADE DIOGO**

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## Abstract

The Equity Research Report that ensues contains a valuation on Hyatt Hotels Corporation (“HYATT”) and follows the format proposed by the CFA Institute. Only public information available on August 19<sup>th</sup>, 2021, was considered; therefore, any information made available after was not reflected. HYATT was chosen due to its focus on high-end segments, which would be interesting to analyse in the post-pandemic context.

HYATT is a worldwide hospitality company that operates in all five continents with a portfolio that currently comprises more than 980 hotels. A leader in its industry, it displayed values of Total Revenues of \$2.1Bn, Total Assets of \$9.129Bn and a market capitalization of \$7.061Bn in 2020YE.

HYATT has a HOLD recommendation, presenting a 2022YE PT of \$77.07/share, which translates into an 11.12% upside potential compared to its August 19<sup>th</sup>, 2021 closing price of \$69.36/share, with high risk. This was computed through the WACC method, but other methods were performed to complement the analysis, namely the Adjusted Present Value (APV), the Flow to Equity, the Dividend-Discount Model (DDM) and the Relative Valuation through Peer’s multiples.

The company’s shares are undervalued at present mainly due to the challenges posed by the COVID-19 pandemic on the world economy, which led to the rise of uncertainty and pessimistic expectations, causing downward pressure on both the demand and supply sides of the hotel industry.

In addition, a sensitivity analysis was performed on WACC, long-term sustainable growth rate, RevPAR and number of rooms, which were considered risks to the PT.

JEL classification: G10 ; G32; G34

Keywords: Equity Research; Valuation; Hyatt

## Resumo

O projeto que se segue contém uma avaliação do Hyatt Hotels Corporation (“HYATT”) e respeita o formato proposto pelo CFA Institute. Apenas informação pública disponível a 19 de agosto de 2021 foi considerada, como tal informação apresentada após essa data não foi refletida. HYATT foi escolhido uma vez que se foca no segmento de luxo, algo que seria interessante analisar num contexto de pós-pandemia.

HYAT é uma empresa hoteleira multinacional, que opera em todos os cinco continentes com um portfólio que reúne mais de 980 hotéis. Uma líder na sua indústria, apresentou valores de receitas na ordem dos \$2.1 mil milhões, um total de ativos de \$9.129 mil milhões e uma capitalização bolsista de \$7.061 mil milhões.

HYATT tem uma recomendação de investimento de MANTER, apresentando valores para o Preço Alvo de finais de 2022 de \$77.07/ação, correspondendo a uma valorização potencial de 11.12% quando comparada com o preço de fecho de \$69.36/ação do dia 19 de agosto de 2021, com risco elevado. Tal foi calculado através do modelo *WACC*, mas outros modelos foram utilizados para complementar a análise, nomeadamente os modelos *Adjusted Present Value (APV)*, o *Dividend-Discount Model (DDM)* e uma avaliação através dos múltiplos de empresas equiparáveis ao HYATT.

As ações da empresa estão presentemente subvalorizadas maioritariamente devido aos desafios provocados pela pandemia do COVID-19 na economia mundial, o que levou ao aumento da incerteza e das expectativas pessimistas, provocando uma pressão negativa na procura e na oferta da indústria hoteleira.

Adicionalmente, uma análise de sensibilidade foi realizada ao *WACC*, à taxa de crescimento de longo prazo, RevPAR e número de quartos, que foram considerados como riscos ao Preço Alvo.

Classificação JEL: G10 ; G32; G34

Palavras-Chave: Equity Research; Avaliação de Empresas; HYATT

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# Index

1- Research Snapshot	1
2- Business Description	2
The company	2
History of the company	2
Financial Highlights	2
Business segments, Revenues, and Geographical Information	2
Drivers of Profitability	3
Strategy	4
Shareholder structure	5
Dividend Policy	5
3- Management and ESG	6
Environment, Social, Governance (ESG)	6
Governance Model	6
Board of Directors	6
Remuneration	7
4- Industry Overview and Competitive Positioning	7
Economic Outlook	7
Hotel Industry Overview	10
Competitive Position	12
Peers Strategy	12
SWOT Analysis	12
Porters Five Forces	13
PESTEL Analysis	13
5- Investment Summary	14
Valuation Methods	14
Investment Risks	14
6- Valuation	14
WACC Method	14
APV Method	16
Flow-to-Equity Method and DDM	16
Relative Valuation	16
7- Financial Analysis	16
Operational Efficiency	16
Profitability	17
Solvency and Liquidity	17
8- Investment Risks	17
Economic Risks	17
Market Risks	18
Operational Risks	18
Regulatory and Political Risks	19
Special case Risks	19
Price Target Sensitivity	19

Appendix 1: HYATT's system-wide rooms	21
Appendix 2: HYATT's Chain scale as defined by Smith Travel Research	21
Appendix 3: Evolution of Adjusted EBITDA by Business Mix*	22
Appendix 4: Computation of the Drivers of Profitability	22
Appendix 5: Capital Strategy Highlights	23
Appendix 6: 2020 Total Rewards	23
Appendix 7: Characterization of the world hotel industry	23
Appendix 8: Statement of Financial Position	24
Appendix 9: Income Statement	25
Appendix 10: Cash Flow Statement	25
Appendix 11: Common-size Statement of Financial Position	26
Appendix 12: Common-size Income Statement	27
Appendix 13: Common-size Cash Flow Statement	27
Appendix 14: Key Financial Ratios	28
Appendix 15: Forecasting Assumptions	29
Appendix 16: Revenues	30
Appendix 17: CAPEX	31
Appendix 18: Debt schedule	32
Appendix 19: WACC Rate Calculations and Long-term growth rate	33
Appendix 20: MRP and CRP	33
Appendix 21: FCFF and terminal value	34
Appendix 22: WACC Method	34
Appendix 23: Flow to Equity Method	35
Appendix 24: APV Method	35
Appendix 25: DDM	35
Appendix 26: Peers selected	36
Appendix 27: Relative Valuation	36

## List of Figures

<b>Figure 1</b> – Earnings mix change	1
<b>Figure 2</b> – HYATT at a glance	2
<b>Figure 3</b> – 2020YE Hotel Operations Revenues	2
<b>Figure 4</b> – Total M&F Rooms	2
<b>Figure 5</b> – Total M&F Fees (\$M)	2
<b>Figure 6</b> – O&L segment Revenues and Adjusted EBITDA (\$M)	3
<b>Figure 7</b> – Americas segment Revenues and Adjusted EBITDA (\$M)	3
<b>Figure 8</b> - ASPAC segment Revenues and Adjusted EBITDA (\$M)	3
<b>Figure 9</b> – EAME/SW Asia segment Revenues and Adjusted EBITDA (\$M)	3
<b>Figure 10</b> – RevPAR evolution (\$)	4
<b>Figure 11</b> – Occupancy rate evolution (\$)	4
<b>Figure 12</b> – ADR evolution (\$)	4
<b>Figure 13</b> – Hyatt outperforming peers in ADR	4
<b>Figure 14</b> – Adjusted SG&A (\$M)	5
<b>Figure 15</b> - Pritzker family control on common shares outstanding (% Total Class A/B common shares outstanding)	5
<b>Figure 16</b> – HYATT's focus on UNSD Goals	6
<b>Figure 17</b> – Independence of the board	6
<b>Figure 18</b> – Committees structure	6
<b>Figure 19</b> – HYATT Target Pay Mix 2020	7
<b>Figure 20</b> – Hyatt Target Pay Mix 2020	7
<b>Figure 21</b> - Chairman Compensation (\$M)	7
<b>Figure 22</b> – Average Real GDP Growth (Annual Percentage Change)	7
<b>Figure 23</b> – Evolution of GDP per capita and real HDI per capita in the OECD area (QOQ percentage change)	8
<b>Figure 24</b> – World Population Growth (annual percentage change)	8
<b>Figure 25</b> - Corporate Profits before tax growth (annual percent change)	8
<b>Figure 26</b> - Global Arrivals per year (M)	8
<b>Figure 27</b> – International tourist arrivals (M)	9
<b>Figure 28</b> - Hotel Industry Revenue Projection	9
<b>Figure 29</b> - Big six takeover of branded hotels	9
<b>Figure 30</b> - Evolution of Prices in the Segments	10
<b>Figure 31</b> – Hotel Industry Value Chain	10
<b>Figure 32</b> – 2021 Top 4 billion dollar M&As	11
<b>Figure 33</b> – BICS Hotels ranked by SARD	12
<b>Figure 34</b> - Porter's 5 Forces	13
<b>Figure 35</b> – Different methods' PTs against the current price at August 19 <sup>th</sup> , 2021.	14



<b>Figure 36</b> – PT obtained by the WACC Method	14
<b>Figure 37</b> – Revenues Forecasted Growth	15
<b>Figure 38</b> – CAPEX and D&A Evolution (\$M)	15
<b>Figure 39</b> - APV Method's PT	16
<b>Figure 40</b> – Flow to Equity PT	16
<b>Figure 41</b> – Operational Efficiency	16
<b>Figure 42</b> – Profitability ratios	17
<b>Figure 43</b> – Debt Ratio and Total Debt	17
<b>Figure 44</b> – Risk Matrix	17
<b>Figure 45</b> – World RevPAR (\$) vs World GDP (YOY Growth)	18
<b>Figure 46</b> – World RevPAR (\$) vs World Inflation (%)	18
<b>Figure 47</b> – Number of Rooms vs RevPAR (O&L segment)	19
<b>Figure 48</b> - Number of Rooms vs RevPAR (Americas segment Full Service)	20
<b>Figure 49</b> – WACC rate vs Terminal Growth Rate	20
<b>Figure 50</b> – Monte Carlo	20

## List of Tables

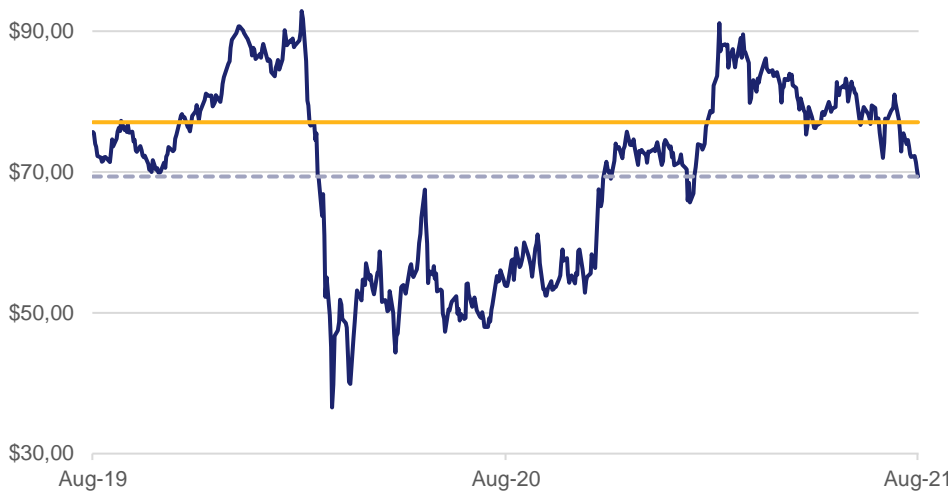
<b>Table 1</b> – HYATT Shareholders	5
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# Abbreviations

<b>A</b>	<b>ADR</b>	Average Daily Rate	<b>L</b>	<b>LSE</b>	London Stock Exchange
	<b>AI</b>	Artificial Intelligence			
	<b>APV</b>	Adjusted Present Value	<b>M</b>	<b>M</b>	Million(s) (as in \$M)
<b>B</b>	<b>BICS</b>	Bloomberg Industry Classification System		<b>M&amp;A</b>	Mergers and Acquisitions
	<b>Bn</b>	Billion(s) (as in \$Bn)		<b>M&amp;F</b>	Management and Franchising
<b>C</b>	<b>CAGR</b>	Compound Annual Growth Rate	<b>N</b>	<b>NYSE</b>	New York Stock Exchange
	<b>CEO</b>	Chief Executive Officer	<b>O</b>	<b>QOQ</b>	Quarter over Quarter
<b>D</b>	<b>DCF</b>	Discounted Cash Flow		<b>O&amp;L</b>	Owned and Leased
	<b>DDM</b>	Dividend Discount Model	<b>P</b>	<b>PT</b>	Price Target
<b>E</b>	<b>EBITDA</b>	Earnings Before Interest, Taxes, Depreciation, and Amortization	<b>R</b>	<b>RCA</b>	Real Capital Analytics
	<b>EESC</b>	European Economic and Social Committee		<b>RevPar</b>	Revenue per available room
	<b>ESG</b>	Environmental, Social and Governance	<b>S</b>	<b>SARD</b>	Sum of Absolute Rank Differences
	<b>EV</b>	Enterprise Value		<b>SEC</b>	Securities and Exchange Commission
<b>F</b>	<b>FCFE</b>	Free Cash Flow to Equity	<b>U</b>	<b>US</b>	United States of America
	<b>FCFF</b>	Free Cash Flow to the Firm		<b>UN</b>	United Nations
<b>G</b>	<b>GDP</b>	Gross Domestic Product		<b>UNWTO</b>	World Tourism Organization
<b>H</b>	<b>HDI</b>	Household Disposable Income	<b>Y</b>	<b>YE</b>	Year-End (as in 2020YE)
<b>I</b>	<b>IMF</b>	International Monetary Fund		<b>YOY</b>	Year Over Year
<b>K</b>	<b>K</b>	Thousand(s) (as in \$K)	<b>W</b>	<b>WACC</b>	Weighted Average Cost of Capital

## 1- Research Snapshot

Graph 1 - 2-year stock price vs PT



Source: Author's analysis

**Close Price:** \$69.36  
**Price Target:** \$77.07 2022YE  
**Ticker:** H (NYSE)  
**Recommendation:** HOLD  
**Upside Potential:** 11.12%  
**High Risk**

Market cap (\$Bn): 7.061  
 Shares outstanding (M): 102

Based on a forecast period of 5 years (2021YE-2025YE), a **HOLD** recommendation is issued for Hyatt Hotels Corporation ("HYATT") with a 2022YE PT of \$77.07/share, using the WACC Method, implying an 11.12% upside potential from August 19<sup>th</sup>, 2021 closing price of \$69.36, with high risk.

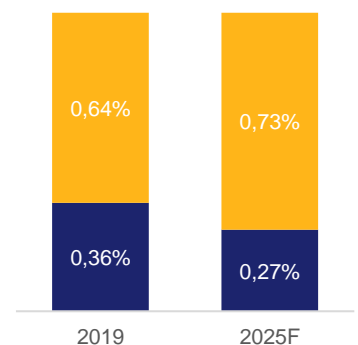
HYATT is a leading global hospitality company. The **COVID-19 pandemic affected the hospitality industry particularly**, forcing lockdowns and restricting travelling all around the world. HYATT was no exception, having closed several of its hotels and experienced heavy losses in revenues, particularly in the *Americas Management and Franchising* segments, which is its main driver of profitability.

Taking into consideration the forecast, it is predictable that HYATT recovers and maintains its leading position through the re-opening of the hotels where operations had been suspended and by having a sequential improvement of its RevPAR.

### Strategy

HYATT is following the industry trend to transit to an **asset-light business model**, optimizing its capital deployment. In the long run, and after RevPAR stops recovering and stabilizes, this will decrease the O&L revenues and a change in the earnings mix (Figure 1) and will boost M&F segments revenues.

Figure 1 – Earnings mix change



Source: Author's analysis

## 2- Business Description

### The company

Hyatt Hotels Corporation (“HYATT”) is a **worldwide hospitality company** headquartered in Chicago, recognized by its leadership in the market, renowned brands, and innovation. It has **total assets of \$9,129M**, mainly located in the US and a **market capitalization of \$7.061Bn**.

It operates, manages, franchises, owns, leases, develops, licenses, or provides services to a portfolio of properties, consisting of full service hotels, select service hotels, resorts, and other properties. This portfolio currently consists of **20 brands** and **982 hotels** with a total of **238,425 system-wide rooms** (7.3% CAGR 2013-2020) (Appendix 1 and Figure 2), focused on high-end travellers in the **upscale** (30%), **upper upscale** (43%), and **luxury** (25%) segments (Appendix 2). Its business mix has been continuously shifting from Owned and Leased (O&L) to Managed and Franchised (M&F), with the latest reaching an Adjusted EBITDA by a business mix of 57% in 2019YE.

### History of the company

It was founded in 1957 by Jay Pritzker with the purchase of the Hyatt House motel. On December 31, 2004, all hospitality assets were consolidated under a single entity named Global Hyatt Corporation. In 2009, the name was changed to Hyatt Hotels Corporation, and it went public on the New York Stock Exchange (NYSE), trading under the ticker symbol “H”.

To complement the organic growth of the last sixty years, HYATT went through **valuable M&A operations**, such as the acquisition of the Miraval Group (leader in the category of wellness hospitality in a cash transaction of \$215M) in 2017 and the acquisition of Two Roads Hospitality (international lifestyle hotel management company with a base purchase price for the cash transaction of \$405M) in 2018, which allowed HYATT to expand its brand presence into 23 new markets while enriching its existing offerings.

### Financial Highlights

**For 2020YE, HYATT reached a total of \$2.1Bn in revenues, a net loss of \$703M, and a loss of \$177M in Adjusted EBITDA.**

### Business segments, Revenues, and Geographical Information

HYATT operates its business within **four reportable segments**<sup>1</sup>, which not only differentiate hotels between being owned and leased (“O&L”) and managed and franchised (“M&F”) but also does a further separation on the latter in three different geographical regions (Americas, ASPAC and EAME/SW Asia). Revenues from O&L hotels primarily come from hotel operations, including room rentals, food and beverage sales, and other additional revenue (Figure 3), whereas revenues from M&F are derived from fees. HYATT has been progressing towards an **asset-light business model**, leading to an ongoing shift in earnings (Appendix 3) due to growth in management and franchising segments. M&F rooms have been growing at an 8.7% CAGR 2009-2019 and in 2020YE, reached a total of 222,794 rooms (Figure 4). Total M&F fees have been following this growth with a 10.6% CAGR 2009-2019, amounting to \$608M in 2019YE, though this came to a halt in 2020 with the COVID-19 pandemic causing a major disruption in operations which caused total M&F fees to fall to \$239M (Figure 5).

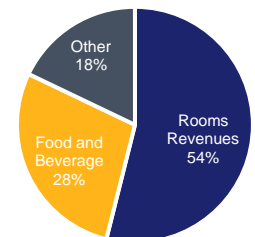
<sup>1</sup> Excluding Corporate and other.

Figure 2 – HYATT at a glance



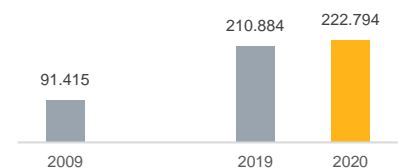
Source: Hyatt's 2021 Investor Presentation

Figure 3 – 2020YE Hotel Operations Revenues



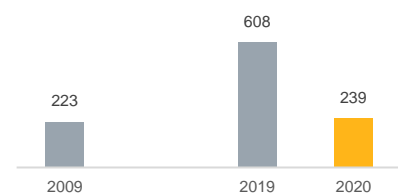
Source: Hyatt's 2021 Annual Report

Figure 4 – Total M&F Rooms



Source: Hyatt's 2021 Investor Presentation

Figure 5 – Total M&F Fees (\$M)



Source: Hyatt's 2021 Investor Presentation

## Owned and leased hotels (“O&L”)

Consisting of its owned and leased full service and select service hotels established primarily in the US, with 25 full service hotels (12,607 rooms) and 1 select service hotel (171 rooms) in 2020YE, but also in other international locations, amounting to 2 full service hotels (795 rooms) and 2 select service hotels (293 rooms) in the rest of the Americas segments, and 7 full service hotels (1,435 rooms) and 1 select service hotel (330 rooms) in the EAME/SW Asia segment in the same period. Due to this progression, its contribution to HYATT’s results has diminished over the years. Because of this, there has been an ongoing shift in earnings due to growth in management. Regarding HYATT’s 2020YE results, it contributed **\$525M in revenues** (-72.1% YOY) and a **loss of \$148M in Adjusted EBITDA** (-138% YOY) (Figure 6).

