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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, ladies and gentlemen, and welcome to the Hilton First Quarter 2019 Earnings Conference Call. All participants will be in listen-only mode. [Operator Instructions] Please note that this event is being recorded.

At this time, I would like to turn the conference over to Jill Slattery, Vice President and Head of Investor Relations. Please go ahead, ma'am.

Jill Slattery

Vice President & Head of Investor Relations, Hilton Worldwide Holdings, Inc.

Thank you, Denise. Welcome to Hilton's first quarter 2019 earnings call. Before we begin, we would like to remind you that our discussions this morning will include forward-looking statements. Actual results could differ materially from those indicated in the forward-looking statements and forward-looking statements made today speak only to our expectations as of today. We undertake no obligation to publicly update or revise these statements. For a discussion of some of the factors that could cause actual results to differ, please see the Risk Factors section of our most-recently filed Form 10-K. In addition, we will refer to certain non-GAAP financial measures on this call. You can find reconciliations of non-GAAP to GAAP financial measures discussed in today's call in our earnings press release and on our website at ir.hilton.com.

This morning, Chris Nassetta, our President and Chief Executive Officer, will provide an overview of the current operating environment and the company's outlook. Kevin Jacobs, our Executive Vice President and Chief Financial Officer, will then review our first quarter results and provide an update on our expectations for the year. Following their remarks, we will be happy to take your questions.

And with that, I'm pleased to turn the call over to Chris.

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

Thank you, Jill. Good morning, everyone, and thanks for joining us today. As we celebrate our 100th Anniversary just this month, we're proud of all of the accomplishments over this last century, a century where we hosted over 3 billion guests, employed over 10 million team members, and contributed over \$1 trillion of economic impact. But as we look to the next 100 years, we're even more excited and confident in our ability to drive continued success. We believe that success will ultimately be driven by the strength of our model, which should continue to drive outperformance. That outperformance will be driven by industry-leading market share premiums that drive premium hotel performance and attract more capital from owners, which in turn drives higher net unit growth. This combined with the resiliency and capital-light nature of our fee-based business allows us to grow free cash flow and return greater and greater amounts of capital over time and through all parts of the business cycle.

Turning to the quarter, we're pleased to report a good start to the year with adjusted EBITDA and EPS ahead of our expectations and RevPAR growth near the midpoint of our guidance range. Both system-wide and U.S. RevPAR grew 1.8%, outperforming the chain scale weighted industry data due to strong market share gains across all brands and major regions.

Overall, system-wide RevPAR index premiums increased more than 230 basis points. System-wide group business remained strong as we've seen for several quarters with RevPAR up 3.7%. Transient RevPAR grew approximately 1%, driven by steady U.S. leisure demand, tempered somewhat by softer U.S. corporate demand in March and somewhat weaker international performance.

For the full year, our outlook remains largely in line with our prior expectations as macro indicators suggest continued growth across global economies. The outlook for the U.S. for GDP growth should continue to support steady demand and solid pricing gains. Additionally, our corporate negotiated business and forward group bookings for 2019 both remain solid.

On the development front, we had a strong start to the year. In the quarter, we opened more than 12,000 gross rooms, achieved 7% net unit growth and exceeded our expectation for construction starts and approvals. We increased our pipeline to 371,000 rooms, boosted by growth across U.S. and international markets. We also continue to see positive trends across existing projects as rooms under construction increased to represent more than 52% of our pipeline.

For the full year we expect this momentum to continue. We remain on track to deliver approximately 6.5% net unit growth. Additionally, we expect another year of record signings with steady trends in the U.S. and double-digit increases across both the APAC and EMEA regions. This continued pipeline growth should lead to solid unit growth for the next several years.

We remain disciplined and deliberate in our approach to expansion following demand trends around the world. We evaluate each market opportunity to put the right products in the right locations to best serve guests and to maximize owner returns. Our attractive owner value proposition allows us to grow with minimal use of our own capital. Over 90% of our pipeline does not have any capital contribution for us, a trend that has remained consistent over recent years. This supports higher net fees per room once those projects are complete. For that reason, the vast majority of new units enter our system at virtually 100% margin and with an infinite yield.

Our organic growth strategy has yielded fantastic results spanning multiple brands and countries. Just last month we celebrated the grand opening of the Conrad Washington D.C. This hotel marks our first luxury property in the nation's capital. The 360-room hotel features 30,000 square feet of luxury retail space, 32,000 square feet of meeting space, and the Sakura Club, which provides exclusive access to an elevated and personalized hospitality experience. We also opened the Conrad Hangzhou, a 50-story luxury hotel in China's growing technology and innovation hub. The property reflects the brands modern, stylish and dynamic spirit, while demonstrating our commitment to expanding our presence across China with a well-rounded portfolio.

In the quarter, we also signed several agreements that we expect to contribute to growth over the longer-term including four new hotels totaling 1,400 rooms that will be part of a spectacular mixed-use project in Riyadh. The hotel will carry flags ranging from Hilton Garden Inn to Waldorf Astoria. Additionally, we signed an agreement to add five new hotels in France within the next five years.

To drive further growth, we recently launched our newest brand, Signia Hilton, an innovative product that will set a new standard for the meetings and events industry. Each property will feature a minimum of 500 guestrooms, at least 75 square feet of event space per room and state-of-the-art technology. The brand will debut with openings of properties in Orlando, Atlanta and Indianapolis.

On the loyalty front, we ended the quarter with nearly 90 million Honors members, which is up 20% year-over-year. On average we are enrolling approximately 1.5 million Honors members per month and they're more

engaged than ever before with over half of our total membership active. In the quarter, Honors percentage of occupancy reached over 60% and was up 170 basis points year-over-year demonstrating that members are also staying with us more often.

We're always striving to better meet guests' evolving needs and think great products and innovation are only a part of that story. Guest satisfaction relies heavily on the talent and passion of our team to deliver incredible experiences and creating an exceptional workplace culture is extremely important to that effort. For that reason, we're thrilled to be ranked number one on Fortune's Best Companies to Work For list in the U.S. Becoming the first hospitality company in history and the first non-tech company since 2004 to achieve this number one rating.

Overall, we're very pleased with the first quarter results and feel good about our momentum for the balance of the year. Our story is simple, our resilient business model, growing market share, capital-light development strategy should lead to significant free cash flow generation and strong shareholder returns. As we celebrate our 100th Anniversary, we are confident this truly will be our most dynamic year yet.

