

Hyatt Hotels Corp
Form 10-Q
November 03, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission File No. 001-34521

HYATT HOTELS CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

Delaware 20-1480589
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)

71 South Wacker Drive 60606
12th Floor, Chicago, Illinois (Zip Code)
(Address of Principal Executive Offices) (312) 750-1234
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 28, 2016, there were 23,611,575 shares of the registrant's Class A common stock, \$0.01 par value, outstanding and 107,247,326 shares of the registrant's Class B common stock, \$0.01 par value, outstanding.

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HYATT HOTELS CORPORATION
QUARTERLY REPORT ON FORM 10-Q
FOR THE PERIOD ENDED SEPTEMBER 30, 2016

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

HYATT HOTELS CORPORATION AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME
 (In millions of dollars, except per share amounts)
 (Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2016	2015	2016	2015
REVENUES:				
Owned and leased hotels	\$ 519	\$ 500	\$ 1,594	\$ 1,549
Management and franchise fees	110	103	332	320
Other revenues	11	10	31	26
Other revenues from managed properties	448	440	1,385	1,324
Total revenues	1,088	1,053	3,342	3,219
DIRECT AND SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES:				
Owned and leased hotels	402	385	1,204	1,160
Depreciation and amortization	87	78	254	233
Other direct costs	8	8	23	20
Selling, general, and administrative	74	54	237	221
Other costs from managed properties	448	440	1,385	1,324
Direct and selling, general, and administrative expenses	1,019	965	3,103	2,958
Net gains (losses) and interest income from marketable securities held to fund operating programs	12	(15)	20	(6)
Equity earnings (losses) from unconsolidated hospitality ventures	25	(17)	46	(46)
Interest expense	(20)	(17)	(57)	(51)
Asset impairments	—	(5)	—	(5)
Gains (losses) on sales of real estate	—	—	(21)	9
Other income (loss), net	4	11	1	(3)
INCOME BEFORE INCOME TAXES	90	45	228	159
PROVISION FOR INCOME TAXES	(28)	(20)	(65)	(72)
NET INCOME	62	25	163	87
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	—
NET INCOME ATTRIBUTABLE TO HYATT HOTELS CORPORATION	\$ 62	\$ 25	\$ 163	\$ 87
EARNINGS PER SHARE—Basic				
Net income	\$ 0.48	\$ 0.18	\$ 1.22	\$ 0.60
Net income attributable to Hyatt Hotels Corporation	\$ 0.48	\$ 0.18	\$ 1.22	\$ 0.60
EARNINGS PER SHARE—Diluted				
Net income	\$ 0.47	\$ 0.18	\$ 1.21	\$ 0.60
Net income attributable to Hyatt Hotels Corporation	\$ 0.47	\$ 0.18	\$ 1.21	\$ 0.60

See accompanying Notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions of dollars)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income	\$ 62	\$ 25	\$ 163	\$ 87
Other comprehensive income (loss), net of taxes:				
Foreign currency translation adjustments, net of tax (benefit) expense of \$- for the three and nine months ended September 30, 2016 and \$- and \$(2) for the three and nine months ended September 30, 2015, respectively	(12)	(35)	3	(82)
Unrealized gains (losses) on available-for-sale securities, net of tax (benefit) expense of \$(5) and \$- for the three and nine months ended September 30, 2016, respectively, and \$6 and \$10 for the three and nine months ended September 30, 2015, respectively	(8)	9	—	15
Unrealized gains on derivative activity, net of tax expense of \$- for the three and nine months ended September 30, 2016 and \$- for the three and nine months ended September 30, 2015	—	1	—	1
Other comprehensive income (loss)	(20)	(25)	3	(66)
COMPREHENSIVE INCOME	42	—	166	21
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	—
COMPREHENSIVE INCOME ATTRIBUTABLE TO HYATT HOTELS CORPORATION	\$ 42	\$ —	\$ 166	\$ 21

See accompanying Notes to condensed consolidated financial statements.