## Americas management and franchising (“Americas”)

Comprising of its management and franchising of properties situated in the United States of America, Canada, Latin America, and the Caribbean, along with its residential management operations. In 2020YE, it included 210 full service hotels with 82,010 rooms and 443 select service rooms with a corresponding 61,580 rooms. This segment is the most significant contributor to HYATT’s 2020YE results with **\$1,328M in revenues** (-52.2% YOY) and **\$90M in Adjusted EBITDA** (-76.3% YOY) (Figure 7).

## ASPAC management and franchising (“ASPAC”)

Comprising the management and franchising of properties located in Southeast Asia, Greater China, Australia, New Zealand, South Korea, Japan, and Micronesia. In 2020YE, it included 124 full service hotels with a corresponding of 41,847 rooms and 35 select service rooms with a corresponding of 6,547 rooms. It contributed to HYATT’s 2020YE results with **\$134M in revenues** (-45.7% YOY) and **\$24M in Adjusted EBITDA** (-72.4% YOY) (Figure 8).

## EAME/SW Asia management and franchising (“EAME/SW Asia”)

Consisting of the management and franchising properties located in Europe, Africa, the Middle East, India, Central Asia, and Nepal. In 2020YE, it included 124 full service hotels with a corresponding of 41,847 rooms and 35 select service rooms with a corresponding of 6,547 rooms. It contributed to HYATT’s 2020YE results with **\$68M in revenues** (-55.6% YOY) and a loss of **\$15M in Adjusted EBITDA** (-130.9% YOY) (Figure 9).

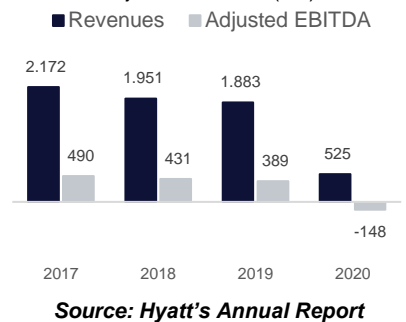
The overall decrease faced by all segments was due primarily to the COVID-19 pandemic, which led to a decrease in group<sup>2</sup> and transient<sup>3</sup> demand. This caused the suspension of hotel operations and triggered cost containment initiatives in 2020.

## Drivers of Profitability

### Revenues per Available Room (RevPAR)

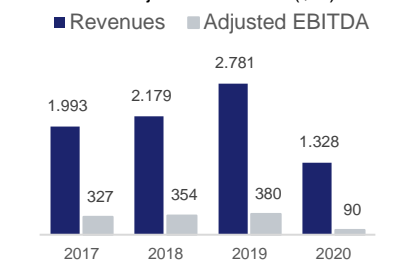
The most relevant profitability driver in the industry can be obtained as a combination of the occupancy rate and the ADR (Appendix 4). HYATT’s system-wide M&F<sup>4</sup> RevPAR and O&L RevPAR have been growing steadily over the years (+5.88% and +2.99% CAGR 2009-2019, respectively) due to continuously improving transient and

**Figure 6 – O&L segment Revenues and Adjusted EBITDA (\$M)**



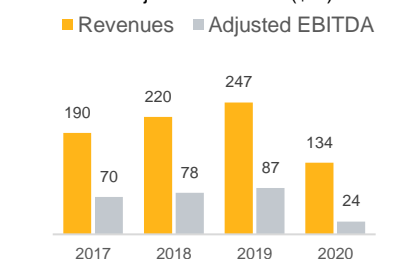
Source: Hyatt’s Annual Report

**Figure 7 – Americas segment Revenues and Adjusted EBITDA (\$M)**



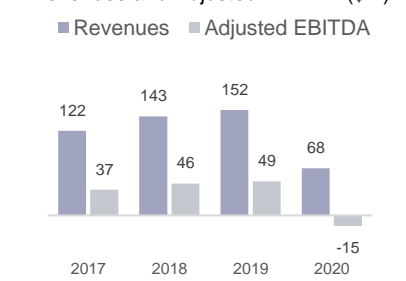
Source: Hyatt’s Annual Report

**Figure 8 - ASPAC segment Revenues and Adjusted EBITDA (\$M)**



Source: Hyatt’s Annual Report

**Figure 9 – EAME/SW Asia segment Revenues and Adjusted EBITDA (\$M)**



Source: HYATT’s Annual Report

<sup>2</sup> Group travellers who are travelling for group events with a minimum of 10 rooms reserved for said events.

<sup>3</sup> Individual travellers who are travelling for business or leisure.

<sup>4</sup> Comprises the Americas, the EAME/SW Asia and the ASPAC segments.

group ADR and demand across each of its segments (Figure 10). However, this growth came to a halt in 2020, with its system-wide RevPAR decreasing 65.4% compared to 2019 due to the COVID-19 pandemic and its effects on group and transient demand worldwide.

In 2020YE, the **O&L segment**, RevPAR faced the biggest decline between the segments, reaching a value of \$49 (-72.2% YOY). The **Americas segment** quickly follows, showing a significant decrease in both the full service and select service hotels, reaching values of \$45 (-71.3% YOY) and \$46 (-55.9% YOY), respectively. The **EAME/SW Asia segment** displays values of \$41 (-68.1% YOY) and \$26 (-58.0% YOY) in the full service and select service hotels, respectively. The **ASPAC segment** comes at last with the smallest decline in both the full service and select service hotels, reaching values of \$58 (-59.5% YOY) and \$32 (-40.7% YOY), respectively.

### Occupancy Rate

This accurate indicator of business efficiency is used to determine demand and its levels help the company determine achievable ADR levels as demand increases or decreases. Occupancy rate had been growing slightly up to 2019 (Figure 11) but to mitigate the demand volatility caused by the COVID-19 pandemic, HYATT decided to suspend operations in hotels with low levels of occupancy to counter the lack of room revenue by lowering the variable costs (e.g. housekeeping).

In 2020YE, it reached a value of 22.9% (-52% YOY) in the **O&L segment**, the biggest drop among segments. In the **Americas segment**, the occupancy was 24.2% (-50.2% YOY) for the full service hotels and 41.3% (-33.7% YOY) for the select service hotels. **ASPAC segment** displayed values of 37.3% (-35.5% YOY) for the full service hotels and 45.8% (-19.9% YOY) for the select service hotels. The **EAME/SW Asia** had the lowest value with 25.7% (-42.9% YOY) for the full service hotels and 33.9% (-39.0% YOY) for the select service hotels.

### Average Daily Rate (ADR)

Gauges the hotel's average room price. ADR trends give valuable insight into the pricing environment and the nature of the customer base. Whereas changes in occupancy lead to increases in room revenue room, additional variable operating costs, and ancillary revenues (e.g. food and beverage), changes in ADR usually have a greater impact on margins and profitability since their impact on variable operating costs is minimal.

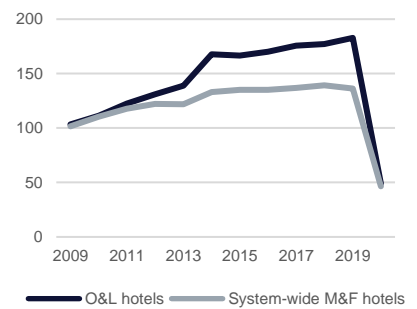
Despite its growth up to 2019 (Figure 12), the COVID-19 pandemic did not spare this indicator with the lack of demand triggering a downward pressure. Still, it exceeded its peers for 2020YE as it did in 2019YE (Figure 13).

In 2020YE the **O&L segment** displayed a value of \$215 (-8.7% YOY) whereas the **Americas segment** presented values of \$187 (-11.7% YOY) for the full service hotels and \$111 (-20.0% YOY) for the select service hotels. The **ASPAC segment** showed a value of \$155 (-20.8% YOY) for the full service hotels and \$69 (-15.0% YOY) for the select service hotels. Finally, **EAME/SW Asia** had values of \$160 (-14.9% YOY) and \$78 (-9.7% YOY) for the full service hotels and the select service hotels, respectively.

### Strategy

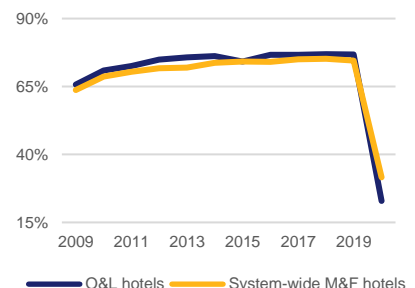
To counter the negative effect of the COVID-19 pandemic on its operations and the industry in general, HYATT underwent aggressive cost management positions to assure a strong recovery. Regarding corporate overhead, it lowered headcount and

Figure 10 – RevPAR evolution (\$)



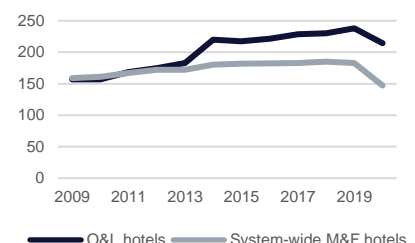
Source: Bloomberg

Figure 11 – Occupancy rate evolution (%)



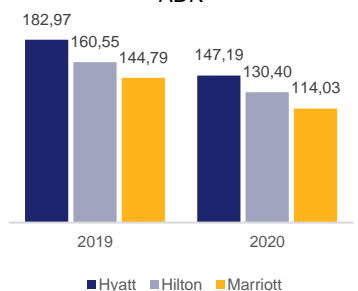
Source: Bloomberg

Figure 12 – ADR evolution (\$)



Source: Bloomberg

Figure 13 – Hyatt outperforming peers in ADR



Source: HYATT's 2021 Investor Presentation

discretionary costs (Figure 14) and in hotel operations, it lowered costs related to M&F hotels and evolved new ways of operating that lessen the necessary occupancy levels to break even. As a result, during restructured operations, EBITDA breakeven for full service hotels decreased from 40-45% to values below 40% in 2Q2020. A major strength is found in its balance sheet, which includes \$3Bn of liquidity.

Despite this, HYATT persists in being dedicated to driving long-term sustainable growth and creating value. To do so, it focuses on the following areas:

- **Maximize the core business** by offering superb, differentiated brands and experiences that command a premium and augments consumers' loyalty. Doing so would lead to a growth of RevPAR and net rooms, as well as increase the margin opportunities.

- **Integrate new growth platforms** through complementary investments and partnerships that expand the platform of the World of Hyatt, such as new hotel brands and travel alliances, which can be translated into premium revenue realization and growth.

- **Optimize capital deployment** by driving growth and increasing returns while upholding investment capacity (Appendix 5). This could be achieved through an **asset-light approach** that sells its less profitable O&L hotels to enter into new management or franchising agreements with the buyers and re-invests the earnings from the sales into new hotels in areas where profitability is higher. This would accelerate the change in the earnings mix towards greater fee-based earnings and reduce the risk since franchise and managed hotels are less capital intensive (Appendix 3).

### Shareholder structure

As of January 31<sup>st</sup>, 2020, there were **62,038,918 Class B common shares outstanding, held by 79 shareholders**, and **39,261,233 Class A common shares outstanding, held by 26 shareholders**. On the same date, 37,811,649 shares of Class A common stock were freely tradable on the NYSE without restriction, and the remaining 1,449,584 outstanding shares of Class A common stock and 62,038,918 outstanding shares of Class B common stock were deemed restricted securities.

**Each share of the Class B common stock is entitled to ten votes, whereas each share of the Class A common stock is entitled to one vote.**

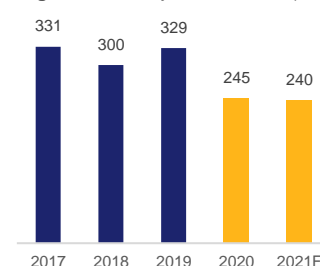
HYATT has a free float of 39.01%, and some of its shareholders are listed in Table 1. On January 31, 2021, **the Pritzker family business interest own, directly or indirectly, 59,895,959 shares** (59.1% of total outstanding common stock), which can be split into 59,768,523 shares of Class B common stock and 127,436 shares of Class A common stock (Figure 15). **This corresponds to approximately 90.6% of the total voting power of Hyatt's outstanding common stock.**

### Dividend Policy

In 2019YE, HYATT paid **four quarterly \$0.19 per share cash dividends (+26.67% YOY)** on Class A and Class B common stock totalling **\$80M (+17.65% YOY)**.

Previous to 2018, Hyatt did not declare or paid cash dividends on its common stock since it allocated its earnings to the growth of the business and to engage in share repurchase activity. Dividend payments were suspended in 2020, and the terms of the Revolver Amendment limit HYATT's ability to pay dividends through the 1Q2021. Whereas there will be payment of the dividends in the future, it will be up to the board of directors and dependent on HYATT's financial condition, capital requirements, and other aspects that the board of directors deems relevant.

**Figure 14 – Adjusted SG&A (\$M)**



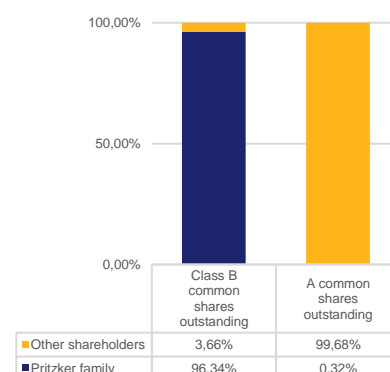
**Source: HYATT's 2021 Investor Presentation**

**Table 1 – HYATT Shareholders**

Shareholder	Institution Type	%
Baron Capital Inc	Investment Advisor	11.57
Melvin Capital Management LP	Hedge Fund Manager	8.44
Vanguard Group Inc	Investment Advisor	8.35
Southeastern Asset Management Inc	Investment Advisor	8.3
Principal Financial Group Inc	Investment Advisor	6.58
Wellington Management Group LLP	Investment Advisor	6.43
Franklin Resources Inc	Investment Advisor	5.26
Blackrock Inc	Investment Advisor	3.73
Eaton Vance Corp.	Investment Advisor	3.62
Hartford Financial Services Group Inc	Insurance Company	2.69

**Source: Bloomberg**

**Figure 15 - Pritzker family control on common shares outstanding (% Total Class A/B common shares outstanding)**



**Source: Hyatt's 2021 Annual Report**

### 3- Management and ESG

#### Environment, Social, Governance (ESG)

Having the purpose of caring for people so they can be their best, HYATT is dedicated to reimagining its business towards a more sustainable future. In 2014, HYATT updated its multi-year sustainability goals which consisted of reducing greenhouse gas emissions and water use intensities, diverting waste, purchasing responsibly, partnering with hotel developers to design, build, and renovate more efficient, lower impact hotels, and innovating and inspiring to help address complex environmental challenges and drive change. Over the years, it accomplished significant progress in these areas, and its endeavours go along the United Nations Sustainable Development Goals 5, 10, and 17 (Figure 16).

When analyzing and comparing HYATT's ESG metrics to its peers, it displays a slightly worse performance. For example, it presents a median ISS Governance Quality Score of 8 out of 10, indicating a considerable governance risk, and its last reported Bloomberg's ESG Disclosure Score was 40.1 out of 100, indicating a relatively low information transparency score.

#### Governance Model

HYATT pursues the **Anglo-Saxon corporate governance model**, with its business being conducted by its employees and officers, under the direction of the President and Chief Executive Officer ("CEO") and the oversight of the Board of Directors ("The Board"), which the stockholders elect for a term of 3 years.

HYATT's Governance Guidelines provides that the offices of the Chairman of the board of directors ("Chairman") and CEO may be combined or separated at the discretion of the Board. Accordingly, since December 2006, Mr. Thomas J. Pritzker has served as Chairman, and Mr. Mark S. Hoplamazian has assumed the role of President and CEO, a position previously held by Mr. Thomas J. Pritzker.

#### Board of Directors

The Board follows the **Enterprise Risk Management System**, having the role in engaging in an informed oversight of and providing direction in matters such as risk management activities and processes. By doing so, it can focus on comprehending the nature of HYATT's enterprise risks, such as risk in its operations, finances, and strategic direction.

HYATT's Amended and Restated Certificate of Incorporation provides that the total number of members of the Board should be between 5 and 15, and be divided into three classes, as evenly as possible, designated Class I, Class II, and Class III. Currently, the Board is composed of 11 members, including the Chairman, the President and CEO, 1 dependent director, and 8 independent directors within the meaning of the listing of the NYSE (Figure 17).

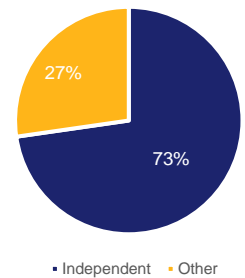
According to HYATT's 2021 Annual Meeting of Stockholders and Proxy Statement, there are no family relationships among the directors or executive officers other than Mr. Thomas J. Pritzker and Mr. Jason Pritzker. In addition, in 2020YE, the average age of members of the Board was around 63 and had 18% of female representation. The Corporate Governance Guidelines predict the existence of a **Lead Director**, determined by the independent directors, that would have the duty to **assist the Chairman and the Board in assuring compliance with and implementation of the Company's Corporate Governance Guidelines**, coordinating the agenda for and moderating sessions of the board of directors' non-management directors and acting as a principal connection between the non-management directors and the

Figure 16 – HYATT's focus on UNSD Goals



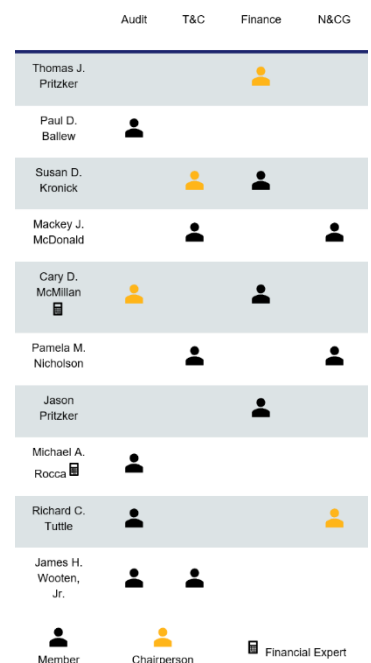
Source: Hyatt's Advancing Our Purpose of Care

Figure 17 – Independence of the board



Source: Hyatt's 2021 Annual Meeting of Stockholders and Proxy Statement

Figure 18 – Committees structure



Source: HYATT's 2021 Annual Meeting of Stockholders and Proxy Statement



chairman of the board on sensitive issues. To date, the independent directors have not determined that the board of directors should have a lead director. The Board depends on the work of four committees (Figure 18):

- **Nominating and Corporate Governance Committee (“N&CG”)** has the role of assisting and recommending to the Board on matters such as identifying individuals qualified to be members of the board of directors consistent and shaping HYATT’s corporate governance.
- **Audit Committee (“Audit”)** supervises audit, finance, and accounting matters, for example, the integrity of the financial statements and the financial reporting and disclosure practices, among others.
- **Talent and Compensation Committee (“T&C”)** responsible for matters related to compensation and benefits policies and other programs.
- **Finance Committee (“Finance”)** has a reviewing role on HYATT’s management strategies, plans, policies, and significant actions relating to corporate finance matters, among others.

The structure of the Board assures a high level of transparency, with the members being elected in a General Meeting and the majority being independent directors, and having the flexibility of determining a Lead Director.

**Remuneration**

For 2020, the T&C committee set the base salaries, annual incentive targets, and long-term incentives to assure that the pay mix (Figure 19) aligns with market practice for CEO, Other Named Executive Officers (“NEOs”) and Chairman. In addition, the total rewards program includes five compensation elements to HYATT’s NEOs that can be fixed and variable (Appendix 6). In 2020, the compensation of the Chairman and CEO amounted to \$5.16M (Figure 20) and \$13.01M (Figure 21), respectively, with the long-term incentive consisting of stock awards and option awards.