With that, I'm going to turn the call over to Kevin to give you more details on our results for the quarter and outlook for the rest of the year.

Kevin J. Jacobs

Executive Vice President and Chief Financial Officer, Hilton Worldwide Holdings, Inc.

Thanks, Chris, and good morning, everyone. In the quarter, our system-wide RevPAR grew 1.8% versus the prior year on a currency-neutral basis. Results benefited from strong group business, particularly given holiday shifts and increased market share partially offset by softer-than-anticipated international growth.

Adjusted EBITDA of \$499 million exceeded the high end of our guidance range, increasing 12% year over year, as our fee segment outperformed expectations. In the quarter, management franchise fees increased 12% to \$517 million, ahead of our 7% to 9% guidance range due to better-than-expected license fees and roughly \$10 million of timing items. Diluted earnings per share adjusted for special items grew 16% to \$0.80, also exceeding expectations.

Turning to our regional performance and outlook. First quarter, our comparable U.S. RevPAR grew 1.8% with outperformance primarily driven by increasing market share and strong group business. Our U.S. portfolio also benefited from recently-completed renovations across our Embassy Suites and Hampton portfolios. For full-year 2019, we forecast U.S. RevPAR growth in line with our system-wide guidance range based on steady fundamentals.

In the Americas outside of the U.S., first quarter RevPAR grew 4.4% versus the prior year, given the strength in the Caribbean and Latin America. Puerto Rico saw particularly strong results with double-digit rate gains led by solid transient trends. For full-year 2019, we expect RevPAR growth in the region to be at the higher end of our system-wide guidance.

RevPAR in Europe grew 3.2% in the quarter as London benefited from strong international inbound travel and good group business boosted our results in Barcelona; however, softening transient demand in the broader UK tempered growth. We expect full-year 2019 RevPAR growth in Europe to be at the higher end of our system-wide range, given strong trends in Turkey and continued growth in Continental Europe, modestly offset by uncertainty in the UK.

In the Middle East and Africa region, RevPAR fell 5.7% in the quarter. Similar to trends we've been seeing in prior quarters, significant levels of new supply in the United Arab Emirates continued to pressure ADR. For full-year 2019, we expect RevPAR growth in the region to be down in the low-single digits, given continued leisure softness across the UAE and Saudi Arabia.

In the Asia Pacific region, RevPAR increased 1% in the quarter, largely due to slowdowns in intra-China leisure travel, especially over the Chinese New Year period, as well as softer international outbound travel to China. For full-year 2019, we expect RevPAR growth for the Asia Pacific region in the 3% to 5% range accounting for softer performance in the quarter and an expected reacceleration throughout the year, driven by good group and event-driven business in Japan and an overall pick up in China.

Moving to guidance. For full-year 2019, we expect RevPAR growth consistent with prior guidance of 1% to 3% and adjusted EBITDA of \$2.265 billion to \$2.305 billion, representing a year-over-year increase of approximately 9% at the midpoint. We forecast diluted EPS adjusted for special items of \$3.74 to \$3.84.

For the second quarter, we expect system-wide RevPAR growth of 1% to 2% including a modest headwind from calendar shifts. We expect adjusted EBITDA of \$590 million to \$610 million and diluted EPS adjusted for special items of \$0.98 to \$1.03. Please note that our guidance ranges do not incorporate future share repurchases.

Moving on to capital return, we paid a cash dividend of \$0.15 per share during the first quarter for a total of \$44 million in dividends. Our Board also authorized a quarterly cash dividend of \$0.15 per share in the second quarter. For 2019, we continue to expect to return between \$1.3 billion and \$1.8 billion to shareholders in the form of buybacks and dividends.

Before we open the call for questions, we want to answer a question we've been getting recently about the resiliency of our business model in certain downside scenarios. Our sensitivity to changes in the macro environment is materially lower than it has been historically given the spins of our real estate and timeshare businesses and the nature of our remaining fee business. Fees generate more than 90% of our earnings with top-line driven fees accounting for more than 90% of those fees. Additionally, our incentive management fees, which account for just 10% of total fees are less volatile given roughly 85% of them do not stand behind any owner's priority return. Resiliency is further supported by our strong net unit growth and continued disciplined approach to corporate expenses.

As you can see from our guidance, we feel good about our outlook for the year and are not forecasting RevPAR declines. However, to be responsive to these questions and illustrate the resiliency of our model, we would expect flat to slightly positive growth in adjusted EBITDA and positive growth in free cash flow in an environment where RevPAR were to decline 5% to 6%. As a result, we think we are well positioned to continue driving shareholder returns through all parts of the cycle. Further details on our first quarter results and our latest guidance ranges can be found in the earnings release we issued earlier this morning.

This completes our prepared remarks. We would now like to open the line for any questions you may have. We would like to speak with all of you this morning so we ask that you limit yourself to one question.

Denise, can we have our first question, please?

QUESTION AND ANSWER SECTION

Operator: Certainly, Mr. Jacobs. We will now begin the question-and-answer session. [Operator Instructions] And our first question today will be from Carlo Santarelli of Deutsche Bank. Please go ahead.

Carlo Santarelli
Analyst, Deutsche Bank Securities, Inc.

Q

Hey, everyone. Good morning, and thanks for taking my question.

Christopher J. Nassetta
President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

A

Hi, Carlo.

Carlo Santarelli
Analyst, Deutsche Bank Securities, Inc.

Q

Chris, Kevin, it's been more or less two and a half months since the last call and I'm just wondering kind of obviously the March data that was out there wasn't great from I think most people's point of view. What have you guys seen since we last spoke with respect to the demand environment domestically that makes you more and/or less confident with your outlook?

Christopher J. Nassetta
President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

A

Great question. I suspect, Carlo, on everybody's minds. So, thanks for asking it. Maybe talk about the quarter a little bit more although we gave some comments in the prepared remarks, and then talk about the expectation for the full year. I think thinking about the quarter maybe and the full year breaking it down between the U.S. and international, and then breaking it down separately by segments and comparing it. Sort of how we felt when we sat at this table doing this last quarter. I would say in an overarching way it's not a lot different. Okay? But I'll give you a little bit more than that.

I think if you look at the quarter, and we look at what we had forecasted for the quarter, the U.S. was pretty much in line in the first quarter with what we thought. And I'll talk about segments in a minute. International was a little bit lower, not surprisingly. So, that drove a little bit lower results overall in the first quarter than we thought but not material. If you look at the segments sort of embedded in your question, group was a little bit better than we thought, and transient was a little bit worse than we thought. The net result wasn't a whole lot, as I say, didn't drag the overall answer down a lot. But leisure hung in there, if you break transient apart and was pretty stable, it was a little bit lower than we had seen on average for certainly the first half of last year, but that's exactly what we expected and exactly what we talked about on the last call.

