

Hilton Worldwide
Fourth Quarter and Full Year 2014 Earnings Results Conference Call
February 18, 2015

Operator: Good morning, ladies and gentlemen, and welcome to the Hilton Worldwide Fourth Quarter 2014 Earnings Results Conference Call. All lines have been placed on mute to prevent any background noise. After the presentation, we will conduct a question-and-answer session. If you would like to queue up for a question, please lift your phone receiver and press star, followed by the number one, on your telephone keypad. In order to withdraw your question, please press the pound sign. Please note that this call is being recorded today, Wednesday, February 18th, 2015 at 10:00 AM Eastern Time.

I will now turn the call over to your host, Christian Charnaux, Vice President, Investor Relations. Please go ahead, Mr. Charnaux.

Christian Charnaux: Thank you, Sally. Welcome to the Hilton Worldwide Fourth Quarter and Full Year 2014 Earnings Call.

Before we begin, we'd 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 are effective only as of today. We undertake no obligation to publicly update or revise these statements. For a discussion of some of the factors that could cause actual results to differ, please see the Risk Factors section of our most recently filed Form 10-K. In addition, we will refer to certain non-GAAP measures on this call. You can find reconciliations to GAAP measures, discussed in today's call, in our earnings press release which was posted on our website at www.hiltonworldwide.com.

This morning, Chris Nassetta, our President and Chief Executive Officer, will provide an overview of our fourth quarter and full year results and will describe the current operating environment, as well as the Company's outlook for 2015. Kevin Jacobs, our Executive Vice President, and Chief Financial Officer, will then provide greater detail on our results and outlook. Following their remarks, we will be available to respond to your questions.

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

Christopher Nassetta: Thank you, Christian. Good morning everyone and thanks for joining us today. We're thrilled to report another quarter of strong results capping, what I think was a banner year for Hilton Worldwide, for both the quarter and the year. We exceeded our Adjusted EBITDA guidance. We also remain very optimistic on the fundamentals and macros set up for 2015, which I'll cover a little later in my remarks.

We ended the full year exceeding the high-end of our RevPAR guidance, growing 7.1% system-wide on a currency neutral basis. In the fourth quarter, system-wide comp RevPAR increased 6.6% on a currency neutral basis and was led by Europe and the US with quarterly system-wide RevPAR growth of 6.9 and 6.8, respectively, in those regions.

Much like last quarter, we continue to see strong and balanced growth in both Transient and Group demand. This has provided the foundation for solid rate growth, but we've also continued to capture increased volume by driving demand, particularly leader demand into non-peak periods. Transient revenue grew nearly 7% at comp system-wide hotels in the quarter, driven by bar and corporate negotiated growth over 9 and 8%, respectively.

Government continued to strengthen in the quarter, up 7% for the full year, Transient revenue also grew 7%. Group revenue growth was also strong, up over 8% versus prior year in the fourth quarter and up nearly 7% for the full year, in Americas Owned and Managed hotels.

We remain very positive on Group business going-forward. In the Americas Owned and Managed, our Group revenue position is up in the mid single-digits for 2015. Strengthening Group is reflected in our strong F&B performance with F&B revenue growing over 8% at our Americas Owned and Managed hotels in the quarter, and nearly 8% for the year. This continues to be driven by the rebounding Group business and a more favorable Group mix.

For the year, we saw strong margin growth with system-wide margins increasing 190 basis points, driving Adjusted EBITDA growth of 13.5% to 2.508 billion. Our Adjusted EBITDA for the quarter was 668 million, an increase of approximately 11% from the fourth quarter of 2013, and as I noted earlier, both the quarter and the full year came in above the high-end of our guidance.

Turning to Development, we maintained our leadership position in key categories according to *Smith Travel Research*, including global rooms under construction, pipeline size, and system-wide rooms. We continued to lead the industry in net unit growth excluding portfolio acquisitions. In 2014, we added more than 40,000 gross rooms and 36,000 net rooms in 28 countries and territories, contributing to 6% net growth in our Managed and Franchise segment.

Our 12 distinct brands across 4,300 properties and 715,000 rooms drive an industry leading average global RevPAR index premium of 15%. These leading premiums drive superior returns for our owners and that in turn drives greater investment and faster unit growth. By strategically deploying our brand globally, we believe that we have the capacity to grow faster

in every major region of the world, which our recent performance would clearly support.

Also important to note, is that our leading net unit growth requires de minimis amounts of our capital. Our entire pipeline of nearly 230,000 rooms requires approximately 100 million in contract acquisition costs in 5% of deals. Our rooms under construction globally make up almost 19% of the industry's total rooms under construction, which is more than four times our current share of open rooms. Our pipeline increased by approximately 35,000 rooms or 17% in 2014 and includes more than 1,350 hotels and nearly 230,000 rooms in 79 countries and territories.

More than half of the rooms in our pipeline are already under construction and all are in our capital-light Management and Franchise segment. Including all agreements approved but not yet signed, our pipeline totals approximately 245,000 guest rooms, again, outpacing all other hospitality companies.

In 2014, we approved more than 500 deals, representing more than 82,000 rooms with no portfolio acquisitions or major investments. That is more than double our gross openings for the year. In the Americas, we signed on average more than one deal per day, increasing our US pipeline by nearly 30% to a hundred thousand total rooms.

We also celebrated a number of development milestones in 2014. We welcomed our 2000th Hampton to the system, arguably the best brand in hospitality measured by RevPAR index performance in both guest and owner satisfaction. Hampton continues to distance itself from the competition. There are over 400 Hamptons in the pipeline and our recently announced partnership with Plateno Hotels is expected to add hundreds of Hamptons in China over the next few years.

DoubleTree by Hilton continues to be one of the fastest growing upscale brands in the industry, opening its 400th property in 2014. The brand has more than doubled in size since 2007, even after we removed nearly 10% of the brand to improve overall quality. We took a largely American brand and have strategically deployed it across six continents. We now have 54 DoubleTrees in Europe and 37 in Asia, all where we previously had none. We have an additional 159 DoubleTrees in the pipeline globally, with nearly 80% outside of the US, and its RevPAR index has increased over 700 basis points since 2007.

Home2 Suites by Hilton continues to gain momentum, as owners and guests love its value proposition. Since its launch in 2009, 45 Home2s have opened with another 165 hotels in the pipeline. In fact, we signed nearly a hundred Home2s in 2014 alone.

We've successfully launched two new brands in 2014, both with a large base of signed deals; Curio—A Collection by Hilton includes hotels that retain their unique identity, but also deliver the many benefits of the Hilton system. Curio currently has five hotels open with 23 in the pipeline or with signed letters of intent.

Canopy by Hilton debuted only four months ago and is redefining the Lifestyle segment by creating a more accessible Lifestyle brand. Canopy currently has 15 hotels in the pipeline or with signed letters of intent, and we expect to open the first Canopy within a year.

