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Presentation

Operator

Good morning, and welcome to the Hilton Fourth Quarter [2025] Earnings Conference Call. [Operator Instructions]

Please note this event is being recorded. I would now like to turn the conference over to Mr. Charlie Ruehr, Vice President, Corporate Finance and Investor Relations. You may begin.

Charlie Ruehr
Vice President of Corporate Finance & Investor Relations

Thank you, Chuck. Welcome to Hilton's Fourth Quarter and Full Year 2025 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 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 fourth quarter and full year results and discuss our expectations for the year. Following the remarks, we will be happy to take your questions.

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

Christopher J. Nassetta
President, CEO & Director

Thank you, Charlie, and good morning, everyone. We appreciate you joining us today. We're pleased to report a solid end to what was another strong year for Hilton. In 2025, we expanded our portfolio of brands, grew our pipeline to a new record and strengthened our nearly quarter billion member loyalty system with new partnerships and loyalty tiers, all of which we believe sets us up for continued growth in 2026 and beyond.

Together with our team members and owners, we've delivered a solid year on both top line and bottom line performance. For the full year, system-wide RevPAR growth was up 40 basis points year-over-year driven by strong performance in EMEA and growth in group and leisure transient. Industry-leading net unit growth outperformance in non-RevPAR business lines and cost discipline drove record adjusted EBITDA of $3.7 billion, up 9% year-over-year. In 2025, we returned $3.3 billion to our shareholders, the highest total capital return in our history even with the softer than originally anticipated RevPAR, demonstrating the power of our capital-light business model.

Turning to results for the fourth quarter. System-wide RevPAR increased 50 basis points year-over-year as strong international performance and solid group demand were offset by softer U.S. government demand and weaker international inbound into the U.S. In the quarter, leisure transient RevPAR was up 2.3% driven by international strength, especially in EMEA. Business transient RevPAR was down 2.1%, driven primarily by headwinds from the U.S. government shutdown. Group RevPAR was up 2.6% and driven by strong international group growth and company meeting demand. System-wide RevPAR for the quarter was strongest in December, up 1.7%, with strength in leisure and group and a meaningful pickup in business transient. Positive trends continued into early 2026 with group leading, including strong in-month group bookings, solid leisure demand and continued business transient improvement.

For the first quarter, we expect RevPAR growth of between 1% and 2% year-over-year, including the impact from the recent storms in the U.S. As we look to the year ahead, we feel optimistic that 2026 will be stronger than 2025. We believe this will be driven by continued strength in EMEA, improvement in APAC and an improvement in the U.S. driven by stronger economic conditions, major events, easier comps and continued limited supply. For the full year, we expect system-wide top line growth of 1% to 2%, with international performance stronger than in the U.S.

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Turning to development. During the fourth quarter, we opened nearly 200 hotels, totaling nearly 26,000 rooms. For the full year, we added nearly 100,000 new rooms to our global portfolio, representing full year net unit growth of 6.7% and our biggest year of organic openings.

We achieved several milestones in the year, including reaching 9,000 hotels globally, celebrating 44 brand country debuts, opening our first property in 4 new markets, including Tanzania, Rwanda, Pakistan and the U.S. Virgin Islands, and opening our 1,000th luxury and lifestyle hotel globally.

Our luxury and lifestyle brands continue to expand around the world, comprising nearly 30% of our total openings in the quarter. Lifestyle had a strong year with all 8 brands reaching record room counts and nearly all expanding their presence into new markets.

Within our collection brands, for the full year, we opened over 11,000 rooms across 18 countries, including 9 country debuts. It was a record year for Tapestry growth, opening over 40 properties in the year, including most recently the debut of Tapestry in Japan.

Within luxury, we continue to build strong momentum after the Waldorf Astoria New York opening. And in the fourth quarter, we opened our second Waldorf Astoria in Shanghai and celebrated the brand's debut in Helsinki. Strong interest in Waldorf Astoria continued into the fourth quarter as we announced agreements to expand Waldorf Astoria into several iconic cities across Greece, Spain, Oman and Malaysia. In 2025, we also expanded our LXR footprint with new openings in France and Greece, and announced plans to debut the LXR in the Turks and Caicos in the next few years.

Conversions remain integral to our growth and accounted for roughly 40% of room openings in 2025, demonstrating the strong value proposition our system continues to deliver for owners. Against this backdrop of continued owner demand for conversion-friendly brands, we have been evolving our brand portfolio and creating opportunities to build the next chapter in Hilton's growth.

We recently launched Apartment Collection by Hilton, which marks Hilton's entry into the fast-growing apartment-style lodging segment that represents a clear white space in the market. As a collection brand, it provides owners with flexibility to preserve a property's unique character while benefiting from Hilton's powerful commercial engine, global distribution and award-winning Hilton Honors loyalty program. Apartment Collection by Hilton alongside our other newly minted brand, Outset Collection, will be incremental drivers of our conversion momentum in the years to come as will new brands, several of which we expect to launch later this year.

Even with robust openings in the fourth quarter, our pipeline reached the highest level in our history, surpassing 520,000 rooms, reflecting both year-over-year and sequential growth, driven by expansion across strategic markets and brand categories.