Business transient, though, was a little bit weaker than we thought, really driven by March. Our view on that, although it's really hard to be honestly perfectly scientific about it, our view on that when we've studied all the data and talked internally about it is as much as spring break, as much as Easter was out of the month and you would think you'd get a real benefit from that, what happened as a result of Easter being so late was that spring break got spread out throughout the whole month. And so when we looked at the travel patterns as it related and sort of overlaid the spring break season with it, we think it had a material impact on business travel during that period. And that was what was driving the bulk of the business transient weakness in March.

Now let me talk about the full year. So as we think about the full year, again breaking it down U.S. and international versus what we were thinking when we gave you guidance, it's about the same. U.S. is pretty much our view today reasonably consistent with where it was. International, the answer is reasonably consistent with where we were, how you get there is a little bit differently. Obviously, with the print in Asia-Pacific notwithstanding in Kevin's remarks, he said we think we're going to be at 3% to 5% and it's going to get better and we feel reasonably confident it will because of event-driven issues in Japan and already seeing some reacceleration in China. Given the print of 1% in the first quarter, we think Asia Pacific will be lower than we thought. But at the same time, Europe, core Europe, is going to be a little bit better than we thought, and Americas non-U.S. is going to be a bit better than we thought. So the net results of all of that is honestly when we lay all this out that U.S. and international are pretty much going to play out in a very consistent way, at least in our forecasting to what we thought a quarter ago.

If you look at the segments, I would say similar answer. The group is going to lead the charge again this year and have the highest level of growth. I think it will sort of end up at the midpoint to the high end of our guidance. I think that is at this point fully supported by group position on the books, so we feel pretty good about that.

On the transient side, I would say expectations is that demand is going to be healthy and continuing to grow in a way that will deliver sort of towards the midpoint of our guidance on transient. We think both leisure and business will be in that zone. Obviously, leisure had sort of been in that zone. Business transient at least in March was not, so we're obviously watching it very carefully. But as we look at the trends getting past the Easter effect of April into May and June, while it's still early, it does look like business transient sort of goes back to a more normal pattern.

And so that's sort of the underpinnings for how we maintained, if you will, our guidance of 1% to 3%, not surprisingly, as I've said many, many times on these calls, I mean, what you should generally do is look at the midpoint of our guidance as a strong indicator for the – if we had to pick a point, the point that we feel most comfortable with. And again, we're still early in the year. We're trying to create a range of outcomes around it. But 2% is the midpoint of our guidance and that – frankly, that's sort of where we're most comfortable. And when I sat here a quarter ago, when Kevin and I sat here, that's what we were thinking pretty much within a 10th of a point at that time.

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Carlo Santarelli

Analyst, Deutsche Bank Securities, Inc.

Great. Chris, that's super helpful. Thank you very much.

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Operator: The next question will be from Joe Greff of JPMorgan. Please go ahead.

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Joseph Greff

Analyst, JPMorgan Securities LLC

Good morning, guys.

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Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

Good morning, Joe.

.....

Joseph Greff

Analyst, JPMorgan Securities LLC

Q

Obviously, the stock is reacting very strongly to today's reports and your comments, Chris and Kevin. So my question related to the stock price is how sensitive are you to capital returns, specifically to buybacks with a higher stock price?

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

A

Joe, the reality is we gave you a range of \$1.3 billion and \$1.8 billion, and we intend for that to be the range. I think, if you look at the midpoint of our leverage, which would be 3.25 turns, that really gets you more to the mid to the high end of that range, which I'd say would probably be the sort of the higher probability of where we end up.

We're obviously – you see in the first quarter, we bought, I think, on average in the low-70s, so we're trying to spend as little as we can buying it. At the same time, the stock performing well isn't going to stop us from achieving our guidance.

In the sense that in every scenario that we look at given the resiliency and strength of the model, buying our stock is still a significant premium to our weighted average cost of capital. And in terms of the grids that we look at, there is no price that's in that grid that I think would take us out of the market. We like the stock. We liked it at \$70. We like it at \$80. We like it at \$90. We'll like it at \$100 and beyond as we think the future is obviously quite strong.

Joseph Greff

Analyst, JPMorgan Securities LLC

Q

Great. Thank you. And then, Chris, you mentioned before about all the levers that you're doing to grow membership within Hilton Honors. Can you talk about where you think you can go in terms of occupancy – system-wide occupancy related to your loyalty program? And maybe outside of lodging, what other businesses do you look at to benchmark where that dependency should be? And that's all from me. Thank you.

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

A

Yeah, I mean, maybe give you a little bit more on Honors, because I know we get a lot of questions on it, so I'll sort of give a broader response. Obviously, we gave you the numbers that Honors membership was up 20% to 90 million. Some of them is – and we gave you, it's over 60%, up 170 bps. What we didn't say is that over the last two years our Honors occupancy is up 400 basis points.

I did talk about how we have gone to having over 50% of our members engaged. By the way, if you go back, I don't know, five years ago, that number was probably 25% of a much smaller number. So I think if you do the math we have probably six to eight times the number of engaged members in Honors as compared to five years ago. And I think the basic underpinnings of our strategy are one, to make sure that we create the best value proposition, so that essentially you have to be a member of Honors. You're crazy not to be. That means pricing. If you're an Honors member, you get the best price guaranteed, period, end of story. There is nowhere else to get a better price.

That the work that we're doing with our app, with our online web direct and online presence that we're taking friction out of it, that we're making it a much better experience to dream, to book, to shop and ultimately book. The digital tools in our app, particularly our digital keys straight to room, connected room, all of those things are only

available to Honors members, and that those are powerful enough in addition to these other things like pricing and other things to really be a draw for Honors.

The other thing we've been in the last two or three years spending a lot of time on is both our highest level members and our lowest level members because we love all our members and we want everyone engaged. And the reason we've been able to double our percentage of engaged members and get six to eight times the numbers is because we've been focusing on both. At the highest level, we've been doing a bunch of things. But some of the bigger things are more generous elite earnings bonuses that our highest level members love, unlimited milestone bonuses, elite rollover nights, the ability to gift elite status to a travel partner. There are about 20 other things, but those are some of the ones that come to mind of things that just make it that much more compelling for those that already give us the largest share of their wallet to continue to stay with us.