On the value enhancement front, late last year, we announced an agreement to sell the Waldorf Astoria New York for \$1.95 billion, subject to a 100-year Management agreement with the buyer, Anbang Insurance. As part of the transaction, Anbang also agreed to complete a major renovation to restore the Waldorf to its historic grandeur. We are very pleased to have completed this sale and as of yesterday, we have closed on all five previously announced acquisitions, as part of the 1031 exchange, for a total of \$1.76 billion.

In order to identify the properties for the 1031 exchange, we conducted a very thorough process, beginning before we announced the Waldorf transaction. We screened for high-quality urban and resort assets in very strong growth markets that complement our existing portfolio, with the objective of maximizing long-term value. Adding the Hilton Bonnet Creek, the Waldorf Astoria Orlando, The Reach and Casa Marina Waldorf Astoria Resorts in Key West, and the Parc 55 in San Francisco, will expand our portfolio of owned hotels in Florida resort markets and San Francisco, a key growth market. The Parc 55, which represents over a third of the purchase portfolio by number of rooms, will be a new addition to the Hilton Hotels and Resorts brand. We expect that these hotels will not require any meaningful incremental cap ex in the near-term.

In the end, we sold the Waldorf Astoria New York at a premium multiple. We have acquired great institutional quality assets in key urban and resort markets at a blended multiple below our current trading multiple, have executed the purchases very quickly, and as a result have captured a very significant EBITDA and value arbitrage.

Now, let me update you on our outlook for the year. On the heels of better than expected performance in 2014, we expect continued strong fundamentals to drive another great year in 2015, particularly in the US, where GDP growth forecasts were recently revised upward. We think this bodes especially well for our portfolio, given that 78% of our Adjusted EBITDA comes from the US market.

The year is off to a good start and while there's been some disruption due to weather, we still expect to have a strong first quarter. For the year, we expect mid to high single-digit RevPAR growth in the US, supported largely by a strengthening economy, a gradually improving labor market, rising corporate profits, combined with below average supply growth.

We expect strength in San Francisco, Florida, Chicago, and Boston, continued recovery in Washington DC, and ongoing challenges in New York. For the Americas region, outside the US, we anticipate mid single-digit RevPAR growth for the full year, given strength in Mexico and Ecuador, tempered by some softness in Colombia, Argentina, and Brazil. We expect performance in Europe to remain generally stable, with RevPAR growth in the mid single-digits for 2015.

Our guidance assumes solid fundamentals in the Western and Southern regions, boosted by strong Group business. Continued uncertainty in Russia and the Ukraine, however, will likely pressure performance in the East, while France remains soft. The Middle East and Africa region continues to recover nicely with improving economic growth likely to drive mid to high single-digit RevPAR growth for 2015. Egypt, in particular, is showing great momentum with some headwinds on the Arabian Peninsula from less Russian inbound demand.

Finally, in Asia-Pacific, we remain optimistic due in part to strength in Japan and India, and positive momentum in Thailand. In China, we expect relatively strong RevPAR in the 6 to 8% range, and overall regional RevPAR growth in the high single-digits for 2015.

Overall, our anticipated growth rates for 2015 around the world are largely stable to increasing, compared to last year. That leads us to be optimistic about the year, expecting a system-wide RevPAR increase of 5 to 7%, about two-thirds of that driven by rate. We continue to expect net unit growth of 40 to 45,000 rooms for the year, a 6 to 7% increase in Managed and Franchise rooms.

Our Adjusted EBITDA guidance for 2015 is 2.79 to 2.87 billion, reflecting the sale of the Waldorf Astoria New York, the subsequent completion of the 1031 exchanges, and changes to our Adjusted EBITDA presentation, which Kevin will cover in more detail shortly.

In summary, we feel great about the performance in the fourth quarter and for the full year 2014, and also feel great about the set-up for this year. In addition to strong industry fundamentals, our Company-specific attributes including large-scale and unmatched geographic and price point diversity, that create a loyalty effect, should continue to drive market share premiums, as well as top line, bottom line, and net unit growth outperformance.

With that, I'm happy to turn the call over to Kevin to cover things in a little bit more detail.

Kevin Jacobs: Thanks, Chris, and good morning, everyone. As Chris mentioned, we are very pleased with our results for the fourth quarter which beat our expectations. In the quarter, system-wide comparable RevPAR increased 6.6% on a currency neutral basis, driven by a 3.1% increase in average rate, and a 2.3 percentage point increase in occupancy to 71%. On an actual dollar basis, system-wide RevPAR increased 5.3% in the quarter.

Diluted earnings per share, adjusted for special items, totaled \$0.17, an increase of \$0.06 over the fourth quarter of 2013, driven by higher operating income and lower interest expense, partially offset by higher income tax expense.

Total Management and Franchise fees were 383 million in the quarter, an increase of 15% over the fourth quarter of 2013, driven by both top line and net unit growth. Total fee growth was over 15% for the year, exceeding our guidance.

We continued to see strong growth in our base, incentive management, and franchise fees, which increased 11%, 20%, and 17%, respectively for the year. As new hotels enter our system at published franchise rates that average 5.4% and existing hotels relicense or change owners and step-up to those published rates, our effective franchise rate continues to increase, growing 10 basis points for the year to 4.65%.

In our Ownership segment, Adjusted EBITDA for the quarter was 269 million, an increase of 6%. For the year, Adjusted EBITDA was approximately \$1 billion, and when adjusted for a non-comp increase in affiliate fees and a one-time gain on a lease we were bought out of in the first quarter of last year, was 10% higher year-over-year. Operating margin growth at Americas Owned and Managed Hotels grew nearly 150 basis points for the year.

Our Timeshare Adjusted EBITDA of 102 million in the quarter was 11% higher than the prior year. This was primarily driven by higher third-party sales and commissions, including a successful start to sales at the fee-for-service Grand Islander Tower at Hilton Hawaiian Village, lower SMG&A expense, higher Transient rental, and improved club margins. Early registration of New York Timeshare units benefited the fourth quarter by approximately 12 million in Adjusted EBITDA, which we expect to reduce first quarter of 2015 Adjusted EBITDA by the same amount.

We continue to gain great traction in transitioning our Timeshare business to a capital-light business with 66% of intervals sold in the

quarter developed by third-parties. Our inventory includes over 130,000 intervals or about six years of inventory at our current sales pace, 82% of which is capital-light. Over 60% of our timeshare sales are now from new rather than existing timeshare owners, essentially the inverse of our competitors, which should drive stronger, more sustained system growth over time.

Finally, our Corporate and Other segment was 293 million for the year, on the low-end of our guidance of a 3 to 5% increase. Growth across all regions supported favorable results in the quarter. Strength in the Americas continued as expected, specifically in the US, RevPAR increased 6.8% in the quarter with rate gain accounting for just over half of that growth. Results were driven by both continued strong Transient demand, as well as accelerating growth in Group revenue at our full-service hotels. As expected, calendar shifts somewhat tempered growth in November.

