

# WESTPEAK RESEARCH ASSOCIATION

## Hyatt Hotel Corporation (NYSE: H)

Consumer Discretionary - Lodging

### Checking in at Hyatt

April 21<sup>st</sup>, 2023

Founded in 1957 and headquartered in Chicago, Hyatt Hotels Corporation ("Hyatt" or the "Company"), is a leading global hospitality company that owns a portfolio of over 20 brands with over 1000 properties. Hyatt has over 800 properties and operates in over 60 countries across six continents.

#### Thesis

Hyatt Hotels Corporation's strong brand recognition and diverse portfolio of properties across various market segments positions the company for future success. Hyatt's focus on expanding its footprint in high-growth markets and technological investments enhancing guest experience will lead to increased customer loyalty. Although Hyatt is trading at suppressed multiples due to COVID-19, we believe that the company will recover and outperform growth through their acquisitions, sustainability initiatives and global operations.

#### Drivers

As hospitality companies will be able to drive top-line growth with increase in demand for travel and tourism. In addition, Hyatt looks to expand its brand footprint and acquisitions pipeline. Hyatt has already began increasing the number of acquisitions throughout the years, management looks to focus on the timing of acquisitions and dispositions and improve its ability to successfully integrate completed acquisitions with existing operations.

#### Valuation

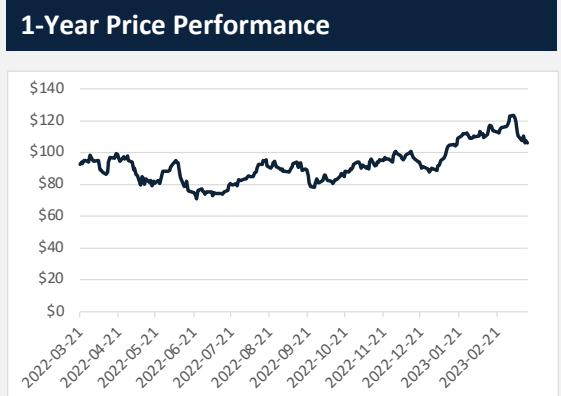
From our analysis, we arrived at a target share price of US\$128.87 with a 9.8% upside. This valuation was made using an even four-way split between perpetuity growth, exit multiple, and EV/EBITDA and PE comparables. Given our determined price Hyatt Hotel Corporation is currently undervalued, so we issue a BUY rating on this equity.

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Equity Research		US
Price Target		USD\$128.87
Rating		BUY
Share Price (Apr. 21 <sup>st</sup> Close)		USD\$ 117.40
Total Return		9.8%

Key Statistics	
52 Week H/L	\$125.07/\$70.12
Market Capitalization	\$11.1B
Average Daily Trading Volume	0.3M
Net Debt	\$4.13B
Enterprise Value	\$14B
Net Debt/EBITDA	3.5x
Diluted Shares Outstanding	48.1M
Free Float	43.87%
Dividend Yield	0%

WestPeak's Forecast			
	2023E	2024E	2025E
Revenue	4,454M	\$5,020M	\$2,066B
EBITDA	\$608M	\$659M	\$(322M)
Net Income	\$390M	\$769M	\$(703M)
EPS	\$3.09	\$2.00	\$3.00
P/E	28.7x	39.5x	37.3x
EV/EBITDA	14.6x	10.5x	9.4x



## Business Overview/Fundamentals

### Company Overview

Hyatt Hotels Corporation (Hyatt), headquartered in Chicago, is a multinational hospitality company that manages and franchises luxury hotels, resorts, and vacation properties. Hyatt currently owns and operates a portfolio of over 1,100 all-inclusive properties and hotels globally. Some of Hyatt's notable full-service brands consist of Park Hyatt, Miraval, and Grand Hyatt. On November 1st, 2021, Hyatt completed the acquisition of Apple Leisure Group, a leading luxury resort management services, and hospitality group. This acquisition allows Hyatt to offer paid memberships and travel distribution and destination management services broadening its areas of service. Hyatt and the hospitality industry continue to recover from the pandemic. Hyatt focuses on the following areas for a long-term strategic outlook: maximizing the core business. Integrate new growth platforms and optimize capital deployment. Further, Hyatt' acquisitions, sales and revenue management verticals look promising for future growth.

### Acquisitions & Integration of New Growth Platforms

Hyatt has a long history of successful acquisitions, divestitures, and large-scale hotel renovations that have contributed to its growth and success. The company has a disciplined approach to investing in properties that align with its strategic goals and complement its existing portfolio of brands. In addition to the sale of the Hyatt Regency Lake Tahoe Resort, Spa, and Casino, Hyatt completed eight other significant transactions in 2021, including the acquisition of Apple Leisure Group, which added 33 new properties to its portfolio.

Recent M&A and Diversiture Acitivity			
Acquisitions		Diversitures	
ALG	\$1,200,000,000	Lake Tahoe Resort	\$343,000,000
Dream Hotel Group	\$300,000,000	Lost Pines Resort and Spa	\$268,000,000



Hyatt is also focused on identifying and integrating new growth platforms to enhance the consumer experience and strengthen its relationships with guests. The company has a strong commitment to innovation and technology and is constantly exploring new ways to leverage these tools to create more personalized and engaging experiences for its guests. For example, Hyatt has launched several digital initiatives, such as the World of Hyatt app and Hyatt's loyalty program, to enhance the guest experience and provide greater value to its customers. Moreover, Hyatt has continued to invest in sustainability initiatives to promote responsible travel and environmental stewardship. The company has set ambitious goals to reduce its carbon emissions and waste, source sustainable materials, and promote sustainable practices across its portfolio. In 2021, Hyatt announced plans to reduce its global carbon emissions by 50% by 2030 and become carbon neutral by 2050.

