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Presentation

Operator

Good morning, and welcome to the Hilton Fourth Quarter 2024 Earnings Conference Call. [Operator Instructions]. Please note that this event is being recorded.

I would now like to turn the conference over to Jill Chapman, Senior Vice President, Head of Development Operations and Investor Relations. Please begin.

Jill Chapman

Senior VP and Head of Development Operations & Investor Relations

Thank you, Betsy. Welcome to Hilton's Fourth Quarter and Full Year 2024 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 Chief Financial Officer and President, Global Development, will then review our fourth quarter and full year results and discuss our expectations for the year. Following their remarks, we'll be happy to take your questions.

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

Christopher J. Nassetta

President, CEO & Director

Thank you, Jill. Good morning, everyone, and thanks for joining us today. We're happy to report a great end to another strong year marked by record unit growth and several important milestones. We added new brands and strategic partnerships to meet guest needs. We opened more rooms than in any other year in our history, and we signed a record number of new rooms to our development pipeline all of which further strengthened our network and positioned Hilton for continued growth in 2025 and beyond. Thanks to our incredible team members and owners. We also welcomed more than 224 million guests to our properties more than any year in our history.

For the full year, system-wide RevPAR increased 2.7% compared to 2023 with growth across all segments and all major regions. Solid top line performance, coupled with strong net unit growth drove record adjusted EBITDA of more than \$3.4 billion, up 11% year-over-year demonstrating the strength of our fee-based business model and the power of our growth algorithm. Significant free cash flow generation enabled us to return \$3 billion to shareholders.

Turning to results for the quarter, system-wide RevPAR increased 3.5% year-over-year, above the high end of our guidance range, driven by better-than-expected trends in leisure and continued growth in Business Transient and Group. Leisure Transient RevPAR increased 4%, driven by solid growth in both occupancy and rate, with particularly strong trends throughout December. In the quarter, Leisure occupancy remained 5 points higher than pre-pandemic

levels. Business Transient RevPAR increased more than 3% led by continued recovery in large corporates with big tech and big banks meaningfully outperforming. Group RevPAR rose 3% year-over-year as demand for company meetings and social events remain strong. Additionally, booking windows continued to lengthen and strong demand in conventions and company meetings drove higher rates for future periods.

As we look to the year ahead, we feel incrementally a bit better than we did a quarter ago and expect system-wide top line growth of 2% to 3% for 2025. We expect relatively steady growth across the Americas, modest deceleration in EMEA due to tough comparisons following a robust year last year and growth across Asia Pacific, given improvements in China and continued strength throughout the rest of the region. We also expect positive RevPAR growth across all major segments with group outperforming driven by continued strength in company meetings and convention business. We assume very modest RevPAR growth in leisure transient given forecast for steady levels of consumer spending and challenging comparisons. We expect continued recovery in business transient driven by further momentum in large corporates, coupled with steady demand across small- and medium-sized businesses.

Turning to development, we opened 171 hotels in the fourth quarter, totaling nearly 23,000 rooms as our strategic and diversified approach to development continued to drive brand expansion into new markets around the world. During the quarter, we opened our first Tapestry hotels in Paraguay, Bonaire and Australia, helping the conversion-friendly lifestyle brand to surpass 150 hotels in 20 countries and territories worldwide. We also debuted our Curio brand in Romania and opened our first Hampton in Africa, Tru in Colombia, Hilton Garden Inn in Greece and Spark in Austria. In Asia Pacific we celebrated the opening of our 1,000th hotel ahead of schedule and representing growth of more than 30% versus last year.

For the full year, we added a record 973 hotels, representing nearly 100,000 rooms and the single biggest increase in rooms in Hilton's more than 100-year history driving net unit growth of 7.3%. Conversions accounted for roughly 45% of room openings in the year, driven by the addition of SLH properties and continued momentum from Spark, DoubleTree and our conversion-friendly Lifestyle brands. Overall, Luxury and Lifestyle hotels accounted for roughly half of our system-wide openings in the year, bringing those portfolios to more than 900 hotels across the world.

Additionally, our Luxury and Lifestyle pipeline mix is nearly 2x our existing supply supporting continued growth in these important segments. Even with record openings, our system-wide pipeline grew 8% year-over-year to total approximately 500,000 rooms at year-end. We signed 154,000 rooms in the year, up 18% and representing our biggest year of signings to date. We also ended the year with several notable signings, including the Waldorf Astoria in Bahrain, Waldorf Astoria in Al Madinah in Saudi Arabia, Conrad in Los Cabos and our first Motto in China and agreements to debut LXR Curio in Hampton in Morocco.

Construction starts for the year remained strong, the highest in our history, increasing 10% year-over-year, excluding acquisitions and partnerships with meaningful growth across all regions. We finished the year with nearly a quarter million rooms under construction, which is more than any other hotel company. This represents more than 20% of industry share of rooms under construction and nearly 4x our existing share of supply. With nearly half of our pipeline under construction and continued growth in version opportunities, we feel confident in our ability to deliver strong net unit growth of 6% to 7% in 2025.