**4- Industry Overview and Competitive Positioning**

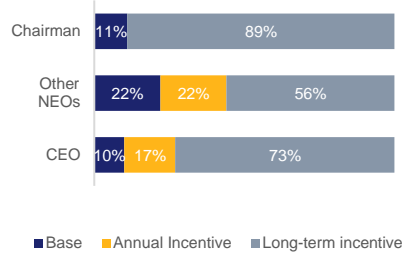
**Economic Outlook**

**GPD**

Up to 2019, the global economy had been facing a growth deceleration, experiencing an **annual average growth of 3.7% from 2010 to 2019**. The explanation passes by the uncertainty of the UK withdrawal from the EU, the lingering trade tensions prompted by China and the US and the rise of trade protectionism worldwide.

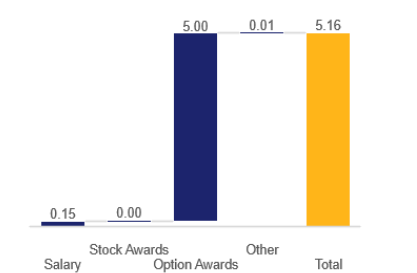
The COVID-19 pandemic triggered an all-time low in 2020. Economic activity dropped to unprecedented levels due to the lockdowns implemented throughout the world, inciting unemployment, lowering discretionary spending, and prompting business closures. As a result, world GDP had a **-4.4% YOY growth in 2020YE**, having also faced negative growth across all the countries and regions belonging to HYATT’s segments, with **Real GDP growth of -5.6%, -0.5%, and -6.9% for the Americas, ASPAC, and EAME/SW Asia regions** respectively (IMF, 2020) (Figure 22). IMF also projected GDP to recover its positive growth in 2021 with the reopening of the economies, said growth facing a deceleration during the following years, with global real GDP falling from a growth of 5.2% YOY in 2021YE to 3.5% YOY in 2025YE.

**Figure 19 – HYATT Target Pay Mix 2020**



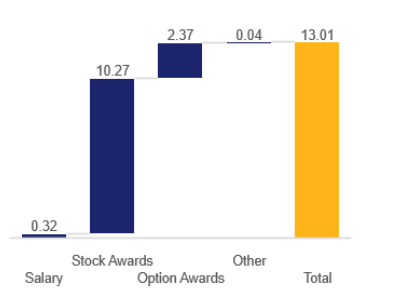
**Source: HYATT’s 2021 Annual Meeting of Stockholders and Proxy Statement**

**Figure 20 - Chairman Compensation (\$M)**



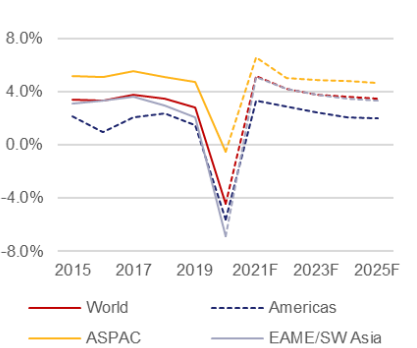
**Source: HYATT’s 2021 Annual Meeting of Stockholders and Proxy Statement**

**Figure 21 - CEO compensation (\$M)**



**Source: Hyatt’s 2021 Annual Meeting of Stockholders and Proxy Statement**

**Figure 22– Average Real GDP Growth (Annual Percentage Change)**



**Source: IMF (2021)**

## Household Disposable Income

Household Disposable Income (HDI) per capita annual growth rate tends to resemble the one of GDP in the long term since household income constitutes a substantial portion of the total income produced by the economy. However, when taking into consideration shorter periods, particularly during economic recessions, they may differ. This could be observed throughout 2020 due to the COVID-19 pandemic, with government support measures driving HDI to outperform GDP in most countries, with the gap between them being the widest on record in 2Q2020 (Figure 23). Furthermore, during the last two quarters of the year, governments reduced the number of transfer payments associated with COVID, thus explaining the decline observed in that period. Overall, the OECD area HDI had a **-2.7% YOY growth in 2020YE**.

## World Population

It is expected that the population reaches **7,875M in 2021 (+1.03% YoY)** and **7,954M in 2022 (+1.00% YoY)** (Figure 24). The World population rose at a 1.10% CAGR during 2015-2020 and has a CAGR prediction of 0,98% between 2020 and 2025, with the **EAME/SW Asia** acting as the biggest booster of its growth with a **+1.32% CAGR 2020-2025**, followed by the **Americas (+0.75% CAGR 2020-2025)** and the **ASPAC (+0.42% CAGR 2020-2025)**.

## Global Corporate Profit

Amidst the pandemic, the corporate profits are presenting values lower than expected for the period. As a vital driver for business travels, these profits are an excellent foreteller of revenues the industry may generate in short term.

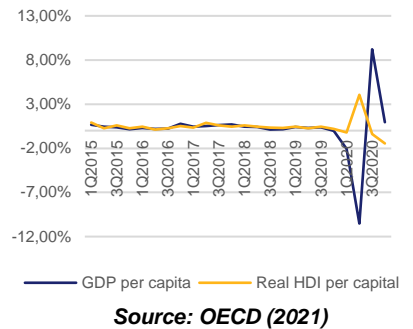
CAGR oscillated throughout the years both in the US as in the rest of the world, presenting low levels every time a crisis breaks out, such as the **2008 financial crisis**, which was felt right away in the **US (-21.27%)** and only a year later in the **rest of the world (-10.62%)**, and the **current COVID-19 one (-3.46% in the US and -14.64% in the rest of the world for 2020YE)** (Figure 25). It is important to refer that there has been an overall positive trend since 2001 and that right **after every crisis, the CAGR seems to be extremely high in the short term**, as shown in 2009-2010 and as it is expected in 2021-2022.

## Tourism

Tourism is a booster of the global economy, creating employment opportunities, generating tax revenues, among others. However, it is one of the most affected industries by the current changing environment and the resulting uncertain conditions. Because of its dependence on macroeconomic stability is usually among the first industries to suffer impacts from an economic crisis and pandemics.

After recovering from the 2008 crisis, tourism was one of the most accelerated industries to grow. But because of its vulnerability, the sector was severely affected by the pandemic, with substantial losses of investments, profits, and jobs. The number of scheduled passengers boarded dropped to **1,795M people (60% loss in global air passenger traffic)** compared to the **4,723M forecasted pre-COVID-19** (Figure 26). Nevertheless, it was estimated a slight recovery in 2021, reaching **2,808M people (0.56% YOY growth)**. The **fall in international tourism levels was felt in all the global regions**, especially in EMEA/SW Asia (share of 68% of total arrivals), which had the most significant absolute change (-616M), followed by the ASPAC (-303M) and the Americas (-150M) (Figure 27). According to the World

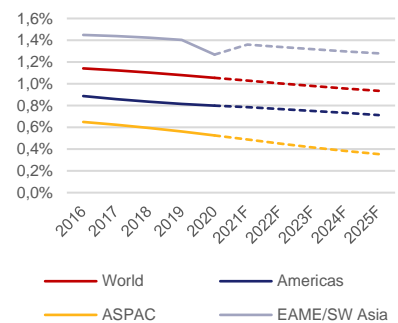
**Figure 23 – Evolution of GDP per capita and real HDI per capita in the OECD area (QOQ percentage change)**



— GDP per capita — Real HDI per capital

Source: OECD (2021)

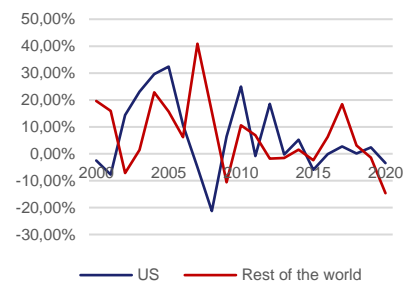
**Figure 24 – World Population Growth (annual percentage change)**



— World — Americas  
— ASPAC — EAME/SW Asia

Source: World Population Prospects 2019, United Nations (2021)

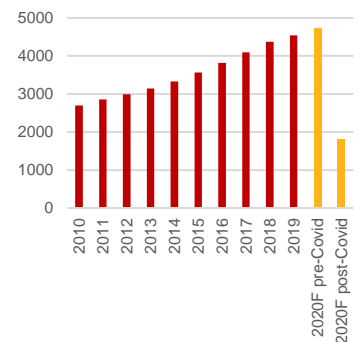
**Figure 25 - Corporate Profits before tax growth (annual percent change)**



— US — Rest of the world

Source: FRED (2021)

**Figure 26 - Global Arrivals per year (M)**



Source: Data World Bank; Statista (2021)

Tourism Organization (UNWTO), most experts believe that **international tourism will only achieve its pre-pandemic values in 2023 or later.**

### World Hotels Demand

The hotel industry is cyclical and seasonal. After a decade of growth, with a **+6% CAGR 2009-2017**, it faces a downcycle triggered by COVID-19. The drop in GDP and HDI will negatively affect the demand, translating into lower consumer spending and leisure travelling. Business travels, having as an indicator the corporate profits, also affected negatively as alternatives such as video conferencing become more widely used. Reflecting on the lower demand, the number of consumers dropped to 595.1M (-46.8% YoY). The industry revenue is projected to reach **\$284,779M in 2021 (43.4% YoY) and is expected to grow at a 12.51% CAGR during 2021-2025**, which would lead to a forecasted market volume of \$456,275M by 2025F (Figure 28).

The majority of the revenue will be generated in the US, forecasted to be \$65,636M in 2021F. In 2020, demand in the US faced a negative YOY growth of 35.7%, but STR forecasted it to bounce back at +18.0% YOY growth in 2021F and +25.2% YOY growth in 2022F. Occupancy, ADR, and RevPAR presented drops of 36.6%, 21.3%, and 50.1% in 2020YE and are **forecasted to rebound in the following years with full RevPAR recovery in 2024.**

In the EMEA/SW Asia region, Europe reported the biggest fall in all three key performance metrics for 2020YE being only **forecasted to recover in 2023**, whereas the Middle East and Africa, despite having also displayed enormous losses, ended the year with levels very close to the pre-pandemic ones in all of these performance metrics.

The ASPAC region followed the above trend, with levels of Occupancy (-35.5% YOY), ADR (-22.2% YOY) and RevPAR (-49.9% YOY) lower than any year on record in the region, and being only forecasted to recover to 2019 levels in 2023.

**Demand recovery will depend on vaccination levels, especially on the leisure demand side.** STR also expects business travels to recover at a slower pace when compared to leisure travel. In addition, because they are highly dependent on group demand and excessively located in the larger markets, luxury and upper-upscale chain scales will only recover when these factors recover, thus having a slower turnaround when compared to other segments such as the economy segment.

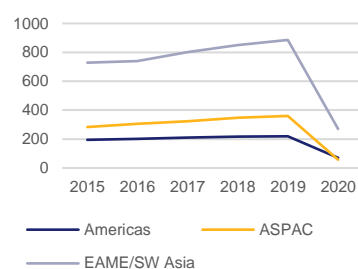
### World Hotels Supply

The supply side in the industry, represented by the number of hotels worldwide, is **inelastic and has been growing at a CAGR of 1.2% during 2008-2018**. As the costs of entering the market represent a barrier to the entrance, this can be interpreted as a big chain's investments with some niche investments. Non-traditional players in the lodging industry pose an immediate risk for hotels that operate on lower segments and a long term risk for others, as it can alter guests behaviour.

It is also essential to understand who is supplying in this industry, and there is a significant disparity in different regional markets. For example, in Europe and ASPAC, most of the hotels are independent (68% and 92.55% of the total market), whereas, in the US, branded hotels take the lead (72% of the market that is mainly attributable to six chains (Figure 29)).

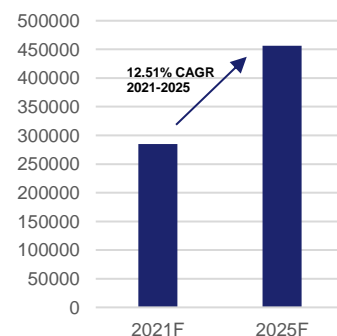
With COVID-19, **supply in the U.S. shrank 3.6% in 2020** but is predicted to rebound 5.4% in 2021 and 2.4% in 2022. When reflecting the Total-Room-Inventory (TRI) methodology, supply presented a growth of 1.4% in 2020 and a **forecasted growth**

Figure 27 – International tourist arrivals (M)



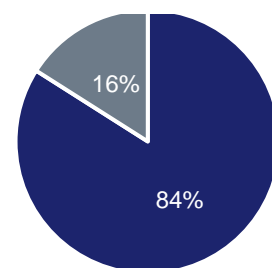
Source: UNWTO (2021)

Figure 28 - Hotel Industry Revenue Projection



Source: Statista (2021)

Figure 29 - Big six takeover of branded hotels



■ Hyatt, IHG, Hilton, Marriott, Wyndham  
 ■ All other

Source: Costar (2021)

of 1.2% in 2021 and 0.9% in 2022. This methodology shows the percentage of currently closed hotels in the industry and can illustrate the industry's recovery as occupancy and TRI occupancy converge.

Overall, the supply of new hotels will slow down until confidence is restored, and some of the existing supply of hotels will not reopen due to the increased cash flow pressures, limited guests, and rising cost of operations.

### Hotels Price

The Hotel Industry prices are very susceptible to changes over time and are strongly tied with macro-economic factors.

The **ASPAC segment has a positive trend**, showing the most significant increase of all the segments, with prices rising 25.52% in April 2021 from the same month last year, reaching an average value of **\$129.38**. This is due to the ease of COVID-19 measures, which lead to an increase in the tourism level in the region, having a positive effect on occupancy rates. However, the increase in the number of hotels available acts as an opposite force that balances out the market price. The **EAME/SW Asia segment reveals a shier growth of 8.62%** in the same period and reaching an average value of **\$127.13**. Unlike the previous segment, prices decreased significantly in 2020Q2 due to the initiation of measures against COVID-19, which only then started to affect the region. The picture is very similar in the Americas segment, but there is no growth, just a slight downward inclination. Prices decreased 1.59% in April 2021 from the same month in the last year, reaching an average value of **\$100.08** (Figure 30).

There is also a clear seasonal effect on price due to the travelling increase in winter holidays. This led to a sharp increase in all the segments in December. In previous years, this seasonal effect could also be seen in the summer but due to the propagation of COVID-19, it was hardly noticeable in 2020.

### Hotel Industry Overview

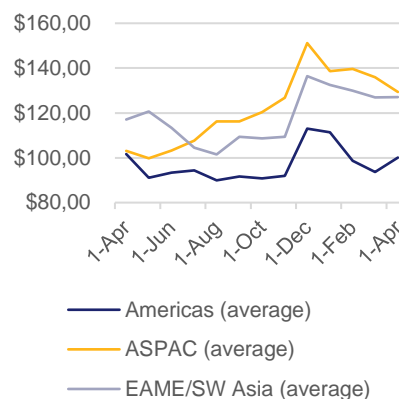
The hotel industry (Figure 31) constitutes a segment of the broader hospitality industry alongside Food and Beverage, Recreation, and Travel and Tourism. Even though it specializes in accommodation, it can provide goods and services related to the other segments since they have a strong interconnection.

#### Industry Structure

The hotel industry, valued at ~\$240Bn in 2020, is characterized as a monopolistic competition market composed of many firms. Thus, it is considered a **fragmented industry**, having 54% of rooms affiliated with a global or regional chain. In 2020, the top five hotel groups<sup>5</sup> had increased their market share by 5 pp.. Geographically speaking, the US remains the most prominent hotel market, although Greater China has been experiencing continuous growth (Appendix 7).

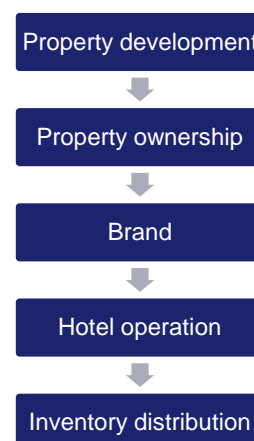
The hotel industry can also be categorized by price level, ranging from the Luxury segment to the Economy segment (Appendix 7). The reliance on brand loyalty and the degree of differentiation in the offering differ throughout them, being more noticeable in the more high-end segments.

**Figure 30 - Evolution of Prices in the Segments**



Source: Trivago (2021)

**Figure 31 – Hotel Industry Value Chain**



Source: Whitbread (2021)

<sup>5</sup> Which are, according to IHG's Annual Report and Form 20-F 2020, IHG, Marriott International Inc., Hilton Worldwide Holdings Inc., Wyndham Hotels & Resorts Inc., and Accor S.A.

## M&A Activity

As competition intensifies, distribution channels proliferate, and consumers become more demanding. Therefore, to establish a competitive advantage and aim for future growth, it is crucial to actively build a strong portfolio of distinctive, preferred brands for both owners and guests.

According to RCA, hotel M&As had shown a relatively steady upward trend, increasing \$50Bn in ten years, up to \$70bn in 2019. This growth came to a halt in 2020 due to the COVID-19 pandemic and its uncertainty. Despite this abrupt slowdown, it was expected that M&As would increase due to the dependence of small companies on bigger companies to face the lack of demand.

This would be proven true in the first half of 2021, with M&A values already tripling those of the entire year 2020 and achieving a value of \$43.4Bn in over 300 deals (Figure 32), eight of them being worth more than \$1Bn. The enormity of these deals was not expected by the industry, as “mega-mergers” have been replaced by brand conversions (Jorden, 2021).

## Industry Trend

The industry is leaving its standardized form and moving to customization and differentiation.

## ESG standards

The ESG standards are vital for measuring the sustainability and social impact of investment in a company, being a growingly popular way for investors to evaluate businesses. To improve their standards, hotels should invest in such matters as promoting gender equality, to belong in sustainability indexes like FTSE4GOOD.

## Inbound travel

Domestic tourism has been crucial in order to ease the adverse effects of the pandemic. With travel restrictions still in place and the uncertainty still reigning, Hotels should prioritise attracting local people, who have been confined to their country due to travel restrictions and fear of contamination, by providing a haven. Following strict hygiene guides is critical to establish a sense of trust, vital to the current reality.

## Asset-light strategy

The industry is shifting its focus from investment in physical assets to operations, with an ever-growing number of hotels deciding to adopt an asset-light model. Not only does this allow quicker growth with lower capital investment, but it also reduces the risk related to owning real estate properties.

## Digital transition

The industry continues to invest in technology to improve customer experience and the efficiency of its operations. The COVID-19 pandemic has been accelerating the rhythm of this transition, with contactless services becoming the new norm.

**Figure 32 – 2021 Top 4 billion dollar M&As**

Announced Date	Total Transaction Value (\$M)	Target	Buyer
Feb-21	\$4,535	FAST Acquisition Corp.	Fertitta Entertainment, Inc.
Mar-21	\$3,393	Diamond Resorts International, Inc.	Hilton Grand Vacations Inc.
Mar-21	\$2,250	Operating Assets of Las Vegas Business of Las Vegas Sands Corp.	Apollo Global Management, Inc.
Apr-21	\$2,164	Gores Metropolis II, Inc.	Sonder Holdings Inc.

**Source: Jorden (2021)**

## Competitive Position

### Peers Identification

A group of 29 companies aggregated by the BICS classification as per their business activities was retrieved from Bloomberg. In order to improve the accuracy of the valuation, the **Sum of Absolute Rank Differences (SARD) approach**, introduced by Knudsen et al. (2017), was combined into the peer selection, ranking them according to a set of variables. An additional ranking against key valuation multiples was then performed to the companies with the lowest SARD scores and, after considering several combinations of these variables, the six most comparable companies to HYATT were **Whitbread PLC (“Whitbread”), Accor S.A. (“Accor”), Shangri-La Asia LTD (“Shangri-La”), Marriott Vacation World Corp. (“MVW”), Hilton Grand Vacations Inc. (“HGV”), Wyndham Hotels & Resorts Inc. (“Wyndham”), and NH Hotels Group S.A. (“NHH”)** (Figure 33).