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## Sales Revenue Management and Marketing

Hyatt divides its sales and revenue management into two sectors: global sales team and corporate sales organization, with the goal of securing fit customers. Hyatt deploys a global sales team that is responsible for large accounts focusing on local and regional business opportunities as well as securing business generated from key global and regional accounts. Further, Hyatt's corporate sales organizations focus on its market share growth with key accounts. Hyatt's sales and revenue management teams leverage proprietary technology tools to set up appropriate pricing in each hotel.

World Hyatt's loyalty program and digital platforms allow Hyatt to focus on its marketing capabilities to better position Hyatt's portfolio of brands to surpass competitors in the segments in which it operates. The goal of the marketing strategy is designed to drive customer loyalty and community while meeting the operational needs of hotels. The loyalty program aims to build engagement and a community with frequent, high-end travelers. On December 31st, 2021, the loyalty program had 30 million active members, 39% of which accounted for total room nights system-wide.

Despite being impacted heavily during the global pandemic, Hyatt Hotel Corporate look to scale its business by using long-term growth strategies to beat competition. Hyatt's current plan is to improve its marketing capabilities and increase customer retention rates through its loyalty program.

## Industry Analysis

Hyatt Hotel Corporation operates under the Hotels and Motels sector of the Hospitality, Travel and Tourism industry. Revenue for the Global Hotels and Resorts industry is expected to decline over the five-year period leading up to 2021. From 2016 to 2019, the industry experienced strong growth, fueled by increased consumer and business confidence, leading to higher spending on luxury items such as travel. This resulted in a boost in travel and hotel occupancy rates, as well as an increase in global tourist arrivals. However, the outbreak of COVID-19 in 2020 caused a significant decline in industry revenue, with a 39% drop recorded in that year alone. Travel restrictions and flight suspensions implemented by many countries were the main drivers of this decline. As a result, an annualized 7.4% reduction in industry revenue to \$722.9 billion is expected over the five-year period.

Although travel activities have resumed following mass immunization campaigns, the industry's revenue is still projected to decline further, with a 22.2% drop expected in 2021 due to the emergence of new virus variants and the slow return of travel rates to pre-pandemic levels. The industry is highly competitive due to the presence of numerous small independent operators, limiting the ability of operators to raise room prices. However, the industry is consolidating, with larger players leveraging loyalty programs and discounted pricing structures to gain control.

Looking ahead, global economic conditions and increased consumer spending are expected to drive travel spending, particularly in Asia and the Pacific, where emerging economies are becoming favored tourist destinations. However, uncertainties in markets struggling to contain coronavirus outbreaks may dampen consumer sentiment, placing pressure on industry operators. Despite this, an increase in hotel and resort construction is anticipated, leading to industry revenue growth at an annualized rate of 13.4% to \$1.4 trillion over the five years to 2026.

The increased inflow of tourists will likely bolster revenue for hotels and resorts that operate on a global scale. The speed of the recovery on an international scale for tourist arrivals is contingent on how quickly governments and countries can reach herd immunity and implement policies that ease travel restrictions. If these assumptions are true, it is projected to grow in every region by 2026. Further, international hotel chains will experience most of its revenues and profit growth from emerging economies such as Asia and the Pacific. This is a result where growth in domestic tourism in middle class is rapidly increasing.

The industry will also benefit as the economy improves, unemployment rates decline and consumers begin to spend money again. Although the industry is recovering from the COVID-19 pandemic, the ongoing increase in inflation may slow down the growth of the industry as consumers are less inclined to spend on recreational activities such as traveling and vacations.

### Technological Impacts on the Industry Structure

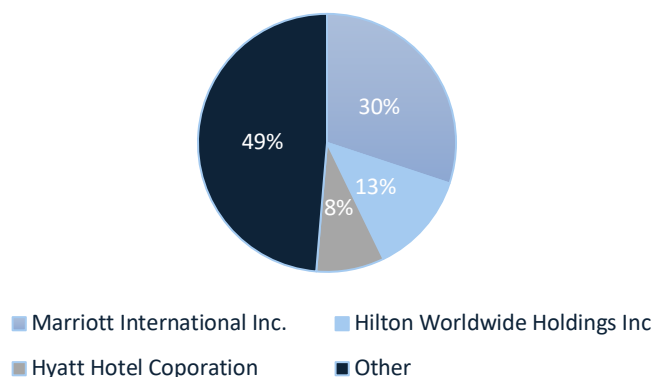
Technology has benefited all aspects of the economy and society including the Global Hotels and Motels Industry. Hotels use the internet to gather information, make bookings, buy supplies, and lower overall operating costs. Information-targeted technology allows for hotel operators to create specialized ads via new technology such as email and social media to increase marketing and operations.

The Global Hotels and Resorts Industry is an increasing medium barrier to entry industry segmented by capital, brand recognition, and licensing and regulations. Before establishing brand loyalty, operators must have considerable capital outlay by purchasing, developing, and renting suitable premises along with administrative expenses. Once establishing and investing to build a new hotel, client base, and licensing and regulation are barriers to entry. The existence of small independent, family-run hotels and the diverse accommodation styles and standards make Global Hotels and Resorts industry an industry with low concentration. Although global players with annual revenues in the billion, the top four players account for less than 5.0% of the total available market share. However, due to hotel buyouts, mergers, and acquisitions, it can be expected that the low concentration in the industry will begin to increase.