At the lowest level where people don't travel that much, our blue members and the first few levels, it's about creating value for them beyond just that you get the best price. They get the best price, of course, but what are – if they're going to collect points, and they don't stay enough to trade them in the night, what do they do with them, how do you create value? So our points and money slider, which I believe we're the only one that really do in the industry. So you can use any number of points with a matching dollar amount and redeem for nights, our Shop with Points, our deal with Amazon where you can buy anything you want, Amazon Prime, you can use Hilton Honors points, our points pooling where you can without any additional charge pool your points between members and use those points. Those are a few, again, there are many more examples of things that we're doing to get our lowest level members that maybe they're only low level members potentially because they don't travel that much generally, but we love them too, and we want them to be engaged with us.

The other thing is the co-branded card. We've spent a lot of time and effort in figuring out how to sole source that a couple of years ago with Amex and we can get more into it, but it's been – the cards, the array of cards have been incredibly well received and driving real strong value proposition. If you look at our base cardholders, they have two times the stay activity that you would find in an average active member. And as you go up into the higher level cards, it's four times the stay activity. And so those cards are helping drive loyalty and drive share. And then a whole bunch of things in Honors on the experiential side whether that's Live Nation, Formula One and a whole bunch of other things that we're looking at that will make, that are really cool ideas and things that more to come on where you give your Honors members a value proposition and ways to redeem those points that are for things that they can't otherwise get on their own.

So in terms of you asked a question and I didn't forget it, which is what level of occupancy, I'm looking at my team. Of course, I tell them why – if it's the best deal and all these things, why isn't a 100% of our occupancy Honors, because it's crazy that people don't join, but obviously that's a bit of a pipe dream. But I think it could be well over 60%. I mean, I think ultimately over the next five years, my goal would be that we're in the 70% to 80% range because we create a story that is compelling enough and we make sure that broadly our customers and others that might consider us understand that being a member of Honors is being – is joining an elite club that gives you a whole bunch of experiences and things and value that you can't get otherwise.

Joseph Greff

Analyst, JPMorgan Securities LLC

Q

Thanks for the thoughts.

Operator: The next question will be from Harry Curtis of Nomura Instinet. Please go ahead.

Harry C. Curtis

Analyst, Nomura Instinet LLC

Q

Good morning, everybody. Chris, last quarter, you commented that you're finding some success increasing your occupancy during the shoulder periods. And what's interesting is that your U.S. RevPAR performance was about 100 basis points stronger than the Smith Travel data. Can you talk about to what degree that strategy is driving that versus the success that you've seen in your brands and the premiums that they're generating?

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

A

Yeah, it's a really good question and deserves a good answer. Unfortunately, maybe you won't be satisfied with it, because it's classically not any one thing. I mean, we – our – in the U.S., our market share numbers, as I stated in my prepared comments, were really strong in the quarter, up 260 basis points.

And, certainly, some of it is on the commercial side, being smarter about how we're pricing our customer-centric pricing model, where we got off a bar and we do semi-flex and fully-flex with a premium for fully-flex and a slight discount for semi-flex. That clearly is driving the right behavior in terms of lowering cancellations.

Cancellations are down over the last couple of years by 10%, and I think we're at a reasonable level, and it's driving a bit of a premium, where more people are buying and consuming the fully-flexed product than are taking the discount, which is what all of our testing said. And so, it's giving us a little boost. So, there's a little bit of that.

We've, obviously, been pushing new marketing campaigns with Anna Kendrick and otherwise that are very focused on direct book and the value proposition and a value guarantee, where we guarantee 25% off, if you find a better price, which is trying to point out to customers that might otherwise think, because they're bombarded with all the digital and other forms of media to say they can get a better deal somewhere else, that we're going to guarantee it, and that's been working.

But yeah, the part that will be less satisfying for you, it's a whole bunch of other things. I think, what we're doing with our product strategy, what we're doing with service strategy, being number one, great place to work, I wanted to talk about and congratulate our team, because we're in a service business and having our team inspired and motivated to do great things means – and feeling good about what they're doing with us means they're going to do a better job with our customers. So, it's a lot about service.

It's a lot about loyalty, which I will go back into because of Joe's question. I think, I answered it at great length, but it's a bunch of those things. It's a bunch of the things that we're doing in technology with our web presence and increasing conversion. So, long-winded way of saying it's coming from a lot of different places, which is what I love about it, which is it's not one trick and it's not sort of one thing that's a flash in the pan. It's a whole bunch of different strategies that are converging that are working. And, of course, our job is to keep them working, which we intend to do.

Harry C. Curtis

Analyst, Nomura Instinet LLC

Q

Very good. And just a quick follow-up, going back to Asia. Did I hear you correctly that you are seeing some reacceleration in Asia, specifically China?

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

A

Yes, we are. Post-Chinese New Year, we are starting to see some pickup, [ph] all stop (33:05). We expect to see more, to be honest. And then, the comps also get a bit easier. And then, in Japan, which remember, Japan is still, from a bottom-line point of view, the biggest market for us in Asia. There are a bunch of big event-driven things happening in the back half of the year that are sort of money in the bank. Meaning, they are happening and they would definitely help boost the business in Japan, which is going to help the second half of the year in APAC.

Harry C. Curtis

Analyst, Nomura Instinet LLC

That's it from me. Thanks very much.

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

Thanks, Harry.

Operator: The next question will be from Stephen Grambling of Goldman Sachs. Please go ahead.

Stephen Grambling

Analyst, Goldman Sachs & Co. LLC

Thank you. Chris, your opening remarks emphasized the bull case from the network effects of the business model. As we look out over the next few years and think through the expansion in the international markets, in China, in particular, I guess what are some of the added benefits that investors should be thinking about from the increased scale if we look at other developing markets as a roadmap?

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

Yeah, well, I mean, I talked about it I think on our last call, Stephen, thank you for the question. I mean, what – it all starts for us to make the model work and for it to continue to be organic growth and capital light and infinite yields and 100% margin, all of those fun things that we like, it all starts with doing great job for customers, but also doing a great job for owners and driving returns for owners. What owners are looking at is share. And so I think what's been happening over the last – honestly over the last 12 years, but increasingly over the last 2 or 3 years, and I talked about it on the last couple of calls is we have been building the network effect that we've had for quite some time in the United States and the other mega regions around the world. And even as we are not nearly as distributed there, we've been investing in our commercial infrastructure and our loyalty and other things sort of ahead of the curve, and it's really starting to hit pay dirt.