New development construction starts in the U.S. were up over 25% in 2025, a trend that we expect to accelerate even further into 2026. Globally, for 2026, we expect new development construction starts to be up over 20%, bringing us back close to 2019 levels, signaling healthy developer appetite.

As we look ahead, we expect that our robust global pipeline, strength in conversions, construction start momentum and industry-leading brand premiums will support sustained net unit growth of between 6% to 7% for 2026 and beyond. We also remain focused on initiatives to drive increased loyalty, engagement and guest satisfaction. In 2025, we strengthened our Hilton Honors program by making loyalty both more accessible and more rewarding by introducing a faster path to elite status and a new premium tier in our program. We also launched Hilton Honors Adventures, an extension of Hilton Honors that invites travelers to immerse themselves in bucketlist-worthy travel, elevating loyalty benefits across land and at sea. Hilton Honors Adventures partnerships now include Explora Journeys and AutoCamp, and we expect more to come as we continue to prioritize ways Honors members can earn and redeem points. Overall, we continue to see extraordinary performance of Hilton Honors in 2025 with the program now approaching a quarter of a billion members.

During the quarter, Hilton was again named the #1 World's Best Workplace by Fortune and Great Place to Work for 2025, becoming the first and only hospitality company to top both the global and the U.S. list twice. Our brands continue to receive recognition as well. And in 2025, Entrepreneur's Franchise 500 extended our 17th consecutive year run with Hampton by Hilton ranking #1 hotel franchise in the lodging category. In total, 12 brands were recognized in the 2025 rankings for their performance and franchise value.

Overall, we're proud of our performance in 2025 and believe our results continue to reinforce the power of our business model. Our brand-led, network-driven and platform-enabled strategy will continue to help us achieve our robust growth trajectory and meet the evolving needs of travelers around the world while delivering great returns to owners and shareholders. We're confident that we're well positioned to continue driving strong performance in 2026 and beyond.

Now I'm going to turn the call over to Kevin, who will give you a few more details on the quarter and expectations for the full year.

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Kevin J. Jacobs
Executive VP & Chief Financial Officer

Thanks, Chris, and good morning, everyone. During the quarter, system-wide RevPAR increased 50 basis points versus the prior year on a comparable and currency-neutral basis. Growth was driven by strong international performance and solid group demand. Adjusted EBITDA was $946 million in the fourth quarter, up 10% year-over-year and exceeding the high end of our guidance range. Our performance was predominantly driven by strong performance in EMEA, non-RevPAR-driven fees and continued disciplined cost control. Management and franchise fees grew 7.4% year-over-year. For the quarter, diluted earnings per share adjusted for special items was $2.08.

Turning to our regional performance. Fourth quarter comparable U.S. RevPAR decreased 1.6%, largely driven by pressure across business transient and group, which underperformed expectations due to the prolonged government shutdown. For full year 2026, we expect U.S. RevPAR growth towards the low end of our 2026 system-wide guidance.

In the Americas outside the U.S., fourth quarter RevPAR increased 3.8% year-over-year driven by strong demand in both leisure and group segments. For full year 2026, we expect RevPAR growth to be in the low single digits.

In Europe, RevPAR grew 5.3% year-over-year led by strong leisure activity in Continental Europe due to events and holiday-driven demand. For full year 2026, we expect low single-digit RevPAR growth in the region. In the Middle East and Africa region, RevPAR increased 15.9% year-over-year driven by strength in leisure and group demand due to major events. For full year 2026, we expect RevPAR growth in the mid-single-digit range.

In the Asia Pacific region, fourth quarter RevPAR was up 9.2% in APAC ex China, led by growth in Australasia for major events and strength in Japan and South Korea. RevPAR in China declined 1.4% in the quarter, an improvement to prior quarters but remain constrained by weaker group demand due to the government travel policy. For full year 2026, we expect RevPAR growth in Asia Pacific to be in the low single digits with RevPAR roughly flat in China.

Turning to development. As Chris mentioned, for the quarter, we grew net units 6.7% and now have more than 520,000 rooms in our pipeline. We continue to have more rooms under construction than any other hotel company with approximately 1 in every 5 hotel rooms under construction globally slated to join the Hilton portfolio. We expect to deliver 6% to 7% net unit growth for the full year.

Moving to guidance. For the first quarter, we expect system-wide RevPAR growth to be between 1% and 2%. We expect adjusted EBITDA to be between $875 million and $895 million, and diluted EPS adjusted for special items to be between $1.91 and $1.97. For the full year, we expect RevPAR growth of 1% to 2%, adjusted EBITDA of between $4 billion and $4.04 billion, and diluted EPS adjusted for special items of between $8.65 and $8.77. 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 fourth quarter, bringing dividends to a total of $143 million for 2025. Our Board also authorized a quarterly dividend of $0.15 per share. For 2026, we expect to return approximately $3.5 billion to shareholders in the form of buybacks and dividends. Further details on our fourth quarter and full year results 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 as many of you as possible, so we ask that you limit yourself to one question. Chuck, can we have our first question, please?

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Question and Answer

Operator

The first question will come from Shaun Kelley with Bank of America.

Shaun Clisby Kelley
BofA Securities, Research Division

Chris, would love to start with you, both in the prepared remarks and overall, sound a bit more optimistic. So we always value your kind of overview of where we kind of sit with the broader economy in the lodging industry. If you could just kind of give us your kind of latest thinking there? And maybe specifically, a few thoughts around the business transient environment, particularly large versus small corporate. I think on the small or medium-sized, we've seen some weakness. Wondering what you think about that as we kind of turn the page into 2026?