Defined by our continued focus on geographic and chain scale diversity, we have exciting development opportunities ahead. LivSmart Studios is slated to open its first location this summer. Following the recent opening of Spark's 100th hotel, the brand has several international market debuts, including India, and the CALA region scheduled for this year. We expect our newly announced strategic licensing agreement with Olive by Embassy to accelerate Spark's expansion in India representing an exciting opportunity to tap into the country's growing middle class. We also expect continued momentum in Luxury with several noteworthy openings in 2025 including the iconic Waldorf Astoria in New York, following an extensive and thoughtfully designed renovation, the 375 room hotel will usher in a new era of luxury for New York City.

This year, we will also welcome Waldorf Astoria properties in Costa Rica, Shanghai, Osaka and Morocco in addition to Conrad Hotels in Athens and Hamburg. Signia celebrated an important milestone just last week with the opening of the brand's first hotel outside the U.S., located in Amman, Jordan, the property offers another sought after location for business and leisure travelers.

Demonstrating our continued commitment to meeting the evolving preferences of our guests, we recently announced several new wellness renovations. In January, we expanded our partnership with Peloton to provide guests with complementary access to a collection of Peloton's on-demand fitness content on our in-room TVs. We also recently partnered with Calm, a leading wellness company to offer guests access to guided meditation sleep stories, Calming soundscapes and mindfulness exercises directly from their in-room TVs. Thanks to incredible team members around the world, we continue to be recognized for our culture.

During the fourth quarter, we celebrated our 8th consecutive year as the Top Hospitality Company on the World's Best Workplace List by Great Place to Work. Our brands also continue to receive recognition, most recently by Entrepreneur Magazine's Franchise 500 for the 16th consecutive year. Hampton took the #1 spot in the lodging category, thanks to its strong preference, global growth and guest loyalty. In total, 12 of our brands receive recognition, underscoring the value they drive for owners and guests and our leadership in franchising and innovation across the hospitality sector.

Overall, we're very pleased with our performance and proud of the record growth we delivered last year. Our powerful network of brands continues to be an engine of opportunity for all of our stakeholders. Given our strong momentum, robust pipeline and resilient fee-based business model, we're confident that we are well positioned to continue driving strong performance in 2025 and beyond.

Now I'll turn the call over to Kevin to give you a little bit more details on the quarter and our expectations for the year.

Kevin J. Jacobs

CFO & President of Global Development

Thanks, Chris, and good morning, everyone. During the quarter, system-wide RevPAR grew 3.5% versus the prior year on a comparable and currency-neutral basis. Growth was largely driven by occupancy gains in leisure and continued recovery in Group and Business Transient. Adjusted EBITDA was \$858 million in the fourth quarter, up 7% year-over-year and exceeding the high end of our guidance range. Outperformance was largely driven by better-than-expected RevPAR growth, lower corporate expense and timing items. Management franchise fees grew 5% year-over-year, ahead of our expectations despite an FX drag. For the quarter, diluted earnings per share adjusted for special items was \$1.76.

Turning to our regional performance. Fourth comparable U.S. RevPAR was up 2.9% driven by strong Leisure demand and continued improvement across Business Transient and Group. For full year 2025, we expect U.S. RevPAR growth at the low end of our system-wide range. In the Americas outside the U.S., fourth quarter RevPAR increased 8.1% year-over-year driven by increased air capacity to the region and strong leisure trends during the holidays. For full year 2025, we expect RevPAR growth in the mid-single-digit range.

In Europe, RevPAR grew 6.2% year-over-year in the fourth quarter, largely driven by double-digit RevPAR growth in group. For full year 2025, we expect low to mid-single-digit RevPAR growth following the region's strong performance in 2024. In the Middle East and Africa region, RevPAR increased 8.4% year-over-year, supported by key events, including COP29 in Baku and Formula 1 races in Qatar and Abu Dhabi. For full year 2025, we expect RevPAR growth in the mid-single-digit range.

In the Asia Pacific region, fourth quarter RevPAR was up 1.7% year-over-year. RevPAR and APAC ex China increased 8.8%, led by strong leisure performance in Southeast Asia during the holiday season. China RevPAR declined 4% in the

quarter as softer macro conditions and outside travel continued to weigh on performance. However, trends improved sequentially versus the third quarter, driven by Golden Week and an uptick in demand following fiscal stimulus, positive momentum carrying into the new year. For full year 2025, we expect RevPAR growth in Asia Pacific to be in the low to mid-single-digit range, assuming low single-digit growth in China.

Turning to development, as Chris mentioned, for the full year, we grew net units 7.3% and ended the year with over 498,000 rooms in our pipeline, which was up 8% year-over-year with more than half located outside the U.S. and nearly half under construction. Looking to the year ahead, we're excited about our strong development story and the robust demand for Hilton-branded products in both the U.S. and international markets.