**Figure 33 – BICS Hotels ranked by SARD**

Hotel	SARD rank	Selected
WHITBREAD PLC	10	x
ACCOR SA	11	x
SHANGRI-LA ASIA LTD	19	x
ASSET WORLD CORP PCL	23	
MARRIOTT VACATIONS WORLDWIDE CORP	24	x
HILTON GRAND VACATIONS INC	27	x
WYNDHAM HOTELS & RESORTS INC	27	x
HILTON WORLDWIDE HOLDINGS INC	29	
MANDARIN ORIENTAL INTL LTD	29	
NH HOTEL GROUP SA	30	x

*Source: Bloomberg (2021) and author's analysis*

### Peers Strategy

In a world of increasing uncertainty and competition, accelerated by the global pandemic, hotels remain focused on sustained growth. Players of the industry share several similarities in their strategies, such as the continuous investment in new technology and optimization of loyalty programs. Expansion to fast-growing markets, such as China, is another strategy adopted by several of these companies, while hotels' liquidity and financial flexibility continue to be a significant concern.

### SWOT Analysis

Strengths	Weaknesses
<p><b>Strong geographic presence</b>, operating in all five continents with almost 1000 hotels.</p> <p><b>High-quality and differentiated brands and experiences</b>, which command a premium and drive frequency with customers</p> <p><b>Strong pipeline</b>, planning to open more than 300 hotels around the world.</p> <p><b>Loyal Consumer Base</b> thanks to HYATT's concern to customize experiences to its guests, promoting brand loyalty.</p> <p><b>Unique combination of M&amp;F and O&amp;L hotels</b> provides a diverse base of incomes, benefits, and money streams while also providing flexibility opportunities.</p>	<p><b>More investment in new technology</b>, as it is not at par with the HYATT's vision or its operations growth.</p> <p><b>High dependence on US markets</b>, contributing to more than half of its revenue.</p> <p><b>Low market share when compared to its peers.</b></p>
Opportunities	Threats
<p><b>Post-pandemic demand recovery</b></p> <p><b>Asset-light growth</b>, which allows faster growth with lower capital investment and reduces the risk related to owning real estate properties.</p> <p><b>Rise of the health-conscious consumer</b> due to the emergence of “wellness hotels” bringing the need to adapt to these demands.</p> <p><b>Emerging hotel markets</b> in regions such as ASPAC where HYATT has been focusing.</p> <p><b>New health and safety concerns associated with COVID-19 pandemic</b> poses an opportunity, with HYATT releasing its Global Care &amp; Cleanliness Commitments.</p>	<p><b>Economic recessions</b> affect consumer's budgets, causing them to cut unnecessary expenses such as traveling.</p> <p><b>Uncertainty in international travels</b>, originated by Terrorism and pandemics such as the COVID-19 pandemic have a strong probability of leading to economic recessions that can hamper revenues, especially in the luxury and upscale segments.</p> <p><b>Currency fluctuations</b> are a threat to HYATT's globalized operations and can hinder HYATT's profitability.</p> <p><b>Intense Competition</b></p> <p><b>Long-term risk from non-traditional lodging options</b>, such as Airbnb and Hostels.</p>

## Porters Five Forces

### Threat of new entrants | LOW (2)

The **high initial investment needs** and **fixed costs** are massive barriers to entry into the industry. In addition, the Hotel industry players often use location as an essential feature for differentiation, making new players remain at a disadvantage with popular destinations having **limited space available for construction**. **COVID-19 pandemic** further decreased the attractiveness of the hotel's industry, which translates into a **low threat of newcomers**.

### Bargaining power of suppliers | LOW (2)

Hotel operations rely on suppliers for a variety of services to the customer, such as entertainment, and even for the implementation of the project. However, due to the **high volume of different suppliers** to the industry, they do not pose a high bargaining power. Nevertheless, cooperation between hotels and their suppliers is encouraged to gain a cost advantage concerning other players and provide quality services (Göral, 2015).

### Bargaining power of buyers | Significant (4)

Customers are susceptible to price changes due to the ever-growing homogeneity of the hotel's service offering combined with the low switching costs. The ability to review their experiences and provide an opinion regarding the service offered amplifies the hotel's dependence on positive reviews. The pandemic led the industry on a downward spiral, with businesses struggling to remain afloat. Overall, hotels are price takers, and buyers have high bargaining power.

### Threat of substitute products or services | Moderate (3)

The threat of substitutes changes throughout the segments, presenting higher values in the lowest segments mainly because of non-traditional lodging options, such as Airbnb. Hotels' threat of substitute products also depends on the demographic of the costumers, being higher for a younger demographic, which usually travels alone or in small groups. Overall, hotels face a moderate threat of substitute services.

### Rivalry among existing competitors | Significant (4)

Low differentiation and the high concentration of hotels in certain areas lead to increased competition in this industry. The low switching costs, added to the fact that the hotel industry is very fragmented and has high capital costs, exacerbates this increase, implying a significant rivalry among existing competitors.

Figure 34 - Porter's 5 Forces



Source: Authors Analysis

## PESTEL Analysis

Political	Economical	Social	Technological	Environmental	Legal
<ul style="list-style-type: none"> <li>Alterations in the regulatory measures can impact the number of hotel clients.</li> <li>Tax alterations, such as the Country Tourism Tax.</li> <li>Alterations in licensing and regulations.</li> <li>Introduction of governmental restrictions on measures related to COVID-19.</li> </ul>	<ul style="list-style-type: none"> <li>Cyclicality of the Industry</li> <li>Alteration in the exchange rate and inflation rate, as well as borrowing rate.</li> </ul>	<ul style="list-style-type: none"> <li>Alterations on indicators of the Human Development Index, such as life expectancy and education.</li> <li>Leisure activities, such as sports.</li> <li>Uncertainty arisen with COVID-19 pandemic.</li> </ul>	<ul style="list-style-type: none"> <li>Technology becoming more intertwined with hotel operations.</li> <li>Rising of booking applications, that are more user-friendly.</li> </ul>	<ul style="list-style-type: none"> <li>Subpar weather conditions during high season can affect hotel's profitability.</li> <li>Increasing concern with environmental issues</li> </ul>	<ul style="list-style-type: none"> <li>Traveling restrictions and the need for Visas for countries such as the US.</li> <li>Increasing laws and legal procedures regarding hotel's operations.</li> </ul>

## 5- Investment Summary

HYATT has a **HOLD recommendation**, presenting a **2022YE PT of \$77.07/share**, which translates into an **upside potential of 11.12%**, or a **potential annualized return of 1.77%** against the closing price of \$69.36 on August 19<sup>th</sup>, 2021, with **high risk**.

The uncertainty and pessimist expectations caused by the COVID-19 pandemic on the world economy, which have been particularly affecting the hospitality industry both on its demand and supply side, is the main explanation of the current undervaluation of HYATT's shares.

It also explains the sharp drop of HYATT's revenues in 2020 (-58.84% YOY), despite growing at **+6.07% 2017-2020 CAGR**. However, the expected recovery will linger across the forecasted period at a **+23.26% 2020-2025 CAGR**, mainly due to high-end segments, which consists of HYATT entire portfolio, taking the longest to return to pre-pandemic levels, and its commitment to its asset-light strategy, which will stall the recovery of the O&L segment, the second-highest source of revenues.

### Valuation Methods

The PT values computed through the **absolute methods** were very similar, ranging from **\$77.07 to \$79.45**, the exception being the Dividend Discount Model, that due to company poor and uncertain shareholder return policy, presented a PT of \$19.56 (Figure 35).

Regarding the PT achieved through the **relative methods**, they ranged more widely from **\$70.34 to \$79.05**, and do not always agree with the investment recommendation. This may be due to the COVID-19 pandemic and the very different recovery journey among peers.

### Investment Risks

It is essential that investors are mindful of the ever-changing and uneven demand environment and HYATT's ability to adapt. The **COVID-19 pandemic** poses one of the major risks for the company regarding its short-term and long-term effects, like the uncertainty of its duration, recovery, and resurgence. The **revenue dependence on the American market** entails the risk of a more prolonged recovery from the pandemic, for it is one of the worse affected countries with a crippled and unequal health system. Other external factors such as **political instability** may also impact the company's profitability and, therefore, the price target.

The seasonal and cyclical nature of the business added to the high competition that the company faces might affect the revenues, profits, or market share and, therefore, the Enterprise Value.

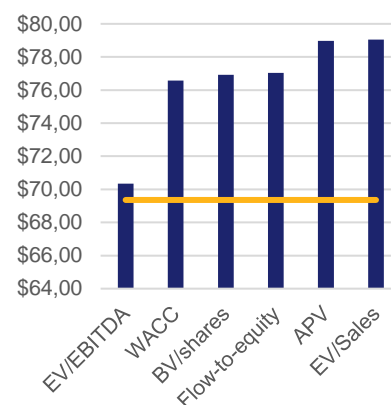
HYATT is exposed to market risk mainly from changes in **interest rates**, due to its borrowing activities, and **foreign currency exchange rates**, due to the globalization of the company.

## 6- Valuation

### WACC Method

Using a 5-year forecast, HYATT was valued using a two-stage DCF arriving at a **2022YE PT of \$77.07/share**, which translates into an **upside potential of 11.12%** against the closing price of \$69.36 on August 19<sup>th</sup>, 2021 (Figure 36). The capital structure of the company is altering over the years. Therefore a beta levered was computed for each year to account for this effect, leading to a varying cost of equity.

**Figure 35 – Different methods' PTs against the current price at August 19<sup>th</sup>, 2021.**



**Source: Authors Analysis**

**Figure 36 – PT obtained by the WACC Method**

WACC Method	
VL	1332
Terminal Value	9830
PV Terminal Value	7684
<b>Enterprise Value</b>	<b>9016</b>
Cash and cash equivalents	3306
Debt	4494
<b>Equity Value</b>	<b>7828</b>
<b>Shares Outstanding</b>	<b>102</b>
Price per Share	\$77.07
Upside Potential	11.12%
Stock Price	\$69.36

**Source: Author's Analysis**



To account for the issuance and maturing of the notes, cost of debt was also calculated for each year.

Other methods were performed to complement the analysis, such as the APV method, Flow-to-Equity Method, DDM and Multiples.

The following factors mainly influence the valuation:

### Revenues recovery and growth

Total revenues are forecasted to grow as a function of the recovery of RevPAR and the growth of the number of rooms of each segment.

The **O&L segment** has the particularity of having its **number of rooms declining over the forecasting period (-2.70% CAGR 2020-2025)**, contrary to the other segments. This is due to HYATT's commitment to its asset-light strategy and its plan to dispose of 2000 rooms until 2025. The recovery of the **RevPAR**, that achieved pre-pandemic values in 2024F (**+38.97% CAGR 2020-2024**), outweighed this effect and **revenues grew +33.10% CAGR 2020-2024**, having dropped in the following year (-2.70% YOY) due to the stabilization of RevPAR and continuous drop of the number of rooms (Figure 37).

The **Americas segment** experienced a revenues growth of **+22.18% CAGR 2020-2025**, with **RevPAR returning to the pre-pandemic values in 2024F** and stabilizing after that, as it had in the past, and the number of rooms increasing as per HYATT's expectation of **new number of rooms** for each of the forecasted years, corresponding to a **+6.70% CAGR 2020-2025** (Figure 37).

On the same note, in **ASPAC segments**, **revenues grew at +23.30% CAGR 2020-2025**, with **RevPAR returning to pre-pandemic values in 2023F** and rooms increasing at **+7.88% CAGR 2020-2025** (Figure 37).

The **EAME/SW Asia segment** presented a **revenues growth of +27.12% CAGR 2020-2025**, with **RevPAR returning to pre-pandemic values in 2023F** and rooms increasing at **+7.60% CAGR 2020-2025** (Figure 37).

### Capex and D&A

Investment in CAPEX that **dropped drastically in 2020 (-66.94% YOY)**, is expected to follow the recovery of Total revenues, constituting 6.90% of it (Appendix 17). D&A is forecasted to surpass the value of CAPEX, as it had been observed in the past, increasing at **+7.60% CAGR 2020-2025** (Figure 38).

### Long-run sustainable growth rate

Calculated using the Stable Growth Model, it achieved a value of 2.50%, consistent with the range attributable to the Hotel Industry. Furthermore, this value was held constant throughout the forecasted period (Appendix 19).

### FCFF and terminal value

The FCFF varied drastically over the years due to the effect of the business cycle, hitting its lowest in 2022 with a value of 78, and its highest in 2024F presenting a value of 413. To flatten this effect, a regression was performed using the Least Square Method over the forecasted period thus obtaining a normalized FCFF for the terminal period (Appendix 21).

### WACC rate assumptions

The FCFF was discounted using the WACC method.

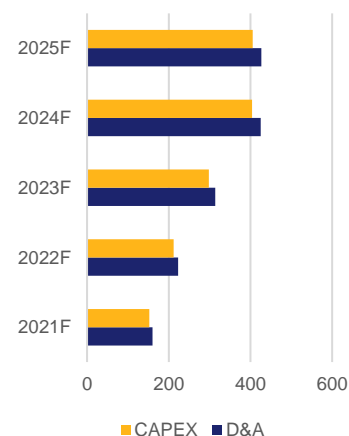
In order to compute Cost of Equity, a variation of the CAPM model was employed considering the country risk premium (CRP). To account for the globalization of its operations, the market risk premium (MRP) and the CRP result from a weighted average of the MRP and CRP of a sample of countries where HYATT operated,

Figure 37 – Revenues Forecasted Growth



Source: Author's Analysis

Figure 38 – CAPEX and D&A Evolution (\$M)



Source: Author's Analysis

presenting values of 5.67% and 0.21%, respectively (Appendix 20). A 5-year normalized 10Y US Bond was used as a proxy for the risk free rate (rf), as there is a practically inexistent risk of defaulting, presenting a value of 1.97%, and the betas were estimated by adjusting the unlevered beta for the tax rate and each year capital structure.

Cost of Debt was computed using the credit default spread method, adding to the previously computed CRP and rf, a company default spread, considering the interest coverage ratio of each year.

WACC falls from 8.54% in 2021F to 6.35% in 2025F, whereas the pre-tax WACC ranged from 9.74% to 6.51% (Appendix 19) .

## APV Method

The APV method was also performed since the company has been deleveraging over the forecasted years (Appendix 24). It yields a 2022YE PT of \$79.45, meaning an upside potential of 14.54% against the closing price of August 19<sup>th</sup>, 2021 (Figure 39).

## Flow-to-Equity Method and DDM

To complement the analysis, the two other absolute methods were performed. The DCF method that uses the FCFE achieved a 20 22YE PT of \$77.34/share (Figure 40 and Appendix 24). Regarding DDM (Appendix 25) and due to the uncertainty caused by the COVID-19 pandemic, it is not considered an appropriate method. Nevertheless, the model estimates that the company will resume its dividends' payment in 2021YE.

## Relative Valuation

A market-based approach was also considered in the analysis, using market multiples obtained from the peer group previously identified. As a result, the peer average EV/EBITDA of 18.34x resulted in a PT of \$70.50/share for 2022YE whereas the peer average EV/Sales of 3.00x resulted in a PT of \$79.06 for the same year. Lastly, the peer average P/B of 3.10x translated to a PT of \$76.92 (Appendix 27), this last two agreeing with the author's Hold recommendation

# 7- Financial Analysis

## Operational Efficiency

Total Revenues increased from 4,462m in 2017YE to 5,020m in 2019YE **(+6.07% CAGR 2017-2019)** but dropped sharply in 2020YE (-58.84%) due to the COVID-19 pandemic. Nevertheless, it is expected that HYATT will experience **revenue growth of +23.26% CAGR 2020-2025**, increasing from \$2,066M to \$5,877.40M, indicating the recuperation of the economy. Alongside this growth is the increase of the **Asset Turnover, which is expected to grow from 0.24x in 2021F to 0.67x in 2025F**, and the **fixed asset turnover, which will increase from 0.63x in 2020F to 2.08x in 2025F**, surpassing the pre-pandemic values of 1.42, meaning that HYATT is increasing its efficiency on generating revenue from its total assets and existing fixed assets, respectively (Figure 41).

Figure 39- APV Method's PT

APV Method	
NPV	1327
Terminal Value	9425
PV of terminal	7322
<b>Intrinsic Enterprise Value</b>	<b>8649</b>
PV of tax shield	159
PV of TV of tax shield	450
<b>Intrinsic EV</b>	<b>9258</b>
Cash and cash equivalents	3306
Debt	4494
<b>Equity Value</b>	<b>8070</b>
<b>Shares Outstanding</b>	<b>102</b>
Price per Share	\$79.45
Upside Potential	14.54%
Stock Price	\$69.36

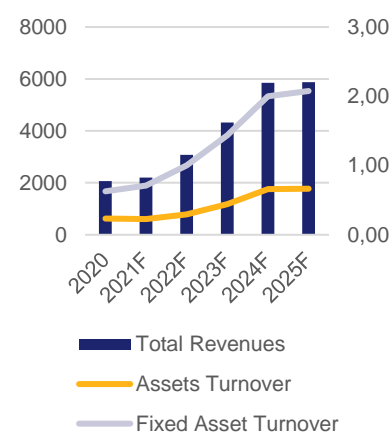
Source: Author's Analysis

Figure 40 – Flow to Equity PT

Flow to Equity Method	
NPV	-211
Terminal Value	6307
PV Terminal Value	4761
<b>Equity Value</b>	<b>7856</b>
<b>Shares Outstanding</b>	<b>102</b>
Price per Share	\$77.34
Upside Potential	11.51%
Stock Price	\$69.36

Source: Author's Analysis

Figure 41 – Operational Efficiency



Source: Author's Analysis

**EBIT margin grew at a +11.29% CAGR 2017-2019** but fell -331.87% YOY in 2020YE, is also projected to accompany this increase, rising from **-46.47% in 2020 to 5.05% in 2025F** (Appendix 14). When comparing to the EBIT margin of 20.04%, we can conclude that there is a slow but steady recuperation of HYATT's operational efficiency in transforming revenues into profits.

### Profitability

HYATT is expected to increase its profitability, with its **Net Profit Margin increasing from -34.03% in 2020 to 4.36% in 2025F**, mimicking its growth of +32.12% CAGR 2017-2019. ROA and ROE are forecasted to have an upward trend, **growing from -8.01% and -19.58% in 2020 to 2.90% and 7.19% in 2025F**, respectively. These ratios had also displayed an upward trend in the past, with **ROA growing at a +71.85% CAGR 2017-2019** and **ROE increasing at a +72.95% CAGR 2017-2019** (Figure 42) (Appendix 14). However, none of these ratios was able to recover to its pre-pandemic levels, meaning that while profitability did increase in the forecasted years, HYATT is not as efficient at generating earnings as it was in the past.

### Solvency and Liquidity

Regarding solvency, HYATT's **Interest Coverage Ratio**, which had been increasing at a **+19.90% CAGR 2017-2019** but dropped due to the COVID-19 pandemic, is expected to have a slow recovery in the forecasted period, reaching a value of 5.68x in 2025F, almost a third of the pre-pandemic value, meaning that its ability to pay interest will remain hindered.

The company's capital structure is expected to change throughout the forecasted years, having its **Debt Ratio fall from 68.70% in 2021F to 59.12% in 2025F**, after increasing at a +8.75% CAGR 2017-2021, almost reaching its 2019 value. This behaviour can be explained due to notes being emitted during the historical years and maturing in the forecasted years, leading to its repayment (Figure 43).

Because of this, HYATT's will present **difficulty in meeting its short-term obligations using its current assets**, as it can be observed in the Current Ratio, which presents values below one in 2023F and 2024F. Still regarding liquidity, the Cash Ratio and the Quick Ratio which had been growing at a **+48.65% CAGR 2017-2021** and at a **+37.34% CAGR 2017-2021**, respectively, will face a decrease due to the repayment of the notes, slightly recovering after that and reaching a value of 1.11x and 1.53x, respectively (Appendix 14).

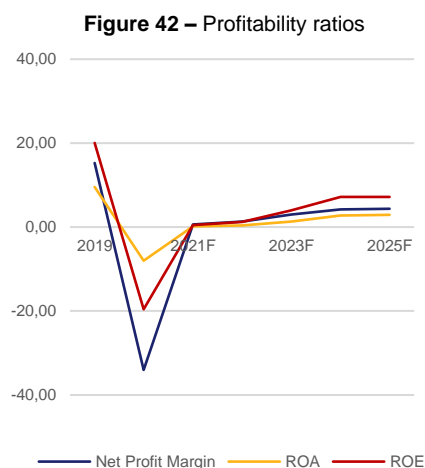
## 8- Investment Risks

As a company from the hotel industry, HYATT faces several risks. First, the globalization of its operations leaves it particularly susceptible to external risks, such as economic risks, which can negatively impact its operations (Figure 44).