### Competitive Landscape

Hyatt is a leading hospitality company that offers a wide range of services. The hotel and motels sector are becoming increasingly competitive as the ease of COVID-19 restrictions continue to bolster consumer demand for tourism and leisure travels. Hyatt resides in the top 5 in market share relative to its competitors at 6.98%. Marriott International is Hyatt's direct competitors, offering almost identical services and business models. As of Q3 of 2022, Marriott has a market share of 24.06%. This is largely due to its ability to bring in revenue and its international partnerships during the global COVID-19 pandemic. However, as mentioned before, the pandemic has

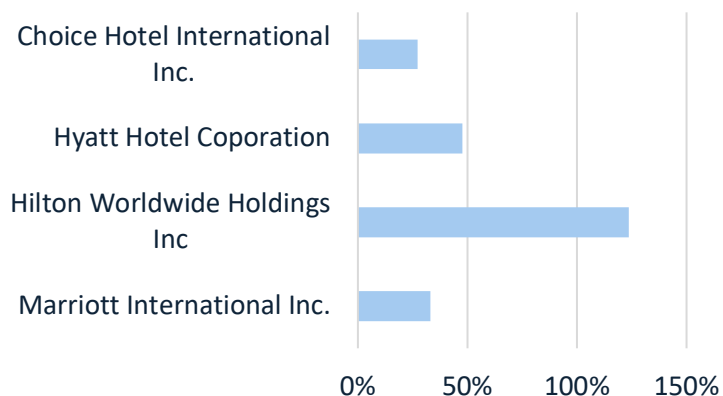
Market Share



affected almost every company in the hotel industry causing history levels of low occupancy, promptive massive job cuts and hotel closure. As a result, Marriot International has lost significant market share which leaves opportunity for Hyatt to increase its market share.

Hyatt Hotel Corporation is a major player in the hotel industry, and its year-over-year revenue growth of 48% is a strong indicator of its competitiveness. The company's strategy of acquiring, divesting, and renovating hotel properties has been a key factor in its success, allowing it to strategically expand and strengthen its portfolio of brands. Hyatt's focus on consumer stickiness has also contributed to its competitiveness, as the company continuously looks for ways to enhance customer loyalty and engagement. However, with intense competition in the market, Hyatt will need to remain vigilant and continue investing in growth initiatives to maintain its position in the industry. The company's recent expansion into new markets, including China and India, is a promising sign for its future growth potential, as these regions are expected to experience strong demand for hotel accommodations in the coming years. Overall, while Hyatt faces significant competition in the hotel industry, its strong revenue growth and strategic initiatives position it well for continued success in the years ahead. As the market continues to recover from the impact of the pandemic, competition among these major players is likely to intensify, and each company will need to continue innovating and investing in strategic growth initiatives to stay ahead of the competition.

Revenue Growth YoY (%)



## Catalysts

### Growth Through Acquisitions, Diversitures and Significant Renovations

Hyatt has a very strong track record of strategic acquisitions and diversitures. Hyatt provides funding to owners for the acquisition and the development of hotels that Hyatt will manage or franchise in the form of cash, debt reporment or performace gaurantees. Management plants to continue to drive the acquisition and development of hotels for higher overall returns on invested capital. In addition to the acquisition of hotels, Hyatt strategically acquires companies that provide value-add operations to Hyatt and also conducts strategic selloffs.

### Implementation of Sustainable Initiatives

### Expansion of Luxury, Lifestyle, and Leisure Properties in Prominent Markets

Hyatt is set to expand its global portfolio of luxury, lifestyle, and leisure properties with a mix of urban oases, beachfront retreats, and signature golf resorts. With a focus on thoughtful design, innovative food and beverage, and personalized service, Hyatt anticipates organic growth across its offerings in the coming years.

The expansion plans include the return of the Park Hyatt brand to prominent markets such as South Africa, Morocco, and London, as well as expansion in the Asia Pacific region. The Andaz brand is celebrating its expansion into new markets, with properties opening in Qatar, Thailand, Mexico City, Macau, and Greater China. Additionally, Hyatt's Boundless Collection and Independent Collection are set to introduce several new properties, including the debut of Thompson Palm Springs and Thompson Houston under the Thompson Hotels brand, and the opening of The Grand Resort in Qingchengshan, China, and Banyan Cay Resort & Golf in West Palm Beach under the Destination by Hyatt brand. The JdV by Hyatt brand is also set to make its debut in Rhode Island with The Pell and in Goa with Ronil, and NUMU Boutique Hotel in San Miguel de Allende, Mexico, as part of The Unbound Collection by Hyatt.

Overall, Hyatt's expansion plans highlight the brand's commitment to providing unique experiences to its guests, with properties that showcase local culture and design. These new properties are set to open between 2022 and 2024 and are expected to drive Hyatt's growth and global reach in the luxury hospitality sector.

## Management Team

### Mark S. Hoplamazian – President and Chief Executive Officer



Mark Hoplamazian was appointed to the board of directors in November 2006 and later named the president and chief executive officer of Hyatt Hotels Corporation on in December 2006. Prior to his current position, Hoplamazian served as the president of The Pritzker Organization (TPO) for 17 years, the principal investment advisor for the Pritzker family. Further, Hoplamazian previously worked at The First Boston Corporation in New York in international mergers and acquisitions. He currently serves on the American Hotel and Lodging Association (AHLA) board of directors, VF Corporation board of directors, the executive committee of the board of directors of World Business Chicago, and the Aspen Institute board of trustees as vice chairman. Hoplamazian holds a Bachelor of Arts in Economics from Harvard University and a Master of Business Administration from the University of Chicago Booth School of Business.

### Joan Bottarini – Executive Vice President and Chief Financial Officer



Joan Bottarini is currently the Chief Financial Officer at Hyatt AHotels Corporation. Bottarini is responsible for assisting and leading Hyatt's transformation and development in order to position the organization for optimal long-term performance and value creation. Bottarini is also the Executive Sponsor of the Hyatt HyPride Diversity Business Resource Group. She has previously served as the company's Senior Vice President, Finance, Americas; Vice President, Hotel Finance, Asia Pacific (Hong Kong); and Vice President, Strategic Financial Planning and Analysis. Bottarini held various roles across finance such as Assurance Manager at KPMG LLP. Bottarini holds Bachelor of Science from Northern Illinois University and serves as co-chair on the Dean's Board of Executive Advisors.

