Hilton Worldwide

Fourth Quarter and Full-Year 2015 Earnings

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CORPORATE PARTICIPANTS

Christian Charnaux – *Vice President of Investor Relations*
Chris Nassetta – *President and Chief Executive Officer*
Kevin Jacobs – *Executive Vice President and Chief Financial Officer*

PRESENTATION

Operator
Good morning, and welcome to the Hilton Worldwide Holdings Fourth Quarter and Full-Year 2015 Earnings conference call. Please note that today's conference call is being recorded.

I will now turn the call over to Mr. Christian Charnaux, Vice President of Investor Relations. Sir, you may begin.

Christian Charnaux
Thank you, Denise. Welcome to the Hilton Worldwide Fourth Quarter and Full-Year 2015 Earnings call.

Before we begin, we would like to remind you that our discussions this morning will include forward-looking statements. Actual results could differ materially from those indicated in the forward-looking statements, and forward-looking statements made today are effective only as of today. We undertake no obligation to publicly update or revise these statements. For discussion of some of the factors that could cause actual results to differ, please see the Risk Factor section of our recently filed Form 10-K. In addition, we will refer to certain non-GAAP financial measures on this call. You can find reconciliations of non-GAAP to GAAP financial measures discussed in today's call in our earnings press release and on our website at www.hiltonworldwide.com.

This morning Chris Nassetta, our President and Chief Executive Officer, will provide an overview of the current operating environment and the company's outlook. Kevin Jacobs, our Executive Vice President and Chief Financial Officer, will then review our fourth quarter and full-year results and provide greater details on our expectations for the year ahead. Following their remarks, we will be available to respond to your questions.

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

Chris Nassetta
Thanks, Christian. Good morning, everyone, and thanks for joining us today. We're happy to kick off what should be an exciting year for Hilton Worldwide with our tremendous development momentum, new distribution initiatives supported by our largest marketing campaign ever, as well as the plan spins of our real estate and timeshare businesses announced this morning.

I think we're well-positioned to drive value for guests, hotel owners, and shareholders alike. While we're confident in our ability to deliver industry leading value over the long-term, we do realize that shorter term macro concerns are weighing on sentiment. Despite increased uncertainty, we remain optimistic that 2016's fundamentals will continue to support top-line growth.

As we noted on our last earnings call, corporate transient demand began weakening in October and those trends continued throughout the quarter and into this year. Corporate transient performance in the US did diverge in the quarter with oil and gas markets seeing declines, while non-oil and gas markets continued to be up in the mid-single digits. Going forward, we expect corporate transient volume to remain highly correlated with GDP and non-residential fixed investment, both forecast to grow this year, modestly lower than last.

Furthermore, corporate negotiated rates, as well as group position, are both up in the mid-single digits this year, providing a good setup for continued growth. When coupled with supply growth that continues to run well below long-term averages, we believe we are poised for solid RevPar growth in 2016. As a result, we expect system-wide full-year 2016 comp RevPar growth between 3% to 5% with rate expected to account for 90% of that growth. This same store growth coupled with accelerating that unit growths should drive high single-digit adjusted EBITDA growth in 2016.

Fueled by the strength of our 12 clearly defined market-leading brands, we opened approximately 50,000 gross and 43,000 net rooms in 2015, representing 6.6% net unit growth in our managed and franchised segment and a nearly 20% increase versus 2014. This was accomplished with no meaningful capital expenditures or brand acquisitions on our part and it included more than 14,000 rooms converted from competitors' brands and independent hotels. We continue to grow our industry leading pipeline, signing over 100,000 rooms in the year for a total global development pipeline of 275,000 rooms, including all approved deals. More than half of our pipeline is already under construction and represents nearly 1 in 5 of all rooms under construction globally, more than any other hotel company.

Our growth rate in coming years will also benefit from our new midscale brand, Tru by Hilton. The brand's innovative design will appeal to a broad range of customers, with a price point 25% lower than Hampton. Its tightly engineered design, relatively small footprint, and low development costs should drive very attractive returns for hotel owners. At its launch last month at ALIS, we had nearly 130 deals in process, none of which were in our reported pipeline. To date, we have over 160 deals in process and more than 1 in every 4 commitments received in January was for a Tru franchise.

We have very high expectations for the growth potential of this new brand and expect to eventually open thousands of Tru hotels with the first opening expected later this year or early next. Tru will also further strengthen our network effect by bringing new and younger customers into our system and offering more opportunities for existing customers to stay with us. We also want to offer customers even more compelling reasons to have a direct relationship with us.

This month we launched our largest global marketing campaign ever, entitled Stop Clicking Around, highlighting key customer benefits of our network and its scale, namely that joining Hilton Honors and booking directly with Hilton offers customers the best value and a better experience. This includes offering Honors members their points, of course, as well as preferential pricing, free wi-fi, and the ability to check-in and choose their room online, as well as straight to room capabilities that we're deploying to all of our hotels globally. By broadly marketing these benefits, we hope to drive growth of our preferred channels, including our industry-leading mobile app that will increase our value proposition to guests, as well as to our hotel owners.

This morning we also announced our intention to enhance long-term value for shareholders by separating our real estate and timeshare business segments, resulting in three publicly-traded companies. We have been clear about exploring our options and strategically managed that process in a way that allowed us to preserve the optionality to efficiently execute spins. We're pleased to have obtained a private letter ruling from the IRS for both spins.

By simplifying our business, each segment should benefit from a dedicated management team with the capital and resources available to take advantage of both organic and inorganic growth opportunities. We believe it will also allow investors to more effectively allocate capital towards businesses more aligned with their objectives. We intend to elect REIT status for the newly-formed real estate company, enabling it to operate in a structure that is competitive with its peers to facilitate access to capital markets and to be more tax efficient.

Currently contemplated to include approximately 70 properties and 35,000 rooms, the real estate company will form one of the largest and most geographically diversified publicly-traded lodging REITS. It will have a high quality portfolio of luxury and upper upscale hotels located across high barrier to entry urban and convention markets, top resort destinations, select international markets, and strategic airport locations. The portfolio will be operated under our market leading brands with industry-leading RevPar index premiums.

We expect the newly formed timeshare company to manage nearly 50 club resorts in the United States and Europe. The company will benefit from an exclusive license agreement with Hilton Worldwide, which will provide the right to market, sell, and operate resorts under the Hilton Grand Vacations brand while also providing access to our strong commercial services platform and loyalty program.