So, last year was the first time in history, we grew market share everywhere in the world including the U.S., but for the first time, the other regions actually were equal to and frankly eclipsed our market share, which is hard to do. But it is I think testimonial to the fact that the network effect is starting to work there. So, I think that is in the first quarter was a carry-on to that, and I suspect if we do our job, you will see the same thing this year, which is all of the regions will be, so the international regions will be equal to or greater in market share and all of them will show growth. That's a fabulous leading indicator to what should happen with the network effect because that attracts more capital.

Owners know that, it's a small network of folks and in the end when they're signing up in 2030 and in many cases longer deals, it's really about having the confidence that you're going to be around. We've been around a 100 years. We'll be around another 100 years, so you're not going to disappear. And that you're going to be able to drive premium performance because they're investing billions of dollars in the bricks and mortar. And so I think as

we think about our obsession with market share, which we have, for good reason, and the trajectory on that, I think, it makes us feel really good. I think, it's why you see the pipeline growing, rooms under construction growing and NUG. I feel as I said in my prepared comments quite good about over the next several years just given what's in production, what's under construction around the world and our ability to continue to do a component of our NUG through conversions.

Stephen Grambling

Analyst, Goldman Sachs & Co. LLC

Q

Thanks for the color. As a more direct follow-up perhaps quickly, how should we think about royalty rates and partnership opportunities in those markets as you gain scale?

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

A

I think that as we gain scale and as we drive market share, I think, there are opportunities to increase royalty rates. I wouldn't say that you're going to see a seismic shift anytime soon because we would rather perform ahead of doing that. But I think, there are opportunities and certainly as we build our loyalty platforms to get to a much greater scale, not unlike the U.S. and our deal with Amex. There are opportunities in the co-brand space that we're already pursuing and other partnership opportunities as we continue to build that network.

So, this is I would say and we said it at the IPO, we said it at the spin, it's a really powerful platform that we've built and the nice thing as an investor is we kind of have all the pieces of it to make it work. We have to make it work, okay, it's a lot of hard work, but we've got the scale, we've got the broad geographic diversity, we have the chain scale diversity, we're obviously adding some brands to fill in spaces that we've got. We've got what we need to make the magic. And now it really is about grinding and making it work and continuing to grow market share, deliver better returns for owners by doing better things for customers and the virtuous cycle will not only continue, but hopefully pick up.

Stephen Grambling

Analyst, Goldman Sachs & Co. LLC

Q

That's great. Thanks so much.

Operator: The next question will be from Shaun Kelley of Bank of America Merrill Lynch. Please go ahead.

Shaun C. Kelley

Analyst, Bank of America Merrill Lynch

Q

Hi, everyone. Good morning. Chris, maybe just sort of to sum up on I think a lot of discussion has happened here on the market share gains and some of the systems and Honors and investments that you're making. So could you maybe just sort of give us a little bit of a view to the future on where are you making the largest investments from here both maybe in terms of dollars and management time as you start to refine some of these programs? It seems like they're all working extraordinarily well at the moment. So, where are you kind of – where do you see some of the biggest opportunities? And where are you kind of putting your money to drive some of these network effects going forward.

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

A

I would say probably in three primary areas. And I won't repeat myself. Honors, always. It's the most important engine that we have, obviously for loyalty, but broadly for market share. So I gave you a list of some of the things we have done. There's a whole list of other things that we will be doing, I'd rather not get into it in the limits of time. It's probably not a great place to do it. But lots of additional things going on in Honors with the objective being what I said. Ultimately, we want Honors occupancy to be the vast majority of our occupancy because you're crazy not to be a member, just because the value proposition and the experiential side of Honors is so good that you're crazy not to be a member. And I think, we're amongst if not the highest in the industry in percentage of occupancy at the moment. But I think we can do a lot better. And my gauge is not what others are doing. It's what I think we can do.

The other area, which is related to Honors, is technology. We obviously have brought in over the last couple years a whole bunch of incremental talent in this area to figure out how to do – add more delight to the customer experience and take more friction out of the experience, whether that is with the app in connected room, digital key, room selection, you're going to see a whole bunch of really neat things coming out of those efforts. Payments area, and the list goes on. But a huge amount of investment, system investment. Let me be careful on that because of the way this works, not, for the record, for those that don't know our model as well, not investment that comes off – comes out of our income statement or off our balance sheet because of the way the system works. We have lots of opportunity to invest in these things, but with system funds. But significant investment there.

And then marketing. Investing not just in spending more in marketing, which we have been doing to a degree and taking away from others, but how we spend it. And the world is a very different place than it was even a few years ago, and we're obviously trying to continue not only to get – drive more market share premiums, but we're trying to do it in a way that is most profitable, which means driving more direct business. And so how we go to market, what our message is, how frequently, sort of, to be able to rise – have our voice rise above, I think is clearly important. So there's, clearly again – those are system. When you think about all of these, just to be clear, these are system investments, not Hilton off our P&L investment. But that's where the bulk of the investing dollars come from. Those are probably the three. There are a whole bunch of others. Those are probably the three areas I'd say that are the tip of the spear for us in continuing to ultimately drive share.

Shaun C. Kelley

Analyst, Bank of America Merrill Lynch

Thank you very much.

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

Yeah.

Operator: The next question will be from Jeff Donnelly of Wells Fargo. Please go ahead.

Jeffrey J. Donnelly

Analyst, Wells Fargo Securities LLC

Good morning, folks. Just first, I wanted to follow-up I guess on Harry's question. How much of the market share gains that you saw in the first quarter were attributable to the Embassy Suites and Hampton renovations? And do you think that's going to be sustained through 2019? And maybe how much was measurably – or can you measurably, I guess, account for that came from the Marriott-Starwood integration, maybe challenges they might have faced in Q1?

Christopher J. Nassetta*President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.*

A

Yeah, the answer is we have no idea on that. The nice thing about Smith Travel is it's wonderful data that we get, and it's really good and accurate data as it relates to us. We have no clue because we get no data as it relates to anybody else. So, we don't know where it comes from. Arguably, it's coming from a lot of places, and with the gains we had in the first quarter, it's hard to believe it didn't come from some big competitors, but we don't know.