## Compensation Table (FY 2021)

Compensation Type	Mark S. Hoplamazian	Joan Bottarini
Base Salary	\$1,281,750	\$707,000
Non Equity Incentive plan Compensation	\$3,472,600	\$1,094,500
Other Annual Compensation	\$84,464	\$35,141
Total Annual Cash Compensation	\$4,838,814	\$1,836,641
Total Annual Non-Cash Compensation	\$19,231,239	\$2,537,823
<b>Total Calculated Compensation</b>	<b>\$24,070,053</b>	<b>\$4,374,464</b>

## Shareholder Base, Liquidity, Market Depth

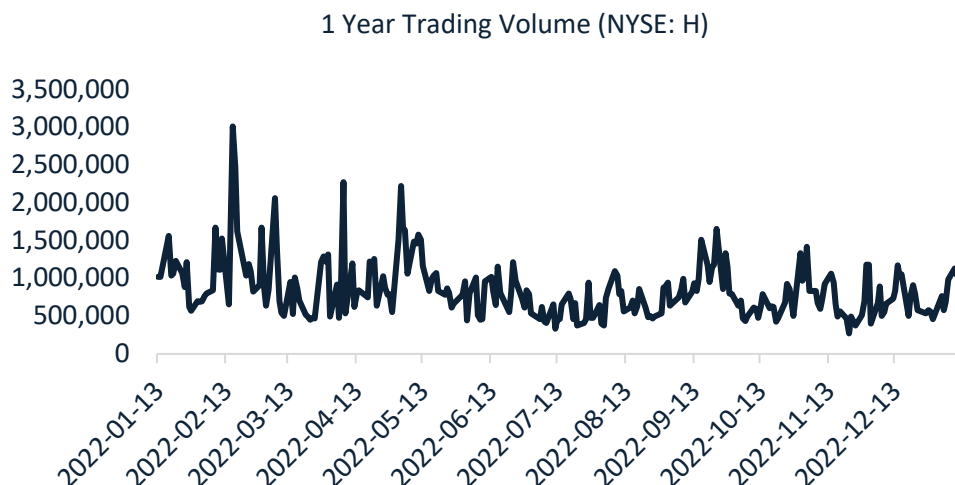
### Shareholder Base

Out of the 109.1M shares outstanding, Hyatt has a free float of 47.25M shares which accounts for approximately 43.3%. Institutions make up roughly around 48.1% of the free float. 9.4% of which are individual investors.

Holder	Common Stock Equivalent Held	Percent of Common Shares Outstanding (%)	Market Value (\$M)
Baron Capital Group Inc.	5,259,610	4.91	544.8
Vanguard Group Inc.	4,469,443	4.17	462.9
Massachusetts Financial Services Company	2,998,585	2.80	310.6
Southeastern Asset Management Inc.	2,662,068	2.49	275.7
Principal Global Investors LLC	2,429,413	2.27	251.6
Franklin Resources Inc.	2,315,156	2.16	239.8
Wellington Management Group LLP	2,172,548	2.03	225.0
BlackRock Inc.	1,884,360	1.76	195.2
Scotia Administradora General de Fondos Chile SA	1,662,205	1.55	172.2
Eaton Vance Management	1,633,289	1.52	169.2
<b>Top 10 Shareholder Base</b>	<b>27,486,677</b>	<b>24.14</b>	<b>169.2</b>

## Liquidity

The daily average trading volume of shares for Hyatt Hotel Corporation is 1,149,209. We believe that liquidity risk for Hyatt is not significant.



## Valuation

### Discounted Cash flow Assumptions

#### Revenue:

Hyatt Hotel Corporation has seen steady revenue growth across its various segments over the years. The owned and leased hotel segment has contributed significantly to the company's overall revenue growth, driven by strategic investments in premium properties and expansions in key markets. Thus, a conservative growth rate of approximately 25% was used.

The management and franchise segment has shown strong revenue growth, as Hyatt's reputation as a reliable and high-quality operator has attracted a growing number of franchisees and management contracts. Other fees, including membership and loyalty program fees, have also contributed to Hyatt's revenue growth. On the other hand, the company has also experienced contra revenue growth, primarily due to discounts and loyalty program redemptions, which have impacted the overall revenue growth rate. Hyatt has successfully mitigated this issue through a combination of effective cost management and revenue management techniques. The distribution and revenue management team at Hyatt has been instrumental in optimizing the company's revenue streams through dynamic pricing and effective distribution strategies, resulting in sustained revenue growth across all segments.

#### Cost of Goods Sold:

We have predicted that the cost of goods sold as a percentage of revenue will remain at a consistent 75%. This number is calculated by taking the average of the past five years and keeping a conservative outlook. We believe that there will be no significant changes in the future.



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**Selling, General, and Administrative Expenses:**

Based on the past five years, we estimate that SG&A expense as a percent of revenue will be a consistent 10% until FY2027

**Depreciation and Amortization:**

With the assumption depreciation will remain constant, we forecasted depreciation by using the straight-line depreciation methods with an estimated useful life of 6 years. We took the weighted average of the last twelve months to calculate the estimated useful life projection.

**Effective Tax Rate:**

We used a 30% tax rate assumption based on historical numbers.

**Weighted Average Cost of Capital:**

The weighted average cost of capital (WACC) used in our model is calculated to be 7.1%. The calculation consists of using a risk-free rate of 3.53%, an expected market return of 8%, a beta of 1.09, and pre-tax cost of debt at 2.9% and an effective tax-rate of 30%.

**Perpetuity Growth Rate:**

After 2022 Q4, the annual reported GDP growth rate was reported to be 2.7% and inflation was reported at 6.07%. Thus, a perpetuity growth rate of 2% was used for future projections to maintain a conservative out look.