In addition, the timeshare company will continue growing its market leading capital efficient business model. Our intention is to complete these spins by the end of the year with appropriate leadership, strategies and capital structures in place to set all three companies up for success. We expect to file Form 10 registration statements with the SEC, which will obviously contain a great deal of detailed information on these spins. We intend to do that during the second quarter of 2016.

In closing, we are optimistic on the fundamentals and we believe that our clear strategies, scaled commercial engines, and a well-defined brand portfolio that can serve our customers for any need anywhere in the world, should continue delivering long-term value.

I'd now like to turn the call over to Kevin for further details on the quarter and the year. Kevin?

Kevin Jacobs
Thanks, Chris, and good morning, everyone. Our results for the year were quite strong with system-wide comparable RevPar growing 5.4% on a currency neutral basis. Rate gains accounted for two-thirds of full-year RevPar growth. Adjusted EBITDA exceeded the high end of our guidance at $2.879 billion, a year-over-year increase of 13%, with margins increasing 290 basis points.

Turning to our fourth quarter results, overall performance came in largely as expected, although lower growth and corporate transient demand, particularly in focus service hotels, drove modestly lower than anticipated top-line growth. System-wide comparable RevPar grew 3.7% on a currency neutral basis. We saw particular weakness in oil and gas markets, which we estimate adversely impacted system-wide RevPar growth by 50 basis points in the quarter.

Solid results in leisure helped quarterly performances. RevPar increased more than 5%, driven by both occupancy and rate gains. A strong growth in BAR and leisure group business, where revenue was up 7% and 6% respectively, in our America's full-service portfolio also boosted results.

In spite of lower top-line growth, adjusted EBITDA in the quarter increased to $745 million, exceeding the high end of our guidance range. The beat was primarily driven by better than expected corporate and other segment results, franchise sales, and some one-time items. For the quarter, system-wide adjusted EBITDA margins increased a solid 230 basis points versus the prior period, to 41.4%. Diluted earnings per share adjusted for special items increased 29% in the quarter to $0.22, at the midpoint of our guidance range, with an incremental of $0.02 of negative headwind from FX.

Now, turning to our segments. Management and franchise fees totaled $428 million in the quarter, representing a 12% year-over-year increase, which meaningfully exceeded our guidance range. This strong performance was driven by better than expected franchise sales, including change of ownership and application fees, as well license fees. For the full-year, management and franchise fees increased to over 15% to approximately $1.7 billion, as solid RevPar growth at comp hotels coupled with new units continued to drive growth.

In the ownership segment, RevPar grew 3.6% in the quarter, as growth was tempered by softer demand in Chicago, New Orleans, and Key West. Pressure was somewhat mitigated by strong RevPar growth in Orlando, which was up nearly 9% in the quarter, while trends in Hawaii were also strong as a solid group base drove higher transient ADR. Given a favorable group mix, EBITDA at our Hawaiian properties also benefitted from strong food and beverage business. Adjusted EBITDA for the ownership segment was $275 million, up 5% versus fourth quarter 2014 when adjusted for the sale of the Hilton Sydney.

Margins expanded over 150 basis points on the same basis helped by the 1031 acquisitions and greater flow through from rate driven RevPar growth. For the full-year, adjusted EBITDA for the ownership segment totaled nearly $1.1 billion, representing an 8% increase versus 2014 when adjusted for the Hilton Sydney disposition. Ownership margins expanded roughly 170 basis points. Timeshare segment revenues increased to $334 million in the quarter, driven by improved tour flow, which was up nearly 10%, somewhat offset by VPG declines of 2% as we lapped the Grand Islander launch last year. For the full-year, tour flow increased a strong 10% and VPG rose 8%, helping drive full-year adjusted EBITDA to $352 million, which was above the high end of guidance.

We also continued to make progress on our ongoing shift to a capital efficient business with third-party intervals increasing to 66% of intervals sold for full-year 2015, and accounting for 85% of inventory, or 114,000 units. During the quarter, HGV signed another capital efficiency for service deal, the former Westin Orlando Universal Boulevard, which was rebranded as Las Palmeras and will soon be converted to a 226 unit HGV club resort. The property will be HGV's fourth in Orlando.

Now turning to regional performance for the quarter and our guidance for 2016. In the US, comparable RevPar grew 3.8% in the quarter, pressured by demand softness and corporate transient business. Houston and New Orleans struggled with weaker demand due to energy market declines, while increasing supply in New York continued to weigh on pricing power. For full-year 2016 we forecast US RevPar growth in the low to mid-single digits. While we expect concerns in energy driven markets to continue, the effects should wane as the year progresses and we lap easier comps.

The strong US dollar will likely continue affect inbound demand, but to a lesser extent in 2016 than it did last year. In the Americas outside the US, RevPar rose 4.7% in the quarter as strong performance in Central America offset declines in Brazil, owing to a deepening economic recession and weakening currency in that market. For full-year 2016, we expect RevPar growth in the region to be mid-single digits, boosted by the Olympics in Brazil this summer.

RevPar in Europe increased 5% in the quarter, supported by strong market share gains. Strong group business contributed meaningfully to performance across the region, with group revenue up more than 8% in the quarter. Additionally, Germany benefitted from strong leisure growth, which mitigated softer transient business in London and political instability across certain markets. For full-year 2016 we expect low to mid-single digit RevPar growth for the European region.

The Middle East and Africa regions struggled given the shift in timing of the Hajj, which benefitted the third quarter, but led to a year-over-year RevPar decline of nearly 9% in the fourth quarter. Additionally, we saw declines in Egypt driven by cancellations and travel slowdowns following the Russian airliner crash, while the UAE experienced a shortfall in leisure volume. With uncertainty in the region expected to continue weighing on results, our full-year 2016 RevPar assumes a low single digit growth.

In Asia-Pacific region RevPar increased 6.7% in the quarter, as a robust group volume in Japan supported a 15% RevPar increase in the country. An influx of Chinese tour groups drove 18% growth in Thailand and we gained market share, driving our RevPar index up over 2 points in the region.

RevPar growth in greater China decelerated to 3% in the quarter, ending the year up 7%. For full-year 2106, we expect RevPar in the Asia-Pacific region to increase in the mid-single digits, with RevPar in China up 5% to 6% due largely to market mix, continued share gains, and new hotel ramps tempered by a softer economic setup in that country.

Moving on to capital allocation. During the fourth quarter we paid a quarterly cash dividend of $0.07 per share, bringing our total dividend payout to $138 million for 2015. Our board has authorized a quarterly cash dividend of $0.07 per share for the first quarter of 2016. We also reduced long-term debt by more than $230 million dollars during the quarter. Our total debt reduction for the year was approximately $1 billion, resulting in a net debt to trailing 12-month adjusted EBITDA ratio of 3.3 times, down from 4.1 times at the end of 2014.