Christopher J. Nassetta
President, CEO & Director

Yes, great question. And obviously, probably what's the #1 thing on everybody's mind. So a lot of this, I covered on our last call and as I've talked to individual investors, I have shared these thoughts. But if you think back about what I said on the third quarter call, I was reasonably optimistic about '25 being a decent year, but '26 and frankly beyond, at least for the next couple of years, being better. And my underpinning of that, which I still believe is that you have some macro forces and some micro forces that are converging in a really positive way.

Number one being inflation does structurally continue to come down. If you really factored for the lag effect of the housing input, which is over 30% of the contribution to the inflation numbers and you factor for what it is real time, I would argue it's actually lower than is being reported. So that's a good trend.

What does that mean? That means expectation, which I believe that rates will continue to come down, which will be stimulative and positive in a bunch of ways. You see it this week, and broadly, you're in a very big deregulatory environment under -- in the United States under this administration, which is obviously, I think, a real positive in a bunch of different ways, whether that's financial services, energy, AI, basic infrastructure, reshoring, there is a massive amount that is going on. You have fixed tax policy that got done last year that is just -- that is super business-favorable and investment-favorable, and you expect to see that start to benefit.

And then a massive investment cycle, the obvious being like the AI complex. I mean just the major tech companies in the last 2 weeks alone, I think when I finished adding it up, they are going to spend this year, $700 billion. So let's just say there's going to be a lot more than $1 trillion spent on that by that complex, all of the energy that goes along with it, everything around the AI complex, I think, is huge.

But then the other things going on more quietly are reshoring, whether that's in rare earth minerals and pharma, chips, all of that stuff is going on. I mean the CHIPS Act that got passed during the Biden administration, very little of that money has been spent. And then you have core infrastructure where we approved -- Congress approved $1.6 trillion when you add up all the pieces, again, a very small part of which has been -- that has been invested at this point.

And so like when I talked in the third quarter, I said like intellectually, it's really hard for me not to be -- when I lift up above the noise of day-to-day politics to not feel like those things are going to be really good for the economy, and it's undeniable. But at the same time, I said I don't know exactly when it's going to come. And at that point, we were not seeing a whole lot of evidence that, that was sort of seeping into the economy, although I was very confident, as you remember, that it would.

By the way, the other thing going on is we're at the beginning of like one of the greatest productivity booms in American history with the whole AI complex once those investments get done and over the next several years of adoption, you have massive opportunities on productivity.

My belief then and now was that we will have economic growth picking up. And most importantly, because it impacts our business, that it would be broader-based economic growth. It would not be as much this K economy where the very high end, the very wealthy keep doing well, and the middle class and below continue to struggle to pay for groceries and gas and their utilities. But that you would start to ultimately -- because the middle class has to be involved to make all this happen, particularly the investment side that you would start to enter a world where you would see middle class real wage growth. By the way, I think right now, you're starting to

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see the first prints of middle class real wage growth, that means people have more disposable income and they will be spending more money, including on our products. And when you really get down to it, the bulk of our system, I think everybody's system, is more concentrated because the middle class is the biggest percentage of the population in the mid-market.

And so that's what I thought last quarter. That's what I think now. The only difference I would say is that we're starting to see it. Now I'm going to be really honest that -- and it's obvious. So I should be, which is we -- the data sets that I'm looking at are not months and months, quarters and quarters. What I'm really looking at, as I said, a little bit when we talked about December is, the end of the year got a lot better than we thought. And even with the storms, the beginning of this year has been better, and it's been better in the ways we'd want to see it. So what does that mean? That means mid-scale, upper mid-scale, it means midweek, it means business transient to your question, Shaun. We're seeing a meaningful change from what we were seeing earlier in the fourth quarter and certainly in the third quarter.

Whether that's sustainable or not, I don't know, but it feels to me, if all of the other macro conditions that I was talking about, if those continue to develop, it sort of has to be the beginning of a trend. By the way, the other thing, it's not macro, it's micro, but I said micros, we have a bunch of like benefits this year, which you guys are aware of. Number one, the comps, as I said, are easier because I mean, you could have other things happen, but Liberation Day was a pretty big deal and the biggest government shutdown in American history was a pretty big deal. You hopefully don't repeat those at that scale.

And we have a bunch of unique events, which you're well aware of, with the World Cup, America's 250, that are really stimulative to travel. At the same time, all these other things are going on.

And so I -- yes, we're at the beginning, I think, of a trend. We have to get more data and like, see it really sort of continue, but I like what I'm seeing right now, and as a result, you saw in our guidance that we think that '26, as I had thought last quarter, will be a lot better than '25. And I think we have very solid underpinnings to back that up. And in the first quarter, by the way, in the guidance we're giving, super solid. I mean at this point, we're halfway through the quarter. We have very, very good sight lines into the rest of February and even into March, and it feels good in all the ways I just described.

So yes, that's the reason for my increased optimism is data that I'm actually able to see data that says what I hoped and thought would happen is starting to happen and hopefully is sustainable.

Operator

The next question will come from Daniel Politzer with JPMorgan.