Moving to guidance, for the first quarter, we expect system-wide RevPAR growth of 2.5% to 3.5% year-over-year. We expect adjusted EBITDA of between \$770 million and \$790 million and diluted EPS adjusted for special items to be between \$1.57 and \$1.63. For full year 2025, we expect RevPAR growth of 2% to 3%. We forecast adjusted EBITDA of between \$3.7 billion and \$3.74 billion and diluted EPS adjusted for special items of between \$7.71 and \$7.82. 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 for a total of \$150 million in dividends for the year. For full year 2024, we returned \$3 billion to shareholders in the form of buybacks and dividends. In the first quarter, our Board authorized a quarterly cash dividend of \$0.15 per share. For the full year, we expect to return approximately \$3.3 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 issued earlier this morning.

This completes our prepared remarks. We would 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. Can we have our first question, please?

Question and Answer

Operator

We will now begin the question-and-answer session. [Operator Instructions]. The first question today comes from Sean Kelley with Bank of America.

Shaun Clisby Kelley

BofA Securities, Research Division

Chris, I wanted to build off -- a mention that you made in your prepared remarks, just a bit more of a macro one here to start. But we obviously just went through a major U.S. election cycle since our last call and our last update, you've undoubtedly spoke with a number of hotel and business leaders, and you said that you sounded a little bit more confident than where we were a quarter ago. So can you just expand on that comment a little bit. What are some of those conversations with business leaders looking like right now? And maybe what segments of the Lodging business could we expect this -- some of the sentiment improvement to possibly impact?

Christopher J. Nassetta

President, CEO & Director

Yes, happy. I assume somebody would ask me that. I'm glad we're getting to it early. And obviously, these are just my opinion, but that's what you're asking for. And most of this, I think, would not surprise you or anybody in the sense of sort of the general view on what's going on in the macro. I mean if you go back a quarter ago, we hadn't gotten to an election. There was a lot of noise around the election, and there was a lot of uncertainty around the outcome of the election at that time. And that uncertainty then translated into a whole bunch of uncertainty around things that people care about, whether that's consumers from a Leisure point of view and certainly, business and group ends up being a lot very directly related to business with huge amounts of uncertainty on regulatory spending, regulatory, immigration, border, tax policy.

And the practical reality is, not just sort of the uncertainty around the election, but the uncertainty around all of those outcomes means that people sort of husband their capital a little bit more. They are -- they pull in their reins -- they pull the reins in a little bit. They're a little bit more tepid. I think, broadly in spending. So fast forward to today, we have an election that is complete, whether you like it or not, it was pretty dispositive. It wasn't like close, it wasn't disputed. We knew in a day and -- or not even a day. And while there is certainly a lot of noise in a cycle of things that are going on by EO and everything else, living in Washington. Trust me, I hear a lot of the noise, I live inside the beltway.

I mean I think there is a broader belief, and I'll get to what I'm hearing from other leaders that will go nameless. There is a broad belief, and I would say fairly consistent amongst the folks that I talked to across a broad range of industries that people think that the opportunity for economic growth in the short to intermediate term will be better. That doesn't mean that people don't think that there's noise and some people appreciate it more than others in terms of the various things that are going on. But I think almost to a person that I'm talking to really quietly, I think people feel like you're going to see there is an opportunity for a pickup more broadly in economic growth and that there is an opportunity, I think, in our business as a result for a bit of an uptick, which is why I said I feel a bit better.

Why? Because you have an election behind you, one, while there's a lot of noise, you're going to be in a lighter regulatory environment across the board, financial services, a broad range of industries. Two, tax policy I mean unclear, it's going to take time. We're all reading about this morning. One, reconciliation bill, two, we're going to be debating it and trust me, we're talking to a lot of people about it as to be unclear when exactly how it happens. But it sort of has to happen and I think certainly the business community is much more optimistic that, that's going to get done in a way that

is favorable.

And so again, across the board, as I talk to folks, by the way, talk to friends and think about as it affects Leisure business, but certainly talking to the folks that are running businesses across a broad range of industries I really can't think of one, that doesn't mean it didn't happen, but it's not in my memory set of somebody that thought that this is going to be -- what's happening is negative for broader economic growth. So that's why I feel a bit more positive. Now there is a lot of noise, right, particularly in the beginning. So the reason that we're not in our guidance and all those things not going crazy, in terms of building big upside is because there's a lot happening, and it's early, and I think we need to see how these sort of things play out.

But I think the general sentiment I've said it is underneath it all when you life -- I guess, say, above it all, when you lift up above all the noise is that this is going to be good for the U.S. economy and to a degree that will have some knock-on impact in various economies around the world as a result.

Operator

The next question comes from Stephen Grambling with Morgan Stanley.

Stephen White Grambling

Morgan Stanley, Research Division

Thank you. Despite that positive business demand outlook, coming out of ALIS, it seemed like there was a lot of skepticism around the development backdrop, just given where returns are versus interest rates yet you sound pretty positive on the development pipeline. Clearly, your pipeline has been growing. So I just would love to hear how you think it has set Hilton apart from that much more cautious kind of tone at the industry conference?