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HYATT HOTELS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions of dollars, except share and per share amounts)

(Unaudited)

	September 30, 2016	December 31, 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 544	\$ 457
Restricted cash	66	96
Short-term investments	46	46
Receivables, net of allowances of \$17 and \$15 at September 30, 2016 and December 31, 2015, respectively	318	298
Inventories	16	12
Prepays and other assets	180	152
Prepaid income taxes	49	63
Total current assets	1,219	1,124
Investments	306	327
Property and equipment, net	3,971	4,031
Financing receivables, net of allowances	21	20
Goodwill	127	129
Intangibles, net	591	547
Deferred tax assets	318	301
Other assets	1,094	1,112
TOTAL ASSETS	\$ 7,647	\$ 7,591
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	\$ 19	\$ 328
Accounts payable	127	141
Accrued expenses and other current liabilities	565	516
Accrued compensation and benefits	121	122
Total current liabilities	832	1,107
Long-term debt	1,447	1,042
Other long-term liabilities	1,451	1,447
Total liabilities	3,730	3,596
Commitments and contingencies (see Note 11)		
EQUITY:		
Preferred stock, \$0.01 par value per share, 10,000,000 shares authorized and none outstanding as of September 30, 2016 and December 31, 2015	—	—
Class A common stock, \$0.01 par value per share, 1,000,000,000 shares authorized, 23,592,340 issued and outstanding at September 30, 2016, and Class B common stock, \$0.01 par value per share, 439,741,738 shares authorized, 107,247,326 shares issued and outstanding at September 30, 2016. Class A common stock, \$0.01 par value per share, 1,000,000,000 shares authorized, 26,604,687 issued and outstanding at December 31, 2015, and Class B common stock, \$0.01 par value per share, 441,623,374 shares authorized, 109,628,962 shares issued and outstanding at December 31, 2015	1	1
Additional paid-in capital	1,687	1,931
Retained earnings	2,452	2,289
Accumulated other comprehensive loss	(227) (230

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Total stockholders' equity	3,913	3,991
Noncontrolling interests in consolidated subsidiaries	4	4
Total equity	3,917	3,995
TOTAL LIABILITIES AND EQUITY	\$ 7,647	\$ 7,591

See accompanying Notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions of dollars)

(Unaudited)

	Nine Months Ended	
	September 30,	September 30,
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 163	\$ 87
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	254	233
Deferred income taxes	(16)	(43)
Equity (earnings) losses from unconsolidated hospitality ventures and distributions received	(21)	70
(Gains) losses on sales of real estate	21	(9)
Working capital changes and other	(50)	58
Net cash provided by operating activities	351	396
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of marketable securities and short-term investments	(365)	(450)
Proceeds from marketable securities and short-term investments	373	422
Contributions to investments	(31)	(29)
Return of investments	78	4
Acquisitions, net of cash acquired	(331)	—
Capital expenditures	(140)	(185)
Proceeds from sales of real estate, net of cash disposed	289	86
Sales proceeds transferred from escrow to cash and cash equivalents	29	143
Proceeds from financing receivables	1	28
(Increase) decrease in restricted cash	(1)	19
Other investing activities	4	(14)
Net cash (used in) provided by investing activities	(94)	24
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt, net of issuance costs of \$4 and \$- as of September 30, 2016 and September 30, 2015, respectively	520	12
Repayments of long-term debt	(435)	(5)
Repurchase of common stock	(268)	(539)
Other financing activities	(2)	(2)
Net cash used in financing activities	(185)	(534)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	15	(2)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	87	(116)
CASH AND CASH EQUIVALENTS—BEGINNING OF YEAR	457	685
CASH AND CASH EQUIVALENTS—END OF PERIOD	\$544	\$ 569
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	\$73	\$ 66
Cash paid during the period for income taxes	\$74	\$ 121
Non-cash investing and financing activities are as follows:		
Non-cash management and franchise agreement intangibles	\$38	\$ —
Change in accrued capital expenditures	\$5	