Daniel Brian Politzer
JPMorgan Chase & Co, Research Division

You touched on this a bit, but maybe in a different lens. The AI and technology front, I mean this continues to obviously evolve at a very rapid pace. So I guess the question is, how close are you to maybe announcing some partnerships there if that's on the horizon? And then how do you think about the opportunity set here, both from the OpEx side internally and then externally from a revenue side in terms of distribution?

Christopher J. Nassetta
President, CEO & Director

Yes. I mean I talked a lot about this, I think, on the last call, too, and I suspect we'll be talking about this on every single call because, obviously, it's important. And as you can imagine, we're spending a huge amount of time on AI throughout our whole organization. And one of the things that I believe gives us a meaningful competitive advantage is that we have a modern tech stack. And relative to our competitive environment, I don't think anybody can claim what we can claim. And what is that -- it's not me just pounding my chest. It just affords us much greater flexibility and agility to adopt AI in a bunch of really interesting ways. And so you can imagine, we're exploring all those.

As I said last time, there's sort of 3 big buckets of things. The first is just like creating efficiencies in the system. Some of that could benefit G&A. By the way, you've seen some of the benefits. I mean our G&A is lower than it was 6, 7 years ago, and that not all AI, but part of it is process reimagination, making ourselves better, applying the use of technology in ways. We've been doing that forever. And AI is just another, an amazing tool that allows us to speed some of that up. And so we're looking at tons of things, like hotel openings is one that our teams are deep in the middle of, like so many people touch the process of opening a hotel, dozens and dozens like creating massive efficiency around connecting all those dots. And we have dozens of other use cases in that area.

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And then there's the whole distribution space, which is sort of the crux of your question. We tend not to make big announcements until we've done things. And you said, we're working with many of all of the big players out there, the OpenAI, Google, we're working with all of them. We're part, not everyone but the big ones that are big in the travel or trying to either are or trying to be, we're involved in all of their tests and we're developing the connectivity with those platforms, and I'm super optimistic about that.

We're also, because we have a very modern tech stack, doing some really interesting things in sort of natural search connected to booking and the experience within our own platforms, some of which you'll start to see probably at some point in the second quarter, which I think are really cool. My own view on the distribution space is quite, I said -- I probably said this last time, it's simple like we believe we have the best products to deliver the best service with the best culture. Our loyalty that continues to be super relevant and that customers want what we do because we're good at it. We do a good job. Like if you look at the hard data, market share, review site index, we perform really well. Customers want to find us.

We believe that what's going on with AI is spectacular. There's always risk, by the way, like I'm not -- I don't have my head in the sand nor does anybody here. But I think in our space, which is very hard to disintermediate because it's a physical business, the opportunities are far greater both in distribution and otherwise than the risks are. And why? Because if we keep doing a really good job the way we do it and customers want our stuff, they're going to be able to find our stuff in what will be, frankly, a more competitive environment that we've seen heretofore and they'll be able to find it in a way that's easier with less friction and it's more efficient.

And so my belief is this is a pathway to lower distribution costs broadly for our owner community if we're smart. Never forgetting that the one thing at our scale, I mean, look at the U.S. alone, we're 13-plus percent of the market. If you look at the quality market, no offense to the whole market, we're probably -- we're well over 20% of the market. We have complete control of our rate inventory, pricing, availability. And if we don't want to share it, nobody can get it, and we have products that people want. I view that as super valuable. So as we think about how we engage with everybody in this space, and we are, as I said, already engaged in all the ways you would think with the big players.

I think it's a very symbiotic relationship. I think customers, for them to have platforms that are in travel, they sort of need our products and for us to show up, we want to work with them. I think it's quite a balanced equation, as I said. I think the net result is generally good on distribution cost.

The last bucket I talked about, which is super exciting and we're doing a bunch of stuff is just the whole customer experience. I mean, so I talked a little bit about like the dreaming function in our own systems of being able to not just dream in a sort of natural search and AI-enabled, but then have it be seamless to booking, have it then be seamless to pre-arrival and planning your stay on property experience, problem resolution, post stay, you think about with the use of AI, the data, the tools that we already have and that we're building out in a much more fulsome way with a fully modern tech stack that we can put so much where we have an experience with our customers that is digital with AI and with our platform, we can really revolutionize how customers interact with us.

And then we're at the physical side of it, we have the ability to create tools and we are doing it that enable our teams to have so much more information for people to plan their stay, on property, problem resolution, et cetera, that I think it's really, really game changing. And we've been -- I'm not going to get into everything we're doing, obviously, it's competitively sensitive. But we're doing a whole bunch of stuff. We have, I don't know, 40 use cases plus and growing in all of those buckets around AI, working with a bunch of great partners, many of the names that you read about in the news every single day and have super close engagement. And I feel really -- listen, we're in the early days of AI, like for sure. But I feel like we're in a really good position based on the platform, the efforts we're making and progress we're making as this evolves.

Operator

Next question will come from David Katz with Jefferies.

David Brian Katz
Jefferies LLC, Research Division

Noting in the press release and what you talked about with the outsized amount of investments going towards lifestyle and luxury and some of the commentary this morning, I'm wondering whether the -- both the duration and the economic intensity of those contracts continues to grow over time. And whether there is kind of an acceleration in trajectory as more and more of those rooms come online. We're obviously looking at fees and cash flow, et cetera, the output of the NUG. But I'd love some further insight there.