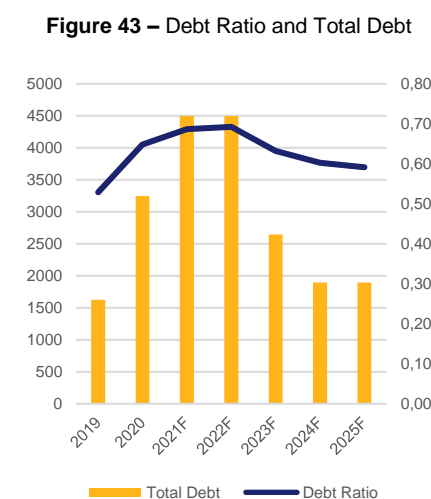
### Economic Risks

#### Dampening of the Economic Growth (EC01)

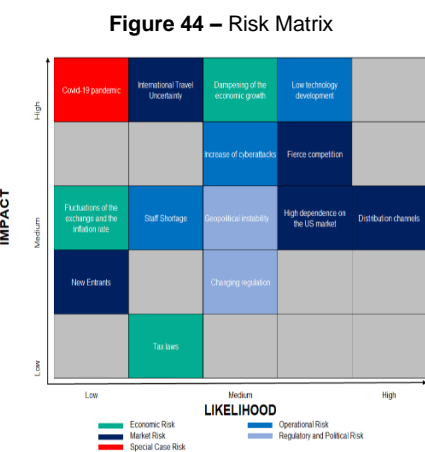
The Hotel Industry is very reliant on GDP's growth for it affects variables such as tourism levels and HDI, thus affecting RevPAR (Figure 45). Therefore, if the global economy is on a contraction cycle, it could negatively affect HYATT's operations, lowering both the demand and the supply sides and lowering revenues and slowing growth.



Source: Author's Analysis



Source: Author's Analysis



Source: Author's Analysis

## Fluctuations of the exchange and the inflation rate (EC02)

HYATT global operations make it susceptible to fluctuations of the exchange rate and the inflation rate (Figure 46), namely in certain countries of Latin America and the Caribbean where some of its hotels are located, posing a risk to its profitability.

## Tax Laws (EC03)

The existence of taxes is guaranteed in any industry, and despite being able to limit profits, they do not pose a threat to the market. Globalized companies, such as HYATT, may deal with different tax laws, but they can be dealt with to lessen its effect.

## Market Risks

### Fierce competition (MK01)

Being a very fragmented industry, HYATT has to compete with a high number of hotel chains that provide similar experiences and services. Innovation trends are quickly followed by the other players, making it hard to differentiate in this industry. M&As pose an additional risk as it could give the merged competitors an advantage as they gain market share and further their growth. In addition, non-traditional players can pose a long-term risk to HYATT's operations, as it has the capability of altering consumers' behaviour.

### High dependence on the US market (MK02)

Despite HYATT's efforts to expand to international markets, more than half of its revenues come from its national market. Because of this, any alteration in patterns here will harm its operations with a very low probability of counteracting this effect using other segments.

### Distribution channels (MK03)

External distribution channels have become more widely chosen when compared to internal distribution channels due to the competitive prices that hinder HYATT profitability, for it leads to commission payment and raises an additional risk of these channels revendicating higher commission rates.

### New Entrants (MK04)

There are substantial entry barriers to new players, such as the need for high initial investments and the need to differentiate themselves in a market with already established competition. However, new players, especially the "digital era" ones, can risk established companies.

### International Travel uncertainty (MK05)

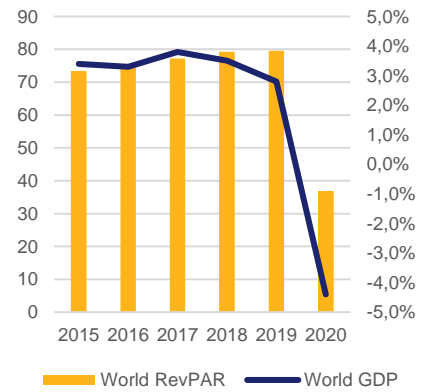
Uncertainty in International Travel arises with conflicts, terrorism and natural disasters such as the COVID-19 pandemic. This poses a risk for Hotels, which are very dependent on the flow of tourism, which can be interrupted by these events.

## Operational Risks

### Low Technology development (OP01)

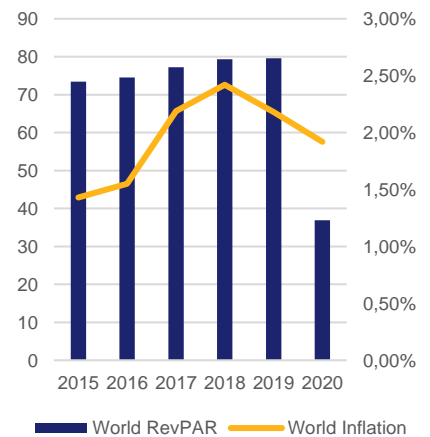
One of HYATT's most significant risks is its current inability to support its growth with the investment in new technology, which poses an even further risk if this prolongs into the future, for it could hinder its performance and making HYATT at a disadvantage when comparing to its peers, especially the ones who started its activity during the digital boom.

Figure 45 – World RevPAR (\$) vs World GDP (YOY Growth)



Source: IMF (2021)

Figure 46 – World RevPAR (\$) vs World Inflation (%)



Source: IMF (2021)

### Increase of cyberattacks (OP02)

Technology keeps being incorporated in hotels operations, thus increasing the probability of cyberattacks which have, over the years, become more diversified and harder to counterattack. This could lead to data loss, both from the company and the consumer, raising the chances of financial losses.

### Staff Shortage (RP03)

If skilled workers are scarce, certain investments may be delayed or cancelled, as hotels will have to invest in their personnel, so the output and quality of its services are not affected.

## Regulatory and Political Risks

### Geopolitical instability (RP01)

Geopolitical risks, such as terrorist attacks or political instability, in regions where HYATT operates can negatively affect its revenues, for it could change tourism patterns in the regions affected or impact business rulings.

### Changing regulation (RP02)

The hotel industry is characterized by heavy regulation, whether directly, in its building and services, or indirectly, when related to tourism. As a result, globalized hotels, such as HYATT, may have difficulty adapting their operations in light of different regulations from market to market.

## Special case Risks

### COVID-19 pandemic (SC01)

The COVID-19 pandemic was the biggest disruptor of the hotel's operation ever. It is impacting almost every single macroeconomic value, which then reflects on the global economy. Despite not being likely to happen again, HYATT should review its procedures to have a reserve plan for calamities such as this one.

## Price Target Sensitivity

### Number of rooms and RevPAR

Regarding these factors, two segments were deemed crucial to analyse.

The O&L segment is already facing a diminution of its number of rooms due to the asset-light strategy. Sensitivity analysis gives us an understanding of the possible growth paths of these segments (Figure 47) and their impact on the PT. The base case considers 15,209 rooms. Each increase of 1000 rooms leads to an increase of ~\$1.86-4.50/share, and each decrease will lead to a decrease of ~\$1.65-1.80/share, *ceteris paribus*. RevPAR assumes the value of \$68.10 in the base case, and each increase of \$3 leads to an increase of ~\$1.57-1.71/share, and each decrease of 1000 leads to a decrease of ~\$1.41-1.52/share.

Figure 47 – Number of Rooms vs RevPAR (O&L segment)

		O&L Segment									
		Number of rooms									
		\$77.07	11,209	12,209	13,209	14,209	15,209	16,209	18,209	20,209	22,209
R e v P A R	\$56.10	\$66.28	\$67.47	\$68.69	\$69.93	\$71.21	\$72.51	\$75.20	\$78.03	\$ 81.00	
	\$59.10	\$67.23	\$68.53	\$69.86	\$71.22	\$72.62	\$74.05	\$77.02	\$80.15	\$ 83.46	
	\$62.10	\$68.19	\$69.60	\$71.05	\$72.54	\$74.06	\$75.63	\$78.90	\$82.36	\$ 86.04	
	\$65.10	\$69.17	\$70.70	\$72.27	\$73.89	\$75.55	\$77.26	\$80.84	\$84.65	\$ 88.72	
	\$68.10	\$70.17	\$71.82	\$73.52	\$75.27	\$77.07	\$78.93	\$82.85	\$87.04	\$ 91.54	
	\$71.10	\$71.19	\$72.96	\$74.79	\$76.68	\$78.64	\$80.66	\$84.93	\$89.52	\$ 94.49	
	\$74.10	\$72.22	\$74.13	\$76.10	\$78.14	\$80.25	\$82.44	\$87.08	\$92.11	\$ 97.58	
	\$77.10	\$73.28	\$75.32	\$77.43	\$79.63	\$81.91	\$84.28	\$89.32	\$94.82	\$100.84	
	\$80.10	\$74.36	\$76.54	\$78.80	\$81.16	\$83.61	\$86.17	\$91.65	\$97.65	\$104.27	

Source: Author's Analysis

The Americas Segment Full Service (Figure 48), which is a subsegment of the Americas Segment, is the one who impacts revenues the most, thus being essential to analyze. The base case considers 111,914 rooms. Each increase of 1000 rooms leads to an increase of ~\$0.05-0.09/share, and each decrease of 1000 leads to a decrease of ~\$0.05/share, *c.p.*. RevPAR assumes the value of \$61.94 in the base case, and each decrease of \$3 leads to a decrease of ~\$2.24-2.55/share, and each increase will lead to an increase of ~\$2.67-3.10/share, *c.p.*.

**Figure 48 - Number of Rooms vs RevPAR (Americas segment Full Service)**

		Americas Segment Full Service									
		Number of rooms									
		\$77.07	107,914	108,914	109,914	110,914	111,914	112,914	114,914	116,914	118,914
R e v P A R	\$49.94	\$67.38	\$67.41	\$67.44	\$67.48	\$67.51	\$67.54	\$67.60	\$67.67	\$67.73	
	\$52.94	\$69.61	\$69.64	\$69.68	\$69.71	\$69.75	\$69.78	\$69.85	\$69.92	\$69.99	
	\$55.94	\$71.93	\$71.97	\$72.01	\$72.04	\$72.08	\$72.12	\$72.20	\$72.27	\$72.35	
	\$58.94	\$74.35	\$74.40	\$74.44	\$74.48	\$74.52	\$74.56	\$74.65	\$74.73	\$74.82	
	\$61.94	\$76.89	\$76.93	\$76.98	\$77.03	\$77.07	\$77.12	\$77.21	\$77.30	\$77.40	
	\$64.94	\$79.54	\$79.59	\$79.64	\$79.69	\$79.74	\$79.79	\$79.90	\$80.00	\$80.10	
	\$67.94	\$82.32	\$82.38	\$82.43	\$82.49	\$82.55	\$82.60	\$82.71	\$82.82	\$82.94	
	\$70.94	\$85.25	\$85.31	\$85.37	\$85.43	\$85.49	\$85.55	\$85.67	\$85.80	\$85.92	
	\$73.94	\$88.32	\$88.39	\$88.45	\$88.52	\$88.59	\$88.66	\$88.79	\$88.92	\$89.06	

Source: Author's Analysis

Through this analysis, one can conclude that the Americas Segment Full Service is much more inelastic than the O&L segment regarding variations in the number of rooms, whereas it is much more sensitive to variations in RevPAR.

### Long-run sustainable growth rate and WACC

The base case considers a long-run sustainable growth rate of 2.50% (Figure 49). Each increase of 12.5bps of this variable leads to an increase of ~\$2.54-3.13/share, and each decrease of 12.5bps leads to a decrease of ~\$1.98-2.38/share *ceteris paribus*. The other variable, WACC, assumes the value of 6.35% in the base case, and each increase of 25bps leads to a decrease of ~\$3.72-5.28/share and each decrease will lead to an increase of ~\$6.02-9.49/share.

**Figure 49 – WACC rate vs Terminal Growth Rate**

		WACC Method									
		Terminal Growth Rate									
		\$77.07	2.00%	2.13%	2.25%	2.38%	2.50%	2.63%	2.75%	2.88%	3.00%
W A C C	5.35%	\$91.72	\$95.23	\$99.02	\$103.12	\$107.59	\$112.46	\$117.81	\$123.70	\$130.21	
	5.60%	\$84.65	\$87.65	\$90.87	\$94.34	\$98.09	\$102.16	\$106.59	\$111.42	\$116.71	
	5.85%	\$78.51	\$81.10	\$83.87	\$86.84	\$90.03	\$93.47	\$97.18	\$101.21	\$105.60	
	6.10%	\$73.13	\$75.38	\$77.79	\$80.35	\$83.10	\$86.04	\$89.20	\$92.60	\$96.29	
	6.35%	\$68.37	\$70.35	\$72.45	\$74.69	\$77.07	\$79.61	\$82.33	\$85.24	\$88.38	
	6.60%	\$64.14	\$65.89	\$67.74	\$69.71	\$71.79	\$74.01	\$76.36	\$78.88	\$81.57	
	6.85%	\$60.35	\$61.91	\$63.55	\$65.29	\$67.12	\$69.07	\$71.13	\$73.33	\$75.67	
	7.10%	\$56.93	\$58.33	\$59.80	\$61.34	\$62.97	\$64.69	\$66.51	\$68.44	\$70.49	
7.35%	\$53.85	\$55.10	\$56.42	\$57.80	\$59.26	\$60.79	\$62.40	\$64.11	\$65.91		

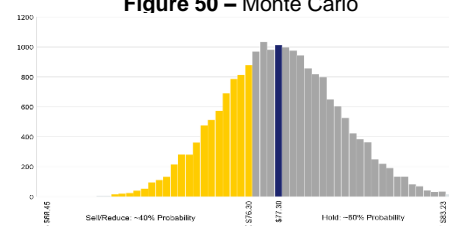
Source: Author's Analysis

### Monte Carlo Simulation

A Monte Carlo Simulation (Figure 50) was performed to complement the analysis on the price target sensitivity taking into consideration the changes in the long-run sustainable growth rate (g), WACC and tax rate.

A mean value of \$77.30 was obtained, slightly above the WACC estimated price target, and a **Hold probability of around 60%**, once again agreeing with the author's Hold recommendation.

**Figure 50 – Monte Carlo**

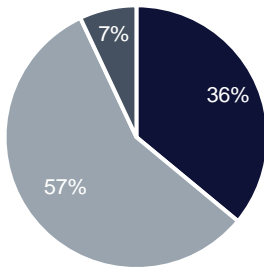


Source: Author's Analysis

# Appendices

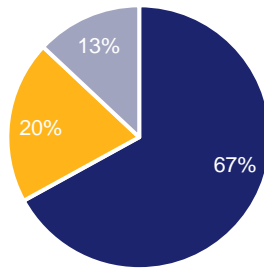
## Appendix 1: HYATT's system-wide rooms

System-wide rooms by type



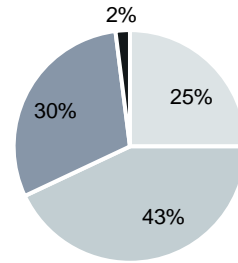
■ Franchised ■ Managed ■ O&L

System-wide rooms by geography



■ Americas ■ ASPAC ■ EAME/SW Asia

System-wide rooms by chain scale

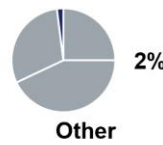
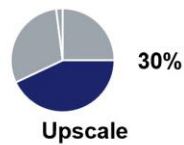
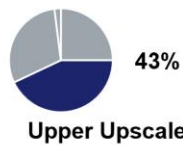
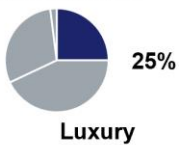


■ Luxury ■ Upper Upscale  
■ Upscale ■ Other

Source: HYATT's 2021 Investor Presentation

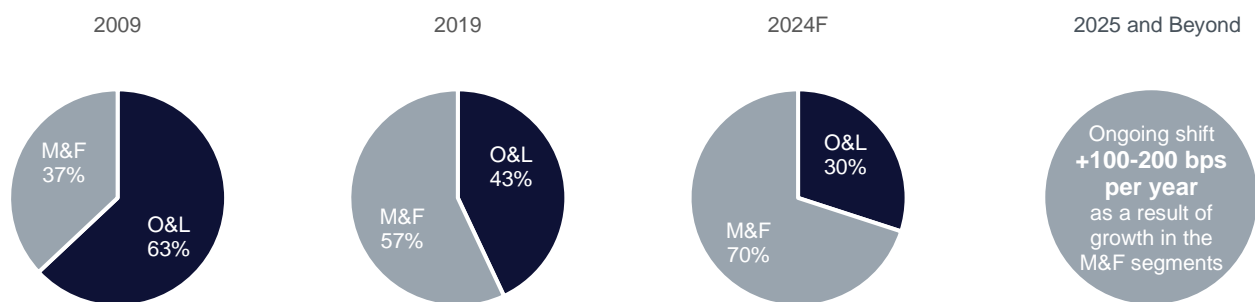
## Appendix 2: HYATT's Chain scale as defined by Smith Travel Research

% of System-wide Rooms



Source: Hyatt's 2021 Investor Presentation

### Appendix 3: Evolution of Adjusted EBITDA by Business Mix\*



\*Percentages excluding Corporate and Other and eliminations. M&F contribution comprises the Americas, EAME/SW Asia, and ASPAC segments.