We remain committed to achieving a low investment grade credit profile and still expect to initiate a stock buyback program later this year. For full-year 2016 we expect RevPar growth of 3% to 5% and net unit growth in managed and franchised rooms of 6.5% to 7.5%, to result in adjusted EBITDA in the range of $3.02 billion to $3.1 billion. That includes $25 million of expected FX headwinds. We estimate adjusted EPS of $0.92 to $0.98 and cash available for debt reduction and capital return of $800 million to $1 billion for the year.

Please note that our full-year guidance does not incorporate the impact of our intended real estate and timeshare spins.

For the first quarter of 2016 we expect 2% to 4% system wide RevPar growth. This is lower than our full-year forecast given late January weather impacts of about 50 basis points, marked softness in select gateway cities such as New York and Chicago, all exacerbated by relatively tough first quarter comps. We expect adjusted EBITDA between $630 million and $650 million, and diluted EPS adjusted for special items of $0.15 to $0.17.

Further details in our fourth quarter and full-year results, as well as 2016 guidance, can found in the earnings release we distributed earlier this morning. I'm sure you have a lot of questions about our real estate and timeshare spins. We unfortunately cannot provide many additional details at this time, but as Chris mentioned, we expect to file Form 10 registration statements with the SEC during the second quarter.

This completes our prepared remarks. We would now like to open the line for any questions you may have. In order to speak to as many of you as possible, we ask that you limit yourself to one question.

Denise, can we have our first question, please?

QUESTIONS AND ANSWERS

Operator
Thank you, sir. We will now begin the question and answer session. To ask a question, you may press star then one on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, you may press star then two. Again, it is star then one to ask a question.

And your first question will be Harry Curtis of Nomura. Please go ahead.

Harry Curtis
Good morning, everybody.

Chris Nassetta
Good morning, Harry.

Harry Curtis
First, I just wanted to compliment you on receiving your PLR. I'm not sure investors really appreciate how tough it was to get it.

Chris Nassetta
Thank you.

Harry Curtis
Just a kind of two-part one question, if I can get away with that. First of all, you've been contemplating the spin for a while and I'm curious if the spin allows the separate companies to undertake growth strategies that they've not done before that would add value. And then turning to Blackstone, there are some concerns that they would have to take their ownership stake down to accomplish the spin. Can you give us some insight into whether or not that has to happen?

Chris Nassetta
Yes, happy to on both fronts. As Kevin said, we're going to provide a heck of a lot more detail when we file our Form 10s to give everybody a really good sense of these companies, but I'm happy to give some directional guidance on that. I'd say the way to look at all three of these companies is—and the reason, in part, for the separation of these companies is to, of course, have dedicated management teams and allow for dedicated investor bases, and it's obviously to create capital markets and cost of capital efficiencies.

We're doing this to create tax efficiencies, and last, but not least, we're doing it to be able to activate all three businesses fully. When we think about activating it, to your specific question, I think that means both organic and inorganic growth. And so I think the way to look at each of these businesses is that they are going to be setup to be the leaders in each of their segments and to be able to do everything that they need to do to be successful and grow long-term value. If that includes inorganic opportunities, then they certainly will have the capability to pursue those.

On the BX question that I know has come up a lot of times, BX does not need to sell down in order for us to complete the transactions in the timeframes that we've talked about.

Harry Curtis
And the followup question would be, there has been some discussion about tax efficiency. Would that be impacted at all by them not selling down?

Chris Nassetta
No.

Harry Curtis
Okay. Very good. Thanks very much.

Operator
Our next question will come from Felicia Hendrix of Barclays. Please go ahead.

Felicia Hendrix
Hi. We get one question, right?

Chris Nassetta
Well, Harry, I guess, carried it a little bit [indiscernible]—

Kevin Jacobs
So I don't know where we're going with that [indiscernible].

Chris Nassetta
All bets are off. Let's start with one.

Felicia Hendrix
Look, I know you guys can't talk a lot about the transaction. I'm going to ask one. Could you just help us think about the capital structure? Would you expect to refinance the debt that's associated with the owned real estate and are there any mandatory payments that are going to have to be made because of the transaction?

Chris Nassetta
Here's the way I think about it on the capital structure. Again, we're going to give you great, a great amount of detail when we file our Form 10. There are no material financings required to get all of this done, as I think we've talked about on prior calls. Just prior to going public, when we put the debt in place, and we had the real estate related debt or the CMBS debt, we set it up to be portable. So it is portable and we can move the debt over.

We may opportunistically enter those markets, because we can improve the situation and have an even stronger balance sheet, but we don't need to do it. So I think the way to think about it is, we may, if the markets are attractive during the timeframe between now and when we execute on the spins, we may, in fact, enter those markets. But there's no major financings required in order to get it done.

Felicia Hendrix
And no mandatory payments?

Kevin Jacobs
And no mandatory payments.

Chris Nassetta
And no mandatory payments, excuse me. Yes.

Felicia Hendrix
And do these plan spin-offs impact your ability to begin share repurchases this year?

Chris Nassetta
Not in a material way, I'd say, giving you a little bit of color on that. In order to get the transactions done, we will, by definition, have one-time costs. There will be friction that we've talked about on a number of occasions on prior calls, in terms of operating three companies instead of one. The net effect of those things is a small amount of incremental leverage, if you just do the math.

We maintain our desire to want to be low-grade investment grade, ultimately, within the Opco business, and that is, we've said, sort of low to mid 3's, I think really in the lower 3's. The effect of having a small amount of incremental debt means that it takes a little bit longer to get there.

We had been talking sort of mid-year-ish, I think directionally. I think it means that we'll be in the second half of the year, but we still have every expectation that we will begin, even with the spins, we will be able to begin a buyback program at some point later in this year.

Obviously, we have a lot of moving parts, at the moment. When you're taking 100-year-old, nearly 100-year-old company and breaking into 3 pieces, there's all sorts of things, structurally, that are going. So we want to get a little bit further down the line, but it would be our intention and I think our credit, even with a very small amount of incremental leverage associated with doing this spin, our credit will be where we would want it to be in the second half of this year.

Felicia Hendrix
So it sounds like both no financial gating factors, but also no regulatory gating factors?

Chris Nassetta
That is correct.

Felicia Hendrix
Okay, great. Thank you.

Operator
The next question will come from Joe Greff of JP Morgan. Please go ahead.

Joe Greff
Good morning, everybody.