RevPAR at our US-Owned and Managed properties rose 7.3% in the quarter, due to robust Group performance in the San Francisco, Chicago, and Los Angeles markets, where Group revenue increased between 15 and 25%. Our Hawaiian properties also benefited from strong Group business, posting over 10% RevPAR growth in the quarter. While our hotels in the East benefited from strength in Florida and Boston, solid momentum also continued in DC, given particularly strong Transient business.

In the Americas outside the US, RevPAR grew a solid 6.5% for the quarter, as Transient strength drove meaningful ADR increases in Brazil, Argentina, and Colombia, offsetting softness in Puerto Rico, as a weak Group business weighed on rates in that market.

Moving into Europe, a gradual recovery led to regional results that were modestly better than the third quarter. RevPAR grew 6.9% in the quarter, driven by a 330 basis point rise in occupancy and a 2.2% rise in rate. Additionally, growth accelerated versus the region's 5.7% average RevPAR increase over the prior three quarters. Results were boosted by especially strong Group business in the UK and Rome, coupled with steady fundamentals in Germany, but were somewhat hindered by persisting challenges in Eastern Europe, where declines in Israel and Russia offset strong performance in Turkey. Ongoing economic issues in France pressured fundamentals, resulting in continued softness there.

Sustained improvement in the Middle East coupled with easy comparisons offset softness in Africa and resulted in strong RevPAR growth of 6.7% in our Middle East and Africa region in the quarter, meaningfully ahead of the 3.6% average increase over the prior three quarters. Growth was entirely occupancy driven and largely supported by robust performance in Egypt, which benefited from large Group volume and easing comparisons, and mitigated the effective weakness in the Arabian Peninsula, which suffered from a

slowdown in Russian demand. Increased competition hurt fundamentals in Saudi Arabia, while Ebola-related travel restrictions adversely impacted our hotels in Africa.

In the quarter, RevPAR in the Asia-Pacific region grew 2.9%, partially driven by lower Group business in mainland China, which posted 2.8% RevPAR growth. Full year RevPAR growth in China remains strong at nearly 6%. Fundamentals in Japan remain solid with RevPAR up roughly 8% in the quarter and in Australia as well with RevPAR gains in the mid single-digits, benefiting from the G20 Conference in Brisbane. Southeast Asia continued to struggle with Thai resorts fell short of expectations, offsetting encouraging signs in Bangkok where demand finished ahead of expectations over the festive period.

Turning to our balance sheet, we ended the quarter with total cash and cash equivalents of \$768 million, of which 202 million is restricted. At the closing of the Waldorf sale and the 1031 exchange acquisitions, we fully repaid the \$525 million mortgage on the Waldorf, and assumed a \$450 million mortgage on the Bonnet Creek Resort, reducing leverage by about 75 million in the process.

We continue to use substantially all of our free cash flow to prepay debt and in turn build equity value for our shareholders. In the quarter, we made voluntary prepayments of \$300 million on our term loan, which brought our total voluntary debt prepayments to 1 billion in the year, and our overall net debt to Adjusted EBITDA ratio to 4.2 times.

Our leverage target continues to be 3 to 4 times net debt to Adjusted EBITDA. With our expected EBITDA growth in 2015, including incremental contributions from the completed 1031 exchange, and anticipated voluntary debt prepayments of 800 million to \$1 billion, we expect to be within our target range during the second half of the year. At that point, we will explore returning capital to shareholders, most likely starting with the introduction of a dividend.

Before we get into our outlook for 2015, I wanted to take a minute to discuss the impact of the strengthening dollar on our results. Over 80% of our full year 2014 Adjusted EBITDA is in US dollars or currency pegged—currencies pegged to the dollar. Other than hedging certain of our intercompany exposures, it has not been our policy to actively hedge our cash flow.

Our FX exposure is somewhat offset by in-regional overhead and cap ex, but given the recent sharp movements of the US dollar against the euro, Australian dollar, and yen, we're expecting 35 to \$45 million of

FX impact to our Adjusted EBITDA outlook and have built this into our 2015 guidance.

Turning to that guidance, as Chris mentioned, our system-wide RevPAR guidance is between 5% and 7% on a comparable currency neutral basis. Ownership segment RevPAR is expected to be between 4% and 6% on the same basis. To facilitate comparison with our competitors, we will be revising our presentation of Adjusted EBITDA going forward, to add back all share-based compensation expense. All of the guidance that I will walk through in a moment is based on the revised Adjusted EBITDA presentation, as well as the completion of all 1031 exchange transactions, including the approximately \$100 million of remaining Waldorf sale proceeds with which we intend to purchase one or more additional US-based strategic assets within the next six months.

With that, we are expecting an Adjusted EBITDA range of between 2.79 billion and 2.87 billion for 2015. We expect diluted EPS, adjusted for special items, to be between \$0.78 and \$0.83 for the full year. We expect Management and Franchise fee growth of 11% to 13%, we expect Timeshare EBITDA of between 335 million and 350 million and for the Corporate and Other segment, to be roughly flat for 2015.

Cap ex spending excluding Timeshare inventory is expected to total approximately 350 to 400 million, including about 265 million to 285 million in hotel cap ex, which represents roughly 6% of Ownership revenue.

For the first quarter of 2015, we expect system-wide RevPAR to increase between 5% and 7% on a comparable currency neutral basis, driving Management and Franchise fee growth of 11% to 13%.

We expect first quarter Adjusted EBITDA of between 555 and 575 million and diluted EPS, adjusted for special items, of \$0.10 to \$0.12.

Further detail on our fourth quarter results and updated guidance can be found in the Earnings Release we distributed earlier this morning.

This completes our prepared remarks and we're now interested in answering any questions you may have. So that we may speak to as many of you as possible, we ask that you limit yourself to one question and one follow-up.

Sally, could we have our first question, please?

Operator: At this time, I would like to remind everyone, if you would like to queue up for a question, please (inaudible) phone receiver and press star, followed by the number one on your telephone keypad.

Your first question comes from the line of Carlo Santarelli with Deutsche Bank. Your line is open.

Carlo Santarelli: Hey guys, thanks for taking my question. Just (inaudible) Kevin, to your comments on Europe. Obviously, the results in the quarter of plus almost 7% on a RevPAR basis were impressive. Are you guys and I know you called out a little bit of pockets for 2015, of where you're expecting strength and some softness? But, you know as you think about in the quarter, could you kind of identify maybe where some of that strength came from? Then, in addition, as you think about your guidance for next year and the FX headwinds, which you've quantified, have you guys thought at all about the impact of the dollar appreciation and inbound travel to the US on any specific markets?