**Terminal Multiple:**

Given Hyatt's recovery from the global COVID-19 pandemic and strong acquisition strategy, we used a terminal EV/EBITDA exit multiple of 10x.

## Comparable Companies

As Hyatt is in the Hospitality and Lodging industry, there are many companies almost identical regarding it's business models, industry, and size. The company comparable analysis compares Hyatt with five publicly listed companies that are in the same industry as Hyatt, similar in business operations, size, and profitability.

**Hilton Worldwide Holdings (NYSE: HLT):** Hilton Worldwide Holdings, Inc. is an American Multinational company that engages in the provision of hospitality businesses. It operates through two key segments, Ownership and Management & Franchise. The Ownership segment includes owned, leased, and joint venture hotels.

**Choice Hotels International (NYSE: CHH):** Choice Hotels International, Inc. is an American multinational hospitality company that operates sales, development, and corporate offices around the world. Choice owns over 300 hotels in Canada.

**Wyndham Hotels & Resorts:** Wyndham Hotels & Resorts, Inc. is an American hotel and operates in 9,280 locations. It has a portfolio of over 15 different hotel brands which includes Baymont, Days Inn, Howard Johnson, La Quinta, Ramada, Super 8, Travelodge, and Wyndham.

**Marriot International, Inc.:** Marriott International, Inc. is an American multinational company that operates, franchises, and licenses lodging including hotel, residential, and timeshare properties. Marriot has a portfolio in the industry, with over 25 brands and owns over 8,000 properties across 139 countries and territories.

**Marriott Vacations Worldwide Corporation (NYSE: VAC):** Marriott Vacations Worldwide Corporation was formerly a division of Marriott International. The Company offers vacation ownership, exchange, rental and resort, and property management, as well as membership programs, management of other resorts, and lodging properties.

## Recommendation

### BUY

While the COVID-19 pandemic has significantly impacted the company's financial performance in 2020, Hyatt has taken measures to reduce costs, streamline operations, and adapt to changing consumer behavior by expanding its digital capabilities. As the travel industry gradually recovers, Hyatt's financials are expected to improve in the coming quarters. However, the stock may experience volatility in the short term.

- A 25% weighting on the Perpetuity growth DCF approach returns an implied share price of US\$168.98.
- A 25% weighting on the EV/EBITDA Exit Multiple DCF approach returns an implied share price of US\$148.49.
- A 25% weighting on the 2022E EV/EBITDA Implied Share Price method using Comparable Company Analysis, returning a share price of US\$59.79.
- A 25% weighting on the 2022E P/E Implied Share Price method using a Comparable Company Analysis, returning US\$139.00.

Using the above weighting, we recommend a **BUY** rating, with an implied valuation of USD\$128.87 with an implied upside of 9.8%.

## Investment Thesis 1: Expansion in High Growth Markets

Hyatt operates with a robust pipeline of hotels currently under development which can be seen as a testament to its commitment on expanding its footprint in high-growth markets. The company has over 500 properties in various stages of development and the company continues to grow its strong pipeline of new hotels that will drive revenue growth in the long term. Moreover, the company's strategic focus on operating in high-growth markets such as China, India, and the Middle East will continue to position Hyatt for forward looking success, given the strong demand for luxury hospitality in these regions. Countries like China predict that outbound travel in the market will experience a "strong wave" beginning in 2023, with a return to pre-pandemic levels by 2024, making it a key market for Hyatt's expansion. Meanwhile, in India, the country's rapidly expanding middle class and increasing demand for high-quality hotel experiences make it a promising growth market for the company.

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Overall, Hyatt's expansion into high-growth markets is expected to drive revenue growth in the long term, as the company continues to build its presence in key regions where there is strong demand for luxury hospitality.

## Investment Thesis 2: Global Digitization and Technological Investments

Hyatt Hotels Corporation looks to continue executing and strategically focusing its approach to technological investments in order to deliver an elevated guest experience and stay ahead of industry trends. Amongst these efforts, Hyatt has implemented a mobile app which enables guests to conveniently book rooms, manage reservations, and access a range of hotel services from their mobile devices. In addition, the company has also implemented digital check-in and smart room features which allow guests to bypass traditional check-in processes and utilize their mobile devices to control key room features such as lighting and temperature. By leveraging cutting-edge technologies, Hyatt can provide a more seamless and personalized guest experience, which may potentially increase guest satisfaction and loyalty over the long term. Hyatt's commitment to these efforts is already paying dividends, as it reported a substantial 130% increase in mobile app downloads.

In addition, with the growth of digital technology, it is foreseeable that travelers may increasingly expect to engage with hotels and other service providers through their mobile devices. Hyatt's early adoption of these technology advancements will position the company favorably to capture customers that demand high-quality technology-based services, resulting in a potential competitive advantage in the hospitality industry.

Overall, Hyatt's investments in technology are forecasted to drive revenue growth and create new opportunities for the company in the coming years, through enhanced guest experience, increased customer loyalty and positive outlook on future technological adoption.

## Risks

### Interest Rates, Cost of Debt and Foreign Exchange Rates

With current market conditions and inflation rates rising. The federal reserve seems to continue to have a negative outlook on the future market, which in turn, causes drastic increases in interest rates. Given that Hyatt still carries a significant portion of debt compared to its assets, we believe that this can be a possible risk to the company. As a result of interest rates increasing, the cost of debt increases which could put Hyatt at a possible disadvantage. It is a question whether or not Hyatt can raise enough capital to shore its balance sheet, and given its recovery from the pandemic, this may cause dilution for Hyatt in order to manage its debt obligations. Hyatt uses debt to leverage strategic acquisitions of other companies and properties. Thus, Hyatt may see this market condition as a possible risk.