Christopher J. Nassetta

President, CEO & Director

Yes. I was there not for long, but I did the main panel. And so we have a big owner reception. I think we have 400 owners. So I talk to a lot of people in the short time I was there. And so not to Stephen, I appreciate the comment, and you were probably there longer than I am. But I would probably frame it a little bit differently maybe. What I -- I sort of like break it down into like how people felt about M&A activity versus how they're sort of feeling about new development activity. And I would say my read of it, again, not to take issue with it, was generally on the first M&A much more positive. I think people are very much if there's more capital available rates have moved up a bit, but I think there's a belief that over the next 12, 24 months, broadly, rates will come down. I think people feel like the bid and the ask is getting closer because performance has ticked up a bit. And so I sense and in fact we were asked on the panel. And I think the answer for most of the folks on the panel with me was a lot more optimism in M&A.

In terms of the new development side of it, which is, I think, probably what you're referencing more, there's still a lot of friction for the reasons that you're describing. During COVID and following COVID, it got very expensive to build. Cost structures went up and so it got hard and interest rates went up and capital availability went down. And so that's an awfully difficult equation for new construction. I sensed actually some increasing optimism. And so the question is why?

Well, again, people's broader view, I think, was, I don't want to get ahead of ourselves, but more optimistic about what's going to go on broadly with the economy. So improving performance, stabilization of cost to build, stabilization on labor cost. There are other component cost insurance and others that are still going up. But some stabilization and, frankly, the largest parts of the expense base. I believe and I think people are figuring this out an opportunity for rates, as I said, over the next 12 to 24 months to come down, inflation is moderating as we see one of the largest components of inflation as measured by the Federal Government is shelter, which is on a lag, and is still showing up at above target levels when reality of shelter costs are going up at closer to 1%. So as you start to see that data set factored into the

inflation numbers, you're going to see a very large component of inflation come down.

Obviously, the administration is super focused on energy and trying to bring energy costs down, which is another large contributor that has broad impact. So I do -- I believe and I think people are starting to believe that there is an opportunity not for rapid deceleration in interest rates. There is over the next 12 to 24 months a likelihood that rates are going to come down.

And then last but not least, I do believe people are seeing more availability of capital. It's not a gusher, but I think they're seeing more availability of capital. And I think there is a belief which is what was driving, I think, again, I want to be careful. It wasn't raging optimism, but sort of a bit of a shift at least amongst our owner community is that in a world where the regulatory environment is going to get a lot easier on the financial system, which I think is pretty clearly happening in a world where the broader economic growth is stable to moving up a tick, there's going to end up by definition, as there always is in that kind of cycle being more capital available because the lending institutions of all sorts are going to have to go further out on the risk spectrum to get their yields. And as a result, they're going to be looking more and more to do build and that kind of activity. And that's a normal cyclical thing that happens. But I think with the regulatory environment that we're moving into, it will accelerate that.

So I -- again, I'm not going to say -- I'm not taking issues what you're hearing. There's certainly a lot of friction, and we hear that, but I would say I started to sense a movement to a more positive place. Now the last part of it, sorry, and I'll stop, why are we doing well? How are we defining? You didn't say it, but I'll say it. Sort of how we define gravity and what's been a difficult environment for new construction and development generally. And I think the answer is twofold. One, we -- I mean it's all related to our brands are the best performing brands in the industry. So while there isn't as much money. I think there's more coming. We are getting a very disproportionate share, we're just more financeable with the money that's available for new construction. And because our brands perform the best in the industry, we get a large disproportionate amount of conversion opportunities.

I think over the last 12 months, we're not quite 50% of all conversion opportunities are moving into our system. And so those 2 things are uniquely helping -- have been uniquely helping us over the last couple of years. And I think we'll continue to help us, but I do believe the other things I said as well.

Operator

The next question comes from Carlo Santarelli with Deutsche Bank.

Carlo Santarelli

Deutsche Bank AG, Research Division

Chris, you spoke a lot about development and conversions and stuff. And I might have missed this, you might have said it earlier, one of you may have said it, but conversions as a percentage of your unit growth in '24? And then kind of how you see that shaping up for '25? Then I just had a quick follow-up.

Christopher J. Nassetta

President, CEO & Director

Yes. For '24, if you include everything, the acquisitions and partnership is about 45%. It was in my prepared comments, I think it was. And if you take those out, it was about 1/3, plus or minus. I think this year, '25 will be about 1/3. Probably meaning that we don't have any big plan -- I mean there'll be some very modest incremental growth in our existing partnerships, but I would view that at our scale, sort of a rounding error. And so we're going to go back to sort of more normally where we'd be, which is elevated from the mid-20s into the low to mid-30s, but not up where we were last year. And what was the last part?

Carlo Santarelli

Deutsche Bank AG, Research Division

Now the second part, I just had a follow-up. The -- as you look at your guidance, obviously, first quarter RevPAR guidance a little bit better than the full year. Adjusted EBITDA guidance, obviously, you're facing a challenging comparison. Was there -- were there some -- I don't want to say abnormalities, but some one-offs that were benefits in the 1Q '24 that you'll kind of have to lap just looking at kind of the midpoint of your adjusted EBITDA growth. Year-over-year is looking like 4% to 5% versus kind of 8.5% for the full year. So I just want to get a little bit of color on some of the moving parts for the first quarter.