Kevin Jacobs: Yes, sure, Carlo. On Europe, I think you're asking about the outlook and I think we expect to continue to see strength, you know, where we've seen it, in Western Europe, a little bit in Southern Europe tempered by continued difficulties in Eastern Europe in certain markets like France. But generally speaking, we think the trends in Europe are positive and will continue in that direction, which is reflected in our guidance.

On the FX side, we have, you know we continue to think about FX, as I mentioned historically, we've not hedged our cash flow exposure. You know, it remains a relatively small portion of the business and although 35 to \$45 million is more than we've seen in the last couple of years for FX, you know, given the—what I would view as relatively sharp movements recently in the dollar versus other currencies, we'll continue to look at that.

If expectations are such that that trend is going to continue to be that strong, you know, we might change course. But historically, we haven't viewed it to be our job to bet on currency movements. Then in terms of, you know, impact to major markets in the US, so far, we've not seen really any impact at all.

Carlo Santarelli: Great, thank you, and then just quickly, if I could. As you guys do think about and I know Kevin mentioned the second half, the institution of a dividend. When you try and think about the Investment Grade rating and you think about the various pieces of capital, what kind of leads you to the conclusion that that dividend would be your preferred means of capital return at this stage?

Christopher Nassetta: Carlo, it's Chris. I think as Kevin said in the prepared comments, it's where we think we would start. I don't think we view certainly intermediate or longer-term, that it is the only way that we should return capital. We are, you know, committed to our leverage goals of being 3 to 4 times and I think we've been pretty consistent about that, and consistent that when we get there we think that that is the strength of balance sheet that gives us all the optionality that we need in good times and bad.

You know, once we get to that point, we didn't want to overcook the balance sheet, and then we'd be looking to start to return capital. We'd be looking to do that initially, with the institution of a dividend and get in-sync with our competitive set. Then to the extent that we had excess cash flow beyond that and that within the constraints of being at our targeted leverage levels, we would look to other forms of return of capital.

I think in today's world that would—it would look like a stock buy-back, but I think at the time that we actually institute it, obviously we're going to get a sense for the marketplace, as we can as to what people are looking for as shareholders to return the excess cash flow of the Company to the owners of the Company.

But I think, the first step I think we've always thought is to get synced up with having a modest dividend because our competitive set does, and our sense is it would be good to open up to another base of investors, in the sense of getting yield investors and to be synced up with our competitive set, as we talk to investors out there.

Carlo Santarelli: Understood. Thanks, Chris.

Operator: Your next question comes from the line of Harry Curtis with Nomura. Your line is open.

Harry Curtis: Hey, good morning guys.

Christopher Nassetta: Morning, Harry.

Harry Curtis: Chris, a question that we seem to get more often than not, is your view on the lodging cycle. There's some view that it'll be over within the next year or two. Just generally, can you give us your thoughts on how this cycle might be different than prior cycles?

Christopher Nassetta: Yes. Harry, I sort of remain very optimistic about where we are in the cycle, sort of mid-cycle, and not to oversimplify it, but it is sort of driven by the laws of economics. I think, you know, using the US as a surrogate because it is nearly 80% of our business, what we see in this market—what we see broadly around the world, as I said is either stable or getting better.

We see in the US market, a demand equation that's getting modestly better as broader economic growth is getting better which we think is going to continue to drive very strong Transient results. Group business is coming back, as we've seen, and reported both last year and as we look at position and pace coming into this year. So we think driven by broader economic growth demand, demand is growing, and it is still being matched by historically low levels of supply. With 2.5% as the 30-year average, you know, last year was 1%, looks like this year will be a bit over that, but still far below the 30-year averages in a market condition where demand is growing modestly.

That leads us to be quite optimistic about the next several years. One of those things has to change materially for us to be less optimistic and I, at least, don't see that in the horizon, over the short to intermediate-term. So we feel good about it and results that we delivered last year, sort of the set-up we see in real-time in the business, happening today and pace and position going forward, all generally support that.

So, again, just driven by basic economics, we feel very optimistic.

Harry Curtis: Excellent and then the second question, going back to your comments about the dividend, but in a bigger topic, which is value creation strategies. Beyond the dividend, are there any moves that you can make with respect to corporate structure? Does that make sense at some point in the next year or two that would create incremental value?

Christopher Nassetta: Be more specific.

Harry Curtis: REIT spin-off.

Christopher Nassetta: That's what I thought you were asking, but I wanted to make sure.

Harry Curtis: I was too subtle, sorry.

Christopher Nassetta: Yes, now I know. No, we certainly have been asked that a few times and had talked about it including on most of our earnings calls. I think our view is the same, which is we are constantly looking at the real estate, obviously, to maximize the value like we've done with a number of our big value enhancement opportunities, most recently with the Waldorf, creating a huge value arbitrage.

We look at the bulk of the remaining real estate, to think about how we maximize that, in terms of operations, value enhancement, ROI opportunities. But also, is there an opportunity, structurally, to sort of

separate the businesses in a way that would create value. With the underlying sort of emphasis, it's an obvious statement, but we're saying that it's all about maximizing value and creating value. So that is how we look at it.

When we look at it, including recently, and we look at sort of a tax efficient way of doing it, it's likely through a structured transaction of a separation of the business which then starts to, in the analysis, require you looking at a market basket of multiples in the opco/propco world. When we look at that, while there's been a little bit more separation over the last three or four months, the reality is, you know, when you look at a market basket, there's not enough separation relative to the incremental cost, one-time costs of doing it, and incremental costs of having two entities or enterprises versus one, where on paper, we think that there's a significant value arbitrage.

We are not resistant to the idea, by—you know, I think to the contrary. We are really driven just by the ultimate value arbitrage. We don't see it at the moment as being a meaningful arbitrage, to the extent that we—that that changes, we will be the first to be interested in pursuing the option.

Harry Curtis: Okay, thanks, Chris.

Operator: Your next question comes from the line of Joel Simkins with Credit Suisse. Your line is open.

Joel Simkins: Yes. Hey, good morning guys. I have to ask the obligatory Timeshare question and obviously, your business is thriving. It looks like you're going to the only major lodging company with a captive timeshare business. Chris, what are your thoughts on that business and at some point, would you also contemplate a spin there?

Christopher Nassetta: Well, I knew we'd get that question and it's a totally fair question, given what others have been doing. I'd say again, I'd start to comment by saying our objective and job is to maximize value. So to the extent there are things that we should be thinking about structurally from the standpoint of the engineering of the Company, if you will, that would create more value, assume that we're going to be looking at those things, real estate, Timeshare, or any segment of the business.

Having said that, and you sort of implied it Joel in your question, we think our Timeshare business is different. I know everybody would say they're different, but we think it is different and special in the sense that we've set out a course four years ago to really transform that business, and get out of the capital-intense part of it, and make it much more like the Management and Franchise business, which is such a profitable, high-margin business.