Chris Nassetta
Morning, Joe.

Joe Greff
Chris, have you determined who's going to be running the REIT, who's going to be running the Opco? And presumably the timeshare guys will be running the timeshare business?

Chris Nassetta
Yes. That's a really good question. The answer is, you're pretty much directionally right. We have, at HGV, we have an amazing leader in Mark Wang, who will become the CEO of that business. That business is reasonably self-contained. Mark has been running it. He's a 30-year veteran of the business. In my strong opinion, the best guy in that business and I think has been, and will continue to be a great leader of that business.

On the real estate REIT side, we are considering various options at various levels that involve both internal and external candidates, and hopefully, somewhere around the time of the filings or just thereafter, we'll be able to give you a little bit more clarity.

Let me be clear, our objective is really simple. We want the best in all three businesses. We want to have the best management teams in the business and we want each of these businesses to be the clear leaders in their business, and so that will be sort of the philosophy as we build our teams.

Joe Greff
Great, and the REIT that will have the roughly 35,000 rooms, how much of EBITDA is associated with those 35,000 rooms?

Chris Nassetta

We will give you that in our Form 10. I know you're going to get tired of hearing me say that, but we'll give all of that disclosure when we file.

Joe Greff
Great. Thanks, guys.

Chris Nassetta
Okay.

Operator
The next question will come from Carlo Santarelli of Deutsche Bank. Please go ahead.

Carlo Santarelli
Hey everyone, good morning.

Chris Nassetta
Hey, Carlo.

Carlo Santarelli
If I may, I'd like to ask a little bit about the manage and franchise guidance for 2106. You guys are obviously guiding, your fees 7 to 9, RevPar growth 3% to 5%, with unit growth in the 6.5, 7.5 range. Is the entire delta there, just primarily FX, or are there some other things that maybe we should be aware of?

Kevin Jacobs
Carlo, it's Kevin. There's a little bit of FX, but then also if you look at 2015, we had a couple of, I wouldn't even refer to them as one-time, I'd refer to them as more timing items that caused 2015 to come in a lot higher than we thought at 15% in that segment. So we're lapping those comps a little bit, so that's all it is.

Carlo Santarelli
Okay. So more of a smoothing over the two-year, then?

Kevin Jacobs
Correct.

Carlo Santarelli
Okay. And then if I could just followup just a little bit on what you guys are seeing, specifically in the leisure segment with respect to more kind of current environment pricing ability, and the ability to drive rate, would you guys be able to provide some color on that?

Chris Nassetta
Yes. I think the way to think about the business is you're seeing there are areas that have been a little bit weaker, and that's really been IBT, individual business traveler, segment has been weak for the reasons that we articulated in the prepared comments and that I know everybody's been talking about.

BAR's been quite strong, so that would be sort of the negotiated corporate business BAR, best available rate, which is the non-negotiated, has actually continued to be quite strong, leisure up in the low to mid-single digits. Leisure's been up in the mid-single digits and maintaining strength. And group has been reasonably strong and, as we mentioned briefly, in the prepared comments, the group pace has been good at the end of last year, and into the beginning of this year. And the group position for the year is up in mid-single digits, so all feeling pretty good.

What's sort of weighing, what I think is weighing, on the IBT business is a bunch of different factors. I think largely it's, obviously, a bit of a slowdown on the broader economy, but it has a lot to do, if you really delve into the numbers, with the energy markets, which are not just Houston and Dallas, and the Southwest. And those markets, you've seen it clear as I described in my comments, a clear bifurcation where those markets are down.

If you look at IBT or business, broadly transient business everywhere else, it's still up. But when you put it all together, which is the economy, what you're seeing is sort of lower single digit growth in IBT, still positive, so not to be a Pollyanna, but still positive. And then you're weighting up overall performance because of group, BAR, and leisure.

Carlo Santarelli
Great, that's helpful. Thank you very much.

Operator
Our next question will come from Shaun Kelley of Bank of America Merrill Lynch. Please go ahead.

Shaun Kelley
Great. Good morning, and thank you, guys. So, Chris, you probably know the REIT business as well as just about everyone out there as well, I just wanted to get your thoughts on kind of the general view on capital market receptivity to a new, let's call it largely full-service REIT, and how you think this is going to fit into the broader landscape of the lodging REIT community.

Chris Nassetta
Yes. Really, I should ask you guys that. I do have some vague memories of the REIT world from my prior life, but I've tried to expunge all those—just kidding, of course. No.

You guys could judge that better than I, and I think what we're doing is really, I think, setting up a company that has terrific assets. We've been very thoughtful, including when we did the Waldorf sale and took $2 billion and did a 1031 into a bunch of assets and forward-thinking about how do we build the portfolio that it is in the best, strongest markets with the best growth profile with really high quality assets, where we've spent money and maintained the assets, and that are associated with brands that are the market-leading brands.

When I think about it, our objective is to put this company out there to be a market leading company, both in terms of the assets that it has, and the strategy that it has, that I think ultimately is to not only drive same-store growth at the high end of the market, but to be sort of in a fulsome way the best REIT in the business.

From my experience, running a REIT really well involves three basic things. It involves managing a balance sheet. It involves being really good at asset management, and it involves being a great capital allocator. And great capital allocator means knowing when to buy, knowing when to sell, there's time to do both of those things. There's times not to be doing those things.

What we're trying to do is both build a portfolio out of the box that has great diversification, brand representation, market representation, and growth profile, and a management team that is the best of the best at understanding those three components of the business, so that we both drive same-store growth rates. But we also, through capital allocation, at the right times and the right ways, can create a significant amount of value.

So that's the objective. I think as a result of that, I would hope, and ultimately the markets will decide, that there'll be a great level of receptivity to a company that will be a very large cap, ultimately as a result, liquid stock that is going to go out in the market and be really intelligent, sort of focusing on those three pillars of what it takes to be successful, from my experience in that world.

Shaun Kelley
Thank you for that, and just as a quick followup, we've got a couple of questions from investors about how to think about incremental SG&A at the two businesses. So I don't know if you could give us a little bit of color or thoughts about how we might think about that.

Chris Nassetta
I know I said you're going to be tired of hearing me say this, we'll give you a lot of color on that when we do our filings. You can triangulate off of things that are out there. I think in a very high level way, I'd say the timeshare business is, other than sort of public company related cost, relatively self-contained already. Real estate business, not as much.

So you can look at what others are spending out there. You can scale it. This is going to be clearly the second largest—you can do some basic math and, not to be evasive, we're still refining those numbers and at the time we do the filing, we'll obviously give you some more clarity. But I think you can do a pretty good job directionally by looking at what exists in the marketplace.