Christopher J. Nassetta
President, CEO & Director

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Yes. I think I understand the question. I'm not 100% sure I do. But I think the basic question is, as you now have 1,000 hotels, and it's becoming a real business in each of the individual brands within the category, which is 8 brands start to get scale and momentum, they sort of feed on themselves in the sense of delivering as they build out a network, they build market share even higher, as they build market share even higher, they get adopted by more and more owners. And ultimately, the economic model starts, the flywheel starts spinning. I think you're right. Yes.

So many of these brands, while we have 1,000 hotels in luxury and lifestyle, it's a lot of hotels, I mean. But still, we have 9,400 or 9,400 and change. We're open 2 or 3 a day, so I always lose track. It's still a relatively smaller percentage. In many of the brands, you can think of like Tempo and Motto and even Canopy that are doing really well, they're very -- they're still, Graduate for that matter, they're still relatively small brands even though they're performing well.

And so yes, I do believe, like we've seen in every other brand, and it won't be different particularly in lifestyle. Luxury is a little bit different game, but in the lifestyle categories, as you start to build these out and create real network effect, you hear me say network effect a lot in a broader context, but in a more micro context within individual brands that customers ascribe meaning to, if you don't have enough locations, it's hard to sort of serve their needs. And the more you build that network effect, it does have sort of an effect of creating -- of spinning the flywheel faster.

So I think a bunch of those brands are early days and getting ready to really explode. Certainly, some of the ones that have larger footprint potential like Tempo and Motto. And that's why we're looking in that space at a brand between which I've talked about, in between Motto and Canopy because we think it has a TAM that is very large.

Luxury, listen, we're doing -- I mean we've got -- in terms of dots on the map at this point, we've got like 600 dots on the map, 650, I think, close to that as of today. We've got another 100 plus in the pipeline. I mean the Waldorf Astoria New York opening was magical. I know some of you were there and hopefully, you enjoyed it. And that's the Grand Dame that started the whole brand. And so while it's one hotel, it makes a big difference.

If you look at the openings, I noted a few of them that we had over the last year, if you think about the openings we're going to have this year and you look at the pipeline, like Waldorf is on the move, like Waldorf is -- it takes time. Luxury is a hard space. It takes time. It's one of the first things I got here 18 years ago, and I remember saying to Jon Gray, we got to really get luxury right. And we had like basically 1 Waldorf Astoria. And here we are today with open and in the pipeline close to 100 of them.

So we have good things going on with Conrad, LXR. I mentioned that in the prepared comments.

So I feel super good about what's going on. I mean, I think from a loyalty point of view, we have as many dots on the map as anybody, and the products that if I look at redemption behavior, our customers are really loving particularly with the SLH relationship. And then I look at our core, the core 3 brands we have in luxury, they're performing well. Their pipeline is spectacular, growth rate looks really, really good over the next few years.

So we're getting momentum across all of them. Where when you wake up in 10 years, I think it's like by volume and numbers and economics, it will be the upper mid-market, lower, upper upscale market where you're going to have the most action just because that's where the largest segment of customers is. And then the others will do great. But the volume ends up where you would think it would end up. It ends up where the population demographically is.

Operator

Next question will come from Stephen Grambling with Morgan Stanley.

Stephen White Grambling
Morgan Stanley, Research Division

Maybe another angle on NUG. You've been able to build, as you said, a best-in-class pipeline, while just as importantly, keeping CapEx and key money effectively flat in the guidance. So I'd love to get your latest thoughts on how the overall development environment is changing, both in terms of competition and then also the use of key money as rates and liquidity are improving. And any thoughts on the balance of new development versus conversions from here?

Christopher J. Nassetta
President, CEO & Director

Yes, I'll start. Maybe Kevin will finish whatever I miss. Listen, we have been really disciplined, I'd say, every time about key money. I mean if you look at the broader market, key money is definitely edged up. But if you look at our numbers, like rooms under

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construction, the percentage of deals that have key money is like 9%, hasn't really changed a lot. If you look at the average, we're seeing a couple of hundred million this year, our average over the last bunch of years, it goes up, it goes down. A couple of years ago, we were 100. Last year, we were a little high. I mean it sort of has averaged plus or minus a couple of hundred million.

And if you look at the types of deals that we're doing, like the last I look at the data, I think it's 85% or 90% are in the upper upscale or above in terms of where we utilize key money.

So we are -- and that's where it's sort of always been, the more complicated, bigger, full-service, convention and luxury. That's where historically there's been more demand for key money to get deals done, it's much more competitive, and that's still where we see it. I mean is there -- has it creeped in a little bit? Yes. But listen, when it comes down to it, like we think our brands perform better. And a little bit of key money versus a lot of market share, we think, is a bad trade for most owners. And we do -- our teams are well equipped to sort of discuss that trade-off. And in the end, owners, as you are, as buyers of the stock, they're trying to make money and they're ultimately going to, I think, evaluate, most owners are going to evaluate that trade-off in a rational way.

So we feel good about our ability to keep doing what we're doing. It's not without some pressures and market dynamics. But if we keep delivering profitability the way we are, I feel good about it.