Source: Hyatt's 2021 Investor Presentation

### Appendix 4: Computation of the Drivers of Profitability

$$ADR = \frac{\text{Room Revenues}}{\text{Total Number of Rooms Sold}}$$

$$\text{Occupancy rate} = \frac{\text{Total Number of Rooms Sold}}{\text{Total Number of Rooms Available}}$$

$$\begin{aligned} \text{RevPAR} &= \text{Average Daily Rate (ADR)} \times \text{Occupancy rate} = \\ &= \frac{\text{Rooms Revenue Earned}}{\text{Total Number of Rooms Sold}} \times \frac{\text{Total Number of Rooms Sold}}{\text{Total Number of Rooms Available}} \\ &= \frac{\text{Rooms Revenue Earned}}{\text{Total Number of Rooms Available}} \end{aligned}$$

Source: Hyatt's 2021 Annual Report



## Appendix 5: Capital Strategy Highlights

	Target Gross Proceeds	Commitment Period	Actualized to Date During Commitment Period
Monetize additional owned assets	\$1.5Bn	November 2017 to March 2019 (15 months)	~\$1.45Bn
Provide funds for future growth investments	\$1.5Bn	March 2019 Investor Meeting to March 2022 (36 months)	~\$1.0Bn
Accelerate towards greater fee-based earnings	\$3.0Bn	TOTALS	~\$2.45Bn

Source: Hyatt's 2021 Investor Presentation

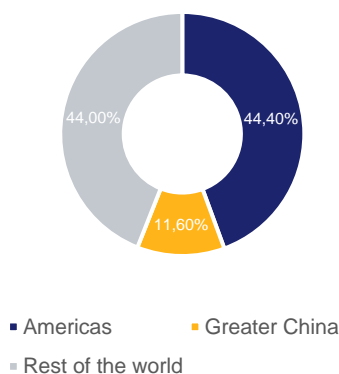
## Appendix 6: 2020 Total Rewards

Compensation Element	Description
Base Salary	Fixed cash payments
Annual Incentive	Variable annual cash award based on achievement of performance objectives
Long-term Incentive	Target value delivered as 27.5% SARs, 27.5% time-vested RSUs, and 45% PSUs (based on 5 1/2 year diversity representation goals and relative TSR), except for Mr. Thomas J. Pritzker, who received 100% of his long-term incentives in the form of SARs and Mr. Hoptlamazian who received 22.5% SARs, 22.5% RSUs, and 55% PSUs
Employee Benefits	401k plan and deferred compensation programs with matching and retirement contributions, PTO, health, life and disability insurance, and limited perquisites
Severance Benefits	Severance facilitates recruitment and retention of NEOs by providing income security in the event of involuntary job loss, as outlined in the CD&A section of Hyatt's 2021 Annual Meeting of Stockholders and Proxy Statement, and further enables NEOs to focus on Hyatt's best interests and those of its stockholders in the event of a potential transaction that could result in the NEO's termination

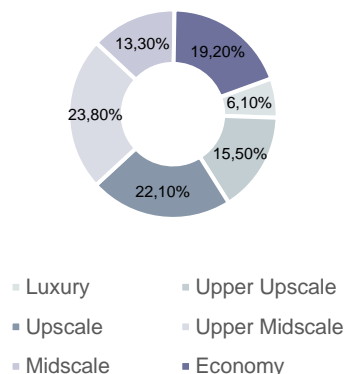
Source: Hyatt's 2021 Annual Meeting of Stockholders and Proxy Statement

## Appendix 7: Characterization of the world hotel industry

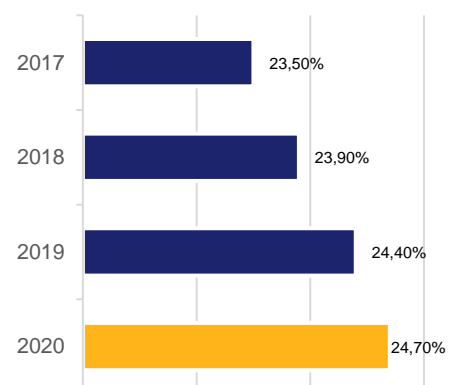
Rooms by Geography



Rooms by chain scale



Branded hotels



## Appendix 8: Statement of Financial Position

Hyatt Hotels Corp (H US)									
Balance Sheet (\$M) except share amounts	2017	2018	2019	2020	2021F	2022F	2023F	2024F	2025F
<b>ASSETS</b>									
<b>Current Assets</b>	<b>1,327</b>	<b>1,345</b>	<b>1,706</b>	<b>2,563</b>	<b>3,721</b>	<b>3,850</b>	<b>2,254</b>	<b>1,883</b>	<b>2,082</b>
Cash and cash equivalents	786	719	1,111	1,893	3,401	3,306	1,602	1,100	1,298
Receivables	350	427	421	316	180	251	353	478	480
Inventories	14	14	12	9	9	12	17	23	24
Prepays	177	185	162	345	132	281	281	281	281
<b>Noncurrent Assets</b>	<b>6,245</b>	<b>6,298</b>	<b>6,711</b>	<b>6,566</b>	<b>6,574</b>	<b>6,659</b>	<b>6,763</b>	<b>6,867</b>	<b>6,847</b>
Equity method investments	212	233	232	260	260	260	260	260	260
Property and equipment, net	4,034	3,608	3,456	3,126	3,091	3,041	2,972	2,878	2,784
Financing receivables, net of allowances	19	13	35	29	29	29	29	29	29
Operating lease right-of-use assets	-	-	493	474	490	587	706	831	832
Goodwill	150	283	326	288	288	288	288	288	288
Intangibles, net	305	628	437	385	412	451	504	577	650
Deferred tax assets	141	180	144	207	207	207	207	207	207
Other assets	1,384	1,353	1,588	1,797	1,797	1,797	1,797	1,797	1,797
<b>Total Assets</b>	<b>7,572</b>	<b>7,643</b>	<b>8,417</b>	<b>9,129</b>	<b>10,295</b>	<b>10,510</b>	<b>9,017</b>	<b>8,750</b>	<b>8,929</b>
<b>LIABILITIES AND EQUITY</b>									
<b>Current Liabilities</b>	<b>992</b>	<b>1,061</b>	<b>1,086</b>	<b>984</b>	<b>879</b>	<b>1,506</b>	<b>2,488</b>	<b>1,909</b>	<b>1,162</b>
Current maturities of long-term debt	11	11	11	260	260	760	1,561	761	11
Accounts payable	136	151	150	102	70	98	138	187	187
Accrued expenses and other current liabilities	497	511	448	311	237	330	464	629	631
Current contract liabilities	348	388	445	282	282	282	282	282	282
Current operating lease liabilities	-	-	32	29	30	36	43	51	51
<b>Noncurrent Liabilities</b>	<b>2,727</b>	<b>2,905</b>	<b>3,364</b>	<b>4,931</b>	<b>6,194</b>	<b>5,771</b>	<b>3,214</b>	<b>3,364</b>	<b>4,115</b>
Long-term debt	1,440	1,623	1,612	2,984	4,234	3,734	1,083	1,133	1,883
Long-term contract liabilities	424	442	475	659	659	659	659	659	659
Long-term operating lease liabilities	-	-	393	377	390	467	561	661	662
Other long-term liabilities	863	840	884	911	911	911	911	911	911
<b>Total Liabilities</b>	<b>3,719</b>	<b>3,966</b>	<b>4,450</b>	<b>5,915</b>	<b>7,072</b>	<b>7,276</b>	<b>5,703</b>	<b>5,273</b>	<b>5,277</b>
Redeemable noncontrolling interest in preferred shares of a subsidiary	10	-	-	-	-	-	-	-	-
<b>EQUITY</b>									
Class A common stock, \$0.01 par value per share, 1,000,000,000 shares authorized, 39,250,241 issued and outstanding from December 31, 2020 to December 31, 2025, and Class B common stock, \$0.01 par value per share, 394,033,330 shares authorized, 62,038,918 shares issued and outstanding from December 31, 2020 to December 31, 2025. Class A common stock, 0.01 USD par value per share, 1,000,000,000 shares authorized, 39,261,233 issued and outstanding at December 31, 2019, and Class B common stock, 0.01 USD par value per share, 397,457,686 shares authorized, 65,463,274 shares issued and outstanding from December 31, 2019. Class A common stock, 0.01 USD par value per share, 1,000,000,000 shares authorized, 39,507,817 issued and outstanding at December 31, 2018, and Class B common stock, 0.01 USD par value per share, 399,110,240 shares authorized, 67,115,828 shares issued and outstanding at December 31, 2018. Class A common stock, 0.01 USD par value per share, 1,000,000,000 shares authorized, 48,231,149 issued and outstanding at December 31, 2017, and Class B common stock, 0.01 USD par value per share, 402,748,249 shares authorized, 70,753,837 shares issued and outstanding at December 31, 2017	1	1	1	1	1	1	1	1	1
Additional paid-in capital	967	50	-	13	13	13	13	13	13
Retained Earnings	3,054	3,819	4,170	3,389	3,398	3,408	3,489	3,652	3,827
Accumulated other comprehensive loss	(185)	(200)	(209)	(192)	(192)	(192)	(192)	(192)	(192)
<b>Total Stockholders' equity</b>	<b>3,837</b>	<b>3,670</b>	<b>3,962</b>	<b>3,211</b>	<b>3,220</b>	<b>3,230</b>	<b>3,311</b>	<b>3,474</b>	<b>3,649</b>
Noncontrolling interests in consolidated subsidiaries	6	7	5	3	3	3	3	3	3
<b>Total equity</b>	<b>3,843</b>	<b>3,677</b>	<b>3,967</b>	<b>3,214</b>	<b>3,223</b>	<b>3,233</b>	<b>3,314</b>	<b>3,477</b>	<b>3,652</b>
<b>Total liabilities and equity</b>	<b>7,572</b>	<b>7,643</b>	<b>8,417</b>	<b>9,129</b>	<b>10,295</b>	<b>10,510</b>	<b>9,017</b>	<b>8,750</b>	<b>8,929</b>

## Appendix 9: Income Statement

Hyatt Hotels Corp (H US)									
Income statement (\$M)	2017	2018	2019	2020	2021F	2022F	2023F	2024F	2025F
<b>REVENUES</b>									
<b>Total Revenues</b>	<b>4,462</b>	<b>4,454</b>	<b>5,020</b>	<b>2,066</b>	<b>2,204</b>	<b>3,074</b>	<b>4,324</b>	<b>5,857</b>	<b>5,877</b>
<b>DIRECT AND SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES</b>									
<b>Direct and selling, general, and administrative expenses</b>	<b>(3,854)</b>	<b>(3,795)</b>	<b>(4,494)</b>	<b>(2,388)</b>	<b>(1,918)</b>	<b>(2,675)</b>	<b>(3,763)</b>	<b>(5,096)</b>	<b>(5,114)</b>
Net gain (losses) and interest income from marketable securities held to fund rabbi trusts	45	(11)	62	60	-	-	-	-	-
Equity Earnings (losses) from unconsolidated hospitality ventures	219	8	(10)	(70)	36	50	70	95	96
Gains on sales of real estate	236	772	723	(36)	21	22	22	23	24
Asset impairment	-	(25)	(18)	(62)	-	-	-	-	-
Other income (loss), net	42	(49)	127	(92)	(11)	(16)	(23)	(30)	(31)
<b>EBITDA</b>	<b>1,150</b>	<b>1,354</b>	<b>1,410</b>	<b>(522)</b>	<b>332</b>	<b>455</b>	<b>632</b>	<b>848</b>	<b>852</b>
Depreciation and amortization	348	327	329	310	160	223	314	425	427
<b>EBIT</b>	<b>802</b>	<b>1,027</b>	<b>1,081</b>	<b>(832)</b>	<b>172</b>	<b>232</b>	<b>318</b>	<b>423</b>	<b>425</b>
Interest expense	(80)	(76)	(75)	(128)	(153)	(177)	(141)	(90)	(75)
<b>Earnings Before Taxes (EBT)</b>	<b>722</b>	<b>951</b>	<b>1,006</b>	<b>(960)</b>	<b>19</b>	<b>55</b>	<b>177</b>	<b>334</b>	<b>350</b>
Provision for income taxes	(332)	(182)	(240)	257	(5)	(15)	(47)	(89)	(94)
Effective tax rate	45.98%	19.14%	23.86%	26.77%	26.77%	26.77%	26.77%	26.77%	26.77%
<b>NET INCOME</b>	<b>390</b>	<b>769</b>	<b>766</b>	<b>(703)</b>	<b>14</b>	<b>40</b>	<b>130</b>	<b>244</b>	<b>257</b>
Net income and accretion attributable to noncontrolling interests	(1)	-	-	-	-	-	-	-	-
<b>NET INCOME ATTRIBUTABLE TO HYATT HOTELS CORPORATION</b>	<b>389</b>	<b>769</b>	<b>766</b>	<b>(703)</b>	<b>14</b>	<b>40</b>	<b>130</b>	<b>244</b>	<b>257</b>

## Appendix 10: Cash Flow Statement

Cash Flow statement (\$M)	2021F	2022F	2023F	2024F	2025F
<b>Operating activities</b>	<b>570</b>	<b>338</b>	<b>651</b>	<b>841</b>	<b>759</b>
EBIT	172	232	318	423	425
D&A	160	223	314	425	427
Income Tax	-5	-15	-47	-89	-94
ΔNWC	243	-102	67	82	1
<b>Investment Activities</b>	<b>-168</b>	<b>-309</b>	<b>-418</b>	<b>-529</b>	<b>-407</b>
CAPEX	-152	-212	-298	-404	-405
Other Inv.	-16	-97	-119	-125	-1
<b>Financing Activities</b>	<b>1106</b>	<b>-124</b>	<b>-1938</b>	<b>-814</b>	<b>-155</b>
Interest paid	-153	-177	-141	-90	-75
Dividends	-5	-30	-49	-81	-81
ΔDebt	1250	0	-1850	-750	0
Other Financing activities	14	83	102	107	1
<b>Change in Cash</b>					
<b>Beginning</b>	<b>1893</b>	<b>3401</b>	<b>3306</b>	<b>1602</b>	<b>1100</b>
<b>End</b>	<b>3401</b>	<b>3306</b>	<b>1602</b>	<b>1100</b>	<b>1298</b>

## Appendix 11: Common-size Statement of Financial Position

### Hyatt Hotels Corp (H US)

Balance Sheet (\$M) except share amounts	2017	2018	2019	2020	2021F	2022F	2023F	2024F	2025F
<b>ASSETS</b>									
<b>Current Assets</b>	<b>17.53%</b>	<b>17.60%</b>	<b>20.27%</b>	<b>28.08%</b>	<b>36.15%</b>	<b>36.64%</b>	<b>24.99%</b>	<b>21.52%</b>	<b>23.32%</b>
Cash and cash equivalents	10.38%	9.41%	13.20%	20.74%	33.03%	31.46%	17.77%	12.58%	14.53%
Receivables	4.62%	5.59%	5.00%	3.46%	1.75%	2.39%	3.92%	5.47%	5.37%
Inventories	0.18%	0.18%	0.14%	0.10%	0.09%	0.12%	0.19%	0.27%	0.26%
Prepays	2.34%	2.42%	1.92%	3.78%	1.28%	2.67%	3.12%	3.21%	3.15%
<b>Noncurrent Assets</b>	<b>82.47%</b>	<b>82.40%</b>	<b>79.73%</b>	<b>71.92%</b>	<b>63.85%</b>	<b>63.36%</b>	<b>75.01%</b>	<b>78.48%</b>	<b>76.68%</b>
Equity method investments	2.80%	3.05%	2.76%	2.85%	2.53%	2.47%	2.88%	2.97%	2.91%
Property and equipment, net	53.28%	47.21%	41.06%	34.24%	30.02%	28.94%	32.96%	32.89%	31.17%
Financing receivables, net of allowances	0.25%	0.17%	0.42%	0.32%	0.28%	0.28%	0.32%	0.33%	0.32%
Operating lease right-of-use assets	0.00%	0.00%	5.86%	5.19%	4.76%	5.58%	7.83%	9.50%	9.32%
Goodwill	1.98%	3.70%	3.87%	3.15%	2.80%	2.74%	3.19%	3.29%	3.23%
Intangibles, net	4.03%	8.22%	5.19%	4.22%	4.01%	4.29%	5.59%	6.59%	7.28%
Deferred tax assets	1.86%	2.36%	1.71%	2.27%	2.01%	1.97%	2.30%	2.37%	2.32%
Other assets	18.28%	17.70%	18.87%	19.68%	17.45%	17.10%	19.93%	20.54%	20.12%
<b>Total Assets</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>LIABILITIES AND EQUITY</b>									
<b>Current Liabilities</b>	<b>13.10%</b>	<b>13.88%</b>	<b>12.90%</b>	<b>10.78%</b>	<b>8.54%</b>	<b>14.33%</b>	<b>27.60%</b>	<b>21.82%</b>	<b>13.02%</b>
Current maturities of long-term debt	0.15%	0.14%	0.13%	2.85%	2.53%	7.23%	17.31%	8.70%	0.12%
Accounts payable	1.80%	1.98%	1.78%	1.12%	0.68%	0.93%	1.53%	2.13%	2.10%
Accrued expenses and other current liabilities	6.56%	6.69%	5.32%	3.41%	2.30%	3.14%	5.15%	7.19%	7.07%
Current contract liabilities	4.60%	5.08%	5.29%	3.09%	2.74%	2.68%	3.13%	3.22%	3.16%
Current operating lease liabilities	0.00%	0.00%	0.38%	0.32%	0.29%	0.34%	0.48%	0.58%	0.57%
<b>Noncurrent Liabilities</b>	<b>36.01%</b>	<b>38.01%</b>	<b>39.97%</b>	<b>54.01%</b>	<b>60.16%</b>	<b>54.91%</b>	<b>35.65%</b>	<b>38.44%</b>	<b>46.08%</b>
Long-term debt	19.02%	21.24%	19.15%	32.69%	41.13%	35.53%	12.01%	12.95%	21.09%
Long-term contract liabilities	5.60%	5.78%	5.64%	7.22%	6.40%	6.27%	7.31%	7.53%	7.38%
Long-term operating lease liabilities	0.00%	0.00%	4.67%	4.13%	3.78%	4.44%	6.23%	7.55%	7.41%
Other long-term liabilities	11.40%	10.99%	10.50%	9.98%	8.85%	8.67%	10.10%	10.41%	10.20%
<b>Total Liabilities</b>	<b>49.12%</b>	<b>51.89%</b>	<b>52.87%</b>	<b>64.79%</b>	<b>68.70%</b>	<b>69.24%</b>	<b>63.25%</b>	<b>60.26%</b>	<b>59.10%</b>
Redeemable noncontrolling interest in preferred shares of a subsidiary	0.13%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>EQUITY</b>									
Class A common stock, \$0.01 par value per share, 1,000,000,000 shares authorized, 39,250,241 issued and outstanding from December 31, 2020 to December 31, 2025, and Class B common stock, \$0.01 par value per share, 394,033,330 shares authorized, 62,038,918 shares issued and outstanding from December 31, 2020 to December 31, 2025.									
Class A common stock, 0.01 USD par value per share, 1,000,000,000 shares authorized, 39,261,233 issued and outstanding at December 31, 2019, and Class B common stock, 0.01 USD par value per share, 397,457,686 shares authorized, 65,463,274 shares issued and outstanding from December 31, 2019.	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
Class A common stock, 0.01 USD par value per share, 1,000,000,000 shares authorized, 39,507,817 issued and outstanding at December 31, 2018, and Class B common stock, 0.01 USD par value per share, 399,110,240 shares authorized, 67,115,828 shares issued and outstanding at December 31, 2018.									
Class A common stock, 0.01 USD par value per share, 1,000,000,000 shares authorized, 48,231,149 issued and outstanding at December 31, 2017, and Class B common stock, 0.01 USD par value per share, 402,748,249 shares authorized, 70,753,837 shares issued and outstanding at December 31, 2017.									
Additional paid-in capital	12.77%	0.65%	0.00%	0.14%	0.13%	0.12%	0.14%	0.15%	0.15%
Retained Earnings	40.33%	49.97%	49.54%	37.12%	33.00%	32.43%	38.69%	41.74%	42.86%
Accumulated other comprehensive loss	-2.44%	-2.62%	-2.48%	-2.10%	-1.86%	-1.83%	-2.13%	-2.19%	-2.15%
<b>Total Stockholders' equity</b>	<b>50.67%</b>	<b>48.02%</b>	<b>47.07%</b>	<b>35.17%</b>	<b>31.28%</b>	<b>30.74%</b>	<b>36.72%</b>	<b>39.70%</b>	<b>40.87%</b>
Noncontrolling interests in consolidated subsidiaries	0.08%	0.09%	0.06%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%
<b>Total equity</b>	<b>50.75%</b>	<b>48.11%</b>	<b>47.13%</b>	<b>35.21%</b>	<b>31.30%</b>	<b>30.76%</b>	<b>36.75%</b>	<b>39.74%</b>	<b>40.90%</b>
<b>Total liabilities and equity</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

## Appendix 12: Common-size Income Statement

Hyatt Hotels Corp (H US)									
Income statement (\$M)	2017	2018	2019	2020	2021F	2022F	2023F	2024F	2025F
<b>REVENUES</b>									
Total Revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
<b>DIRECT AND SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES</b>	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Direct and selling, general, and administrative expenses	-86.37%	-85.20%	-89.52%	-115.59%	-87.01%	-87.01%	-87.01%	-87.01%	-87.01%
Net gain (losses) and interest income from marketable securities held to fund rabbi trusts	1.01%	-0.25%	1.24%	2.90%	0.00%	0.00%	0.00%	0.00%	0.00%
Equity Earnings (losses) from unconsolidated hospitality ventures	4.91%	0.18%	-0.20%	-3.39%	1.63%	1.63%	1.63%	1.63%	1.63%
Gains on sales of real estate	5.29%	17.33%	14.40%	-1.74%	0.96%	0.71%	0.52%	0.39%	0.40%
Asset impairment	0.00%	-0.56%	-0.36%	-3.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other income (loss), net	0.94%	-1.10%	2.53%	-4.45%	-0.52%	-0.52%	-0.52%	-0.52%	-0.52%
<b>EBITDA</b>	25.77%	30.40%	28.09%	-25.27%	15.06%	14.80%	14.61%	14.49%	14.50%
Depreciation and amortization	7.80%	7.34%	6.55%	15.00%	7.26%	7.26%	7.26%	7.26%	7.26%
<b>EBIT</b>	17.97%	23.06%	21.53%	-40.27%	7.79%	7.54%	7.35%	7.23%	7.23%
Interest expense	-1.79%	-1.71%	-1.49%	-6.20%	-6.93%	-5.77%	-3.26%	-1.53%	-1.27%
<b>Earnings Before Taxes (EBT)</b>	16.18%	21.35%	20.04%	-46.47%	0.87%	1.77%	4.09%	5.70%	5.96%
Provision for income taxes	-7.44%	-4.09%	-4.78%	12.44%	-0.23%	-0.47%	-1.10%	-1.52%	-1.60%
Effective tax rate	0.01%	0.00%	0.00%	0.01%	0.01%	0.01%	0.01%	0.00%	0.00%
<b>NET INCOME</b>	8.74%	17.27%	15.26%	-34.03%	0.64%	1.30%	3.00%	4.17%	4.37%
Net income and accretion attributable to noncontrolling interests	-0.02%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>NET INCOME ATTRIBUTABLE TO HYATT HOTELS CORPORATION</b>	8.72%	17.27%	15.26%	-34.03%	0.64%	1.30%	3.00%	4.17%	4.37%