Shaun Kelley
Thank you very much.

Chris Nassetta
Yes. Thanks, Shaun.

Operator
The next question will come from Steven Kent of Goldman Sachs. Please go ahead.

Steven Kent
Hello. Two questions, it goes a little bit to what Shaun was saying. You provide intersegment adjustments to get to your adjusted EBITDA by segments of timeshare fee $45 million, owned fee of about $130 million that are added to managed own franchise EBITDA. Are these the intersegment fees that the independent companies would ultimately pay to each other, or would there be a step up? And then to truly talk about an operating issue, which is Tru, is there any fear that Tru would start to compete with demand for a Hampton Inn, especially from developers? How are those two brands differentiated?

Chris Nassetta
Thank you, Steven. On the first one, you're right. I know you guys are trying to model and trying to figure it out, and we're really not trying, even though it seems like we are, to be evasive, but we will provide that kind of detail when we file the Form 10s.

Here's how I think about the fees, and those do give you some directional guidance, on the timeshare side there is sort of a market that has formed for essentially a master license arrangement between a brand and timeshare companies. So I think you should think a little bit that we have something in place that's probably directionally consistent with market and we're going to follow the market.

On the real estate, the REIT side, similar sort of approach, which is, obviously we're going to have very long tenure agreements. These are really important assets to the operating company because these are Bellwether assets. In terms of economic terms, I think these will be market based kind of economics. Whether there'll be adjustments or not, we'll clarify, but I think the way to think about it is long tenure, but economics that are market based.

On Tru, the answer is no. There is always a little bit of sort of cannibalization that goes on around the edges with all brands, but I'll tell you, the most positive reception that we've had on Tru has been from our Hampton owners. In fact, what we did is go out, first, really to our existing owners. With the 163 deals that we've done, it's 100% existing owners. We have not opened it up to outsiders yet, and the very large majority of those people are Hampton owners.

They love it because they realize that it's a different product, different price point. So, frankly, most of the 163 deals that we have done are from Hampton owners that have been part of process and are very, very supportive of it. So I think this is intended to be something different.

As I say, I can't say there's never overlap in any of these price points in brands, of course there is on occasion around the edges. But you're talking about a 25% lower price point, different cost to build, really a different sort of product approach. So we think this thing is going to do incredibly well and that it's going to allow Hampton to continue to be incredibly successful at the same time.

Steven Kent
Okay. Thank you.

Chris Nassetta
Thanks, Steve.

Operator
The next question will come from David Loeb of Baird. Please go ahead.

David Loeb
I promise to only ask one and not ask one about whether you're going to take more than one. I want to ask about the cancellation fee trial. What did you learn and how will the results impact your revenue management strategies?

Chris Nassetta
We learned a lot in that, and we did it in a really blunt force way intentionally to sort of see what customers' reactions were. And I think what we learned is customers hated it. Okay? But that's not really surprising. We knew they would, but we did get some nuanced intel out of the experience. I think going from where we are, which is an industry that, not just us, but all players in the industry are willing to tie-up inventory essentially for a large part of the customer base at no cost, which sounds illogical and is illogical, and going from there to what we were testing in one step I think is very hard, just because consumers have been trained for so long around the model the way it exists.

I think what it tells you, though, and what we've learned is that there are some real opportunities to change the way we go to market in overall pricing. So it's, as opposed to the test that was quite blunt force intentionally so we could learn, I think what you will see us do, and we're in the process of doing the work and doing other tests right now, is different ways of pricing our products, for different customers, short, long lead, more and less flexibility, to some extent, not unlike what the airlines and other industries have done.

So I think of this as what we want to do is make sure that, on behalf of ourselves and our owners, that we're not tying up inventory unnecessarily without customers having to take any risk or have any costs, but we have to migrate a behavior from where it is to where we want it to be.

And I think there's some really intelligent things that I think you'll see us start to do later this year, to start to move customers down that journey of recognizing, yes, if you want total flexibility, there's a price for that, and if you want a better price, then you're going to have less flexibility. And there's lots of ways we can sort of create boundaries around our pricing structures to be able to accomplish that and I think get to the same place with a little bit less of a brute force approach.

David Loeb
So, Chris, just to follow up on that, there is, I think, valid concern that in any pockets of weakness or in any broad base weakness, the repricing engines are going to lead to a lot of cancel and rebook behavior. How will you battle that? Are the initiatives you're talking about enough to really [indiscernible]?

Chris Nassetta
Yes, I think so. You'll have to see, and we'll have to see, as we roll them out, but I think so. That with, I think, a lot of people in the industry, including us, sort of changing our cancel policies to afford some of the robo-techno approaches to cancel and rebook that are going on.

We've changed our policies. It used to be same day for everybody in the industry, now it's 24 hour. There are things that we can do, and sort of extending that timeframe in addition to creating different types of pricing structures for more or less flexibility, and I think the combination of those two things, David, if we're smart, should accomplish the objective.

David Loeb
Great. Thank you.

Operator
Our next question will come from Thomas Allen of Morgan Stanley. Please go ahead.

Thomas Allen
Hi, good morning.

Chris Nassetta
Good morning.

Thomas Allen
One of your peers, last week, said that their RevPAR in January was up, I believe, a touch over 3%, and they expected February to be slightly better than that. Can you give us any similar color? Thank you.

Chris Nassetta
Yes. Similar, we gave you our guidance of 2% to 4% for the quarter; January was basically 3%, very high 2%'s, 3%. February, similar, and we're hoping that January and February have seen transient trends in the mid 2%'s, we do hope and are expecting March to have a bit of an uptick in the transient trends. So, that's how we get to the 2% to 4%. But if you look at January and February, we're sort of running plus or minus 3%.

Thomas Allen
Helpful, thanks. And then, just in terms of 2016 US RevPAR trends, you have a pretty diversified chain

scale mix, how are you thinking about each chain scale? Last year you saw the inflection where the lower tiered chain scales started to outperform the higher tier, but it sounded like in your prepared remarks, there was some weakness in the fourth quarter [indiscernible].

Chris Nassetta
Yes, and I've been saying this, I think, for about a year or more, and we started to see it last year. I don't think you're going to see a huge divergence by the way. I think this is one of the things when RevPAR started going at a little bit lower level, things do converge. The spreads converge on one another, but I do think you'll see higher end outperforming lower end a bit. And the reason, I'm sure is obvious to you guys, but really, the group side.

