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Hilton Worldwide Holdings, Inc. (HLT)

Q3 2020 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and welcome to the Hilton Third Quarter 2020 Earnings Conference Call. All participants will be in listen-only mode. [Operator Instructions] Please note this event is being recorded.

I would now like to turn the conference over to Jill Slattery, Vice President, Investor Relations. Please go ahead.

Jill Slattery

Vice President & Head-Investor Relations, Hilton Worldwide Holdings, Inc.

Thank you, Chad. Welcome to Hilton's third quarter 2020 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 speak only to our expectations 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 factor section of our most recently filed Form 10-K as supplemented by our 10-Q filed on August 6, 2020.

In addition, we will refer to certain non-GAAP financial measures on this call. You can find reconciliations of non-GAAP to GAAP financial measures discussed in today's call in our earnings press release and on our website at ir.hilton.com.

This morning, Chris Nassetta, our President and Chief Executive Officer, will provide an overview of the current operating environment. Kevin Jacobs, our Chief Financial Officer and President, Global Development, will then review our third quarter results. Following their remarks, we'll be happy to take your questions.

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

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

Thank you, Jill, and good morning, everybody. We appreciate you joining us today, particularly after what might have been a very late night for many that are on the call. Our third quarter results continue to reflect the impact of COVID-19. However, I'm encouraged by the progress we've made over the last several months, travel demand is gradually picking up around the world and occupancy is meaningfully up from the lows we saw in April.

As a result of these improvements I'm pleased to say that we were able to welcome back most of our furloughed corporate team members last month. And we've been able to successfully navigate the first phase of reopening our corporate offices. We've reached important milestones with the vast majority of our properties around the world now open. Development deals continuing to pick up and customers starting to feel more comfortable traveling again. We remain focused on sustaining our recovery and driving better results for our owners. Turning to the quarter, RevPAR declined approximately 60% year-over-year with performance in urban full service hotels remaining particularly challenged due to the lack of meetings and events, negligible international travel, and local COVID protocols.

System-wide occupancy increased sequentially throughout the quarter with all major regions showing improvement. However, momentum slowed in September with occupancy only slightly better than August levels.

In the US, occupancy increased roughly 5 points month-over-month in both July and August, but remained largely steady in September.

Over Labor Day weekend, roughly half of our properties achieved occupancy levels of 80% or higher given strong leisure demand. As expected, we saw leisure trends slow post summer, offset by a modest uptick in business transient into the fall. Asia Pacific led the recovery driven largely by domestic leisure travel in China, with occupancy levels reaching nearly 70% in August, the highest since December 2019.

Performance in China was further boosted by local corporate transient and domestic group. In Europe, positive summer momentum stalled in September, given a rise in coronavirus cases and tightening government restrictions, resulting in relatively stable occupancy levels of around 35% in August and September.

Overall, these trends have generally continued into the fourth quarter, with fairly steady occupancy as more hotels reopen and ramp tempered by continued uncertainty surrounding the virus.

With more than 97% of our global hotels open and operating, we estimate the vast majority of those hotels are running at breakeven occupancy levels or better. As we look to the balance of the year, we expect trends to remain relatively steady, resulting in fourth quarter RevPAR declines generally in line with the third quarter.

On the development side, activity continues to pickup. In the quarter, we signed over 17,000 rooms boosted by better than expected conversions, which increased approximately 50% year-over-year and accounted for roughly 20% of our total signings.

Year-to-date, we command an industry leading share of global conversion signings, with more than 9,300 rooms signed, representing one in five deals. Recent notable signings included the Waldorf Astoria Monarch Beach in California, and the Conrad Abu Dhabi Etihad Towers.

These conversions plus new development projects like the Conrad Rabat Arzana in Morocco will further enhance our global luxury and resort footprints. In new development, we continue to see strong interest across our focused service brands, with signings up roughly 32% versus the second quarter. Additionally, we recently celebrated our 500th Hampton signing in China.

At quarter end, our development pipeline totaled 408,000 rooms, representing an 8% increase versus prior year. Additionally, the high quality of our pipeline with more than half of our rooms under construction gives us confidence in our ability to continue delivering solid net unit growth for several years. We opened more than 17,000 rooms in the third quarter and achieved net unit growth of 4.7%.

Openings in the Americas were up more than 31% year-over-year, driven primarily by conversions. Notable openings in the quarter included the Conrad Punta de Mita in Mexico and the Hilton Beijing Tongzhou in China. Additionally, we were thrilled to open the Motto by Hilton in Washington DC City Center, marking our first hotel under the Motto brand.

For the full year 2020, we now expect net unit growth to be 4.5% to 5%, with continued positive momentum in conversions. Additionally, we look forward to celebrating our one millionth room milestone in coming weeks. Since our team came in and implemented the company's transformation 13 years ago, we've doubled our size in rooms and number of brands, driven entirely by organic growth.

Our commitment to delivering on our customers' evolving needs and preferences is even more important now than ever before, and calls for even greater innovation and agility in the current environment.

To that end, we were excited to launch Workspaces by Hilton, which provides guests a clean, flexible and distraction-free environment for productive remote working. Each of our day-use rooms includes a spacious desk, a comfortable ergonomic chair, free WiFi plus the use of all available business and leisure amenities.

We also announced further enhancements to previous Hilton Honors program modifications that will increase flexibility for our more than 110 million members, including reducing 2021 status qualifications and extending status and points expiration. Decisive actions, relentless determination and unwavering commitment to our core values have helped us successfully navigate what has been a challenging and uncertain environment. They have also helped position us well for recovery. We're confident that our business model, coupled with our disciplined strategy, will enable us to further differentiate ourselves in the industry and emerge stronger and more efficient than ever before.

With that, I'll turn the call over to Kevin for more details on the third quarter.

Kevin J. Jacobs

Chief Financial Officer & President, Global Development, Hilton Worldwide Holdings, Inc.