Kevin J. Jacobs

CFO & President of Global Development

Yes, you hit on it, Carlo, it is a tougher comp, and that was driven by a couple of onetime items and then you've got some FX impact in the first quarter. If you adjust for all that, it's basically in line with the algorithm.

Operator

The next question comes from Lizzie Dove with Goldman Sachs.

Elizabeth Dove

Goldman Sachs Group, Inc., Research Division

I know that ALIS one, but it seems like you're defying gravity a little bit on the cost side, too, with great EBITDA guide yet at ALIS, last week, there was a lot of talk around cost pressures in the industry, particularly on the insurance side, the wage side. Can you maybe talk about just how you're thinking about that broadly and any initiatives you have to offset it?

Kevin J. Jacobs

CFO & President of Global Development

Yes. Lizzie, I think if you're talking about us on our cost structure, we continue to be very disciplined. Our GAAP G&A guide for the year, you probably noticed is even slightly lower than 2019 after 6 years of cost inflation. I think on the operating side, as you say, with owners, yes, there are some cost pressures and we have -- we just have to keep -- we are and we'll continue to work for our owners trying to find as many operational efficiencies as we can so that they can grow their bottom lines as well and doing the best we can on wages and benefits, doing the best we can insurance. Just helping them with operating efficiencies across the board.

So I've actually missed ALIS this year, so -- but my guess is you were hearing a little bit from the ownership side on cost pressures. And then for us, we just continue to remain disciplined.

Operator

The next question comes from David Katz with Jefferies.

David Brian Katz

Jefferies LLC, Research Division

Good morning, everybody. Thanks for taking my question. It does appear that you're making some good traction in the luxury side of things. I also observed that some of the capital deployed is up a bit this year. And obviously, what we're hearing around analysis that the checks people are writing for luxury hotels are going up. Can you just give us a little more depth into sort of how you're thinking about that? Obviously, the strategy is getting some traction, but balancing

that with some of the capital required to play in that segment.

Kevin J. Jacobs

CFO & President of Global Development

Yes, sure. I mean, I think if you think about it, it depends on where you are in the world. We are getting a ton of traction in luxury and depending on where you are in the world, capital contributions from the operator can be higher or lower. In the Western world, they tend to be higher in that space. It's probably worth noting that a bunch of our traction in luxury at least last year came from the SLH partnership, which was completely capital light, right? Like zero contribution on our part.

You are hearing about some deals up there -- out there as you get into the higher end of the range, particularly in luxury, there are more competitors, right? And in our bread and butter in the mid-market depending on where you are in the location, maybe the list of brands that you want to play with is 2 or 3. And we might be at the top of that list. When you get into the higher end of the range in luxury and the higher ends of full service, that the number of brands and the aperture opens up pretty wide. And so the laws of supply and demand are alive and well. So it creates a lot of demand for key money.

With all of that said, we still only contribute key money on 10% or less of our deals. We do play in some of those deals because they're important and they tend to be from time to time higher checks. But I think if you look at what we do versus our competitors, I'll take our track record against anybody's any day. And then the last thing is you talked about a little bit of the trajectory. Last year was a little bit light. I'd say there are a couple of deals out there where the timing has kind of pushed into 2025. So you're seeing that a little bit in our guidance. And our guidance for this year is right in line with what we said at the Investor Day, \$250 million to \$300 million. I think that's the right way to think about it on a run rate basis. And that's where all CapEx, including key money.

Operator

The next question comes from Robin Farley with UBS.

Robin Margaret Farley

UBS Investment Bank, Research Division

Great. So obviously, great Q4 result and better '25 RevPAR guidance than a quarter ago. I did want to ask about you often talk about the algorithm, the growth algorithm being RevPAR plus units growth and getting to fee growth and kind of moving higher as you move down the P&L. And it seems like for '25 that the EBITDA growth rate is a little bit lower than the sort of midpoint of your RevPAR and unit growth.

Just wondering what may be going on there and sort of wondering if it's tied to -- in Q4, it looked like based on other management fees were down a bit. And so is there something there that is sort of continuing into 2025 that's not bringing the -- that top line growth kind of getting magnified as it moves down the P&L?

Kevin J. Jacobs

CFO & President of Global Development

Yes, Robin, it's a good question. I'll take the second part first because it's a little bit more straightforward answer. If you adjust those base and other fees for some onetime items in FX, it's actually been in the high single digits, and that was all baked into our guidance for Q4 and the numbers we gave you and we beat that guidance. So it actually came in a little bit better than we thought. So there's nothing going on there other than some timing and some FX.

And then for the full year '24, yes, the midpoint of our guidance is at 8.5%, algorithm would suggest 9%. Again, it's the

same -- it's actually the same answer as Carlo's question earlier in Q4 where if you adjust for some of the onetime items last year and you adjust for FX, we're above algorithm for this year at the midpoint.

Robin Margaret Farley

UBS Investment Bank, Research Division

Are there any one time...