Because the lower end doesn't have much group business, which given group position is stronger, the lower end is much more transient in orientation. So I would expect, and I would say is natural at this point in the cycle from my experience in prior cycles, that you'll see upscale and above upper upscale really, and above, outperform everything below, just for the group factor if nothing else.

Thomas Allen
Great, thanks.

Operator
Our next question will come from Bill Crow of Raymond James. Please go ahead.

Bill Crow
Thank you. Good morning, guys.

Chris Nassetta
Good morning.

Bill Crow
Chris, just a house keeping question to start with. The timing of the filing of the Form 10?

Chris Nassetta
Q2. We're a lot of work going into it. We've done a ton of work, I'd hate to give an exact date. We're sometime in the second quarter, hopefully in the earlier part of the quarter than the later, but, we'll see. There's a lot of moving parts coming together.

Bill Crow
Okay, and then a two-parter, and I'll be done here, on capital. I think there's a perception among REIT investors in particular, that maybe you're, I think you called them Bellwether assets, need a lot of cap ex. So, could you comment on that? And then, as we've heard from other companies, there's certainly some challenges in the financing environment out there. Have you thought about whether you're going to increase your investment in unit growth, through either increased key money, mezz loans, anything like that? And that's it for me.

Chris Nassetta
Okay, yeah, I'm happy to cover both, and Kevin, you may want to jump in if I miss something. On the cap ex on the big super tankers or broadly in the owned estate, we've invested a lot of money, I think since '07 and '08, $2 billion into those assets. We've, I think, done a very good job of doing the core things. There was a lot of differed maintenance is some of those assets, just in terms of room renovations, basic meeting space, some of the public spaces, and we've done a ton of that work. So I would say, my view is from a, sort of what I think the market worries about, at least what I hear, and I

think implied to your question is, is there a bunch of huge differed maintenance? No, there's not.

We've spent, on average, probably 8% of revenues, or more, 8% to 10% of revenues on those assets. Having said that, I do think there's lots of opportunities because we have been very focused on being capital light. And so, as it relates to opportunities to invest in larger ROI, or doing incremental investing that could drive returns, not differed maintenance, but incremental to differed maintenance that would drive even higher returns, being perfectly honest, we have shied away from that, because, even though that's a big part of the company as a combined company, we're focused on the capital light side of the business. We think investors want us focused on that, so we have not been deploying as much capital as we could have.

So, I do think there's plenty of upside opportunity for a separate company that is going to be in the capital intensive business by its very nature and have an investor base that understands that, that actually is looking to make investments and allocate capital to get really, really strong returns on significant ROI opportunities. So, that's how I would describe the capital.

Kevin, anything to add to that?

And then on the financing, I'd say we're not seeing or doing anything unusual to stimulate our pipeline. We signed, as you heard me say, 100,000 rooms last year. We opened $50,000 gross, $43,000 net I think, in key money in all investments. We spent under $25 million last year, something like that. So, there's a lot of competition out there, etc., etc., but we don't see, at the moment, anything really material happening.

With Tru we've done 163 deals. We have not spent one penny in key money, or provided one penny of guarantees, or one penny of mezz debt, one penny of anything, okay. So, we are very focused on being capital light. And the good news is, we can be, because I would say, I think we have the purest, the highest quality brand portfolio in the business.

We have 13 of the best brands; each one of them either the market leader, or a category killer. They're the most financeable brands out there; they're the most consistently high quality brands out there, and it is obviously resonating with the ownership community, given that we have one in five of all hotels under construction in the world. We're fighting to get four or five times our weight in terms of our existing basis supply in the world, so, I think we've got really good momentum on the development side. And when it's necessary and it's strategic, we certainly have been willing to do small things, but it's a very small minority of ultimately, the deals that we're doing.

Bill Crow
Thanks, Chris.

Operator
The next question will come from Smedes Rose of Citi. Please go ahead.

Smedes Rose
Hi, thank you. I wanted to ask you a question, just a little bit on your guidance. You note that cash available for debt reduction and capital return at $800 to $1 billion for the year. And I was just wondering, is there anything going on there, maybe with cash taxes or working capital? It just seemed at least relative to our numbers, like a little bit lighter than what we were looking for, and I was curious if you could add a little color around that?

Kevin Jacobs

Yes, sure, Smedes, it's Kevin. I think not fully knowing what you were looking for, and certainly Christian and Jill can take you through the modeling of what you're doing, but I would say relative to last year, we did $1.1 billion. And I think that you have to remember, we had a couple of capital transactions last year, including one very large asset that we sold, that we used the entirety of those proceeds to pay down debt. So if you look at it on a run rate basis, this year's free cash flow guidance range is higher than last years. And that's how we think about it.

Smedes Rose
Okay. And then you had mentioned in the quarter that your franchise fees, or management fees are a little bit higher, due to some franchising relicensing, I think. I was just wondering if you could isolate that piece in the fourth quarter.

Kevin Jacobs
No, I mean, there were a couple of larger deals that happened in the fourth quarter, and then there was just kind of volume, right. We're at a pretty active part of the market for that sort of thing, so we had good volume. And we think we'll still have good volume this year, it's just some of the timing got pushed into the fourth quarter versus the first quarter.

Smedes Rose
Okay, thank you.

Operator
Our next question will come from Wes Golladay of RBC Capital Markets. Please go ahead.

Wes Golladay
Good morning, everyone.

Chris Nassetta
Good morning.

Wes Golladay
When we look at Stop Clicking Around, I guess, is that more a US focus marketing campaign? And what's the difference in rooms booked directly in the US versus international?

Chris Nassetta
That is a global campaign, in fact, at least in my history, and I think probably in the history of the company since just before I got here, we put the company back together. This is the first time we've done a global campaign that is activated in all forms of media. It's activated with all of our team members around the world. Every hotel, there's not a hotel that you'll go in in our system in the world where you won't see Stop Clicking Around.

There's not a team member that doesn't know about it, so it is an all hands on deck Hilton Worldwide effort, and will continue to be so. The ultimate objective is, as I stated, it's really about having direct relationships with our customers. Why do we want that? Because we want them to get the best value that they can get, get the best experience, and we obviously want to lower our distribution cost for both ourselves and our owners.

We're a couple of weeks into it, so maybe we can give you some stats next quarter. It's early days, but so far, off the charts, meaning we've had the highest levels of Honors enrollments in our history, and we've had some pretty high enrollment periods. We're up 50% in enrollments last year, but we're setting new records.

We've had the highest level of web activity that we've ever had on our website, more downloads on our app than we've ever had, and historically high revenues coming booked through the app. So, it's working. I think people are getting the idea that the best value and the best experience is going to come through being an Honors member and booking through our channels.