## Appendix 13: Common-size Cash Flow Statement

Hyatt Hotels Corp (H US)					
Cash Flow statement (\$M)	2021F	2022F	2023F	2024F	2025F
<b>Operating activities</b>	100.00%	100.00%	100.00%	100.00%	100.00%
EBIT	30.15%	68.58%	48.79%	50.30%	56.00%
D&A	28.09%	66.04%	48.21%	50.56%	56.21%
Income Tax	-0.90%	-4.32%	-7.27%	-10.62%	-12.36%
ΔNWC	42.66%	-30.30%	10.28%	9.76%	0.14%
<b>Investment Activities</b>	-29.46%	-91.36%	-64.10%	-62.90%	-53.60%
CAPEX	-26.68%	-62.74%	-45.80%	-48.03%	-53.41%
Other Inv.	-2.78%	-28.62%	-18.30%	-14.87%	-0.19%
<b>Financing Activities</b>	194.07%	-36.67%	-297.47%	-96.74%	-20.40%
Interest paid	-26.79%	-52.45%	-21.62%	-10.64%	-9.84%
Dividends	-0.89%	-8.73%	-7.53%	-9.68%	-10.72%
Δdebt	219.37%	0.00%	-284.00%	-89.15%	0.00%
Other Financing activities	2.38%	24.51%	15.68%	12.74%	0.16%
<b>Change in Cash</b>					
Beginning	332.22%	1005.97%	507.51%	190.44%	144.93%
End	596.83%	977.93%	245.94%	130.80%	170.92%

## Appendix 14: Key Financial Ratios

Hyatt Hotels Corp (H US)										
	Note	2017	2018	2019	2020	2021F	2022F	2023F	2024F	2025F
<b>Efficiency Ratios</b>										
Fixed assets turnover	x	1.07	1.17	1.42	0.63	0.71	1.00	1.44	2.00	2.08
Assets Turnover	x	0.58	0.59	0.63	0.24	0.23	0.30	0.44	0.66	0.66
Receivables Turnover	x	13.65	11.46	11.84	5.61	8.89	14.27	14.32	14.09	12.27
Account Receivable Days (DSO)	Days	26.75	31.84	30.83	65.10	41.07	25.59	25.50	25.91	29.75
Inventory Turnover	x	183.52	271.07	345.69	227.43	215.01	252.77	253.64	249.65	217.36
Days in Inventory (DIO)	Days	1.99	1.35	1.06	1.60	1.70	1.44	1.44	1.46	1.68
Payables Turnover	x	29.95	31.04	33.36	16.40	25.59	36.56	36.69	36.11	31.44
Payables Period (DPO)	Days	12.19	11.76	10.94	22.26	14.26	9.98	9.95	10.11	11.61
Net Operating Cycle or Cash Cycle	Days	16.55	21.42	20.94	44.45	28.51	17.05	16.99	17.26	19.82
<b>Solvency Ratios</b>										
Long and short-term debt ratio	%	19.16	21.38	19.28	35.54	43.65	42.76	29.32	21.65	21.21
Long-term debt ratio	%	19.02	21.24	19.15	32.69	41.13	35.53	12.01	12.95	21.09
Debt-to-Equity Ratio	x	0.38	0.44	0.41	1.01	1.39	1.39	0.80	0.54	0.52
Equity Multiplier		1.97	2.08	2.12	2.84	3.19	3.25	2.72	2.52	2.44
Net Debt to EBITDA	x	0.58	0.68	0.36	-2.59	3.29	2.61	1.65	0.94	0.70
Debt Ratio		0.4912	0.5189	0.5287	0.6479	0.6870	0.6924	0.6325	0.6026	0.5910
Interest Coverage Ratio	x	10.03	13.51	14.41	6.50	1.13	1.31	2.26	4.73	5.69
<b>Liquidity Ratios</b>										
Current Ratio	x	1.34	1.27	1.57	2.60	4.23	2.56	0.91	0.99	1.79
Quick Ratio	x	1.15	1.08	1.41	2.24	4.07	2.36	0.79	0.83	1.53
Cash Ratio	x	0.79	0.68	1.02	1.92	3.87	2.20	0.64	0.58	1.12
<b>Profitability Ratio</b>										
EBITDA Margin	%	25.77	30.40	28.09	-25.27	15.06	14.80	14.61	14.49	14.50
EBIT Margin	%	16.18	21.35	20.04	-46.47	0.87	1.77	4.09	5.70	5.96
Net Profit Margin	%	8.74	17.27	15.26	-34.03	0.64	1.30	3.00	4.17	4.37
ROA	%	3.23	10.11	9.54	-8.01	0.14	0.38	1.33	2.75	2.90
ROE	%	6.70	20.45	20.04	-19.58	0.44	1.24	3.96	7.20	7.20
ROE - DuPont Approach	%	10.15	20.91	19.31	-21.87	0.43	1.23	3.91	7.03	7.03
NI/R		0.09	0.17	0.15	-0.34	0.01	0.01	0.03	0.04	0.04
R/A		0.59	0.58	0.60	0.23	0.21	0.29	0.48	0.67	0.66
A/E		1.97	2.08	2.12	2.84	3.19	3.25	2.72	2.52	2.44
ROIC	%	4.31	7.56	6.83	-5.68	0.06	0.07	0.69	1.53	1.62
NOPAT		433.21	830.46	823.11	-609.27	125.80	169.78	232.75	309.89	311.36
Invested Capital		4049.00	4095.00	3771.00	3774.00	3522.91	3614.21	3531.59	3428.27	3405.87
ROCE	%	12.19	15.60	14.75	-10.21	1.82	2.57	4.87	6.19	5.47
Capital Employed		6580.00	6582.00	7331.00	8145.00	9416.49	9003.85	6528.28	6840.66	7767.02
<b>Value Creation and Cash Flow Ratios</b>										
Economic Value Added (EVA)	\$M					-174.97	-102.65	2.58	91.93	95.12
Debt coverage	%					127.62	59.88	40.48	111.50	7745.30
Cash to Income						3.32	1.46	2.05	1.99	1.79
Earnings Quality						40.68	8.47	5.03	3.44	2.96

## Appendix 15: Forecasting Assumptions

Balance Sheet Assumptions	Notes	2021F	2022F	2023F	2024F	2025F	Assumptions
<b>ASSETS</b>							
<b>Current Assets</b>							
Receivables	%	8.17%	8.17%	8.17%	8.17%	8.17%	Historical average Account Receivable Days/365 *Total Revenues between the historical years.
Inventories	%	0.40%	0.40%	0.40%	0.40%	0.40%	Historical average Days in Inventory/365*Total Revenues between the historical years.
Prepays	% of SG&A	-6.88%	-6.88%	-6.88%	-6.88%	-6.88%	Historical average as % of SG&A.
<b>Noncurrent Assets</b>							
Equity method investments	Change YOY	0.00%	0.00%	0.00%	0.00%	0.00%	Equal to the nominal value of 2020.
Property and equipment, net	Value	3091	3041	2972	2878	2784	See CAPEX appendix
Financing receivables, net of allowances	Change YOY	0.00%	0.00%	0.00%	0.00%	0.00%	Equal to the nominal value of 2020.
Operating lease right-of-use assets	Change YOY	3.34%	19.75%	20.33%	17.72%	0.17%	Grow with Total Revenue.
Goodwill	Change YOY	0.00%	0.00%	0.00%	0.00%	0.00%	Equal to the nominal value of 2020.
Intangibles, net	Value	412	451	504	577	650	See CAPEX appendix
Deferred tax assets	Change YOY	0.00%	0.00%	0.00%	0.00%	0.00%	Equal to the nominal value of 2020.
Other assets	Change YOY	0.00%	0.00%	0.00%	0.00%	0.00%	Equal to the nominal value of 2020.
<b>Total Assets</b>							
<b>LIABILITIES AND EQUITY</b>							
<b>Current Liabilities</b>							
Current maturities of long-term debt	Value	260	760	1561	761	11	See Debt Appendix
Accounts payable	%	3.19%	3.19%	3.19%	3.19%	3.19%	Historical average Account Payable Days/365* Total Revenues between the historical years.
Accrued expenses and other current liabilities	% of SG&A	-12.34%	-12.34%	-12.34%	-12.34%	-12.34%	Equal to the nominal value of 2020.
Current contract liabilities	Change YOY	0.00%	0.00%	0.00%	0.00%	0.00%	Equal to the nominal value of 2020.
Current operating lease liabilities	Change YOY	3.34%	19.75%	20.33%	17.72%	0.17%	Grow with Total Revenue.
<b>Noncurrent Liabilities</b>							
Long-term debt	Value	4234	3734	1083	1133	1883	See Debt Appendix
Long-term contract liabilities	Change YOY	0.00%	0.00%	0.00%	0.00%	0.00%	Equal to the nominal value of 2020.
Long-term operating lease liabilities	Change YOY	3.34%	19.75%	20.33%	17.72%	0.17%	Grow with Total Revenue.
Other long-term liabilities	Change YOY	0.00%	0.00%	0.00%	0.00%	0.00%	Equal to the nominal value of 2020.
<b>Total Liabilities</b>							
Redeemable noncontrolling interest in preferred shares of a subsidiary	Change YOY	0.00%	0.00%	0.00%	0.00%	0.00%	Equal to the nominal value of 2020.
<b>EQUITY</b>							
Preferred stock, 0.01 USD par value per share, 10,000,000 shares authorized and none outstanding as of December 31, 2019, December 31, 2018 and December 31, 2017	Change YOY	0.00%	0.00%	0.00%	0.00%	0.00%	Equal to the nominal value of 2020.
Class A common stock, 0.01 USD par value per share, 1,000,000,000 shares authorized, 36,109,179 issued and outstanding at December 31, 2019, and Class B common stock, 0.01 USD par value per share, 397,457,686 shares authorized, 65,463,274 shares issued and outstanding from December 31, 2019 to December 31, 2025. Class A common stock, 0.01 USD par value per share, 1,000,000,000 shares authorized, 39,507,817 issued and outstanding at December 31, 2018, and Class B common stock, 0.01 USD par value per share, 399,110,240 shares authorized, 67,115,828 shares issued and outstanding at December 31, 2018. Class A common stock, 0.01 USD par value per share, 1,000,000,000 shares authorized, 48,231,149 issued and outstanding at December 31, 2017, and Class B common stock, 0.01 USD par value per share, 402,748,249 shares authorized, 70,753,837 shares issued and outstanding at December 31, 2017	Change YOY	0.00%	0.00%	0.00%	0.00%	0.00%	Equal to the nominal value of 2020.
Additional paid-in capital	Change YOY	0.00%	0.00%	0.00%	0.00%	0.00%	Equal to the nominal value of 2020.
Retained Earnings	Change YOY	0.26%	0.31%	2.36%	4.67%	4.80%	RE t= RE t-1 + NI t - Div t-1
Accumulated other comprehensive loss	Change YOY	0.00%	0.00%	0.00%	0.00%	0.00%	Equal to the nominal value of 2020.
<b>Total Stockholders' equity</b>							
Noncontrolling interests in consolidated subsidiaries	Change YOY	0.00%	0.00%	0.00%	0.00%	0.00%	Equal to the nominal value of 2020.

Income Statement Assumptions	Notes	2021F	2022F	2023F	2024F	2025F	Assumption
Total Revenues		2,204	3,074	4,324	5,857	5,877	See Revenues appendix: Revenues t = Owned and leased hotels revenues t + Americas management and franchising revenues t + ASPAC management and franchising revenues t + EAME/SW Asia management and franchising revenues t + Corporate and other t + Eliminations t.
Direct and selling, general, and administrative expenses	% of Total Revenues	87.01%	87.01%	87.01%	87.01%	87.01%	Selling, general and administrative was computed using the historical average Selling, general and administrative/Total Revenues between the historical years.
Net gain (losses) and interest income from marketable securities held to fund rabbi trusts	Value	0.00	0.00	0.00	0.00	0.00	As per Hyatt's recommendation, Rabbi Trust impact was removed completely for it has no net impact to earnings since "Revenues for the reimbursement of costs incurred on behalf of managed and franchised properties" and "Costs incurred on behalf of managed and franchised properties" act as offsetting forces.
Equity Earnings (losses) from unconsolidated hospitality ventures	% of Total Revenues	1.63%	1.63%	1.63%	1.63%	1.63%	Historical average as % of Total Revenues.
Gains on sales of real estate	YOY Growth	158.89%	2.70%	2.70%	2.70%	2.70%	Value for 2020F equal to the one presented by the company in the Form 10-Q for the quarterly period ended March, 30, 2021. Grow inversely and at the same proportion as the growth in O&L rooms.
Asset impairment	Value	0.00	0.00	0.00	0.00	0.00	Considered to be 0 (2021-25). Hard to Predict
Other income (loss), net	% of Total Revenues	-0.52%	-0.52%	-0.52%	-0.52%	-0.52%	Historical average as % of Total Revenues.
Depreciation and amortization	Value	160	223	314	425	427	See D&A appendix
Interest expense	% of Total Debt	-4.65%	-4.65%	-4.65%	-4.65%	-4.65%	Historical average as % of Total Debt.
Effective tax rate	%	26.77%	26.77%	26.77%	26.77%	26.77%	Effective Tax rate of 2020

## Appendix 16: Revenues

Owned and leased hotels	2021F	2022F	2023F	2024F	2025F	Assumptions
Number of rooms (as of December 31)	15,208.80	14,798.00	14,398.30	14,009.40	13,631.00	Disposal of hotel rooms predicted by Hyatt
Number of rooms * 365	5,551,212.07	5,401,271.52	5,255,380.92	5,113,430.90	4,975,315.00	
RevPAR (\$)	68.10	94.64	131.52	182.78	182.78	+38.97% CAGR 2020-2024 Recovery
Rooms Revenue (\$)	378,024,043.14	511,167,387.45	691,204,971.57	934,653,353.19	909,407,976.96	
Food and Beverage (\$)	211,520,434.56	286,019,764.85	386,758,404.95	522,978,067.18	508,852,211.84	Historical average of 55.95% of Room Revenue.
Other (\$)	68,766,452.86	92,986,593.55	125,737,277.71	170,023,036.68	165,430,643.67	Historical average of 18.19% of Room Revenue.
<b>Total (\$)</b>	<b>658,310,930.56</b>	<b>890,173,745.85</b>	<b>1,203,700,654.23</b>	<b>1,627,654,457.05</b>	<b>1,583,690,832.47</b>	

Americas Management and Franchising	2021F	2022F	2023F	2024F	2025F	Assumptions
<b>Full service Hotels</b>						
Number of rooms	111,914.00	121,589.00	132,606.00	143,623.00	143,623.00	Hyatt's expected yearly addition of rooms
Number of rooms * 365	40,848,610.00	44,379,985.00	48,401,190.00	52,422,395.00	52,422,395.00	
RevPAR (\$)	61.94	84.77	116.02	158.79	158.79	+36.86% CAGR 2020-2024 Recovery
Rooms Revenue (\$)	2,530,022,782.50	3,762,049,249.69	5,615,436,770.99	8,324,047,257.26	8,324,047,257.26	
<b>Selective service Hotels</b>						
Number of rooms	63,904.23	65,820.23	67,793.68	69,826.30	71,919.87	Hyatt's expected yearly addition of rooms
Number of rooms * 365	23,325,043.86	24,024,385.30	24,744,694.69	25,486,600.72	26,250,750.88	
RevPAR (\$)	56.43	69.45	85.49	105.22	105.22	+23.09% CAGR 2020-2024 Recovery
Rooms Revenue (\$)	1,316,148,556.47	1,668,568,880.25	2,115,355,515.50	2,681,776,587.07	2,762,182,759.78	
Total Room Revenue (\$)	3,846,171,338.97	5,430,618,129.94	7,730,792,286.49	11,005,823,844.33	11,086,230,017.04	
Management, franchise and other fees (\$)	210,220,147.02	296,821,238.85	422,541,833.89	601,545,199.81	605,939,959.16	Historical average of 5.47% of Room Revenue. Equal to 2020.
Other revenues (\$)	42,000,000.00	42,000,000.00	42,000,000.00	42,000,000.00	42,000,000.00	
Revenues for the reimbursement of costs incurred on behalf of managed and franchised properties (\$)	1,029,869,234.62	1,454,128,286.05	2,070,033,920.34	2,946,972,035.31	2,968,501,976.71	Historical average of 26.78% of Room Revenue.
<b>Total (\$)</b>	<b>1,282,089,381.64</b>	<b>1,792,949,524.91</b>	<b>2,534,575,754.23</b>	<b>3,590,517,235.12</b>	<b>3,616,441,935.87</b>	



ASPAC Management and Franchising	2021F	2022F	2023F	2024F	2025F	Assumptions
<b>Full service Hotels</b>						
Number of rooms	46,010.00	49,988.00	54,517.00	59,046.00	59,046.00	Hyatt's expected yearly addition of rooms
Number of rooms * 365	16,793,650.00	18,245,620.00	19,898,705.00	21,551,790.00	21,551,790.00	+37.33% CAGR 2020-2023 Recovery
RevPAR (\$)	79.40	109.04	149.75	149.75	149.75	
Rooms Revenue (\$)	1,333,387,034.25	1,989,483,564.52	2,979,731,580.23	3,227,272,793.55	3,227,272,793.55	
<b>Selective service Hotels</b>						
Number of rooms	7,348.72	8,248.61	9,258.71	10,392.49	11,665.12	Hyatt's expected yearly addition of rooms
Number of rooms * 365	2,682,282.70	3,010,744.44	3,379,428.30	3,793,259.74	4,257,767.33	+22.11% CAGR 2020-2023 Recovery
RevPAR (\$)	38.59	47.12	57.54	57.54	57.54	
Rooms Revenue (\$)	103,507,276.37	141,870,463.58	194,452,304.62	218,264,165.16	244,991,932.00	
Total Room Revenue (\$)	1,436,894,310.62	2,131,354,028.10	3,174,183,884.84	3,445,536,958.71	3,472,264,725.55	Historical average of 6.20% of Total Room Revenue. Equal to 2020.
Management, franchise and other fees (\$)	89,154,348.32	132,243,184.49	196,947,189.23	213,783,713.86	215,442,079.84	
Other revenues (\$)	-	-	-	-	-	
Revenues for the reimbursement of costs incurred on behalf of managed and franchised properties (\$)	68,868,309.46	102,152,780.27	152,134,138.51	165,139,707.07	166,420,731.08	Historical average of 4.79% of Room Revenue.
<b>Total (\$)</b>	<b>158,022,657.78</b>	<b>234,395,964.76</b>	<b>349,081,327.74</b>	<b>378,923,420.93</b>	<b>381,862,810.92</b>	