Thanks, Chris, and good morning, everyone. In the quarter, as Chris mentioned, system-wide RevPAR declined 60% versus the prior year on a comparable and currency neutral basis, with decreases across all chain scales and regions. Occupancy drove the majority of the declines with rate pressure due largely to customer mix, further hampering performance.

However, we saw sequential improvement throughout the quarter, driven by hotel reopenings, loosening travel restrictions in most areas and a pickup in summer leisure demand, particularly in China and the US. Adjusted EBITDA was \$224 million in the third quarter, declining 63% year-over-year. Results reflect the continued reduction in global travel demand due to the pandemic and related temporary suspensions at some of our hotels during the quarter. Management and franchise fees decreased 53% driven by RevPAR declines.

Overall, revenue declines were mitigated by greater cost control at both the corporate and property levels with corporate G&A expense down approximately 38% year-over-year. Our ownership portfolio posted a loss for the quarter due to temporary closures, fixed operating costs and fixed rent payments at some of our leased properties. Cost control measures mitigated losses across the portfolio. Diluted earnings per share adjusted for special items was \$0.06.

Turning to liquidity, we ended the quarter with total cash and equivalents of nearly \$3.5 billion. Our cash burn rate improved in the third quarter given gradual recovery in the macro environment, further helped by continued cost discipline and better than expected collections.

As we look ahead, we remain confident in our liquidity position and ability to navigate the current environment and recovery. Further details on our third quarter can be found in the earnings release we issued earlier this morning.

This completes our prepared remarks. We would now like to open the line for any questions you may have. We would like to speak with all of you this morning, so we ask that you limit yourself to one question. Chad, can we have our first question, please?

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] And the first question will come from Carlo Santarelli with Deutsche Bank. Please go ahead.

Carlo Santarelli
Analyst, Deutsche Bank Securities, Inc.

Q

Hey, guys, thanks for taking my question.

Christopher J. Nassetta
President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

A

Sure. Good morning, Carlo.

Carlo Santarelli
Analyst, Deutsche Bank Securities, Inc.

Q

Good morning. Guys, just in terms of the pipeline, obviously, you guys talked about kind of 3.5% to 4% was the expectation for this year. You obviously spoke to the high end of that range. Now obviously, looking for more, Chris, you spoke a lot in your prepared remarks about kind of the impact of conversions and the percentage of conversions, I believe, you said was 20% of the 17,000 room signings in the quarter.

As we move out further into 2021, 2022, et cetera, could you just talk a little bit about the role that you're foreseeing for what conversions mean to net unit growth? And maybe potentially also talk about kind of what changed this year, is it just more construction timing and things kind of getting back started in terms of hotels that were close to the finish line, maybe a little bit in advance of when you thought they would?

Christopher J. Nassetta
President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

A

Sure. There's a bunch there, but let me unpack it. I think, I can pretty succinctly do that. Yeah, starting with this year, our numbers have been moving up over the last three or four months on net unit growth now to being 4.5% to 5%, and that is exactly what you suggested in the question. That's because things have gotten back under construction more rapidly than we were initially assuming, and that means that we're just delivering more this year than we thought we would, which is a good thing.

And in conversions, while the bulk of that benefit is going to be seen, I think, in 2021 and 2022 just because of the lag effect, we are seeing more conversions in the year for the year than we had been anticipating, which was reflected in signings being up in the third quarter by 50%. So the flow-through of that is how we're getting to the 4.5% to 5%. I think, as you think about conversions going forward, last year, it was – and I'll do this directionally because it's very early, and obviously, we're not giving specific guidance – but directionally, last year, we were in the high-teens in terms of the percentage of our NUG that was in conversions.

This year, we obviously will see an uptick, 400 basis points or 500 basis points on that. Again, recognizing that there's a lag, even though these happen a lot faster than new builds, there is time to renovate properties in many cases, get them into our systems and the like. So we'll be – if we were in the teens, we'll be in the low to mid-20% – and I think that number will keep creeping up.

You know, I've said many times over the years, in the last – in the Great Recession – I think, we peaked out close to 40%. I don't think we will get that high, even though in this world, we have more brands to play with in the sense that then we really had one in DoubleTree. Now we have DoubleTree and three soft brands. We're bigger. We have a broader development story than we did from a global point of view in those days. And so, I do think it will grow from low to mid-20% beyond that in 2021 and 2022.

And you sort of asked it, and I know it's on everybody's mind, so while I'm on development and NUG, I'll finish the story is we – it's very early, and I wouldn't take this as like hard guidance, but I would take it like everything else in COVID world as good direction and we've done a lot of work around it.

As we think about NUG, and as we've talked about, certainly, in the last call, over the next few years, we think it's probably best we can tell in the 4% to 5% range. We're going to be a little bit, obviously, better than that this year. Next year, we have a bunch of stuff that will deliver that's been in motion, conversions.

But we feel comfortable in that range because even though we will have a drop off, obviously and naturally as a result of fewer things getting put under construction because of the financing markets right now, we still have a lot that already is in production and coming through. And we will supplement that with conversions, which by definition, effectively have already been financed.

So, I think that's the way I would think about this year. That's the way I think about the next few years that we're, sort of, somewhere in that 4% to 5% zone. Trying to be more precise than that at this point, I think, would be difficult. But we'll obviously keep you updated as time goes on.

Carlo Santarelli

Analyst, Deutsche Bank Securities, Inc.

Q

And Chris, if I could just a quick follow-up on your response there. That 4% to 5% range, is there an air pocket anywhere in there as you think about kind of maybe the financing glut that could potentially kind of impact the 2022 or 2023, whatever it may be in the lead time? Or do you think that's pretty consistent and steady?

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

A

Again. Carlo, I – depends on how much success we have in filling what will be a decline in new builds with conversions. And it's just, looking that far out is hard to do. That's why I would just direct you to, at the moment, the 4% to 5%. And I think best that we can model it, and that's all it is for us. But it's based on a lot of experience and the trajectory we see and what's already in the pipeline and what's already under construction and what we see in activity and conversions.