Christopher J. Nassetta

President, CEO & Director

And importantly, even if you go back and look at it that, if you go back and look at Investor Day, sort of what we laid out, the bottom line EBITDA numbers are higher than what we would have laid out a year ago for 2025 even with the FX really is FX.

If you take FX out, it's above algorithm. I mean, there are onetime things going on, but it's really FX. But even still, even with the FX, bottom line EBITDA is higher than what we presented to everybody in our 3-year plan. And that's because, again, we're super disciplined, like we were super disciplined on the top line. We're also disciplined on our cost structure. And so -- and if you think about this business versus '19, we finished last year with EBITDA margins that are over 8,000 basis points higher than the prior peak of 2019. So I think that's a pretty good testament to the discipline that we have in running this business.

Robin Margaret Farley

UBS Investment Bank, Research Division

That's super helpful color. Just anything you'd call out in terms of those onetime items, just so we can think about that when we're thinking about the quarterly cadence, just sort of any of the big ones you'd call out.

Christopher J. Nassetta

President, CEO & Director

No, it's just sort of the lumpy -- there are all sorts of -- their term fees, they are all sorts of things that happen in a normal year, and they sometimes get weighted in 1 quarter versus the other. And in this case, some of them were weighted in the fourth quarter of 2024 or '23, in the first quarter of 2024. Once you get through that, those go away.

I mean you still have FX, depending on where the dollar goes. But that all washes away. And obviously, for the full year, it washes away given you saw our guidance for the full year.

Operator

The next question comes from Brandt Montour with Barclays.

Brandt Antoine Montour

Barclays Bank PLC, Research Division

Maybe just following on that question, Kevin. If you could just maybe bridge the rest of the P&L. When we look at EPS guide, versus, again, the Investor Day, algo, it's below that. Obviously, buybacks are not in the full year guide, but it was in the 3-year algo. But look, the bottom end of the EBITDA guide is right there in line and makes sense with your RevPAR, but it looks like the EPS is still a little lower. And if you could provide some extra color there, I'm sure would be helpful.

Kevin J. Jacobs

CFO & President of Global Development

Yes. Sure, Brandt. I mean, look, you mentioned that the big driver is buybacks, but that's all -- that was all factored for and I see your factory for. The other one is just releveraging, right? We did \$2 billion of financing to relever the balance sheet to fund -- to help fund our buyback program. This past year, we've got another about similar amount next year, and it's just a little bit higher rates than we had been borrowing at before. And so you're just seeing that catch up flow through to EPS. And other than that, if you adjusted for all that, we'd be in the mid-teens in terms of adjusted EPS growth.

Christopher J. Nassetta

President, CEO & Director

Yes. And while you're relevering, it has an impact, but longer term, it doesn't have any impact, meaning once you've stabilized at a certain leverage levels than year-over-year, it fixes itself.

Operator

Next question comes from Smedes Rose with Citi.

Smedes Rose

Citigroup Inc., Research Division

Thank you. I just wanted to ask you, just really thinking about maybe just the U.S. for a moment and your -- you talked about your RevPAR expectations across the system. But when you think about just the luxury or upper upscale full-service properties versus select service, would you expect to continue to see more relative weakness on the select service side or any kind of just commentary there of what you -- how you think the year could unfold and maybe what's weighing or supporting your expectations for that segment?

Kevin J. Jacobs

CFO & President of Global Development

No. I think, Smedes, you might -- I think you're talking about Q4. Are you talking about Q4 relative to chain scale performance?

Smedes Rose

Citigroup Inc., Research Division

Well, and for the year as well. I mean I think most of the industry...

Kevin J. Jacobs

CFO & President of Global Development

It's really just year-over-year comps, right? So I think -- we wouldn't call out any underperformance. We continue to be in line or better than chain scale performance for the full year '24. We're gaining share, and we expect that to continue.

Operator

The next question comes from Patrick Scholes with Truist Securities.

Charles Patrick Scholes

Truist Securities, Inc., Research Division

One thing I've heard you speak about is tariffs and specifically what potentially might be any impact on your franchisees or potential developers and builders. What are you hearing from them and the last time I blinked, I believe the only tariff at the moment -- could change in a moment, is the 10% from China, but I'd like to hear your thoughts around that potential and...

Christopher J. Nassetta
President, CEO & Director

Happy to talk about it. As you pointed out, embedded in your question is that the tariffs and then they're not, and it's sort of moving around a lot. So far, obviously, we've talked to a lot of people, not any real impact to speak of. It depends what happens. I do believe what's playing out is a series of trade negotiations that are delicate and I believe tariffs are part of that negotiation and part of the strategy of getting to the right kinds of deals in the end. So that doesn't mean there won't be tariffs. But my guess is that we will end up in most cases, in a place where we get some form of trade deal done that will not involve major tariffs.

And so again, I sort of like all of you that know me know I like to lift up above the noise, this whole steady hand on the wheel. I think when you lift above it all, I still believe the opportunity is broadly even with all the noise of tariffs, and I'll come back to supply chain in a second that we -- that we have broader economic growth that's better than we thought it was going to be, not worse even with the risk of various negotiations and short-term tariffs imposition of short-term tariffs.