So big and global, and this will be a drum beat you're going to continue to see. Obviously a big burst at the beginning, but you're going to continue to see a drum beat for a very long period of time.

Wes Golladay
Okay, thank you. I look forward to the updates.

Operator
Our next question will come from Vince Ciepiel of Cleveland Research. Please go ahead.

Vince Ciepiel
Thanks. Most of mine have been answered, but just a quick one. I wanted to take a step back and think about the fee business on a standalone basis. I know you've a relatively higher exposure to franchise fees versus some of your peers. So, how should we think about kind of longer term fee growth trajectory of your fee business, and then also maybe the durability of your fee stream in various market conditions?

Chris Nassetta
I again, hate to retreat to, we'll give you more later, but, we'll give you more later. No, we are going to when we file our Form 10s, give individual analysis and strategic thinking about each of the businesses and break it apart in a granular way, so that you can understand that. I think a couple of things that we've talked about—and so, you'll get a lot of information. I think the way to think about our fee business is, it's got tremendous growth potential, both same store and obviously new unit growth.

The unit growth is easy. We're leading an organic new unit growth, and my job, our job, is to continue to do that, and we expect that we will. So, that's going to add to the profile of the growth.

In terms of the existing fee base, I think it's in a really good place in terms of having tremendous upside potential at a much lower beta. And I say that because a large part of it, I think, is something like 70% of the existing fee business, which you can see without further disclosure, is in the franchise space, which means we have tremendous growth potential in that but, it's a lower volatility fee stream. We also have opportunities to continue to move those fees up.

We have our market level of fees on average, is about 5.5 and growing on average, and we are now at only 4.7, so we have opportunities to continue to move those fees up. On our management business, we do have incentive management fees, and lots of upside potential there. We've been growing those, obviously in the 15% to 20%, before FX and increasing. The way to think about our incentive management fees is, it's very different than some of our competitors, because, number one, it's a lesser part, so lower volatility. It's 10% of our overall fee base, growing at a nice rate, and 80% of it is in the international arena.

And the very large bulk of those deals do not stand behind owner priorities, which is quite different than, I think, some of our competitors, particularly in an environment where things might slow down, and you have cliffs that you go over, where you go under an owner's priority, and fees go from something to nothing. We don't really have that.

Almost all of our deals that we participate first dollar of profitability, and there is no cliff, so. I think it's actually again, we'll give you more detail. I know I just threw out a bunch of stats, and we'll be happy to work with folks at the appropriate time to model it, but I think the way to think about it is, between the structure of what we have same-store, new unit growth, tremendous growth potential, but a lower beta business, at the same time as some of our competitors.

Vince Ciepiel
Great, thanks. And then, finally, could you comment on the quarterly cadence of what you're seeing in your group bookings?

Chris Nassetta
Yes. For the full year, I think first quarter's strong, second quarter less so. I think it's first and third quarter strongest, is my recollection. Second quarter a little less, and fourth quarter is a smaller quarter for the group side.

Vince Ciepiel
Great, thanks.

Chris Nassetta
Yep.

Operator
The next question will come from Robin Farley of UBS. Please go ahead.

Robin Farley
Great, thanks. I wanted to ask, I know a lot of the details are going to be in the filing, but when you look at properties that are going into the REIT versus those that aren't, I guess we had thought about maybe 80% of your owned and leased being 80% of that owned, but you're only putting in 70 properties of 124, other wholly-owned and leased. Can you maybe, sort of, just give us some philosophy behind what's not going to go in the REIT? And then also—go ahead.

Chris Nassetta
Yes. That's a great question, and yes, I can give you some philosophical view, and then we'll provide the granular detail. I think what we've tried to do, as I said, is set up every one of these companies for success. So what we've thought about is, there are both structural issues of course, with what goes where, but we've tried to set up the REIT in a way that will be appealing to the REIT investor base, which means that it wants to be largely US, domestic assets, which thankfully, we have a lot of those.

There will be a small complement of international assets where it makes sense, but it will be a very small minority of the overall company. Where we've left assets, or are going to leave assets in Opco has to do with some international, where having long-term control of those assets makes sense for Opco, because it's how it will control its tenure.

And then leases, particularly the international leases are largely, if not entirely, left in Opco because that is, number one, doesn't really work or fit within a REIT, and number two, it is the means by which we control our tenure given the structure of how those were set up in the international estate, and we want to be able to control our tenure.

So, that's philosophically how we did it; set each company up for success, make it very attractive to REIT investors and allow Opco to continue to control its destiny on certain assets, particularly leased assets, that are controlled under those structures for the long term.

Kevin Jacobs
Yes, and Robin, I'd just add that in terms of economics, this is factual, that we've talked about before about the existing company is, our top 10% assets are 50% of the EBITDA, the segment of our top 20 assets are two-thirds of the EBITDA, of the segments. So, no commentary on what's going to be in or out, but I think you can get a sense for the economics versus the asset split from those stats.

Robin Farley
No, that's great. That's very helpful, thanks. And if I can ask, part two of my one question, you commented on the three things that are most important when running a REIT, and one of them you talked about was the timing of knowing whether it's time to buy or sell assets. So I guess I would just love to hear your view on whether you think right now is time to buy or sell.

Chris Nassetta
I actually would say, right now is the time to probably do nothing, not to be trite about it. I think right now's the time, I do not think right now, with the uncertainty in the world, that it's a great time to go out and buy. I also don't think it's a particularly great time to sell because the markets, really capital markets, where those kinds of transactions, debt markets, have slowed down. There are times in the REIT world where the best thing to do is really hunker down and really drive the value of what you have. And if you're going to buy anything, it would be buy what you know best. Buy your own shares in an environment where they're significantly undervalued. I think now is one of those times.

Robin Farley
Okay, great. That's very helpful. Thank you.

Operator
The next question will come from Rich Hightower of Evercore ISI. Please go ahead.

Rick Hightower
Hi, good morning, everyone. Just one question here. I went ahead on one of Chris's earlier comments in the prepared remarks about organic growth opportunities in the real estate portfolio, and I think you answered part of the question in the cap ex discussion in terms of potentially pursuing ROI projects that haven't been done to date. But also, were there previously internal resource allocation questions, or things like revenue management, or group production that might be improved upon when the real estate portfolio is spun out separately?