We think the next few years will be within those boundaries. It doesn't mean it will be in the middle every year. It could bounce up and down a little bit based on our projections. But that's about as precise as we could be in the moment.

Carlo Santarelli

Analyst, Deutsche Bank Securities, Inc.

Q

Got it. Thank you, sir.

Operator: The next question will be from Joe Greff with JPMorgan. Please go ahead.

Joseph Greff*Analyst, JPMorgan Securities LLC*

Good morning, guys.

Q

Christopher J. Nassetta*President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.*

Hi, Joe.

A

Joseph Greff*Analyst, JPMorgan Securities LLC*

Chris, Kevin, you did a commendable job and have been doing a commendable job on controlling G&A costs. And I know, you have some of the furlough impacts in the G&A line not replicating themselves going forward. And not so much for the fourth quarter, but just maybe over the next couple of years, maybe you can just talk about big picture. How do you think in a RevPAR and fee recovery scenario, how you bring back incremental G&A expenses? What is that relationship?

Q

So I don't know if you want to think about it this way. In other words, if we think about 2022 with – you're at 80%, 85%, 90%, whatever that number is, 2022 RevPAR as a percentage of 2019, what is that relationship-wise for G&A, looking back at 2019 as a baseline?

Kevin J. Jacobs*Chief Financial Officer & President, Global Development, Hilton Worldwide Holdings, Inc.*

Yeah. I think, look, obviously, it's a very fair question, and I think, you've identified some of the offsetting things, right? I mean I think if you think about, I know you didn't ask about the fourth quarter. But if you think about the fourth quarter, it's a similar dynamic for in 2021 and 2022, right, where you sort of lose the benefit of the furloughs that we had over the course of the second and third quarter. But you gain the run rate benefit of the reductions in force that we've had and some of the other cost control measures that we've put in place.

A

So I'd say, look, I mean, sort of similar answer to NUG, it's a little bit early to be giving you a refined look at 2021 and certainly 2022. But the way, we're thinking about it is that most of these savings should be semi permanent, meaning there will be a point at which the business grows to the point a few years from now where you have to start adding back. But for the foreseeable future, most of the savings should be semi permanent. And we ought to grow plus or minus inflation over the next couple of years and that's probably as much guidance as we're comfortable giving you at this point.

Joseph Greff*Analyst, JPMorgan Securities LLC*

Great. Fair enough. Thank you.

Q

Kevin J. Jacobs*Chief Financial Officer & President, Global Development, Hilton Worldwide Holdings, Inc.*

Sure.

A

Operator: The next question is from Shaun Kelley from Bank of America Merrill Lynch. Please go ahead.

Shaun C. Kelley

Analyst, Bank of America Merrill Lynch

Hi, good morning, everyone.

Q

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

Good morning.

A

Shaun C. Kelley

Analyst, Bank of America Merrill Lynch

Good morning, Chris. So, Kevin, in your prepared remarks, you talked a little bit about just sort of the where we are with the cash burn piece. And I was just wondering, can you just kind of lay out for us directly or clearly, is the corporate entity sort of on a run rate or monthly basis? Or are you guys at cash burn neutral or even positive at this point? Or what does it take to get there?

Q

And then maybe as the follow-up, just straight up, it would be how are kind of the broader working capital and franchisee collections going? How is that relationship with franchisees playing out? And how would you characterize some of the risk around any collection at this point?

Kevin J. Jacobs

Chief Financial Officer & President, Global Development, Hilton Worldwide Holdings, Inc.

Yes. Sure. Thanks, Shaun. Look, I think, the – I'll take the second part first. I think the answers are obviously pretty very related. I think that the relationship we have with our owners, I'd describe as really positive. I mean, just to put that framework out there. I think everybody is doing the best they can.

A

And I think people, to the extent that they can pay us, are paying us. And, obviously, you saw over the third quarter with a burn of plus or minus \$100 million. That was sort of, I think, better than most people's expectations, including our own. So, so far, we're having a very good experience on collections. And again, everybody is doing the best they can.

In terms of, going forward, are we at breakeven? I'd say we're getting there. I think all things being equal on collections, and if we have a similar experience over the course of the fourth quarter, I'd say, we'll be equal to or maybe slightly better than the third quarter will be the fourth quarter experience, again, if things kind of go the way we think they're going to go, or they go the way they've been going. We do have a couple of timing items like we have pretty large interest expense payment that just hit in October and things like that.

But again, I think, all things being equal, it will be equal to or better than the third quarter and the fourth quarter. And what does it take to get to cash flow positive? We're almost there, probably just a little bit more – a little bit better demand and a little bit better operating performance and you're there.

Shaun C. Kelley

Analyst, Bank of America Merrill Lynch

Thank you.

Q

Operator: The next question is from Stephen Grambling with Goldman Sachs. Please go ahead.

Stephen Grambling*Analyst, Goldman Sachs & Co. LLC*

Hey. Good morning.

Q

Christopher J. Nassetta*President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.*

Good morning.

A

Stephen Grambling*Analyst, Goldman Sachs & Co. LLC*

Maybe combining both Carlo and – Carlo's question earlier. You've had, obviously, really solid net unit growth and solid cost control. If we put these two together, what level of RevPAR decline versus 2019 would you think you would be back to 2019 EBITDA levels, but perhaps taking it one step further to 2019 levels of free cash flow? And what are some of the other puts and takes to think about that might influence that?

Q

Christopher J. Nassetta*President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.*

Thanks for the question. Obviously, it's a little bit difficult to be precise with you in the sense of building the model for you as much as I'd like to. And we do have a model and if you put those two things together, I think that, sort of, implied in your question is, you will get to free cash flow and EBITDA levels of 2019 before you necessarily get back to demand levels of 2019, because you have created a much more efficient cost structure.

A

I think that is a reasonable assumption, and that is certainly what our models would show, that when we get to the other side, because of what Kevin said and what I said, we will keep growing throughout. We will have more units producing on more normalized levels of demand against a lower cost base.