In terms of what we think of Embassy and Hampton, I would say a small amount of it ultimately in the first quarter came from that. We were – we've been working very hard on share. I'm not going to say that when we started the quarter, we thought we'd get 230 basis points share. We didn't. We were planning on share gains. They were a little heavier than that – than we thought. I wouldn't expect that we would maintain that level of share gain for the whole year. We certainly have an objective, as we always do, to gain share. As I said, we gained a point globally last year. I think, we've gained share every one of the last 12 years. When you're at 114 plus and already have industry-leading market share, moving share is hard. 230 points is really, really hard. So, I would not expect that for the full year, but I would certainly expect that we will have share gains.

Kevin J. Jacobs*Executive Vice President and Chief Financial Officer, Hilton Worldwide Holdings, Inc.*

A

And, Jeff, I'd just add that in terms of – yeah, I mean I mentioned it in my prepared remarks. Embassy and Hampton are benefiting from coming out of renovations. Not in all cases, but in a lot of cases if the renovation is large scale, those hotels aren't even in the share number. So the share numbers we've been quoting are same store on the same comp set. So it's really not – that's not really what's driving, and we did gain share across the board and in all brands. So it's pretty – it's really not isolated to those renovations. And then the other thing I'd say is in those brands and in a couple of others we still have a bunch of those hotels that are still under renovation. So we have ones that are coming out, but we still have in some cases up to 25% of the portfolio in the U.S. that are still under renovation. So that benefit should continue, but again that's really not what's driving same-store sales, same store RevPAR index gains.

Jeffrey J. Donnelly*Analyst, Wells Fargo Securities LLC*

Q

And thanks for that. And just maybe one follow-up is you guys certainly have continued to enjoy hefty signings, particularly this quarter but the last several quarters the cost of construction, particularly in the U.S. has been outstripping EBITDA growth or cash flow yield growth for owners. So what in your view allows new build growth to continue to remain so robust when effectively in the last six to eight quarters you would think it's becoming marginally more unappealing to a developer just given the economics, the way things are moving?

Christopher J. Nassetta*President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.*

A

I think that's a fair statement and I think that is exactly right. The other thing that's been going on in addition to cost increases that have been going up at a pretty high rate is that debt availability in the market has been declining. Now it's been, it declined [indiscernible] (45:27) it's been relatively stable, but a lot less debt available than you had seen a couple years ago. So I think you put less money together with higher costs to build and obviously it has an impact because the economics don't work as well. We are actually – and so if you look at that market data I think you're seeing less stuff generally going to construction.

If we look at our data for the first quarter and what we think for the full year, we think we will put a pretty decent amount more percentage-wise under construction in the U.S. this year as compared to last. And so the question,

back to your core question why? I think that's because our brands are – there's some stuff that's always going to get done and just call it what it is, our brands are outperforming. They're driving higher market share.

So people have businesses, part of the business is developing properties. If you have very high market share, even in a high cost environment where money is a little more expensive, you can still get your yield, you're going to build it, but you're going to do it where you can get the yield and that's going to be where you get premium market share and we have the premium market shares.

So we think we'll be – rooms under construction for us will be up in the low double digits this year, at least that's what our current forecasting suggests and the first quarter was consistent with that.

Jeffrey J. Donnelly

Analyst, Wells Fargo Securities LLC

Thanks, folks.

Q

Operator: The next question will be from Thomas Allen of Morgan Stanley. Please go ahead.

Thomas G. Allen

Analyst, Morgan Stanley & Co. LLC

Hey, good morning. I'm just following up on that net unit growth question. So net unit growth in the first quarter was up 6.9% if my model is right, I think that's your highest growth since you went public so congrats on that. Does that suggest there's some upward pressure on the 6.5% guidance for the year? And then on your pipeline growth, it was up 4.5%. So that's slightly lower than your NUG growth. How do you kind of translate that over? And would you expect that to kind of accelerate? Or do you expect that to decelerate as we go through the year?

Q

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

All good questions. And the honest truth is, I would – I mean, we give you quarterly data because we report on a quarterly basis. But I would not read too much into the quarter-by-quarter in any of these metrics because it just depends on the cadence of things and holidays and how many work days are in a quarter, et cetera. I think, our expectation is what we said, we're going to deliver in the middle of the 6% to 7% range. I think actually last year we did have a surge at the end of the year and things that we thought would deliver at the beginning of this year. So, I think, we ended up at 7% last year for the record.

A

Kevin J. Jacobs

Executive Vice President and Chief Financial Officer, Hilton Worldwide Holdings, Inc.

Trailing 12 months for Q4 and Q1, about the same in round numbers.

A

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

Yeah, I think that doesn't mean that something can't – like last year happen where we have stuff fall into the quarter and get done a little sooner or a little later. I think, we're comfortable at the 6.5%.

A

Thomas G. Allen

Analyst, Morgan Stanley & Co. LLC

Q

And then just on the pipeline growth coming in slightly slower than the NUG growth, is that something to think about?

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

A

No. Again, quarter-to-quarter, I think our signings this year, again, forecasted signings will set a record this year.

Thomas G. Allen

Analyst, Morgan Stanley & Co. LLC

Q

Perfect. Thank you.

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

A

Okay.

Operator: The next question will be Smedes Rose of Citi. Please go ahead.

Smedes Rose

Analyst, Citigroup Global Markets, Inc.

Q

Hi. Thanks. I just wanted to ask you now that there's a couple of large companies that are moving into the home sharing business, obviously Marriott made its announcement yesterday. Is that something that you could see Hilton entering at some point, or what are your thoughts overall on that?

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

A

I'm shocked I got asked that question actually. That is something, we have – I'm kidding, of course. I figured we'd get asked that. That's something we've talked about on a bunch of prior quarterly calls, and certainly spent a lot of time thinking about it, and understanding here at Hilton. I'd say the short answer is at the moment that it's not something that we are pursuing. The longer answer is which is consistent with my prior commentary is, we fundamentally think that home sharing is a different business.

What we think we're in the business of is providing high-quality consistent branded experiences. That means taking products at all these various price points that have exactly the functionality that customers want, the amenities they want, we wrap it in incredible service. We also connect it all by loyalty and as a result we get a bit premium because of the consistent high-quality nature at all these price points. Our belief is that home sharing is just something different. It's not that it's a bad business, we just think it's a different stay occasion, a higher beta experience, and not the premium value proposition.

We've spent a lot of time talking to our customers, and what our customers effectively at the moment tell us and by the way, this could change, and our view could change, but our customers tell us they don't need this from us. They have places they can get this, they don't need it from us, and in a sense, they don't want it from us which I found surprising, but that's what customers will say to us.