In terms of conversions, I think maybe the only thing I missed, obviously, last year was a big number, 40%. We tend to see in more challenging environments, those numbers go -- the numbers go up, that's sort of a standard thing, which wouldn't be surprising. Now at the same time, we have a lot more shots on goal. We've been adding brands. I talked about a couple of Apartments and Outset.

So we do think conversions are going to be a bigger part of our future than they might have been on average over the last 10 years. I do not believe they will stabilize at 40%. I think they will be in the range of 30% to 40%, and it will depend on sort of what's going on in the world. But I don't think any time soon we'll go back down into the 20s. If you look back on average over an extended period of time, it's been more in the mid- to upper 20s. I do think we're sort of more permanently above that, both because the performance of the brands, just more shots on goal with very conversion-friendly brands.

So what did I miss, Kevin?

Kevin J. Jacobs
Executive VP & Chief Financial Officer

I just -- on the financing environment, I'd just add, I think it's good in getting better. And I think that supports conversions because the cash flow producing assets' easier to finance than ground up, although we did -- we referenced the ground-up improvement stats in our prepared remarks for a reason that our brands, the other thing, in addition to conversions with them being cash flow producing assets, our brands are more financeable, right? So just in the same way that owners think they're going to make more money with us, and they do, lenders have more confidence that they're going to get repaid if our brand is associated with it. And so it's just -- it becomes that much easier to finance. That's the only thing I'd add.

Christopher J. Nassetta
President, CEO & Director

Good add.

Operator

Next question will come from Steve Pizzella with Deutsche Bank.

Steve Pizzella
Deutsche Bank Securities, Research Division

Just thinking about the 1% to 2% RevPAR guide for the full year in the first quarter. Can you talk about how you expect RevPAR to play out from a quarterly cadence perspective throughout the year? Knowing the costs do get easier, you get the World Cup in the middle year. And then it sounds like increased optimism in select service RevPAR accelerating. Could the RevPAR outlook be conservative?

Christopher J. Nassetta
President, CEO & Director

I would give Kevin the first part, and then I'll take the second.

Kevin J. Jacobs
Executive VP & Chief Financial Officer

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Yes. I mean I'd say it always can be, right? I mean I think Chris talked a lot about the underpinnings that we see in the economy. And look, we're halfway through the first quarter, right? So there's a lot of year left. But I think I would say, they always can be. If the things that we're seeing in the data persists, of course, it could be better.

And then in terms of the quarter, there's a lot -- we've been doing this a long time. I think this is probably the year with the most complicated puts and takes on calendar that I can remember in a while. But yes, the World Cup is second, going into third, the government shutdown was fourth. So I think it's pretty well balanced over the course of the year in terms of the way it's going to play out. And you could always surprise to the upside. I mean, the World Cup is a good example, right? It depends on who makes it through into the final rounds and which countries are those, and it'll generate more demand. It can always vary, but I think it's pretty well balanced during the course of the year.

Christopher J. Nassetta
President, CEO & Director

That's well said. I mean when you look at everything I covered, answering Shaun's question about the macro, and I applied and Kevin just reiterated some of the micro things, and then you apply the comp issues that you had last year. And again, that's not to say, we won't have other new things this year. It's hard not to feel pretty good about that range of guidance. I mean, I'm not going to go so far as to say, I take the over versus the under, but I probably would.

Operator

The next question will come from Robin Farley with UBS.

Robin Margaret Farley
UBS Investment Bank, Research Division

I have a small question for Kevin, maybe a medium-sized question for Chris, if that kind of adds up to one question.

Christopher J. Nassetta
President, CEO & Director

Robin, that sounds like two, but give it a shot.

Robin Margaret Farley
UBS Investment Bank, Research Division

Yes. Your EPS guide, typically, your EPS grows at a higher rate than your EBITDA growth. And just kind of wondering what -- it's not obvious, like your share count is down, it looks like your tax rate is going to be down. So what's the EPS growth rate sort of not being higher than EBITDA growth? Is there just something obviously that I'm not seeing?

And then the medium-sized question for Chris. Chris, you mentioned in your remarks that you'll have more brands later this year. And I know last year, you talked about some things that you were going to launch that you have. And it sounded like maybe that would sort of have filled out your portfolio. So just wondering what is it? Is it like white space things like Apartment by Hilton? Like because it had seemed like maybe your portfolio would be pretty filled out with the brand launches you had talked about for last year. So just kind of your thoughts on that.

Christopher J. Nassetta
President, CEO & Director

All right. Kevin will answer the first part of your one question.

Kevin J. Jacobs
Executive VP & Chief Financial Officer

Robin, I don't know if it's a small question because EPS growth is pretty important to us and to investors. But it's a relatively small answer. It's easy. I mean you mentioned share count. We don't guide the share count. And then you got a couple of onetime items primarily related to interest expense associated with not just releveraging EBITDA growth, but also implied in our guidance is moving closer to or actually at the midpoint of our range of our guided range for leverage is close to 3.25. So it's just that, those 2 factors, and that's all the risk to it. If you adjusted for those 2 things, EPS growth is in the low double digits.

Christopher J. Nassetta
President, CEO & Director

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The first is always going to happen just because we're always going to be buying back shares. And the second, at some point, we're not going to keep increasing leverage. So that's some of the effect. So it's...

Kevin J. Jacobs
Executive VP & Chief Financial Officer

Those two things, and that's it.