The math is pretty easy. That means, we're – when we get to the other side of this, and we're under more normal time, we're a meaningfully higher-margin business than – because we have cut a lot of costs, and we're going to continue to keep those costs out of the business with some basic inflationary pressures on growth.

And so, I can't give you a number. We're not going to give guidance of any sort, particularly multiple years out. But I think if you do basic math and assume what we've already said publicly, you can pretty easily get there. You can see what we're saying in unit growth. You can make your assumptions on REVPAR. We've given pretty solid guidance on.

We think our G&A structure is going to be down 25% to 30% this year. My guess is it will be towards the higher end of that when it's all said and done, and then it's just arithmetic after that. So we're not going to finish the arithmetic part of it. We'll let you do it. But I think your baseline, I think, what is implied in the question is correct. We will get to EBITDA and free cash flow of 2019 before we would get to demand levels of 2019 for those reasons.

Stephen Grambling*Analyst, Goldman Sachs & Co. LLC*

Right. And I guess, one other, just quick follow-up is, just as we think about, working capital or other components of cash flow, whether it's CapEx or otherwise. Is there anything there that we should be cognizant of that could be different relative to, where you were trending kind of pre-COVID?

Q

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

A

I don't think so. No. I don't think so. I mean, obviously, on CapEx, we've – we've reduced CapEx numbers in this environment, like every – pretty much everybody on earth, certainly in our industry and most industries.

I think as we get back that, I think there's – that will normalize and be more like it was, but there'll be efficiencies, I think, we'll garner in that. And I think, again, when you get to a normalized environment, I think the working capital things sort of go back to the way they were.

Stephen Grambling

Analyst, Goldman Sachs & Co. LLC

Q

Fair enough. I'll jump back in a queue. Thanks so much.

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

A

Okay.

Operator: The next question is from Thomas Allen of Morgan Stanley. Please go ahead.

Thomas G. Allen

Analyst, Morgan Stanley & Co. LLC

Q

Thank you. So thank you for the color earlier that, you kind of expect fourth quarter RevPAR trends to be, similar to third quarter. But can you just give us a little bit more color on, what you're seeing right now, by region?

Obviously, we can look at third quarter results, but you're seeing increased closures in Europe. I'd be curious to hear how, if APAC continue to improve or not? And then, just related, corporate rate negotiations should be going on right now? Kind of what are you hearing through those conversations? Thank you.

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

A

Okay. Great, Thomas. Yeah, there's a lot there, too. But let me unpack it. And see if I can. I'm not one for being succinct, as you know. But let me try and be. So regionally, it's pretty much what you guys have been writing about and what you've been seeing.

The here and now, is that, notwithstanding, what's going on in the US, forget the election, but resurgence in corona virus cases. We've seen here sort of steady, steady as she goes, so to speak. We haven't seen any material backward activity in terms of mobility and demand.

Now, depending on what happens, you could. But we have – we've seen it remain reasonably steady. I'd say, Europe and Middle East is going backwards modestly for the reasons that you would expect.

And so as we think about the fourth quarter we've more recently been sort of, knocking our numbers and expectations down, because of lockdowns. That's sort of obvious. If you look at Latin America, I would say, so goes the US, sort of Latin America is generally in keeping, in terms of trajectory.

And then Asia Pacific, really led by China. I think outside of China, Asia Pacific feels a lot like what's going on in the US. I hate to make it all one big bucket. But if you put it all together, it sort of does.

And then China, as has been well documented, continues to sort of motor along. And we continue to see pickup in travel, in all segments. And so, when you put it all together, Europe is definitely going a bit backwards.

Asia continues to move a little bit forward. US is sort of steady, and that's kind of why we get to a fourth quarter that's about where we are. If we look at, October numbers, which we don't have final numbers, but that sort of supports it. There is risk in it. I'm not going to deny.

I mean depending on what goes on here in the US and other parts of the world, with the virus, there's risk. It could go back. Whereas our best sense of it is at the moment is, people are sort of figuring out, how to manage their own risk profile. And as a result, they're getting – there's a lot of data and information out there.

As long as their countries aren't locking them down. And I think it's unlikely the US will lock down the whole country. There is some level of mobility that I think will likely allow us to maintain this level of sort of operations that we've been seeing for a period of time.

And then the next step is like when do you see the next step change? And my own view is I think you see that in the spring. I think, we sort of hold our own between here and there, and I think that we'll get election behind us, which will take some of the air out of the balloon regardless of outcome.

I believe that you will start to see a lot coming out of the vaccine world particularly, maybe more out of the therapy world. But vaccines on multiple – in multiple cases – that will have some level of effectiveness, that will be able to be mass-produced sometime late this year, early next year. You get through the winter season, the flu season, and I think there's a real opportunity for a step change in attitude and as a result a step change in performance.

As we look at our segments, they're sort of reflective of that. Not necessarily they all agree with me, but it's sort of that's what you see going on. Leisure is sort of – coming off the summer on the last call – we said we thought leisure would be stronger into the fall than normally just because people aren't open – offices aren't open. And in a lot of cases, kids aren't back at school, so people have more mobility for leisure purposes. That's exactly what's happened. We've seen continued strength, not as much as the summer, but continued strength.

We've definitely seen a pickup in the third quarter and into the fourth quarter of business travel. It's not the traditional customer en masse that we would typically be housing, but business travel is picking up.

And group, there is group. I mean in the third quarter, we did about 10% group, which is probably about half of what we've normally done. The groups are different. They're more related to the crisis. Sports teams, things like that, but there is some group. But the big return of the group, I think, doesn't really occur until, hopefully you get to that moment that I talked about next spring, where we're sort of shifting into a different gear in terms of the health crisis and vaccines.

As it relates to the last question, I think I unpacked it all, corporate rate negotiations. We've actually done really well. I mean I think the biggest issue on corporate rate negotiations is really how many people are going to show up. Less to me about the rate, although obviously, rates are important, but like how many people are going to show up under those programs next year, premature to say. I think it will follow the trends broadly, macro trends that I just described that I think give at least – or what I believe.