So at the moment, what we as you can tell from the prepared comments and the Q&A so far, I'm a big believer in focus. We have a lot of really good things going on. We have a lot of momentum. We're the market share leader now. We think that there's opportunity to extend that lead, and so we want to be focused on delivering high quality

consistent branded experiences in a broader and broader network to take quality curated platform and continue to grow it in a way that customers can really rely on us to deliver great experiences.

So at the moment, no. We're going to keep doing what we're doing where we think we're having great success.

Smedes Rose

Analyst, Citigroup Global Markets, Inc.

Q

Thanks. That's helpful. I just want to ask you too, so you talked about Signia a little bit more this call. For the properties that are converting to that brand, I mean – while we know a little bit about Bonnet Creek because it's owned by a REIT, but the other ones, are the owners putting in money to expand the group space that's there? Or is there something new that's really driven by group demand? Or is this just a way of kind of rolling out?

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

A

No. The bulk of Signia by the way, of the first three deals, and we got a bunch of other deals we're working on, Bonnet is the only conversion with some expansion of meeting space and renovation and upgrading of the hotel, next to the Waldorf Astoria at Bonnet Creek. The other two are new builds, part of convention centers.

So they are purpose built, modern – the best modern design of meeting space technology, et cetera. One in Indianapolis next to the convention center, the other in Atlanta, actually – and we're doing it with the Georgia World Congress, and the center there right next to Mercedes Stadium, a spectacular sight, and I suspect there may be other potential conversions, but the bulk of this brand over time is going to be new build, it's not conversion.

Smedes Rose

Analyst, Citigroup Global Markets, Inc.

Q

Okay. Thanks for the clarification. All right. Thank you.

Operator: The next question will be from Anthony Powell of Barclays. Please go ahead.

Anthony F. Powell

Analyst, Barclays Capital, Inc.

Q

Hello. Good morning. Can you talk about how your group production for future quarters trended in the quarter? Do they show any softness like you saw in corporate transient in March, or was that consistent with prior quarters?

Kevin J. Jacobs

Executive Vice President and Chief Financial Officer, Hilton Worldwide Holdings, Inc.

A

Generally consistent, Anthony. I mean, I think our position is a little bit – a touch lower at the end of this quarter than it was at the end of the fourth quarter which would imply that pace was down for the quarter, but that's normal for as you go in – as you get into the year, the bulk of the year is spoken for in terms of capacity and bookings, and so as you get further into the year, the position tends to migrate down to where you're going to realize for the year. So, it was technically a bit softer, but that was to be expected, and we still think that group will be the strongest of the three segments, as Chris talked about.

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

A

Yeah, and the position on the books right now supports where we think we'll end up from a forecasting point of view in group RevPAR gains.

Kevin J. Jacobs

Executive Vice President and Chief Financial Officer, Hilton Worldwide Holdings, Inc.

Yeah, all within expectations.

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

All aligned.

Anthony F. Powell

Analyst, Barclays Capital, Inc.

Got it. And a capital allocation question focused on the dividend. It's been \$0.15 a quarter for the past few quarters, even as EPS and your stock price has gone up. I think, you've talked about keeping a competitive yield. Is that still the case? And can we see a dividend increase this year?

Kevin J. Jacobs

Executive Vice President and Chief Financial Officer, Hilton Worldwide Holdings, Inc.

I don't know. We just have kept it the same, as you pointed out. So, we'd have to talk to our Board about any increases as well. But I don't think we would intend to increase it. I mean, the way – Chris talked about earlier in the Q&A session. We like the returns on buying our stock. We think that having the dividend is important. It attracts yield investors. We're not getting a lot of feedback from investors about the level of the dividend and that they think it should be higher. And frankly, we think we drive higher equity returns by taking the incremental dollar and buying back more stock.

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

I think, that's right. If you look at it over the long-term, and we were thinking about how do we drive outperformance over the next 5 or 10 years, if you model it, I think, it's a very convincing model that says allocate as much of our return to capital to buybacks as we can, given the strength and resiliency of the underlying model. So, that's what we're doing. I wouldn't expect any increases any time soon on dividends.

Anthony F. Powell

Analyst, Barclays Capital, Inc.

All right. Great. Thank you.

Operator: The next question will be from David Katz of Jefferies. Please go ahead.

David Katz

Analyst, Jefferies LLC

Hi. Good morning. Thanks for taking my question. Congrats on a great quarter. I wanted to just go back to Smedes' question and your answer just a little bit. I recognize that there is a boundary and perhaps a slippery slope where getting into the sort of shared economy in some way, it is contiguous to what you do, right? And on the one side, the argument is hey, our customers are doing this. But they're also like driving cars, it doesn't mean you should be selling those. But there is an argument that it is impacting share in some way. Right? That it is

impacting the ability to charge for that last room under certain circumstances and so forth. Do you see that barrier over time changing? Or is this just for now, it's just not – it's a different business, not something we want to be in.

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

A

I think that it's the latter. I mean, and I tried to say it in my long-winded response, it's not something that we have – that's in concrete. I mean, this is fast-moving sort of the view of the sharing economy broadly, and certainly as it relates to our industry. That's why I say, I always start with we spent a lot of time on it, because we have. And so it's a dynamic thing. As we see what other folks are doing competitively, not just the folks that are in our industry directly, but other new entrants or Airbnb or Vrbo or anybody else, we're watching it very carefully and we'll judge it over time.

As we judge it today, which is the question that I believe I got asked, I gave you my answer, which is we do not believe it justifies our entry into the space at the moment and that we should take our focus away from the things that we're working on that are going well.

David Katz

Analyst, Jefferies LLC

Q

Appreciate it. Thanks very much.

Operator: The next question will be from Gregory Miller of SunTrust Robinson Humphrey. Please go ahead.

Gregory J. Miller

Analyst, SunTrust Robinson Humphrey, Inc.

Q

Thanks very much. I'm on the line for Patrick Scholes. Looking at the international growth markets for hotels, a lot of the focus in Asia Pacific is on China. Heading south a bit, where do you see India today from the development landscape, how the pipeline is trending given the current GDP growth in that country?

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

A

Yeah, I mean, we obviously are very active in India, I was just there, I don't know, a few weeks ago – maybe it was a bit longer ago than that – and get there multiple times a year. We have a fabulous team there, and we're making really good progress. We have sort of, I mean, in a relative sense to our scale and to the size of the population we are quite small in India. I think, we have circa 20 hotels open. We've got another, more than that in the pipeline are in production in various ways.