Chris Nassetta
I don't think specifically, but I would say this, we've certainly had a very full asset management approach to these assets, and I think our operators have worked well with our asset managers to drive good results. I think, reality is, being I told you my three pillars, asset management manages balance sheet and capital allocation. Have we dedicated as a big operating company where the thrust of our growth has really been in the management franchise segment? Have we allocated capital, or G&A if you will, to having a super robust asset management team with every resource available? The truth of the matter is no.

That's not to say we, I think, have been irresponsible in any way; we haven't. We've allocated capital the way we thought we would get the greatest return. So, said another way, I think there are opportunities as this company becomes independent and builds an even fuller asset management capability to drive better results. And we will be very pleased to be working with them as a partner, a long-term partner, to do that.

Rick Hightower
Alright, thanks, Chris. That's all from me.

Operator
Our next question will come from David Katz of Telsey Group. Please go ahead.

David Katz
Hi, good morning, all.

Chris Nassetta
Good morning.

David Katz
I wanted to just ask about specifically the time share business, because, you mentioned that as a free-standing business, it can grow in a more natural way, and we've certainly observed what's happened when a competitive of yours spun off theirs, and we've seen other entities start to grow. And I wonder how you think about that time share business as a competitive landscape. Is there a point at which those entities can compete with each other? And since the one question rule seems to have fallen by the wayside, I wanted to ask about the shared economy. And it's become an increasingly focused upon issue, within branded hotel environments, and how you envision something like that fitting into your business today in the three parts, all using the same brand, and I'm referring to the sort of Airbnb-type model. Thank you.

Kevin Jacobs
Alright, so David, I'll take time share first and then probably hand it over to Chris for sharing economy stuff. I think, the way we think about it is our time share business has been a really strongly performing business for a long period of time. Its top-line revenue has more than doubled since we've been here at the company since 2007. The way it's done that, is it's transformed itself to a capital light business.

We've signed up 11 fee-for-service deals, and we've significantly built our inventory, such that it's been effectively growing in good times and bad. It continued to grow through the great recession. So, we don't think any of that changes. It's going to be set up for success. I think what Chris referenced before is it may allocate capital in a slightly different way, and I think what that's going to enable it to do is, at times when it makes sense to maybe lean in a little bit more on capital, whether that's buying back inventory or investing in new projects, it will have the ability to do that because it's going to have a shareholder base that thinks about capital allocations slightly differently.

That said, I don't think it ever goes back to the way it was when we got here, where we're spending $0.5 billion dollars a year building time share towers. We've permanently transformed this business under Mark's leadership and with our capital allocation efforts to where it's set up for success, and we don't expect it to perform any differently out on its own than it has been with us, other than maybe a little bit higher tolerance for capital allocation.

Chris Nassetta
Yeah, and as a result, David, I'd say we think that HGV can grow at its bottom line a bit faster on its own than with us. Simply because, even though Kevin is right, we are not going back, we are going to continue to lean into being capital light. There is some, I think, relatively modest incremental capital allocation that would be made to the business that that investor base would understand and appreciate, that will help grow the bottom line a little bit faster, and that those were investments that we did not want to make.

We wanted to, again, be capital light. We wanted to allocate a minimum amount of capital to that, or any capital intensive business as a consequence of having those businesses tied to the management and franchise business by delinking them. I think it allows them to allocate a little bit more capital and grow a little faster.

And then on Airbnb, I certainly have answered the questions. I was trying to figure out exactly the tech; we talked about this quite extensively on the last call. Can you maybe refine the question a little more on what exactly you're asking?

David Katz
Yes. What are you doing today, and what are you planning, what strategies have you added since the last time you discussed or answered the question, in terms of evaluating that as a business and whether it belongs within your branded system or not?

Chris Nassetta
Yes, I don't think we talked that. I don't really have a different view than, David, what we talked about last time. I think Airbnb, the real business, I suspect is going to be around a real long time. It's a business that frankly has been around for thousands of years, that is becoming very, very efficient. I do think it is meeting demand that customers want. I think it's a different product that they're delivering on, than what we deliver on, in the sense that it is generally longer stay, leisure, and value-oriented. That is not generally what we do.

I think we have lots of products. We take a physical product and wrap it in a lot of hospitality and a lot of service, which I think is very different. So, I think there is ample opportunity, as I thought on the last call for us to co-exist. We believe that these are different businesses. There is overlap in our customer base. We don't see any material impact from it. I think testimonial to that is the industry is at the highest levels of rate and occupancy that we've ever seen in history, so, we certainly have not been suffering. There's no sort of scientific data that would say that we're suffering. I think there's plenty of opportunity for us to co-exist, for them to do what they do best, and for us to do what we do best.

David Katz
Thanks for taking my questions.

Chris Nassetta
Yep.

Operator
The next question will come from Patrick Scholes of SunTrust. Please go ahead.

Patrick Scholes
Hi, how are you? One thing I was confused about, just some of the assumptions that go into your 1Q RevPAR guidance of 2% to 4%; I want to clarify something. An earlier question you answered, you had said that for January and February, you were currently tracking plus 3% for RevPAR, is that correct?

Chris Nassetta
Yes.

Patrick Scholes
Okay. I guess my confusion, or where I'm not following is, we know that March is going to be a really tough comp month. How—what do you assume to get to the high end of your RevPAR guidance, or even your midpoint, here? Because it seems a stretch, in my opinion.

Chris Nassetta
I don't really know quite how to answer that, in the sense that we've said it's 2% to 4%. We think we're going to be in the range of 2% to 4%. We've been running 3%, maybe a slight bit less than that. We do think transient trends are going to be a little bit stronger in March, based on the booking trends that we see right now. And I would say we feel good about being within that range, exactly where we'll be. We'll obviously come back and report after the fact.

Patrick Scholes
Okay, fair enough. Thank you.

Chris Nassetta
Okay.

CONCLUSION

Operator
Thank you. And with no further questions, I'd like to turn the conference back over to Chris Nassetta, President and Chief Executive Officer, for any additional or closing remarks.

Chris Nassetta
Well, we've probably taken enough of your time today, so I'll just say thank you for spending the time with us. As I started out by saying, I think we're going to have an exciting year in 2016. We still feel good about where fundamentals are; we're very excited about the momentum we have in the development side of the business to add to our growth.

The spins are complicated, but I think, long term, are going to create a tremendous amount of value. We'll look forward to telling you what's going on in the operating environment when we get together next. And we'll look forward to giving you lots more detail on our Form 10, which I know, based on all the questions, everybody's interested in getting here in the not too distant future. So, again, thanks for the time today.

Operator
Ladies and gentlemen, the conference has now concluded. Thank you for attending today's presentation. You may now disconnect your lines.