In terms of rate negotiations, we've had great success. Everybody knows it's a really difficult time. We're now through the majority of those negotiations and in the majority of cases, our customers have agreed to keep the 2020 rate structure. Not in every case, but in the majority of the cases, they've agreed to do that, recognizing the difficulties of the times. And so, we feel actually pretty good about that. Hopefully, that answers your questions plus a little color.

Thomas G. Allen

Analyst, Morgan Stanley & Co. LLC

That's great. Thank you very much.

Q

Operator: And the next question is from David Katz with Jefferies. Please go ahead.

David Katz

Analyst, Jefferies LLC

Hi, good morning, and thanks for taking my question. Good to hear you all well. You have largely addressed the two major buckets that I wanted to ask you about, but I'd like to just take the prior question a little bit further. How much thinking have you sort of put into flexible strategies around what ifs, if the timings on therapeutics and so forth or the effectiveness of distribution, et cetera? And I mean specifically around the buckets of demand, which have included a majority from business versus leisure. And how you sort of fill up your buckets, should you have to as things move forward?

Q

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

It's a great question, and one we talk about around the table I'm sitting at every Monday morning when we have our Executive Committee meeting. I mean the reality is, as you might guess, David, while that is – I gave you a view of what I think, and I think most of our team thinks will be the – sort of the contour of the recovery from this point forward, we're not counting on that. That is what we think, that is what we hope. Time will tell.

A

I mean as my father used to say, son, fish where the fish are. And right now, the fish are where they are, which is certain – a lot of leisure, frankly, not the typical leisure customers, the lower-rated leisure still, and business travel is a different type of business, smaller business, sales forces, frontline folks responding to the crisis.

The group business, again, isn't the traditional group, but there are groups out there that are having to be – we're housing a lot of – nobody's back – a lot of people aren't back in offices, so they need to have places to congregate, to have meetings since they're not in their office. You heard me talk about Workspaces by Hilton, using rooms as workspaces, particularly for people that need to get out of the house and need Wi-Fi and need some space and privacy.

And so, I could keep going. All our marketing campaigns have shifted, as you've seen, if you've been watching that. All our efforts with Honors have shifted and pivoted. So we're quite mindful of what is going on, where the fish are to use my metaphor, and intensely focused with our commercial teams on delivering and getting more than our fair share, which I'm happy to say we are. If I look at our relative results in this environment, we're doing very well vis-à-vis share, so we will continue doing that.

But then the trick is this isn't going to last forever. And so it's not like this will be our new strategy forever. It's great. We're honing some new skills that we didn't need to have. And when we get to the other side of this and we get back to more normal demand environment, we won't have let those muscles atrophy. But now we'll have other

skills, other tools in our toolkit, and pricing is all about generating a lot of demand. The more demand you can generate, the higher the price you can charge.

And so as we think about it, it's sort of like really dig in and refine this toolkit. And as we get back to more normal times, take the best of both worlds to put more demand in the funnel to ultimately, intermediate and longer term, be able to price accordingly.

But we're super crazy focused. And think about it, we have – we're a fiduciary for thousands of owners that are in the most difficult circumstances in their careers because this is the worst thing our industry has seen. And our job is to make sure that we're helping them build the bridge to the other side of this. And so, it's one foot in the here and now, one foot in the future, but both solidly planted.

David Katz

Analyst, Jefferies LLC

Got it. Thank you very much. Appreciate it.

Operator: And our next question is from Robin Farley with UBS. Please go ahead.

Robin M. Farley

Analyst, UBS Securities LLC

Great. Thanks. I wanted to go back to the topic of unit growth because I know you mentioned conversions were 20% of total signings in the quarter. I'm just wondering what percent of openings they were in the quarter, just given the increase in your unit growth since last quarter? I'm wondering, if that's conversion's driving the unit growth.

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

They were about 20 in the quarter. And they'll be – as I think I already suggested in a prior comment, a bit more than that for the full year. But we do expect that, that – those percentages will creep up in 2021 and 2022.

Robin M. Farley

Analyst, UBS Securities LLC

So the increase in your unit growth for this year from just a quarter ago sequentially, is that more just construction projects getting back on track faster? I didn't know that would lead to that.

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

It's both. It's both. We're doing – we're doing more. I mean, while most of the benefit of conversions is going to happen in 2021 and 2022, we're getting some deals done that the world is opening up fast enough where we're going to open a bunch of incremental conversion hotels in the year for the year that we didn't think we'd open. Plus, yes, now I'd say the vast majority of things that were under construction, 90 plus percent of what was under construction when we went into the crisis is back under construction, and they're making really good progress.

So we assume sort of a lag effect that when things got up and going, it would take a while for things to wind back up. But honestly, the construction trades around the world, particularly here in the US, we're ready to go and

they've been worked and are ready to work. And so activity picks up a lot faster. So, we're just – those two reasons are why we're delivering more this year.

Robin M. Farley*Analyst, UBS Securities LLC*

Q

And then just when we think about maybe some that did get pushed into next year just from your kind of pre-COVID original guidance, it sounded like your guidance for next year is in that kind of 4% to 5% range. Are there some things that were originally in next year's openings that just have kind of fallen off that didn't end up going forward?

Christopher J. Nassetta*President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.*

A

Not much, no. I don't think much changed. A little bit more will open this year, which would have probably – we would have assumed would have pushed into next year. So that pulls a little bit of that out of next year into this year. But we still feel – as I said, not being evasive. It's just really early to be hyper precise.

I mean, we can – at this point, we're deep enough in the year that 4.5% to 5%, we can be pretty precise because some stuff might fall in or out. But over the next few years, that's what I said, we think we're in the 4% to 5% range, and we're not – we don't -- you'll have to give us some time to ultimately get a little bit closer to be more precise.