We have had tremendous success, if you look at the numbers; the majority of the sales now are in the capital-light segment. You know the amount of capital that we're absorb—you know, that we're consuming in that business is a fraction of what it's been and going down. We've grown our inventory by 60% in the last year and we now have six years of inventory—Kevin covered it, over 80% of which is capital-light, which I think gives you a sense of where the business is going in terms of consuming capital and overall returns as the capital need goes down.

Importantly, it's our most loyal customer in the sense of not just being loyal, they love our Timeshare business, but they are a very active supporter of the hotel side of the business, spending a huge amount of money in the hotel side of the business. So for all those reasons, we like the Timeshare business because I think our business is different and we've done, I think, a good job of transforming it into something that looks and feels a lot like the rest of the business and we think should have a value that looks and feels more like the rest of the business.

But in the end, you know, we are all about creating value and so we're—that's the view—we're committed to the Timeshare business, but we're also always have our eyes open, and are always trying to be thoughtful about any opportunities we have to continue to create more value for shareholders.

Joel Simkins: Sure and one quick follow-up. Obviously, your domestic pipeline continues to be strong. You have some—you have a lot of competitors out there. You have some people trying to play catch-up. As we get a little bit deeper in this cycle and there's incremental competition for franchising deals, are you seeing some of the terms struck out there change and does that require you guys to commit some capital to any future deals?

Christopher Nassetta: Not really and not materially. I mean I think, again, this sort of—it's self-promotional, you know, for the Company, but it happens to be true; I think the strength of our brand speaks for itself. You know, average market share of 115%, most of what's getting done in the US is in the limited service space. We have, you know, pretty much either at the top or category-killer brands, in terms of market share, and you're entering into a multi-decade sort of agreements with people. I think they care deeply about what that ultimate performance is going to be and I think that that's the reason why we are getting, you know, a disproportionate share of the development in the US is because of the strength of those brands.

We do occasionally, obviously, do supplement for important strategic deals with key monies mostly, very rarely anything else. I haven't seen any dramatic pattern either way. I think probably the best sort of best news or harbinger of things to come is we've actually successfully been

moving our average franchise rates up. So if you really get down, most of what's getting done in the US, almost everything getting done in the US is limited service, and its franchise. Our pricing power has been growing, not shrinking in terms of what we're actually able to charge owners and get them to continue to want to sign up with us and build our hotel because of the strength of those brands.

So, short—long-winded way of—short-winded way of saying what I just said, is we haven't seen any—we're still having great success in the US. I haven't seen any real material difference. We signed, as I said, on average one deal a day last year. So, we're—we've got good momentum coming into 2015.

Joel Simkins: Thank you.

Operator: Your next question comes from the line of Robin Farley with UBS. Your line is open.

Robin Farley: Great, thanks. Two questions. First, can you throw a little color on your China RevPAR guidance for next year's up 6 to 8%. I don't know what it was in Q4 specifically, I mean it's in the 8 category, but if you could give a little color on that, specifically? Then, what would be driving the acceleration in 2015 in your view because I don't know that there's sort of a general view of the economy there? I was looking for acceleration.

Christopher Nassetta: Yes. For the full—good question, Robin. For the fourth quarter, for a bunch of sort of hotel specific reasons, we were in the 3% range in China. For the full year, we were sort of 6-plus. We think it's sort of in that range again this year, you know, on a comp basis. Has a lot to do with sort of where our hotels are both sort of diversity of the markets, as well as the individual locations in those markets.

We've had a good, you know—I mean China's obviously seen some slowdown in broader economic growth. It's still one of the highest growing markets in the mid to high single-digits in the world. While we have seen RevPAR growth rates temper over the last two or three years, we're still managing to drive pretty healthy growth and we think we will.

The other thing that's sort of happening in China which is nice to see early days, is you're starting to see the food and beverage side ease up a little bit. So, we're watching that very carefully with a lot of what's been going on there, you know, sort of government austerity setting the tone for the broader market. You've seen ancillary spend really impacted over the last couple of years, as I talked to our teams in China, you know, real-time, you know talk to our team over there every week. It feels like—they feel like they're at the

beginning of a little bit of a recovery. The purse strings are loosening up a little bit more in the ancillary spend area.

So I think, China's I think a good story, I think from a growth point of view. You know, continue to make really good progress. We signed more deals in China in '14 than we did in '13. Now the complexion of those deals was different, you know, it was a much heavier component of limited service which is what we have been sort of planning on and driving towards, because we think that's how we're going to get broad distribution. So we feel good about the China story, but the specific answer is it relates to individual assets and markets and locations. But we feel pretty confident in that range.

Robin Farley: That's great, thanks. Then my other question was your incentive fee growth, I guess what's imbedded in the total fee guidance for '15—is that 11 to 13%? Because with incentive fees, it looks like they were up really strongly in Q4 and is that something that we should see as we're moving here later in the cycle, that we would see accelerate?

Kevin Jacobs: Yes, Robin. I think that, you know, we had a couple of one-time items that affected both '14 and that are going to affect '15. But if you unpack that really for both years, it's kind of high-teens growth rate. That is something that as we've discussed in the past, as we open up more managed deals outside the US that are international format, with IMF that's based on a percentage of GOP versus the more standard US format, which is based on a clearing and owners priority return hurdle, you should see that growth rate accelerate, but if you unpack again, the one-time items, the growth rate is relatively—is basically similar for '14 to '15.

Rabin Farley: Was there a big change then in the US hotels paying incentive fees, at what percent at (cross talking).

Christopher Nassetta: It broadly moved up into the high-50s, from sort of the low-50s, and we expect the contribution rate to go from the high-50's to the low-to mid-60s in '15.

Robin Farley: Okay, great. Thank you.

Operator: Your next question comes from the line of Thomas Allen with Morgan Stanley. Your line is open.

Thomas Allen: Hey, good morning guys. Thanks for all the color on the regional RevPAR expectations for 2015. But just focused on the US, a big debate in the market is just related to the performance of kind of the higher-tier hotels versus the mid-tier versus the lower-tier hotels. You obviously have a good mix among the chain scales. Could you just give us your expectations for 2015 of chain scale performance? Thanks.

Kevin Jacobs: Yes. I mean maybe I'll—Thomas, thanks for the question. I know, we've been answering that a lot. I'm going to maybe oversimplify it, but I think it'll get to the answer you're looking for. If you look at last year, obviously, I'd sort of break it down to upper upscale and above, and mid-scale and below, because I think that broadly is sort of where you've seen performance differentials.

Last year, the lower end of the business underperformed. If we look at our—if we blend that all together by about a hundred basis points the—excuse me, outperformed, the lower-end outperformed the upper-end by about a hundred basis points, and that was on the sort of back of very strong Transient growth. If we look at what we expect, both what we're seeing this year, what we see in our Group booking pace, what we see in the patterns in the upper upscale and above, we think that converges this year and is roughly equal when we actually blend that together.