EAME/SW Asia Management and Franchising	2021F	2022F	2023F	2024F	2025F	Assumptions
<b>Full service Hotels</b>						
Number of rooms	30,773.00	33,433.00	36,462.00	39,492.00	39,492.00	Hyatt's expected yearly addition of rooms
Number of rooms * 365	11,232,145.00	12,203,045.00	13,308,630.00	14,414,580.00	14,414,580.00	+46.47% CAGR 2020-2023 Recovery
Occupancy rate						
ADR						
RevPAR (\$)	60.23	88.21	129.20	129.20	129.20	
Rooms Revenue (\$)	676,472,327.44	1,076,439,870.44	1,719,448,378.74	1,862,334,906.84	1,862,334,906.84	
<b>Selective service Hotels</b>						
Number of rooms	4,120.81	4,376.58	4,648.21	4,936.70	5,243.10	Hyatt's expected yearly addition of rooms
Number of rooms * 365	1,504,097.36	1,597,450.13	1,696,596.90	1,801,897.27	1,913,733.18	+34.94% CAGR 2020-2023 Recovery
Occupancy rate						
ADR						
RevPAR (\$)	35.68	48.15	64.97	64.97	64.97	
Rooms Revenue (\$)	53,667,303.18	76,913,159.77	110,227,900.34	117,069,265.68	124,335,244.75	
Total Room Revenue (\$)	730,139,630.63	1,153,353,030.22	1,829,676,279.08	1,979,404,172.52	1,986,670,151.59	Historical average of 5.51% of Total Room Revenue. Equal to 2020.
Management, franchise and other fees (\$)	40,204,883.47	63,508,981.34	100,750,484.56	108,995,198.66	109,395,297.26	
Other revenues (\$)	-	-	-	-	-	
Revenues for the reimbursement of costs incurred on behalf of managed and franchised properties (\$)	42,748,757.02	67,527,369.26	107,125,244.81	115,891,624.65	116,317,038.59	Historical average of 5.85% of Room Revenue.
<b>Total (\$)</b>	<b>82,953,640.49</b>	<b>131,036,350.60</b>	<b>207,875,729.38</b>	<b>224,886,823.31</b>	<b>225,712,335.85</b>	

Total Revenues	2021F	2022F	2023F	2024F	2025F	Assumptions
<b>Total (\$M)</b>	<b>2,203.84</b>	<b>3,074.39</b>	<b>4,324.28</b>	<b>5,856.98</b>	<b>5,877.40</b>	Aggregation of segments revenue plus "Corporate and Other", which was predicted to recover pre-pandemic values in 2025F and "Eliminations" which will grow with Revenues
<b>Growth YoY</b>	<b>6.67%</b>	<b>39.50%</b>	<b>40.65%</b>	<b>35.44%</b>	<b>0.35%</b>	

## Appendix 17: CAPEX

Depreciation and Amortization	2021 F	2022 F	2023 F	2024 F	2025 F	Assumptions
Property and equipment	152	212	298	404	405	Historical average Depreciation/CAPEX ratio of 99.95%
Intangibles	8	11	16	21	22	Historical average Amortization/CAPEX ratio of 5.30%
<b>Total</b>	<b>160</b>	<b>223</b>	<b>314</b>	<b>425</b>	<b>427</b>	

CAPEX	2021 F	2022 F	2023 F	2024 F	2025 F	Assumptions
Property and equipment	117	163	229	310	311	Historical average CAPEX Property and Equipment/CAPEX ratio of 76.69%
Intangibles	35	49	70	94	95	Historical average CAPEX Intangibles/CAPEX ratio of 76.69%
<b>Total</b>	<b>152</b>	<b>212</b>	<b>298</b>	<b>404</b>	<b>405</b>	Historical average CAPEX/Total Revenues ratio of 6.90%

USD millions	2021 F	2022 F	2023 F	2024 F	2025 F
Initial Property and equipment	3,126	3091	3041	2972	2878
CAPEX	117	163	229	310	311
Depreciation	152	212	298	404	405
<b>Ending Property and equipment</b>	<b>3091</b>	<b>3041</b>	<b>2972</b>	<b>2878</b>	<b>2784</b>

USD millions	2021 F	2022 F	2023 F	2024 F	2025 F
Initial Intangible	385	412	451	504	577
CAPEX	35	49	70	94	95
Depreciation	8	11	15	21	21
<b>Ending Intangibles</b>	<b>412</b>	<b>451</b>	<b>504</b>	<b>577</b>	<b>650</b>

## Appendix 18: Debt schedule

### Note: Debt Calculations

Debt in million of USD	2017	2018	2019	2020	2021F	2022F	2023F	2024F	2025F
\$196 million senior unsecured notes maturing in 2019—6.875%	196	0	0	0	0	0	0	0	0
\$250 million senior unsecured notes maturing in 2021—5.375%	250	250	250	250	0	0	0	0	0
\$750 million senior unsecured notes maturing in 2022—three-month LIBOR plus 3.000%	0	0	0	750	750	750	0	0	0
\$350 million senior unsecured notes maturing in 2023—3.375%	350	350	350	350	350	350	0	0	0
\$750 million senior unsecured notes maturing in 2023—3.000%	0	0	0	0	750	750	0	0	0
\$750 million senior unsecured notes maturing in 2024—1.300%	0	0	0	0	750	750	750	0	0
\$450 million senior unsecured notes maturing in 2026—5.375%	0	0	0	450	450	450	450	450	450
\$400 million senior unsecured notes maturing in 2026—4.850%	400	400	400	400	400	400	400	400	400
\$400 million senior unsecured notes maturing in 2028—4.375%	0	400	400	400	400	400	400	400	400
\$450 million senior unsecured notes maturing in 2030—5.750%	0	0	0	450	450	450	450	450	450
Tax-Exempt Contract Revenue Empowerment Zone Bonds, Series 2005A	130	130	130	130	130	130	130	130	130
Contract Revenue Bonds, Senior Taxable Series 2005B	55	52	47	43	43	43	43	43	43
Floating average rate construction loan	70	55	49	37	37	37	37	37	37
Other	1	1	1	1	1	1	1	1	1
<b>Total debt before finance lease obligations</b>	<b>1452</b>	<b>1638</b>	<b>1627</b>	<b>3261</b>	<b>4511</b>	<b>4511</b>	<b>2661</b>	<b>1911</b>	<b>1911</b>
Finance lease obligations	13	12	11	9	9	9	9	9	9
<b>Total debt</b>	<b>1465</b>	<b>1650</b>	<b>1638</b>	<b>3270</b>	<b>4520</b>	<b>4520</b>	<b>2670</b>	<b>1920</b>	<b>1920</b>
Less: Current Maturities	-11	-11	-11	-260	-260	-760	-1561	-761	-11
Less: Unamortized discounts and deferred financing fees	-14	-16	-15	-26	-26	-26	-26	-26	-26
<b>Total long-term debt</b>	<b>1440</b>	<b>1623</b>	<b>1612</b>	<b>2984</b>	<b>4234</b>	<b>3734</b>	<b>1083</b>	<b>1133</b>	<b>1883</b>
<b>Total long-term debt</b>	<b>1440</b>	<b>1623</b>	<b>1612</b>	<b>2984</b>	<b>4234</b>	<b>3734</b>	<b>1083</b>	<b>1133</b>	<b>1883</b>
<b>Total short-term debt</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>260</b>	<b>260</b>	<b>760</b>	<b>1561</b>	<b>761</b>	<b>11</b>
<b>Total debt</b>	<b>1451</b>	<b>1634</b>	<b>1623</b>	<b>3244</b>	<b>4494</b>	<b>4494</b>	<b>2644</b>	<b>1894</b>	<b>1894</b>

## Appendix 19: WACC Rate Calculations and Long-term growth rate

Assumptions		
Risk-free rate	1.97%	US Bond 10-year yield (5 years monthly average)
Beta		
	1.186	Raw Beta (Regression vs. SP500 Index) monthly data for 5 years (60 observations)
	1.125	Blume-adjusted Beta
MRP	5.67%	MRP and CRP appendix
CRP	0.21%	MRP and CRP appendix

	2021F	2022F	2023F	2024F	2025F	TV
<b>P/B</b>	2.21	2.21	2.21	2.21	2.21	2.21
<b>Equity BV</b>	3222.92	3233.33	3313.93	3476.82	3652.03	3743.43
<b>Equity MV</b>	7114.59	7137.57	7315.49	7675.09	8061.87	8263.63
<b>Debt</b>	4494.00	4494.00	2644.00	1894.00	1894.00	1941.40
<b>D/V</b>	38.71%	38.64%	26.55%	19.79%	19.02%	19.02%
<b>E/V</b>	61.29%	61.36%	73.45%	80.21%	80.98%	80.98%
<b>D/E</b>	63.17%	62.96%	36.14%	24.68%	23.49%	23.49%
<b>Beta u</b>	0.769	0.769	0.769	0.769	0.769	0.769
<b>Beta l</b>	1.125	1.124	0.973	0.908	0.901	0.901
<b>Ke</b>	8.55%	8.54%	7.69%	7.32%	7.28%	7.28%
<b>Kd</b>	11.63%	8.11%	4.48%	3.35%	3.24%	3.24%
<b>Tc</b>	26.77%	26.77%	26.77%	26.77%	26.77%	26.77%
<b>WACC</b>	<b>8.54%</b>	<b>7.54%</b>	<b>6.52%</b>	<b>6.36%</b>	<b>6.35%</b>	<b>6.35%</b>
<b>Pre-tax Wacc</b>	<b>9.74%</b>	<b>8.38%</b>	<b>6.84%</b>	<b>6.54%</b>	<b>6.51%</b>	<b>6.51%</b>

Dividend sustainable growth rate	2021F	2022F	2023F	2024F	2025F	Average
Net Income (NI)	14.01	39.93	129.63	244.32	256.64	
Dividends (D)	5.09	29.52	49.03	81.43	81.43	
Total Revenues (R)	2,203.84	3,074.39	4,324.28	5,856.98	5,877.40	
Total Assets (A)	10,295.29	10,509.76	9,016.51	8,749.93	8,929.22	
Equity (E)	3,222.92	3,233.33	3,313.93	3,476.82	3,652.03	
(NI-D)/NI	63.66%	26.07%	62.18%	66.67%	68.27%	
ROE	0.43%	1.23%	3.91%	7.03%	7.03%	
NI / R	0.64%	1.30%	3.00%	4.17%	4.37%	
R / A	21.41%	29.25%	47.96%	66.94%	65.82%	
A / E	319.44%	325.04%	272.08%	251.66%	244.50%	
<b>g</b>	<b>0.28%</b>	<b>0.32%</b>	<b>2.43%</b>	<b>4.69%</b>	<b>4.80%</b>	<b>2.50%</b>

## Appendix 20: MRP and CRP

	MRP	CRP						
Total	5.67%	0.21%	Americas	5.61%	0.14%	ASPAC	6.17%	0.57%
O&L	5.61%	0.17%	US	5.50%	0.00%	China	6.20%	0.68%
US	5.50%	0.00%	Canada	5.60%	0.00%	Australia	6.40%	0.00%
France	5.80%	0.48%	Caribbean			New Zealand	6.00%	0.00%
Switzerland	5.20%	0.00%	Dominican Rep	8.00%	3.49%	Japan	5.20%	0.68%
England	5.60%	0.59%	Latin America			South Korea	5.90%	0.48%
Netherlands	5.80%	0.00%	Brazil	7.70%	2.91%	Southeast Asia		
Germany	5.80%	0.00%	Mexico	6.40%	1.55%	Thailand	7.30%	1.55%
Mexico	6.40%	1.55%	Chile	6.30%	0.68%			
Italy	6.00%	2.13%	Colombia	6.90%	1.84%			
India	7.30%	2.13%						
Austria	5.90%	0.38%						
Indonesia	7.00%	1.84%						

EAME/SW Asia	6.37%	0.95%
Europe		
Austria	5.90%	0.38%
Czech Republic	5.80%	0.59%
Finland	5.90%	0.38%
France	5.80%	0.48%
Germany	5.80%	0.00%
Portugal	6.80%	2.13%
Sweden	7.50%	0.00%
Africa		
South Africa	7.00%	2.91%
United Arab Emirates	5.90%	0.48%
India	7.30%	2.13%

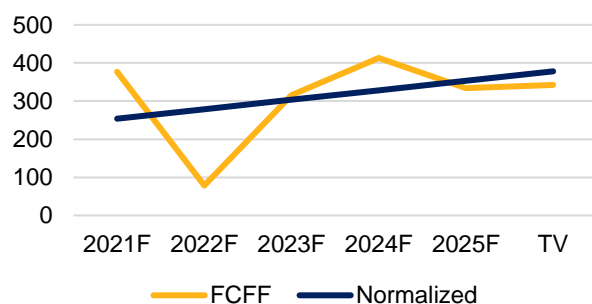
MRP and CRP, which were retrieved from the Fernandez, Martinez, & Acín, 2021 paper, were calculated for each segment using a sample of countries where Hyatt operates, taking into consideration that in the O&L segment and the America segment, the US has a higher weight than the rest of the countries due to Hyatt's activity being mainly located there.

An average of the segments' MRP and CRP was then performed considering each segment's contribution to Total Revenues.

## Appendix 21: FCFF and terminal value

	2021F	2022F	2023F	2024F	2025F	TV
FCFF	377	78	315	413	334	342
Normalized	254	279	304	328	353	378

### Normalized Terminal Value



## Appendix 22: WACC Method

Free Cash Flow to the Firm	2021F	2022F	2023F	2024F	2025F	TV
EBIT	172	232	318	423	425	436
t	26.77%	26.77%	26.77%	26.77%	26.77%	26.77%
Unlevered Net Income	126	170	233	310	311	319
(+) D&A	160	223	314	425	427	437
(-) CAPEX	152	212	298	404	405	416
(-) Variation in NWC	-243	102	-67	-82	-1	-1
FCFF	377	78	315	413	334	378
PV	377	73	278	343	261	9830
<b>WACC Method</b>						
VL	1332					
Terminal Value		9830				
PV Terminal Value		7684				
<b>Enterprise Value</b>	<b>9016</b>					
Cash and cash equivalents	3306					
Debt	4494					
<b>Equity Value</b>	<b>7828</b>					
<b>Shares Outstanding</b>	<b>102</b>					
Price per Share	\$	77.07				
Upside Potential		11.12%				
Stock Price	\$	69.36				

## Appendix 23: Flow to Equity Method

Free Cash Flow to Equity	2021F	2022F	2023F	2024F	2025F	TV
FCFF	377	78	315	413	334	378
Variation in Debt	1250	0	-1850	-750	0	0
Interest expense	153	177	141	90	75	77
FCFE	1474	-99	-1675	-426	259	301
PV	1474	-91	-1445	-345	196	6307
Flow to Equity Method						
NPV	-211					
Terminal Value	6307					
PV Terminal Value	4761					
<b>Equity Value</b>	<b>7856</b>					
<b>Shares Outstanding</b>	<b>102</b>					
Price per Share	\$ 77.34					
Upside Potential	11.51%					
Stock Price	\$ 69.36					

## Appendix 24: APV Method

Free Cash Flow to the Firm	2021F	2022F	2023F	2024F	2025F	TV
FCFF	377	78	315	413	334	378
PV FCFF (with pre-tax WACC)	377	72	276	342	259	9425
Interest Expenses	153	177	141	90	75	77
Interest Tax Shield	41	47	38	24	20	21
PV of Tax Shield	41	44	35	22	18	511
APV Method						
NPV	1327					
Terminal Value	9425					
PV of terminal	7322					
<b>Intrinsic Enterprise Value</b>	<b>8649</b>					
PV of tax shield	159					
PV of TV of tax shield	450					
<b>Intrinsic EV</b>	<b>9258</b>					
Cash and cash equivalents	3306					
Debt	4494					
<b>Equity Value</b>	<b>8070</b>					
<b>Shares Outstanding</b>	<b>102</b>					
Price per Share	\$ 79.45					
Upside Potential	14.54%					
Stock Price	\$ 69.36					

## Appendix 25: DDM

DDM	2021F	2022F	2023F	2024F	2025F	TV
Dividend per share	0.05	0.29	0.48	0.80	0.80	
Shares Outstanding	102	102	102	102	102	
Dividends	5	30	49	81	81	
Payout ratio	0.36	0.74	0.38	0.33	0.32	
Shareholders cashflow	5	30	49	81	81	
Ke	8.55%	8.54%	7.69%	7.32%	7.28%	7.28%
PV DPS	0.05	0.27	0.45	0.75	0.75	
DDM						
gL	2.50%					
gS	5.50%					
H	2.5					
<b>TV</b>	<b>18</b>					
PV DPS	2					
PV TV	17					
Price per Share	\$ 19.56					
Upside Potential	-71.80%					
Stock Price	\$ 69.36					

## Appendix 26: Peers selected

Name	SARD	Ticker	Rank	Mkt Cap (EUR)	Rank	ROE	Rank	Debt to Equity	Rank	EBIT Margin
HYATT HOTELS CORP	-	H US	5	6,329,631,521.68	18	- 19.60	15	113.67	20	- 33.35
WHITBREAD PLC	10	WTB LN	4	7,588,283,590.88	18	- 19.60	14	118.26	28	- 105.82
ACCOR SA	11	AC FP	3	7,734,725,359.76	22	- 23.91	19	94.28	21	- 41.02
SHANGRI-LA ASIA LTD	19	69 HK	13	2,677,323,216.36	14	- 10.23	17	105.36	15	- 19.32
ASSET WORLD CORP PCL	23	AWC TB	11	3,547,181,752.41	10	- 6.45	21	63.44	17	- 21.34
MARRIOTT VACATIONS WORLD CORP	24	VAC US	8	5,411,712,586.84	23	- 42.58	11	166.20	8	1.14
HILTON GRAND VACATIONS INC	27	HGV US	9	4,485,114,586.40	23	- 42.58	6	532.62	11	- 4.03
WYNDHAM HOTELS & RESORTS INC	27	WH US	6	5,724,817,875.71	15	- 12.14	9	271.55	3	16.00
HILTON WORLDWIDE HOLDINGS IN	29	HLT US	2	29,489,250,416.02	20	- 22.71	28	- 7.81	9	- 2.74
MANDARIN ORIENTAL INTL LTD	29	MAND SP	14	2,207,476,410.15	16	- 17.84	26	24.16	27	- 97.71
NH HOTEL GROUP SA	30	NHH SM	16	1,472,636,812.47	25	- 44.44	7	408.24	24	- 66.32

	EV/EBITDA	EV/Sales	P/B
ACCOR SA	17.20	2.98	2.10
WHITBREAD PLC	31.90	1.48	1.81
NH HOTEL GROUP SA	17.68	1.81	2.78
HILTON GRAND VACATIONS INC	14.90	3.55	6.47
WYNDHAM HOTELS & RESORTS INC	15.72	4.80	5.81
SHANGRI-LA ASIA LTD	21.60	4.49	0.49
MARRIOTT VACATIONS WORLD	9.41	1.88	2.25
Average	18.34	3.00	3.10

## Appendix 27: Relative Valuation

Enterprise Value Multiples	2021F	Enterprise Value Multiples	2021F	Enterprise Value Multiples	2021F
EV/EBITDA		P/B		EV/Sales	
Peers Average	18	Peers Average	3.10	Peers Average	3.00
EBITDA	455	<b>Equity BV</b>	<b>24.80</b>	Sales	3,074
<b>Enterprise Value</b>	<b>8348</b>	Price per Share	\$ 76.92	<b>Enterprise Value</b>	<b>9,219</b>
Cash & Cash Equivalents	3306	Upside Potential	11%	Cash & Cash Equivalents	3,306
Debt	-4494	Stock Price	\$ 69.36	Debt	- 4,494
<b>Equity Value</b>	<b>7160</b>			<b>Equity Value</b>	<b>8,031</b>
<b>Shares Outstanding</b>	<b>102</b>			<b>Shares Outstanding</b>	<b>102</b>
Price per Share	\$ 70.50			Price per Share	\$ 79.06
Upside Potential	1.64%			Upside Potential	13.99%
Stock Price	\$ 69.36			Stock Price	\$ 69.36

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### Recommendation System

Level of Risk	SELL	REDUCE	HOLD/NEUTRAL	BUY	STRONG BUY
High Risk	0%≤	>0% & ≤10%	>10% & ≤20%	>20% & ≤45%	>45%
Medium Risk	-5%≤	>-5% & ≤5%	>5% & ≤15%	>15% & ≤30%	>30%
Low Risk	-10%≤	>-10% & ≤0%	>0% & ≤10%	>10% & ≤20%	>20%