Kevin J. Jacobs*Chief Financial Officer & President, Global Development, Hilton Worldwide Holdings, Inc.*

A

Yeah, Robin, I'd just add a little bit to that. I mean I think the way you're thinking about it logically makes perfect sense. I think, though, you got to think about when we first said, half or a little bit better. We were at the very beginning of the crisis in the depths of it and construction – and a lot of construction, as Chris said, had been suspended, and we really didn't know when it was going to come back online. So we're just – we're further into it. We've had a better experience with construction getting back up and running than we thought. And I wouldn't sort of over think the way it affects the future years.

Robin M. Farley*Analyst, UBS Securities LLC*

Q

Okay. Great. Thanks very much.

Operator: The next question will come from Bill Crow with Raymond James. Please go ahead.

William A. Crow*Analyst, Raymond James & Associates, Inc.*

Q

Yeah. Thanks. Good morning, everybody.

Christopher J. Nassetta*President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.*

A

Hey, Bill.

William A. Crow*Analyst, Raymond James & Associates, Inc.*

Q

Hey, Chris. Given the positive comments from Kevin on the cash burn nearing zero and your discussion of cost cuts and margins going forward, I'm just wondering how much confidence level you could provide that you might return to share repurchases as we look forward to 2021?

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

A

I think that's a really good question. I think it's a little bit premature. We have not changed long term our philosophy on return of capital. And that is we believe when we're back in a more normalized environment that we're going to produce gargantuan amounts of free cash flow. We don't need a lot of that to grow, because we've got the best brands in the business, and we think we can continue to grow organically. Thus, that capital is best given back to our shareholders, largely in the form of buybacks. Our philosophy hasn't changed.

It's a little bit premature to say exactly when we get back on that program. Obviously, our leverage levels have gone up as a result. If you look at our net debt, it actually won't have gone up year-over-year, but our EBITDA, as you guys can calculate in your models even though we haven't given you guidance, has gone way down. So we're going to want to see our debt-to-EBITDA levels come down before we start back up with a share repurchase program.

That doesn't mean, by the way, that it has to come necessarily all the way back down to the ranges that we've historically said. But we'd want to see that we are solidly 2 feet in the ground in the next stages of recovery and that our debt-to-EBITDA levels are headed towards a more normalized level.

And given where we are now, which is feeling really good about where we are and great about our liquidity and thinking the spring is going to be when we shift gears. I think all of those things, I said all those things, but we have – we want to see those things happen. So I think it's a fabulous question. I know people want to know. Hopefully, that gives you some context how we think about it. But we're not in a position at this moment to say when exactly that will be.

William A. Crow

Analyst, Raymond James & Associates, Inc.

Q

Understood. Appreciate your time. Thanks.

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

A

Yeah.

Operator: And the next question is from Smedes Rose with Citi. Please go ahead.

Smedes Rose

Analyst, Citi Investment Research

Q

Hi, thanks. I just wanted to ask you, you noted about 97% of the rooms are open. So I realize it's a small percentage of the room base that's closed. But is that skewing that chunk of like 25,000 to 30,000 rooms, is that skewing towards the owned and leased portfolio? Or is it more across the board? And do you see any of those maybe not reopening?

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

A

Yeah. I think the vast majority will open to answer the last one first. There may be a few here and there that don't, but I think it skews very heavily to urban destinations in the US and then Europe. That's what it skews very heavily towards. I mean, obviously, with Europe going backwards, we still had more to open in Europe, and now they've gone back and locked down, so our progress there slowed. We may have some hotels go back into suspension in Europe. And then in the US, it's almost entirely big urban, big urban hotels, the big urban markets that are suffering the most.

Smedes Rose

Analyst, Citi Investment Research

Q

Okay. But – so does that would – so I guess then it would skew also to kind of the owned and leased portfolio, which I know is small, but it just [indiscernible] (42:15).

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

A

Well, no. As you know, we don't – actually, all of our owned and leased hotels are open at the moment. Now we do have some hotels that are in some of the parts of the world that are going back on lockdown.

Kevin J. Jacobs

Chief Financial Officer & President, Global Development, Hilton Worldwide Holdings, Inc.

A

Yeah, so that's really in Europe.

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

A

So we could – yeah, in Europe and UK, but – so we could have some that go back. But at the moment, all of our owned and leased hotels are open.

Kevin J. Jacobs

Chief Financial Officer & President, Global Development, Hilton Worldwide Holdings, Inc.

A

Yeah, it skews heavily towards the managed and franchised, almost – well, I would say very heavily towards managed and to a lesser degree franchised.

Smedes Rose

Analyst, Citi Investment Research

Q

All right. Thank you, guys.

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

A

Yeah.

Operator: The next question is from Richard Clarke with Bernstein. Please go ahead.

Richard J. Clarke

Analyst, Sanford C. Bernstein Ltd.

Q

All right. Good morning, thanks for taking my question. I just want to ask a question on loyalty. How much has loyalty been a boost to your cash flow through the last couple of quarters? Are you still getting money from the credit cards? And I suppose as the follow-up to that, you'll probably come out of this crisis with a bigger loyalty liability than you normally would have.

And how do you think about managing that with regard to cash flow over the next couple of years? And how does that feed into your thoughts about what the balance sheet should look like?

Kevin J. Jacobs

Chief Financial Officer & President, Global Development, Hilton Worldwide Holdings, Inc.

A

Yeah. Rich, I'd say generally, I don't think we will come out of this with a materially higher liability than we have. If you think about the – it's a complicated equation of what we take in and what we put on the balance sheet in terms of the liability. But it all – it does self-regulate in the sense that when rates are lower, the cost of redemptions is lower, the folio charges are lower. And we run the whole thing generally breakeven. And so it's not a material contributor either way to our cash flow. There is a portion of the credit card remuneration that is ours. As you can imagine, credit card spend is down. So those – that remuneration is down, although not nearly as much as RevPAR. So it's not a big swing one way or the other.