A large portion of Hyatt's operations are international which are conducted in currencies other than the U.S dollar (current reporting currency). Hyatt is required to translate the international currency into the market-based average exchange rates of the U.S dollar. This can be a possible risk when comparing the results of international operations between periods and there may be drastic changes due to the given the current exchange rate market.

### Third Party Internet Sales

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Hyatt expects to continue to derive most of business revenues from traditional channels of distribution and its digital platforms. However, consumers worldwide routinely use internet travel intermediaries such as Expedia.com, Priceline.com, Booking.com, Travelocity.com, and Orbitz.com, and it is expected that this trend will continue. These intermediaries initially focused on leisure travel, but now also provide offerings for corporate travel and group meetings. Some of these intermediaries are attempting to increase the importance of generic quality indicators (such as "four-star downtown hotel") at the expense of brand identification. Rather than creating brand loyalty to Hyatt, the result of these intermediaries push consumers to develop brand loyalties to their reservation systems. Some of these intermediaries have launched their own loyalty programs to further develop loyalties to their reservation systems. Furthermore, these intermediaries typically obtain higher commissions or other potentially significant contract concessions, increasing the overall cost of these third-party distribution channels. If the volume of sales made through internet travel intermediaries continues to increase, consumers may develop stronger loyalties to these intermediaries rather than to our brands, our distribution costs could increase, and our business revenues and profits may experience adverse effects.

### Cyber-Security Risk

Hyatt Hotel Corporation faces a cybersecurity risk, which refers to the potential impact of cyber-attacks, data breaches, and other security incidents on the company's operations, financial performance, and reputation. As a large and well-known brand in the hospitality industry, Hyatt may be a target for cybercriminals seeking to gain access to customer data, payment information, or other sensitive information. Any successful cyber-attack or data breach could result in significant financial and reputational damage for the company, including lost revenue, legal fees, and regulatory fines. Additionally, such incidents could lead to a loss of customer trust, which could impact Hyatt's ability to attract and retain customers over the long term. As such, investors should carefully evaluate Hyatt's cybersecurity practices and preparedness when considering the company's investment prospects.

## Appendix 1: Model Summary

	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26
(Figures in mm USD)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<b>Income Statement</b>											
Revenue	4,462.0	4,454.0	5,020.0	2,066.0	3,028.0	5,891.0	6,742.3	8,050.1	9,644.0	11,941.2	14,736.6
EBITDA	608.0	659.0	526.0	(322.0)	59.0	824.0	1,101.6	1,207.5	964.4	1,194.1	2,210.5
Net Income	390.0	769.0	766.0	(703.0)	(222.0)	455.0	330.3	390.4	61.0	(24.0)	202.7
Earnings Per Share	\$ 3.09	\$ 6.68	\$ 7.21	\$ (6.94)	\$ (2.14)	\$ 4.09	\$ 2.97	\$ 3.15	\$ 0.55	\$ (0.22)	\$ 1.82
<b>Cash Flow Statement</b>											
Capital Expenditures	(298.0)	(297.0)	(369.0)	(122.0)	(111.0)	(201.0)	(262.9)	(316.0)	(307.6)	(299.4)	(291.4)
Acquisitions	(259.0)	(678.0)	(18.0)	-	(2,916.0)	(174.0)	-	-	-	-	-
Divestitures	-	-	-	-	-	-	-	-	-	-	-