Christopher J. Nassetta
President, CEO & Director

Just transitional. And second, I mentioned one. I mean we have -- we're always in the skunk works looking at lots of things. The things that I think are most imminent are another lifestyle brand in between Motto and Canopy. So to say, upper mid-scale, lower upper upscale segment. We think there's a huge TAM for that as we've been thinking about both Motto and Canopy, which are doing great. We just think there's a big white space as we talk to customers and do the research. And as we talk to owners around the world, we think there's a lot of demand. And we think, as I said before, there's a big TAM.

Undergraduate, which I guess, been written back as I have talked about it, I think I talked about it on the last call, we're really excited about that. That's imminent in the next 60 days. Again, Graduate is fabulous, performing super well, pipeline is building really well. But there is a whole bunch of markets, hundreds and hundreds just in the U.S. alone, probably 400, that really can't afford to build a full Graduate, which is an upper upscale brand, and need something more in the mid-scale space. But they like the theme and the idea of what Graduate, the ethos of the brand.

And so we want to give all those college towns the same opportunity to have a really great Graduate approach and Undergraduate, we think, is fabulous way to do that. We have a couple of other things we're working on that are -- we'll talk more about as we get a little further along. Student housing associated with Graduate, something we're working on. I wouldn't say it's imminent, but we think the TAM is reasonable and worth doing, and so we're doing the work and a couple of other ideas. But I'll leave it. The 2 that are coming soon are the lifestyle and -- well, they're both in the lifestyle category, lifestyle, upper mid-scale and Undergraduate.

Operator

The next question will come from Lizzie Dove with Goldman Sachs.

Elizabeth Dove
Goldman Sachs Group, Inc., Research Division

I wanted to touch on the non-RevPAR fees side of things. I think back at your Investor Day a few years ago now, you'd called out the algo in the kind of low double-digit range back then. You mentioned this morning, it was kind of an outperformer last year. anything you'd share on how this evolves and the outlook for that over time, I guess, especially on the credit card side of things?

Kevin J. Jacobs
Executive VP & Chief Financial Officer

Yes, Lizzie, I think we probably will stick to generally -- you referenced the Investor Day, generally what we said, and what we said has sort of played out that we think that our non-RevPAR-driven fees will continue to grow at above algorithm. Some of that's credit card. Some of that's time share. Some of that's our purchasing business. We've got some other ideas that we're working on in terms of commercializing our customer base to continue to grow the business. I think we've done a pretty good job of that over time.

And then our credit card program, I'm sure Chris may want to add something to this. Look, we have a fantastic credit card program that continues to be among the best and most popular cards in our industry and with Amex, drives a lot of customer engagement, drives great economics both for our system and for us. And beyond that, we don't -- we tend to not talk all that much about it in terms of some of the details are competitively sensitive. But we think that, that will continue to grow above algorithm as well for a long time.

Operator

The next question will come from Brandt Montour with Barclays.

Brandt Antoine Montour
Barclays Bank PLC, Research Division

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I wanted to ask about group business. I don't think you guys gave a pace number, but a pace for '26 would be helpful. And then the real question, though, is really about how we came into last year, right, with really good group pace. And then of course, group in the U.S. specifically did not. It wasn't realized to that level because obviously, because of tariffs.

Would you say, sitting here today knowing what you know about how that business works, we would need a shock to the demand side kind of like something we saw last March for group not to be an acceleration this year versus last year?

Christopher J. Nassetta
President, CEO & Director

Yes, we would. I mean right now, we feel really good. I'd say, coming into the year, relative to our expectation for the year, we feel great. We're sort of like mid-single digits, system-wide group position up for the year, and that's against, obviously, with a 1% to 2% RevPAR guidance. Something -- an expectation that when we finished the year would be somewhat lower than that. We'll see. But we feel, yes, we feel like we got the solid base on the books.

We think group will be the outperformer this year. We would have thought that last year, but for the reasons you described, it didn't end up being the case. But if you look at the categories, I would say, we believe all 3 other major categories, group, leisure and business transient are going to grow for the reasons I've spent too much time talking about, driven by the macro tailwinds. We do think it will be in that order. We do think it will be group at the top, short any sort of unforeseen events, leisure, and then business transient. But we think we'll see healthy growth across all segments with group leading the way.

Operator

The next question will come from Michael Bellisario with Baird.

Michael Joseph Bellisario
Robert W. Baird & Co. Incorporated, Research Division

Just sort of along those same lines, just in terms of the booking window. Maybe what changes have you seen recently? How has that evolved or improved? And then any more confidence from meeting planners, maybe what are you hearing from them recently?

Christopher J. Nassetta
President, CEO & Director

Yes. The booking window has been stable. It actually extended technically by 1 day since last quarter. So not -- we went from 26 days to 27 days. So I mean, not -- I would say that's relatively stable.

And what we're hearing from -- frankly, across the board, what we're hearing from -- in all segments feels pretty good. If you think about the business transient, we're talking to those customers all the time. I think the general theme is they all believe they're going to travel more this year for all the reasons, everybody has got to get out and what they think is going to be a little bit stronger economy, and they know they're going to have to pay a little bit more because that's life and the environment we're in. And I'd say same on the group side. We talk -- I'm talking to our head of sales all the time. And I think his view is the trajectory, again, short unforeseen circumstances that rattle people in terms of broader macro stuff, the sentiment is quite good and people have a healthy attitude about continuing to book business. So it all feels pretty good.