That is because we expect continuing Transient strength broadly, but in the upper end of the hotels, you're now going to start to get more of the benefit of that Group base, which is not only giving you more volume and higher rated groups, but it's giving you more leverage to leverage the better Transient business, because you filled the big block of rooms with Group and more so than last year.

I would expect, as I've seen pretty much in every cycle, I don't think this cycle is different in that regard. You know, as you get beyond this year, I would think it will flip around. I think you'll have the higher-end of the business outperform. But this year, our best numbers are saying a consistent level of performance between the averages of those two big segments.

Thomas Allen: Okay and then just on your—the five assets you recently bought. You know, I thought it was interesting that you bought two hotels in Orlando and you've been kind of shifting exposure away from the New York market. Can you just give some more color on kind of your expectations A) around Orlando, and the strength of that market, then also on New York? Then, just an update on your relative exposures, now that you sold the Waldorf and you bought those other assets? Thanks.

Christopher Nassetta: Yes. I will take the last one first. Our relative exposure in New York's going from 8% to a little less than 5%, you know, New York centric in terms of EBITDA contribution. In terms of the assets, I would say broadly, first of all, in Orlando it's really one asset, I mean we talk about it as the Waldorf and the Hilton, but if you've ever seen it, it's two towers connected by the meeting space, it was built as one complex. It's an amazing complex. We've been obviously involved from the beginning of it, in a great location adjacent to

Disney, that has been building and building in terms of momentum of the Group business and being able to leverage off of that for leisure business, given its location. We have very high expectations of the performance of that asset in that location in Orlando.

Key West, you know, the two assets, again, sort of run as one asset. It's probably in the US, one of the hardest to duplicate locations. It's not like you can pop up hotels in Key West; there's a pretty limited amount of land. We feel very good about not just short-term, but long-term value and performance on that. Then San Francisco, I think everybody's pretty up to speed on San Francisco. You know, a great asset, essentially adjacent to our existing Hilton. We can run it as basically one big hotel. We can garner efficiencies out of both sides. We can drive by bringing in the Hilton system. We can drive incremental market share in what is one of the strongest growth markets in the country.

When you blend it all together, the way I would look at it is, short to intermediate term, the growth rate from a RevPAR and even a point of view, is probably about double what we exited. Forgetting even the multiple arbitrage, the RevPAR growth rates on average will be in the very high, you know, sort of high single-digits and the EBITDA will be in the double-digits, and both of those will be meaningfully higher than what we would have experienced with the prior assets.

Thomas Allen: Very helpful. Thank you.

Operator: Your next question comes from the line of Joe Greff with JP Morgan. Your line is open.

Joseph Greff: Good morning, everybody. What continues to surprise us, nicely surprise us to the upside, is the level of occupancy gains that you finished on a system-wide basis in the Americas, little bit north of 75%, system-wide just below that. I'm presuming that that or above your prior peak. Maybe can you talk about what you're doing to incent your Managers to push price, maybe that's different than a year or two years ago. When you think about your US RevPAR guidance for '15, what's the mix there between rate and occupancy gains? Then I have a quick follow-up.

Christopher Nassetta: Great. Yes, we have been doing I think a really good job on occupancy. We finished at historically high occupancies last year. They were up to 240 basis points in occupancy. We do not think we will repeat that this year. Although I will say, embedded in our guidance is probably 1.5 to 2 points in occupancy, which will mean we'll be at yet another historical high. You might say, why, and are you driving rates, sort of embedded in your question or the second part of your question is are you doing enough on rate.

I think the answer is yes, and I think it is that not all days are created equal in our business, in most markets. You know, Monday through Thursday, we all know is a very different experience than Friday through Sunday, not everywhere, but in most places. So what we really try to do with our teams in their final analysis of business is bifurcate that into being super strategic about how we're pricing in the high demand periods, and being thoughtful about how we price in the lesser demand periods. But recognizing if we can get, fill those rooms at reasonable rates, that net cash flow, the properties, the bottom line is going to be better. So I know that all sounds easy, but it's not and I think the short answer is one size does not fit at all.

But that's where we're getting this occupancy gain is really a lot of leisure and a lot of weekends and some off-peak—just being smarter and being more aggressive further out in time, where we know we're going to have weaker periods. If you look at rate versus occupancy this year embedded in our numbers, sort of we're going from roughly 55—roughly 55, 45 or excuse me, roughly 50-50 to 65-35. So there's definitely a step up. But we want, we want that weekend and off-peak occupancy and I do think we'll get 150 to 200 basis points. It will obviously start to temper, you know, sort of there's only so much more we'll be able to do. It will be tempered I think as we get into next year and beyond. Did I miss—you had a lot of questions embedded.

Joseph Greff: Yes, but you touched on it Chris. One follow-up I have and you may have said this before or I may have missed it in a lot of the data points that you talked about, but looking at your system-wide RevPAR guidance of 5 to 7, that's on the currency-neutral basis. If we were to look at it adjusted for where the US dollar is relative to the yen or Australian dollar and the euro, what would that be?

Kevin Jacobs: It would probably be 4 to 6, Joe, there was about a point in there probably for conversion to actual rates.

Joseph Greff: Great. Thanks guys.

Christopher Nassetta: Thanks Joe.

Operator: Your next question comes from the line of Felicia Hendrix with Barclays. Your line is open.

Felicia Hendrix: Hi, good morning. Thanks for taking my questions. Chris, in your prepared remarks, you said that the Group revenue position was up in the mid single-digits for 2015 for the Americas. I was just wondering, could you give us the rate and volume components of that? Then also, can you tell us what you're seeing both in the quarter, for the quarter bookings, and then farther out for 2016?

Christopher Nassetta: Yes. The split is 50-50 plus or minus between volume and rate on the existing Group position and pace has been very strong. I don't have a first quarter pace number yet, but if I look at that same comp set that I referenced, it's up in the mid single-digits in position. I think the pace in the fourth quarter was up over 50%, 57 is what I recall, but very strong pace.

My impression, while I don't have the final numbers, honestly, January and February combined I saw some very early numbers, it looked like pace was strong, but I don't have an exact number at the moment.

Felicia Hendrix: Okay and then, just along the lines of that question, for third quarter '15 looks like it faces pretty tough comps, maybe you don't have this detail in front of you, but just wondering what you might be seeing in that quarter?

Kevin Jacobs: Yes. It's pretty good. I don't have the specific number in front of me, Felicia, but my recollection is the first part of the year actually on Group is a little bit weaker for us and the middle two quarters are relatively strong. So it is a harder comp, but we've been doing pretty well.

Felicia Hendrix: Okay, great, and then just as a quick follow-up. Just wondering, are you seeing any changes in RevPAR index in any of your major geographies or among your major brands?