Richard J. Clarke

Analyst, Sanford C. Bernstein Ltd.

Q

Great. Thanks.

Kevin J. Jacobs

Chief Financial Officer & President, Global Development, Hilton Worldwide Holdings, Inc.

A

Sure.

Operator: The next question is from Patrick Scholes with Truist. Please go ahead.

Patrick Scholes

Analyst, Truist Securities

Q

Good morning, everyone.

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

A

Good morning.

Patrick Scholes

Analyst, Truist Securities

Q

I wonder if you could comment about what you're observing for group booking and cancellation trends for both 1Q and 2Q of next year. Thank you.

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

A

Yes. Well, it's probably not going to shock you. I mean, we are booking business, by the way, in the year for the year still and not in significant amounts. But as I said earlier, it's for unique types of group meetings, smaller corporate meetings in lieu of people being in the office, sports-related group and groups related to recovery efforts

and crisis-related efforts. As you look at more traditional group bookings or rebookings – because obviously, our objective is to try and rebook everything evenly possible that is getting canceled this year. And we've done, I think, a very good job of doing that.

I would say at this point, while we're booking a lot of – booking and rebooking increasingly significant business into next year, I would say very little of it is into Q1 and some of it is into Q2, and the bulk of it is into Q3 and Q4. And that's for the reasons it's sort of been implied in most of what I've said. I think everybody is sort of like on hold for the winter season. Let's get through the flu season, let's get these vaccines sort out through Phase 3, and see if we can start putting shots in people's arms.

And so if you're planning a big group meeting, you just – at this point that you're in November, you're not doing it in the first quarter. You're a little hesitant on second quarter, although some of that's happening. But the bulk of what we're booking, which is picking up at a pretty good velocity, it is in the second half of next year and beyond.

Patrick Scholes

Analyst, Truist Securities

Okay. Thank you for the color.

Q

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

Yeah.

A

Operator: The next question is from Anthony Powell with Barclays. Please go ahead.

Anthony F. Powell

Analyst, Barclays Capital, Inc.

Hi, good morning.

Q

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

Good morning.

A

Anthony F. Powell

Analyst, Barclays Capital, Inc.

Good morning. You mentioned that you saw increased interest in your select service brands. Could you maybe tell from whom or just from new developers, different types of owners? And given kind of the relative resilience of that segment, the cycle, could that lead to more interest in those brands going forward and a higher share for you in the development pipeline at a peak in the cycle?

Q

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

Yeah. I think, it's – commonsensically, the reason we're seeing it is because I do believe we have a lot of owners that are still very, very strong. I think, they're of the mind that if you're going to build, the best time to build is during down cycles, so that you deliver things into an upcycle. I think many of them fall into our sort of select service development community, and they're looking at this as an opportunity to maybe pick better sites with the best brands and sort of lock their position in, and then go out and see if they can get it financed and get it going

A

with the belief that they'll deliver into a significant upswing. And so, I would say there's certainly some – I mean I let – Kevin answered it. There's certainly some new owners. But I'd say it's really our – almost all of it, my sense is, anecdotally – is from our existing owner base.

The other thing is, this is the stuff that can get done, right? I mean, by the way, this was the trend pre-COVID. The bulk of – if you look at the US, particularly – the bulk of what was getting done in the US was all in the limited service space. That was true then. It's even more true now just in terms of the economic model behind it, the margins that they can run, cost to build and all that fun stuff.

So I think it's – I don't think it's a particularly new thing. I think our brands are really, really strong. They deliver incredible share. I think people want to take advantage of the crisis to position themselves with the best opportunities for when they get to the other side.

Kevin J. Jacobs

Chief Financial Officer & President, Global Development, Hilton Worldwide Holdings, Inc.

A

Yeah. And probably just worth adding, Anthony, we did mention that in the prepared remarks, that was quarter-over-quarter growth, I think, in signings in focused service. I'd say, broadly speaking, the skew between existing owners and new owners, probably a little bit more existing because I just think you have to be pretty well heeled in the development world to get something done at this point. But worth noting that our – both our approvals and signings over the course of the third quarter – were about one-third full service, two-thirds limited select service or focused service and pretty well distributed geographically. And that's all pretty consistent with prior – what we – our experience in prior quarters and prior years, so not a lot new there.

Anthony F. Powell

Analyst, Barclays Capital, Inc.

Q

Thank you.

Kevin J. Jacobs

Chief Financial Officer & President, Global Development, Hilton Worldwide Holdings, Inc.

A

sure.

Operator: The next question is from Jared Shojaian with Wolfe Research. Please go ahead.

Jared Shojaian

Analyst, Wolfe Research LLC

Q

Hi, good morning, everyone.

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

A

Good morning.

Jared Shojaian

Analyst, Wolfe Research LLC

Q

Thanks for taking the question. Can you just talk about how occupancy trends have evolved in China? Specifically, where is business travel versus leisure travel today versus the prior peak? And then just one unrelated clarification, when you say G&A down 25% to 30%, does that mean the entire year in 2020 is down

25% to 30%? Or should we assume fourth quarter is also down 25% to 30%, and that's the run rate level going forward?

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

A

That is the full year 2020, and I'll let Kevin talk about China.

Kevin J. Jacobs

Chief Financial Officer & President, Global Development, Hilton Worldwide Holdings, Inc.

A

Yeah. In China, for – during the third quarter – China was about 50% leisure, 30% corporate, 20% group. So that was a little bit less leisure and a touch more group than in prior quarters. I actually don't have in front of me where it was to prior peak. I suspect still skewed more towards leisure than it would have been on a normalized basis.

Jared Shojaian

Analyst, Wolfe Research LLC

Q

Okay. Thank you.

Kevin J. Jacobs

Chief Financial Officer & President, Global Development, Hilton Worldwide Holdings, Inc.

A

Sure.

Operator: And the next question is from Vince Ciepriel with Cleveland Research. Please go ahead.