Dividend Payment	-	(68.0)	(80.0)	(20.0)	-	-	-	-	-	-	-
Dividend Per Share	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Dividend Payout to Earnings	-	8.8%	10.4%	-2.8%	-	-	-	-	-	-	-
Dividend Payout to Core FCF	-	9.7%	10.3%	-30.8%	-	-	-	-	-	-	-
Dividend Yield	-	-	-	-	-	-	-	-	-	-	-
<b>Balance Sheet</b>											
Current Assets	1,327.0	1,345.0	1,706.0	2,563.0	2,062.0	2,250.0	2,781.6	3,188.6	3,556.5	3,883.6	4,418.5
Non-Current Assets	6,245.0	6,298.0	6,711.0	6,596.0	10,541.0	10,062.0	9,935.5	9,875.3	9,816.7	9,759.6	9,704.1
Assets	7,572.0	7,643.0	8,417.0	9,129.0	12,603.0	12,312.0	12,717.1	13,063.9	13,373.2	13,643.2	14,122.6
Current Liabilities	992.0	1,061.0	1,096.0	984.0	2,232.0	3,287.0	3,361.8	3,358.1	3,608.4	3,900.5	4,177.2
Non-Current Liabilities	2,727.0	2,905.0	3,364.0	4,931.0	6,805.0	5,323.0	5,323.0	5,323.0	5,323.0	5,323.0	5,323.0
Liabilities	3,719.0	3,966.0	4,460.0	5,915.0	9,037.0	8,610.0	8,684.8	8,681.1	8,929.4	9,223.5	9,500.2
Shareholders' Equity	3,847.0	3,670.0	3,962.0	3,211.0	3,563.0	3,699.0	4,029.3	4,379.7	4,440.8	4,416.7	4,619.4
Cash	752.0	622.0	1,063.0	1,237.0	1,065.0	1,067.0	1,487.3	1,664.1	1,737.8	1,669.7	1,760.7
Debt	-	-	-	-	-	-	-	-	-	-	-
Net Debt	(752.0)	(622.0)	(1,063.0)	(1,237.0)	(1,065.0)	(1,067.0)	(1,487.3)	(1,664.1)	(1,737.8)	(1,669.7)	(1,760.7)
Minority Interests	6.0	7.0	5.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Debt/EBITDA	n/a	n/a	n/a	3.8 x	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Operating Metrics</b>											
Return on Equity (ROE)	-	-	-	-	-	-	-	-	-	-	-
Return on Assets (ROA)	-	-	-	-	-	-	-	-	-	-	-
Return on Invested Capital (ROIC)	-	-	-	-	-	-	-	-	-	-	-
<b>Valuation Metrics</b>											
Stock Price (High)	\$ 82.69	\$ 92.63	\$ 90.47	\$ 95.93	\$ 106.58	\$ 117.40	\$ 117.40	\$ 117.40	\$ 117.40	\$ 117.40	\$ 117.40
Stock Price (Low)	\$ 62.69	\$ 63.76	\$ 36.56	\$ 65.66	\$ 71.21	\$ 117.40	\$ 117.40	\$ 117.40	\$ 117.40	\$ 117.40	\$ 117.40
Stock Price (Average)	\$ 72.69	\$ 78.19	\$ 63.52	\$ 80.80	\$ 88.90	\$ 117.40	\$ 117.40	\$ 117.40	\$ 117.40	\$ 117.40	\$ 117.40
Diluted Shares Outstanding (Average)	126.3	115.1	106.3	101.3	104.0	111.3	111.3	111.3	111.3	111.3	111.3
Market Capitalization (Average)	9,184.2	9,001.9	6,751.4	8,186.6	9,242.5	13,062.5	13,062.5	13,062.5	13,062.5	13,062.5	13,062.5
Enterprise Value (Average)	8,438.2	8,398.9	5,693.4	6,952.6	8,180.5	11,998.5	11,578.2	11,401.4	11,327.8	11,395.8	11,304.8
P/E	23.5 x	11.7 x	8.8 x	n/a	n/a	28.7 x	39.5 x	37.3 x	214.0 x	n/a	64.4 x
EV/EBITDA	13.9 x	12.7 x	10.8 x	n/a	138.7 x	14.6 x	10.5 x	9.4 x	11.7 x	9.5 x	5.1 x
FCF Yield to Market Capitalization	1.4%	1.3%	-1.4%	-7.5%	0.8%	5.3%	4.5%	3.1%	3.3%	4.2%	9.1%
FCF Yield to Enterprise Value	1.6%	1.4%	-1.7%	-8.8%	0.9%	5.7%	5.1%	3.6%	3.8%	4.8%	10.6%
<b>Free Cash Flow</b>											
EBIT	290.0	332.0	197.0	(632.0)	(251.0)	398.0	712.2	831.3	598.2	837.7	1,863.5
Tax Expense	(332.0)	(182.0)	(240.0)	257.0	(266.0)	(119.4)	(213.7)	(249.4)	(179.5)	(251.3)	(559.1)
D&A	348.0	327.0	329.0	310.0	310.0	426.0	399.5	376.2	366.2	356.4	346.9
Capital Expenditures	(298.0)	(297.0)	(369.0)	(122.0)	(111.0)	(201.0)	(262.9)	(316.0)	(307.6)	(299.4)	(291.4)
Changes in NWC	154.0	(62.0)	(13.0)	(424.0)	388.0	183.0	(36.5)	(233.9)	(46.0)	(101.1)	(167.2)
Unlevered Free Cash Flow	132.0	118.0	(96.0)	(611.0)	70.0	686.6	588.6	408.2	431.3	542.3	1,192.8
<b>Valuation Summary</b>											
Current Price	\$ 117.40										
Target Price	\$ 128.87										
Total Return	9.8%										
Recommendation	BUY										
<b>DCF Valuation</b>											
Perpetuity Growth Implied Price	\$ 198.98										
Exit Multiple Implied Price	\$ 148.49										
<b>Comps Valuation</b>											
Comps - EV/EBITDA Implied Price	\$ 59.79										
Comps - P/E Implied Price	\$ 139.00										