Operator

The next question will come from Patrick Scholes with Truist Securities.

C. Patrick Scholes
Truist Securities, Inc., Research Division

Great. We certainly missed your Pollyannaism at the ALIS Conference 2 weeks ago.

Christopher J. Nassetta
President, CEO & Director

How about optimism instead of Pollyannish?

Charles Patrick Scholes
Truist Securities, Inc., Research Division

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No. I mean that in a positive way. It wasn't the most upbeat conference. We certainly could have used your -- I mean we could have used your enthusiasm there that you talked about.

Christopher J. Nassetta
President, CEO & Director

I was otherwise occupied doing my day job.

Charles Patrick Scholes
Truist Securities, Inc., Research Division

Understood, understood. A credit -- a question on your credit card contract. Is there anything in your existing credit card contract that would allow for a step-up in the royalty rate? And if so, how likely might that be that it would get triggered?

Christopher J. Nassetta
President, CEO & Director

I suspected that we might get this question. Kevin gave the answer. We're not going to get into like and can't legally get into all the terms contractually. We redid our -- suffice say, we redid our deals and then many years ago, and then redid them again a couple of years ago. We feel really good about the contractual relationship we have with all of them. Amex obviously, being the most dominant. We feel really good about the growth rate that's built in to the contract as well as the natural growth that's coming because of the cards and acquisition of customers and the spend on the cards given customers love the cards is very favorable.

So I would not set an expectation that there's some big announcement coming from us. We're doing great. It's growing above algorithm, and we are highly confident it will continue to grow above algorithm for many years to come.

Charles Patrick Scholes
Truist Securities, Inc., Research Division

Okay. And I'll also take the over on the RevPAR as well.

Christopher J. Nassetta
President, CEO & Director

Good. I like it. Why are you being such a Pollyanna?

Charles Patrick Scholes
Truist Securities, Inc., Research Division

No, I mean that in a positive way. No, the perfect storm of holiday shifts and World Cup.

Operator

Next question will come from Trey Bowers with Wells Fargo.

Trey Bowers
Wells Fargo Securities, LLC, Research Division

A lot of what I was going to ask has been asked already. But I guess, it's been pretty quiet from you guys on an inorganic basis for the last year, and you haven't really needed it. Organic growth has been best-in-class. But just curious what you're seeing out there in terms of opportunities. Do you expect that, that should pick up over time? Just anything around the M&A environment as we go forward?

Christopher J. Nassetta
President, CEO & Director

Yes. I get asked a lot, obviously. If you look at the history of the time I and we have been here, 18 going on 19 years, other than 2 years ago, the 2 what I would describe, one micro transaction and one relatively small transaction, we have not done any M&A. So all of our growth, we were, what, I don't know, 2x or 3x system size in that time frame has been organic where we've gone from 8 brands to 26 brands. You heard me talk about another couple of babies we're getting ready to birth.

So we think that we have built a very, very good skill set, I would argue, industry-leading skill set to drive organic growth, which is not just development teams doing a great job, which, of course, they are. It's about our commercial teams doing a great job delivering

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performance. It's about our brand teams doing a great job delivering great products that customers want. We think it is our alpha. That is what we've done, I think, with all respect to a bunch of great competitors. We've done more of and better than our competition. And as you know, that is a heck of a lot better way to drive overall returns because every time we do it, the returns on that are infinite versus going out and buying things.

So we found unique circumstances in the 2 we did a couple of years ago that were really driven by the times like interest rates spiking, the environment slowing down and things got a bit rattled and we found some like unique themes that -- on things that we really liked. But that is not the core of what we do. I would say, we look at everything that's out there. I don't see anything -- I would say, I don't see anything on the horizon. I always have to say because in this seat, you do never say never, but don't misinterpret that. We're not working on anything that I think is real. We're -- I think you should think about us as an organic growth story. We love what we have. We love the skill set we've built, and we think it is the best way to drive the best returns. And we are equally focused on capital allocation to running the business. And obviously, the more we can do this organically, the more free cash flow spits out, the more shares we buy the more we become an even better serial compounder, and that's our strategy.

So I grew up long ago as a capital allocator. It's like we've got to run the business well, we've got to drive share, drive growth, have great brands, do a great job for customers, have a great culture, all that. But when it comes out, when we spit it out the other end, we've got to allocate capital really intelligently and again, we think we're pretty good at that. We think we can keep growing at this level that we're talking about in the 6% to 7% range for an extended period of time without having to buy growth. And we think that's going to drive a better outcome in terms of how we perform over the next 1, 2, 3, 5, 10, 15 years as it has over the last 10 years.

Operator

Ladies and gentlemen, this concludes our question-and-answer session. I would like to turn the call back over to Chris Nassetta for any additional or closing remarks. Please go ahead.

Christopher J. Nassetta
President, CEO & Director

As always, we appreciate you guys spending the time with us. It's been a dynamic environment, obviously, over the last year, you could sense my and our optimism about seeing sort of things turning the corner. We'll look forward to hopefully describing how we continue to see things improve along the lines that I described after we finished the first quarter. I hope everybody has a great day and a great week. Take care. Thanks.

Operator
The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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