Vince Ciepriel

Analyst, Cleveland Research Co. LLC

Q

Great. Thanks. I wanted to touch a bit on distribution. Could you talk about what you've seen over the last couple quarters in terms of direct business versus OTA share? And if coming through this pandemic, as you evaluate the distribution going into next year or years into the future on a recovery of demand, you'd made great strides driving more direct business, and just curious if this changes that at all or further accelerates the gains you've seen on that path?

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

A

Yeah. I don't think – I mean, what's interesting is I don't – long term, I don't think it changes anything. I think if you looked at like our OTA percentages through Q2, they were tracking pretty consistent with where we've been over the last couple years. Q3, they were up as we would have expected just given the base of business, which was non-frequent, non-loyal leisure business during the summer that was – that is more OTA oriented. So it was up, not in any alarming way, but it was up, and we expected it, and we wanted it to be up in the sense that we wanted access to those customers.

Our attitude on the long-term hasn't changed. Our attitude with the OTAs is they've been good partners for certain types of business. We love working with them through the crisis. There's been plenty of pockets of demand that have been helpful to us and our ownership community work with them on. But at the same time, as you point out, we've been on a long-term trajectory, and during COVID, similarly, to build more direct relationships, build more loyalty, give customers more reasons through what we're doing with our digital platform, what we're doing with Honors, that value proposition and the like. What we're doing now with clean stay, and cleanliness and hygiene,

and all of the things that have come out of the COVID crisis to give people more reason want to come directly to us.

And so, in a more normalized demand environment, I think the things that we've done in the crisis are going to put us in a really good position to continue down the path of building even more direct relationships, even more direct business. In the interim, we're going to obviously do a bit more business with the OTAs because it's the right thing to do.

In terms of distribution mix, the majority of our distribution comes from direct channels. Almost three-quarters of it comes from direct channels. I mean, the thing that's been interesting, there's been some shift outs, which wouldn't surprise you. I mean, if you had asked me this a year ago, I would have said, gosh, it's hard to imagine. But what's happened is our percentage of direct has stayed about the same. It's just shifted where hotel direct has gone way up. And our – and digital channels, other channels have gone down, which seems crazy, but it's just the type of business. And people – literally, we have two-thirds of our businesses booked within seven days and like 40% of it almost is booked within the day. And so it's a lot of like drive-through business. People pick up the phone and call like the old days.

Obviously, that won't be maintained. And then the OTA swap out, so the OTAs have gone up a little bit. But what has gone down is the GDS on the other side. We could argue about GDS sort of effectively being a direct channel the way we think about it, but we don't. But what has happened is the GDS has gone down because the traditional corporate business that comes through that has evaporated to a large extent, and it's been replaced by OTA type business.

So ironically, when you net it all out, we're almost in the exact same place. But sort of a funny world for the moment, I have every expectation as we get to more typical demand levels that those things will all go back to more normal – a more normal trajectory. And I feel very good about what we're doing vis-à-vis Honors and our customers to keep building direct relationships.

Vince Ciepiel

Analyst, Cleveland Research Co. LLC

Appreciate that.

Operator: The next question will be from Rich Hightower with Evercore. Please go ahead.

Rich Allen Hightower

Analyst, Evercore Group LLC

Hey. Good morning, guys. Thanks for taking the question here. I was hoping to get you to opine a little bit on short-term rentals. And when you think about the recovery and maybe some share gains in that segment over the course of the summer and through Labor Day, did that surprise you at all? And Chris, you've made comments in the past about how it's not precisely the same customer that Hilton is going after, but would you make that same statement today? Thanks.

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

Good, a really good question. And it doesn't really change my view in the sense that, I won't make you suffer through the whole thing, because you guys know it that I do believe that's fundamentally a different business. We're in the branded business where we take very consistent product, very consistent service delivery, amenities

wrapped in with a product, loyalty to wrap it all together, and we sell it for a premium versus something that satisfies the customers' needs. But is not going to have the consistency, the service, the amenities. Could have loyalty, but at the moment, it doesn't really have loyalty, and as a result, more of a value proposition.

I just think we fundamentally believe we're in the hospitality business and we get the premiums we get, because we do something different. And that our business is good and that their business is good, right? But they're – and while they're related, they're – fundamentally, we're trying to do different things.

Now, I'm not at all surprised. I had every expectation that this would be good for them. Just think about what I said about where the business is coming from, the bulk of the business this summer was value-oriented leisure business. That is like a bull's eye for those platforms. And so that's great for them.

And if you had an expectation that, that is all the demand that was going to be available, that this was a secular shift, it would be an issue. I do not believe that. I believe that when we wake up in two or three years, and incrementally over those two or three years we will get back to more normalized environment in terms of demand and that what we do, the people have been willing to pay a big premium for, they will continue as we get through this crisis to want to stay with us and pay us that premium.

They will also, for certain stay occasions, want to stay with them for a different type of value proposition. So it wasn't surprising to us at all. It makes all the sense in the world, just given the – if you look at the bucket of demand, the biggest bucket of demand that's out there at the moment.

Rich Allen Hightower

Analyst, Evercore Group LLC

Q

Great. Thanks for the comments.

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

A

You bet.

Operator: Ladies and gentlemen, this concludes our question-and-answer session. I would like to turn the conference back over to Chris Nassetta for any closing remarks.

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

Well, thank you, everybody, for joining us. I hope everybody that didn't get rest, get some rest today. We'll see what happens with all of these crazy elections here in the US. We appreciate the time. Obviously, a lot going on in the world, a lot going on with the business. We feel, as I said in my comments, really good about the progress. I think, we're set up, certainly from a liquidity point of view in a really good place.

But I also think in terms of what we've been doing for our ownership community, what we've been doing with our customers, how we've been taking care of our teams, what we've been doing from a cost structure point of view, I do believe in my heart-of-hearts that when we get to the other side of this, we're a bigger, better, stronger, more efficient higher-margin business. And so, we'll look forward to continuing to update you on – as the journey unfolds. Thanks, and have a great day.

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

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