## Exhibit B: Discounted Cashflow Analysis

	Dec-16	Dec-17	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26						
	FY2016	FY2019	FY2020	Q1-2021	Q2-2021	Q3-2021	Q4-2021	FY2021	Q1-2022	Q2-2022	Q3-2022	Q4-2022	FY2022	Q1-2023	Q2-2023	Q3-2023	Q4-2023	FY2023	Q1-2024	Q2-2024	Q3-2024	Q4-2024	FY2024	Q1-2025	Q2-2025	Q3-2025	Q4-2025	FY2025	Q1-2026	Q2-2026	Q3-2026	Q4-2026	FY2026	Q1-2027	Q2-2027	Q3-2027	FY2027				
<b>WACC Calculations</b>																																									
<b>Cost of Equity</b>																																									
Risk-free rate	3.5%																																								
Expected market return	8.0%																																								
Market Risk Premium	4.5%																																								
<b>Cost of Equity</b>	<b>6.4%</b>																																								
<b>Cost of Debt</b>																																									
Pre-tax cost of debt	2.9%																																								
Effective tax rate	30.92%																																								
<b>Cost of Debt</b>	<b>2.0%</b>																																								
<b>WACC</b>																																									
Market value of equity	12,075.8																																								
Market value of debt	4,133.0																																								
Total Capitalization	16,208.8																																								
Cost of equity	6.4%																																								
Cost of debt	2.0%																																								
<b>WACC</b>	<b>4.8%</b>																																								
<b>Free Cash Flow</b>																																									
EBIT	260.0	332.0	197.0	5.0	(298.0)	(168.0)	(211.0)	(632.0)	(155.0)	(70.0)	7.0	(33.0)	(251.0)	22.0	170.0	145.0	61.0	398.0	120.2	159.8	166.3	265.8	712.2	831.3	588.2	837.7	1,863.5														
Less: Tax expense	(332.0)	(162.0)	(260.0)	35.0	94.0	59.0	69.0	(196.0)	(15.0)	(138.0)	73.0	(266.0)	(2.0)	(106.0)	(35.0)	(19.3)	(119.4)	(19.3)	(47.9)	(69.9)	(79.7)	(213.7)	(248.4)	(174.5)	(251.3)	(559.1)															
Add: Depreciation and amortization	348.0	327.0	320.0	80.0	73.0	60.0	77.0	310.0	74.0	71.0	81.0	310.0	119.0	135.0	96.0	109.0	426.0	93.1	97.9	96.6	95.4	389.5	376.2	366.2	356.4	346.9															
Less: Capital expenditures	(298.0)	(297.0)	(389.0)	(55.0)	(33.0)	(18.0)	(18.0)	(122.0)	(19.0)	(18.0)	(28.0)	(66.0)	(111.0)	(43.0)	(81.0)	(38.0)	(59.0)	(201.0)	(65.6)	(70.5)	(83.9)	(83.0)	(262.9)	(316.0)	(307.6)	(299.4)	(291.4)														
Less: Change in net working capital	156.0	(87.0)	(13.0)	(136.0)	(117.0)	(75.0)	(56.0)	(67.0)	15.0	(26.0)	(72.0)	(36.0)	(66.0)	(6.0)	(51.0)	(26.0)	(183.0)	3.5	(17.3)	(2.6)	(25.2)	(39.5)	(233.9)	(95.0)	(101.1)	(162.9)															
Unlevered Free Cash Flow	132.0	118.0	66.0	(71.0)	(241.0)	(121.0)	(178.0)	(611.0)	(331.0)	(14.0)	200.0	157.0	79.0	162.0	172.0	293.7	686.6	138.4	122.0	146.5	193.3	588.6	498.2	413.3	542.3	1,192.8															
Discount factor																			0.26	0.26	0.30	0.75	1.00	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26	1.26		
Present Value of Unlevered Free Cash Flow																			288.9	288.9	122.3	116.1	137.5	178.0	553.9	391.9	348.9	499.6	843.3												
<b>Discounted Cash Flow Valuations</b>																																									
<b>Present Value Method</b>																																									
Enterprise Value	11,487.7																																								
Add: Cash	1,617.0																																								
Less: Debt	4,133.0																																								
Less: Other TV adjustments	3.0																																								
Equity Value	8,968.7																																								
Share price	117.40																																								
Outstanding Shares	76.4																																								
Current Price	\$ 117.40																																								
Implied Price	\$ 116.88																																								
Total Return	21.9%																																								
<b>Exit Multiple Method</b>																																									
Enterprise Value	11,487.7																																								
PV sum of unlevered FCF	2,795.6																																								
Terminal value	15,692.0																																								
Enterprise Value	14,424.7																																								
Add: Cash	1,617.0																																								
Less: Debt	4,133.0																																								
Less: Other TV adjustments	3.0																																								
Equity Value	11,905.7																																								
Share price	117.40																																								
Outstanding Shares	101.4																																								
Current Price	\$ 117.40																																								
Implied Price	\$ 116.88																																								
Total Return	21.9%																																								
<b>WACC</b>																																									
7.80%	7.30%	6.80%	6.30%	5.80%																																					
RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	
1.00%	1.50%	2.00%	2.50%	3.00%																																					
RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	
8.0%	9.0%	10.0%	11.0%	12.0%																																					
RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	RDV/0%	

## Exhibit C: Comparable Company Analysis

(Figures in mm USD)				EV/EBITDA Multiple			P/E Multiple		
Company	Ticker	Equity Value	Enterprise Value	2020A	2021E	2022E	2020A P/E	2021E P/E	2022E P/E
Hilton Worldwide Hold	(NYSE:HLT)	36,511.6	35,239.1	89.0 x	28.9 x	13.9 x	(52.3 x)	92.5 x	29.7 x
Choice Hotels Internat	(NYSE:CHH)	6,346.6	7,522.1	42.3 x	16.1 x	16.0 x	88.9 x	23.3 x	23.2 x
Wyndham Hotels & Rtr	(XCH:TCK)	6,407.0	8,199.0	26.8 x	14.9 x	12.8 x	(51.1 x)	27.9 x	18.8 x
Marriott International, Ir	(NASDAQGS:M)	50,643.2	50,640.7	57.2 x	25.1 x	13.4 x	(195.1 x)	47.9 x	24.4 x
Marriott Vacations Wor	(XCH:TCK)	5,767.9	5,478.6	35.1 x	9.0 x	5.7 x	(22.6 x)	133.2 x	14.6 x
<b>Hyatt Hotel Corporat</b>	<b>(XCH:TCK)</b>	<b>12,575.8</b>	<b>15,094.8</b>	<b>(46.9 x)</b>	<b>22.5 x</b>	<b>20.9 x</b>	<b>(16.9 x)</b>	<b>54.9 x</b>	<b>99.5 x</b>
<b>Median</b>				<b>16.1 x</b>	<b>13.4 x</b>			<b>47.9 x</b>	<b>23.2 x</b>
<b>Mean</b>				<b>18.8 x</b>	<b>12.3 x</b>			<b>65.0 x</b>	<b>22.2 x</b>
<b>High</b>				<b>28.9 x</b>	<b>16.0 x</b>			<b>133.2 x</b>	<b>29.7 x</b>
<b>Low</b>				<b>9.0 x</b>	<b>5.7 x</b>			<b>23.3 x</b>	<b>14.6 x</b>
				EV/EBITDA Implied Price			P/E Implied Price		
<b>Median</b>				<b>-\$ 13.43</b>	<b>\$ 66.71</b>		<b>\$ 102.51</b>	<b>\$ 27.33</b>	
<b>Mean</b>				<b>-\$ 11.75</b>	<b>\$ 59.79</b>		<b>\$ 139.00</b>	<b>\$ 26.14</b>	
<b>High</b>				<b>-\$ 5.45</b>	<b>\$ 84.45</b>		<b>\$ 285.06</b>	<b>\$ 35.09</b>	
<b>Low</b>				<b>-\$ 17.89</b>	<b>\$ 14.65</b>		<b>\$ 49.85</b>	<b>\$ 17.24</b>	

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