One of the things that we've done so far, no impact and frankly, not to say it depends on what happens, that we couldn't have impact, but we've diversified our supply chains in a very aggressive way over the last 5 years. I mean think about what happened in COVID, like couldn't get things. So part of it was driven by the necessity of diversification coming out of COVID. But then we continued on because we just think it's a really good idea to have various places in the world where we can get various products. So that's not like we're getting carry from one place in the world for the whole system because that would create risk that if you had a problem with tariffs in that particular location, it could call a ripple effect.

So I would say, again, never -- I can't say it would have no impact. But we have done -- our HSM team has done a terrific job of diversifying our supply chain. And so we feel pretty good. We feel pretty good that at least what's going on so far in the -- and the areas are in question that we have ways to pivot given our supply chain relationships in other parts of the world.

Operator

The next question comes from Michael Bellisario with Baird.

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

Just wonder if there's any commentary you can give on deletions and also what might be falling out of the pipeline? Any color on how those might be trending and what the read-through would be there?

Kevin J. Jacobs
CFO & President of Global Development

It's a good question. We generally remove 1 point to 1.25 of the system every year. I mean it's sort of the same answer as we've talked about before, Michael. Most of those are our choice. We did do a little bit more last year for 2024 than typical than that run rate. But everything that's baked into our expectation for '25 is consistent with long-term averages.

Operator

The next question comes from Chad Beynon with Macquarie.

Chad C. Beynon

Macquarie Research

Just wanted to ask about your comment on large corporations traveling more, kind of that impact on BT and Group. Wondering when you started to see that acceleration. And now that we have more certainty and some more certainty around policy inside the Beltway, if that could be a big positive swing factor sequentially as we kind of work through the next couple of months for the go forward?

Christopher J. Nassetta

President, CEO & Director

It certainly could be. We are not -- we have not given you guidance or forecasted that. I would say we saw throughout the fourth quarter an uptick and then particularly post-election demonstrated by midweek strength. Now I think that was based on all the things that I described earlier, people's belief on more certainty on tax, regulatory environment. It's just more comfort, spending more. I think part of it was that the way the holidays fell, it compressed the fourth quarter in terms of travel days, and that gave us a benefit in the fourth quarter.

But net-net, as I said, every CEO I'm talking to, I met with our Head of Sales across all our special corporate accounts. I mean, uniformly, I think people whether it happened in part because of the election, which I think it probably did, but it was happening anyway just in a sort of normal cycle of people getting back to office and getting more serious about running their businesses and sort of back to a little bit of business as usual.

If you talk to all accounts, if you talk to large, medium, small, almost without exception, people are broadly saying that they're going to travel more, okay? And they broadly understand that they're going to pay more for their travel because they understand that the environment they're living in. And so I do think that bodes well for business transient recovery to continue to sort of beat our way back to prior obviously, rate structures are higher. We're just not back to prior levels of demand but I think by the end of the year, there's certainly a pretty good shot of being able to do that. And same with Group and Leisure as I commented on in my introductory comments, Leisure's already way over.

So I think you'll see some substitution effect as between the segments, which will be good. What you should want to see and I certainly want to see is as Business Transient demand levels sort of recover and then I think will ultimately go beyond prior peaks in core demand, you'll be trying to sort of manage your inventory in a way where you're taking out lower-priced segments, that would be sort of lower-rated leisure. We want to keep the high-rated leisure, but some of the lower rated leisure, which we're super focused on as that's happening.

So it's a long-winded way of saying it was happening in the fourth quarter then accelerated in a post-election world. The trends so far are sort of indicative of the same thing, although it's early in the year. You're not -- you had the holidays falling away where January wasn't a barn burner, I mean it was fine and in line with our expectations, but people just aren't -- they're just fully get back out on the road, but I suspect we will see a bit of a -- a small step change in midweek travel.

Operator

The next question comes from Richard Clarke with Bernstein. Please go ahead.

Richard J. Clarke

Sanford C. Bernstein & Co., LLC., Research Division

I just want to ask about the dawn of the Agentic AI. Obviously, the first partners into those AI agents have been the online travel agencies booking, Tripadvisor, et cetera. Are you talking to those agents? Would you be happy for an OTA to handle your distribution through those agents? And maybe overall, do you see that development as good or bad news for Hilton?

Christopher J. Nassetta
President, CEO & Director

Yes. I mean we obviously want to deal with our customers as directly as we can. I mean we do have a percentage of our business that comes through the OTAs. It's a relatively small percentage of the business, we have good relationships there. The better they can serve that customer that we access through them better for everybody. The better experience is always what we want. And so we think that's great. But the very large majority of our system is driven through our direct relationships. We want, obviously, for that to continue. We've done a huge amount of work in how we think about every element of the relationship we have with our customers from the first time that they dream about a trip, to exploration of how they -- where they want to go to the booking experience, to putting their package together to, pre-arrival, on stay, post-arrival, every element of it, and we're -- without getting into great detail because it would take a whole day to do it.