Christopher Nassetta: No. We generally have seen modest upward trajectory across the entire portfolio. If we look at our full year index increases, about a half a point for the system, which in the world we live and going up a half a point from the high levels that we're at, we think is very strong. But generally increasing modestly across the brand portfolio; no issues of note in the sense of declines.

Felicia Hendrix: Great. Thank you so much.

Christopher Nassetta: Thank you.

Operator: Your next question comes from the line of Shaun Kelley with Bank of America. Your line is open.

Shaun Kelley: Hey, good morning everyone.

Christopher Nassetta: Hey, Shaun.

Shaun Kelley: I just wanted to follow-up on the Owned portfolio. You said—you addressed the REIT question head-on. So I'll ask a different spin, which is I think basically since we've been doing these calls now, you've started with some Timeshare opportunities in Hawaii. You did some, I guess, clean-up

at the Hilton New York, in terms of monetizing some opportunity in the retail frontage there, and now you've done the Waldorf and been really successful there. Is there anything else, as you kind of move your focus post-Waldorf, that you kind of work on in terms of monetizing or getting a little bit more value out of what you do own in the Owned portfolio?

Christopher Nassetta: Yes, of course. I mean, I touched on it quickly when I talked about sort of the broader real estate portfolio on a post-Waldorf world. I think there are some more value—you know what I would sort of define as value enhancement opportunities, which is more change of use type of opportunities. We've talked about at least one of those, another property in Hawaii, where we've been working with the local municipality and are pretty much done with the process or close to it, to convert one of the towers at the Hilton Waikoloa to timeshare. Now we have other products we're selling in that market, so we're not in a rush to do it, but it will be a great additional supply of product and I think a great way to maximize the value of that asset, which is a great hotel, but too big for the market and relative to air lift into that market, it's always been too big.

We have a couple others that are in various stages of sort of analysis and work that might be, again, components like at the New York Hilton, of existing owned hotels where higher and better use might be some component of timeshare. So I do believe we'll be talking to you about some of those over time in the coming quarters. Then, you know, it's a big portfolio and I don't think we should underestimate that, because it's what we do every day. I should let Kevin talk because he's responsible, you know, ultimately for the real estate side, as well. But ROI opportunities are not insignificant.

I know they are not sexy, doing the Waldorf obviously is sexy, and we're very proud of that and excited about it, but there's lots of investment opportunities in a portfolio this large over time to make what are very modest investments that drive very, very high IRRs. So we've been doing a number of those. I honestly think that we have an opportunity to do even more than we've done. So it may not be, you know, there are a few more to come that are not insignificant, but adding up a bunch of the ROI stuff, I think over time will help create lots of value.

Shaun Kelley: Perfect and my follow-up question would be in a little bit of a different vein. Just any sense or direction you can give us for how many of your, I guess, new hotel agreements or kind of signed franchise agreements come from existing owners versus, I guess, people that are new to the Hilton system or to the Hilton family?

Christopher Nassetta: I think on average around the world it's 75%. I think if you look at it in the US it's like 90%, weak in fact, but that's order of—sort of directionally right. It's the majority of the business and in the US, it's the vast majority of the business.

Shaun Kelley: Meaning new agreements come from existing owners?

Christopher Nassetta: Yes.

Shaun Kelley: Perfect.

Christopher Nassetta: Yes. In the US, I think it's like 80% and I think around—if you blend in the rest of the world, I think it's 70, 75, something like that.

Shaun Kelley: Got it. That's really helpful. Thank you very much.

Operator: Your next question comes from the line of Steven Kent with Goldman Sachs. Your line is open.

Steven Kent: Hi. I only have one quick question which is, in terms of the 6 to 7% supply growth, how much of that is Select Service brands and how are you balancing sort of the Hilton Garden Inn versus the Hampton Inn profile? Why are certain owners picking one over the other?

Christopher Nassetta: Yes. In the 6 to 7, I think implied in this roughly an even split. If you look at, you know, what's under construction around the world today in our 120 whatever thousand, Steve, it's about 60-40 full service and above actually. But that given the growth in the US market, that will sort of flip around a little bit. So I'd say, you know, it's probably 50-50, or probably very close to 50-50. In terms of HGI versus Hampton, it has a lot to do, almost all to do with market demand sort of drivers.

I mean, Hampton is a slightly lower price point and slightly different product, in the sense of more limited services, you know, a little bit smaller rooms, little bit less in the food and beverage, a little bit less all around. It's an amazingly strong brand. As I said, I don't think there is a stronger brand in the business in my opinion.

But it is a little bit different than Garden Inn and so it really depends on the type of demand wanting a more—a simpler product where there is a little bit more need for more, a little more F&B, a little bit of meeting space, a little bit bigger room product, I think it drives towards the Hilton Garden Inn side. So it's really just—the demand in any particular location within a market, what do we think, what would you think the price point is that will drive the economic results.

Steven Kent: Okay. Thank you.

Christopher Nassetta: Thanks, Steve.

Operator: Your next question comes from the line of Bill Crow with Raymond James. Your line is open.

William Crow: Hey, good morning guys, one quick question and then a follow-up.

Christopher Nassetta: Morning, Bill.

William Crow: Hi, Chris. As far as value creation and owned real estate, is it possible that after you've identified all of these additional assets in the 1031 exchange process, that maybe there's an opportunity to take the Hilton New York or Hilton San Francisco and Towers, and exploit the global inflow of money into the US looking at hotel deals, to do something similar, maybe obviously in a less dramatic fashion than the Waldorf or are asset sales beyond the Waldorf off the table?

Christopher Nassetta: Nothing is ever off the table. I mean, we're always looking at, you know, the opportunity for asset sales. I think I've been pretty consistent in saying I don't think there's any really material ones that make sense. I think the Waldorf, Bill, is pretty unique in the sense of that value arbitrage opportunity. The Hilton New York is a New York asset, but I don't think it has the same qualities as the Waldorf that allowed us to do that. So, I don't really see that there.

The other thing is, you know, we did I think a very, very fine job and took advantage of market conditions and frankly took advantage of the fact that we were a quick all cash buyer on its supertanker kind of assets, that allowed us to drive what I would say to you is better than normal market pricing on a multiple basis. I don't think we could do that all the time.

So we did it for almost \$2 billion and we were able to put this together in a way that, you know, we were—we think it's an amazing complement to our profile, the profile of the existing assets that it's joining. Great for the growth rate, et cetera. But one, I don't think you could expect to get sort of market multiples on either the sell or the buy that would create the arbitrage that we were able to create at the Waldorf. I wish that we could say we would, but I don't think that I would lead you down that path.

I think the bulk of the rest of the real estate, with maybe some very minor exceptions, we would think about more as the opportunity to do a structured deal and think about it as a portfolio that you would build that would have good market exposure in the right markets around the country that would, you know, that as a standalone would be a very attractive standalone.