I think given you have 1.3 billion people, the economy is growing at a strong rate, and they are really transforming their economy. It's a place you've got to be, you want to be, both from – like China, from the standpoint of the business in India, but also from the standpoint of outbound business coming out of India to the rest of the world, as that economy grows just like every other economy, they're going to go traveling around the world and we want them to have loyalty to our brand.

So, we are making, I would say, really good progress from sort of a standing start years ago. It's slow going I think for all of us in the industry, but an important market and one that we are investing in with a great team and with great relationships with a cadre of owners that are doing – that are building us fantastic products.

We opened a couple luxury hotels there in the last few years that are doing really well, the Conrad in Pune and the Conrad in Bangalore that are real iconic properties to help in addition to some Hilton Hotels sort of build our presence there. But you will continue to see us grinding in India and over time getting bigger and bigger in that market, because it's an important market for our network effect. But it will not move as quickly, notwithstanding some of the reforms and the economic growth. It will not move anytime soon as quickly as other markets around the world, including China, just because it's a much more laborious sort of process from start to finish to get a hotel into operation.

Gregory J. Miller

Analyst, SunTrust Robinson Humphrey, Inc.

Q

Thanks. And just a follow-up going back to the domestic market, I want to ask about Tru. Now you've had a number of hotels that are open and a strong initial rollout. I'm curious if you have taken some potentially initial customer feedback and made some revisions to the prototype or planned versions to prototype now that you're continuing to progress along with that brand expansion.

Kevin J. Jacobs

Executive Vice President and Chief Financial Officer, Hilton Worldwide Holdings, Inc.

A

Yeah, we have, Greg, I mean, as is typical for us when you actually launch you get real live feedback versus just creating the hotel in a lab and guessing as to what the customers are going to think, although we're pretty good as that as well. But I think the biggest thing we did was we added a desk, so that's a good example of feedback where we've gotten a lot of customer feedback through the process of creating the brand that people like to hang out in their beds and use their laptops, and they don't need their desks – they don't need the desk, it turns out they do. And then we made changes to the F&B program, particularly the breakfast offering as we got feedback from customers. So it's all going really well, we've got over 60 of them open. Now we think we'll have another 60 open this year and we've got well over 500 working deals and growing. And so everything is going great.

Gregory J. Miller

Analyst, SunTrust Robinson Humphrey, Inc.

Q

Thanks. That's all from us. Nice quarter.

Kevin J. Jacobs

Executive Vice President and Chief Financial Officer, Hilton Worldwide Holdings, Inc.

A

Thanks.

Operator: The next question will be from Robin Farley of UBS. Please go ahead.

Robin M. Farley

Analyst, UBS Securities LLC

Q

Great. Thank you. I've been hopping around between calls, so I don't think that you gave this color, but I apologize if you did. Your fee revenue was up 12% and that is more than maybe units and RevPAR growth would suggest. I think you mentioned that licensing fees were a driver. But can you go into a little bit more detail in terms of is that credit card fees higher? Or were there contract cancellation fees? And then I assume that that \$10 million of timing items, is that why the Q2 fee guidance is like a little bit below the full year run rate? Thanks.

Kevin J. Jacobs

Executive Vice President and Chief Financial Officer, Hilton Worldwide Holdings, Inc.

A

Yeah, a good question, Robin, we actually hadn't been asked that thus far and I did talk about it in the prepared remarks, but you might have been on that other call then. But yeah, \$10 million of timing items is really largely one fee related to a property that's being redeveloped in New York and it's a rather large property that's being redeveloped. Hopefully we'll be a part of that redevelopment, but for now the building is coming down. So we were due a rather large payment there, so that was largely the timing item. Then the core beat was driven by license fees across the board, a little – mostly with the credit card fees. And so that accounted for the beat and then yeah, the timing item obviously carries over into the second quarter.

We left our fee guidance at 7% to 9% for the year. Obviously if we have about \$20 million of increases in EBITDA coming in and RevPAR the same, that \$20 million is largely going into the Fee segment. So our expectations for the Fee segment are higher, but they still ended up within the range. And with a little bit of rounding we decided to leave it at 7% to 9%. Does that cover your question?

Robin M. Farley

Analyst, UBS Securities LLC

Q

No. That's great, and just to cover the higher credit card fees in Q1 was – so without the full year raises maybe some like a nonrecurring factor maybe just like an increase in...

Kevin J. Jacobs

Executive Vice President and Chief Financial Officer, Hilton Worldwide Holdings, Inc.

A

No, no, credit card fees outperformed in the first quarter and actually we think – we actually – that was part of the increase in the core increase in guidance. It was partially operational with some of the things that Chris mentioned earlier with performance in Japan and a little bit of performance in Greater London, but some of it was credit card fees as well.

Robin M. Farley

Analyst, UBS Securities LLC

Q

Okay. That's great. And then just one small thing, the difference in your EPS guidance before and after special items, one went up a few cents, one went down a few cents. What was that, that other expense or that piece of special, because I – the special item that – I think you don't normally guide to that, but that was a bit more than it was a quarter ago. So, just wondering if you...

Kevin J. Jacobs

Executive Vice President and Chief Financial Officer, Hilton Worldwide Holdings, Inc.

A

Yeah, after special items is really at this point what we would have you focus on for a bunch of reasons, historically, but even more so now post revenue recognition. So the special items increase was really commensurate with the increase in our overall guidance. And then, EPS – I think what you're talking about is EPS for the quarter was a little bit light, and that relates to the other management franchise fees line item, which is the reimbursables from the hotels and the various funded programs. Post revenue recognition, those didn't – we're not able equalize those. So we run through revenues as incurred. We run through expenses as incurred. And so in some quarters, that's going to be a benefit. In some quarters, it's going to be harm. And so that – and we neutralize that in special items. And so that's why the special items guidance is more in concert with our overall changes in guidance.

Robin M. Farley

Analyst, UBS Securities LLC

Q

Okay. Great. Thank you very much.

Operator: And, ladies and gentlemen, this will conclude our question-and-answer session. I would like to hand the conference back to Chris Nassetta for his closing remarks.

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

We'll make this short because I know there are other calls going on. Appreciate the time today. We're obviously pleased with the first quarter. I think, we have some good momentum going into the rest of the year. We look forward to talking with everybody after we complete the second quarter. Have a great day.

Operator: Thank you, sir. Ladies and gentlemen, the conference has concluded. Thank you for attending today's presentation. At this time, you may disconnect your lines.

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