We are super engaged in how we use tools and technology including AI and every step of that journey to make it a more pleasant and friction free experience for our customers. And so no, we don't plan to outsource that is the short answer. We're doing -- we're all over it. And I think, honestly, the work we're doing across the board, but particularly with the stay experience in terms of being able to use AI from a data and analytics point of view to understand in great granular detail, what individual customers want and then to mass customize the experience, both ahead of stay, but particularly on stay. We have some really, really interesting things going on and game-changing things there. And so we are fully committed to pursuing the -- continuing our pursuit of direct relationships with our customers.

Richard J. Clarke
Sanford C. Bernstein & Co., LLC., Research Division

Thanks Chris. Maybe just to ask a follow-up on that. Did I conclude, therefore, that you would not allow an open AI agent or a Gemini agent to navigate to Hilton and make a booking on behalf of the customer. You're saying they would have to come direct to do that not through an agent AI?

Christopher J. Nassetta
President, CEO & Director

I said, we may work directly with a number of those players. So we will work directly with them. What we're saying is we don't want to work indirectly with some of those players.

Operator

The next question comes from Dan Politzer with Wells Fargo.

Daniel Brian Politzer
Wells Fargo Securities, LLC, Research Division

I just want to circle back on Leisure a bit. You guys called out the strong occupancy trends, particularly in December. Was that mostly in the U.S.? Was it international? And then also, can you maybe touch on -- it sounds like that was a bit lower rate and higher rate, given that it was occupancy. And then just one clarification for the first quarter, anything to call out in terms of calendar or spring break, Easter, anything we should be aware of?

Christopher J. Nassetta
President, CEO & Director

Yes. I think in the fourth quarter, it was pretty much everywhere headed in Leisure and it had a lot to do with how the holidays fell. Now that impacts some regions more than others, but the holidays fell in a way that stipulated a lot of travel. By the way, it was across the board. It wasn't low rated, volume-wise would have been more low rated, but it stimulated all rate structures of Leisure.

And then what was the second part of the question? Holiday, in the first quarter, you have Easter -- the biggest impact is Easter moving from Q1 to Q2. Otherwise, I mean, obviously, there's a lot of noise with what fires and storms and snow and all that. Best we can tell sadly, there's a lot of things that go on every year. There was enough of that going on in the first quarter of last year that it doesn't strike us yet that there is any real net impact but Easter moving is a net positive for Q1 and will be a negative, obviously, for Q2.

Kevin J. Jacobs
CFO & President of Global Development

That's the primary driver of guidance being 0.5 point ahead in Q1.

Operator

The next question comes from Conor Cunningham with Melius Research.

Conor T. Cunningham
Melius Research LLC

So positive comment on China today. So I'm just curious if you could kind of unpack that a little bit. I would imagine that within that low single-digit number that you talked about for '25 the differences in first half versus second half are pretty stark. So if you could just bridge that a little bit? And then maybe touch a bit on just development and signings and what's going on in the region in general?

Kevin J. Jacobs
CFO & President of Global Development

Yes, sure. For China, it's pretty -- it was pretty consistent last year over the course of the year. It ended up sort of down 5-ish for the year. I think it was down 4 in the fourth quarter as what I had in my prepared remarks. For this year, I don't have the quarterly spread exactly in front of me, but I think it's pretty consistent across the board at low single digits.

And then development, we're doing great. In 2024, our approvals and starts are both up 10% and our openings in China we're up nearly 30%, and we continue to really well started across the board in chain scales in terms of demand for the product. So the slowdown you're seeing overall in real estate isn't affecting lodging as much. And in fact, lodging is -- our developers are a bit of a beneficiary from hotels, particularly mid-market hotels, both in Hilton Garden Inn and our Master Limited Partnerships being a good adaptive reuse for some of the shell Residential Buildings and shell office buildings that got developed and now need to find a different use in China.

So low single-digit RevPAR growth, definitely a little bit of that is, of course, on easier comps and do we really know what GDP growth is going to be in China this year? No, but we feel pretty good about doing better on the fundamental side, and then we're doing great on the development side.

Christopher J. Nassetta

President, CEO & Director

The only other thing I'd add in China is Chinese are traveling like crazy. So there's a whole outbound story, which is China has opened up visa free zones, inter Asia, Visa free zones. And so while we still expect China to sort of be positive growth, but tepid, as Kevin just suggested, when you aggregate all the demand for travel coming out of China, it's super beneficial to our broader APAC business.

So like Japan, Southeast Asia, they are huge. Australasia to a degree, they're huge beneficiaries of a lot of outbound travel outside of China. But that obviously has the effect of diminishing what's going on within China. But the good news about a big global diversified company like ours as we get to pick it up on the other side, too.

Operator

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

Christopher J. Nassetta

President, CEO & Director

Thanks again, everybody, for joining us. We always appreciate the time. Great questions. Hopefully, we gave you a little bit of context in addition to our prepared commentary. It's an interesting world, but we're, as you heard, I'm super optimistic about -- obviously, very happy with how we finished out '24 and '24 overall. And optimistic as we go into 2025. So we'll look forward to catching up with you after we finish the first quarter.

Thanks again. Have a great day.

Operator

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

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