William Crow: Chris, my follow-up is that we've seen an uptick in incoming calls on potential M&A and maybe part of that is emanating from some of the news coming out of one of your peers. Can you just talk about the challenges that you would envision for putting together a couple of brand companies and maybe what the benefits would be ultimately of M&A in the space?

Christopher Nassetta: Yes. I mean, I can't talk about it for anybody else, so I won't. I can talk about it from our point of view and I think one of the things that's very nice about where we are, and I think from an investor point of view, people should think as a real positive is that as a result of what we have put together and how we're making it work, we're able to do what we do, which is lead the industry in the major metrics including an importantly net unit growth as a percentage of installed base, without having to go out and be acquisitive. Why? Because we have these amazing, you know, we have this great scale, geographic distribution, price point distribution, and brands that are underneath it that have the premium market share in the industry and so.

We're adding, you know, as a result of that base, we're able to sort of leverage off of that and add brands like Curio and Canopy and maybe other thing that we can do organically at an astronomically high yield because the investment to add those brands is frankly de minimis, as compared to going out and becoming acquisitive and thinking about inorganic growth.

So the way I think about it from our point of view is the way I've always said it, you would never say never because that is the dumb thing for any CEO to say. If there was an opportunity that we thought that was a great strategic fit, where we can create huge amounts of value, you and we would want to pursue it. But we have not been sort of bounty hunting or particularly acquisitive because we haven't needed to be. We can deliver what we are trying to deliver, which is outperformance across the board, but particularly on our growth without having to do it and we're doing it on a much higher yield basis than going out and buying things.

William Crow: Great. Thank you, guys.

Operator: Your next question comes from the line of Vince Ciepiel with Cleveland Research. Your line is open.

Vince Ciepiel: Hi, guys, thanks for taking my question.

Christopher Nassetta: Sure.

Vince Ciepiel: My question relates to margins within the Owned business. It showed good progress in 2014, so first, maybe, how did that

compare to your initial expectations, and if there was a delta, what drove that? Then secondly, with the Waldorf transaction, how does that impact margins on a year-over-year basis for '15? How much core growth from comp hotels are you assuming in the outlook?

Kevin Jacobs: Yes. Thanks, Vince. It's Kevin. I think relative to the full year for '14, it was roughly in line with our expectations. I think in our Leased portfolio, you know, FX might have hit us a little bit so maybe they came in a little bit lower than we thought. Then going forward, we still think we can maintain pretty good margin growth in the Owned portfolio. I think, as Chris mentioned before, the assets that we're buying do have—we do expect to have higher growth rates on the bottom line than our existing portfolio.

So it will be some improvement. But you got to remember in the context of a billion dollar business, it's not going to move the needle all that much in terms of margins. They will perform better if their outlook comes true, but I don't think it'll move the needle all that much on an overall basis.

Vince Ciepiel: Got it and then a quick follow-up. You mentioned FX; you guys are guiding 11 to 13% fee growth. When you think about the FX headwinds, what type of headwind is it to fee growth within the business and how much of that are you overcoming next year?

Kevin Jacobs: Yes, about 60% of what we're putting into the guidance is in the fee business and about 40% is in the rest of the business, and that's all embedded in the 11 to 13% guidance.

Vince Ciepiel: Great. Thanks.

Operator: Your next question comes from the line of Rich Hightower with Evercore ISI. Your line is open.

Rich Hightower: Hey, good morning, everyone. Thanks for taking the question here. Just one; I was curious for a few more details on the share-based comp add-backs and I know that the guidance build up in the back shows some detail. It does show, I think, a far higher amount of the add-backs relative to 2014. If you guys could just lay out what some of the moving parts are there?

Kevin Jacobs: Yes. We can take you through it, Rich. Some of the detail, Christian and Joe can take you through offline. But you'll recall last year we had a one-time credit from the conversion of some of our programs related to the IPO. So that's really the difference there you see between '14 and '15.

Rich Hightower: Okay. Thanks.

Christopher Nassetta: Yes.

Operator: Your next question comes from the line of Smedes Rose with Citigroup. Your line is open.

Smedes Rose: Hi. Thanks. I just wanted to ask, you might have addressed this, but your RevPAR and your Owned assets is a point below your system-wide outlook. Is there something specifically pulling that down or is it just—I was just surprised given your enthusiastic comments around Group bookings for the year?

Christopher Nassetta: Yes, Smedes, it's really two factors. One is, in the leased estate where the FX that we built into the guidance hits a little bit harder than it does in the rest of the business and then a little bit in New York and that's it.

Smedes Rose: Okay and then, with your Timeshare outlook, it looks like it's down year-over-year for EBITDA. Is that just reflective of the kind of asset-light more management fee type business that you're moving toward?

Christopher Nassetta: It's really, we mentioned, you know, in the fourth quarter, we had a little bit of a timing issue on revenue recognition, where a little bit more came in the fourth quarter which drove our beat in the fourth quarter and we think that that comes out sort of dollar-for-dollar in the first quarter. There's a little bit in there in terms of the mix, as we convert to fee-for-service, but it's mostly that timing issue.

Smedes Rose: Okay. Great. Thank you.

Operator: Your next question comes from the line of Chad Beynon with Macquarie. Your line is open.

Chad Beynon: Hi. Thanks for taking my question. Just a big picture one; we've seen some companies in the industry begin to reward travelers slightly more aggressively with points and perks during the past several quarters. Recently one of your competitors is launching a free world-wide Wi-Fi initiative.

So I guess my question is, when you went through the corporate negotiated rates a few months ago with your partners, are corporates starting to push for more perks in the industry? So maybe if you could give some color on kind of where this is going, and if that matters at all or if it's really just brands and location with your corporates that kind of rule that conversation? Thanks.

Christopher Nassetta: Yes. I think not to give you too short an answer, but I think it's the latter that you described. I do not sense and certainly from a Hilton

Worldwide point of view, that in these corporate rate negotiations or volume negotiations, we're giving more away. Frankly, I think it's becoming more of a seller's market than a buyer's market, so I think we're doing less of that, not more of that. I think some of the things that you're seeing people do on Wi-Fi has to do with sort of a different objective, which is continuing desire to channel shift people in the more direct channels to lower distribution costs. I think I would view that as a good thing, generally, for the industry and for individual players.

Chad Beynon: Okay. Thank you.

Christopher Nassetta: Yes.

Operator: I will now turn the call back over to Mr. Chris Nassetta.

Christopher Nassetta: Well, thank you everybody. We appreciate the time and attention today. I'm very pleased with everything we accomplished last year. As I said, I think it was a banner year and equally pleased with the setup and what we see so far this year and what we expect for the remainder of the year. Look forward to talking to you after our first quarter to give you an update on everything. Thanks again for joining us today.

Operator: Ladies and gentlemen, thank you for your participation. This concludes today's conference call. You may now disconnect.