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Presentation

Operator

Good morning, and welcome to the Hilton Second Quarter 2026 Earnings Conference Call. [Operator Instructions]. Please note this event is being recorded. I would now like to turn the conference over to Mr. Charlie Ruehr, Vice President, Corporate Finance and Investor Relations. You may begin.

Charlie Ruehr
Vice President of Corporate Finance & Investor Relations

Thank you, Chuck. Welcome to Hilton's second quarter 2026 earnings call.

Before we begin, we would like to remind you that our discussion 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 update or revise these statements. For a discussion of some of the factors that could cause actual results to differ, please see the Risk Factors section of our most recently filed Form 10-K. In addition, we will refer to certain non-GAAP 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 and the company's outlook. Kevin Jacobs, our Executive Vice President and Chief Financial Officer, will then review our second quarter results and discuss our expectations for the third quarter and full year. Following the 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, CEO & Director

Thanks, Charlie, and good morning, everyone. We're excited to report strong second quarter results with RevPAR, adjusted EBITDA and EPS exceeding our expectations. The continued improvement in travel demand across chain scales and segments supported both our top line and bottom line results. We continue to execute on our disciplined development strategy achieving one of the best quarters in our history for signings, further growing our record pipeline. Our strong portfolio of brands, powerful commercial engines and disciplined execution continue to support meaningful free cash flow generation. We remain on track to return $3.5 billion to shareholders for the full year.

For the second quarter, System-wide RevPAR increased 3.9% year-over-year, driven by underlying demand recovery in the U.S., where business transient and group both exceeded expectations and a strong World Cup. Business transient RevPAR was up 5.7%, a 3-point step-up globally and a 4-point step-up in the U.S. versus the first quarter driven by midweek demand from small- to medium-sized businesses. Leisure transient RevPAR was up 1.6%, supported by World Cup demand exceeding expectations but offset by unfavorable holiday shifts and pressure from the conflict in the Middle East. Group RevPAR was up 3.7%, driven by growth in company meeting demand and favorable event calendar shifts.

As we look to the second half of the year, we expect underlying RevPAR growth to remain strong across all chain scales and segments. We expect U.S. RevPAR to continue to benefit from macro tailwinds, including supportive tax and regulatory policy, increased private sector investment in the AI complex and ongoing public infrastructure spending, which should benefit the middle- and lower-income consumer and drive broader demand growth across our system and will be coupled with historically low levels of industry supply growth at less than 1/2 of 1%. We expect the business transient segment to lead as its recovery continues to strengthen into the third quarter. Given this momentum, we're raising our full year System-wide RevPAR growth expectations to 3% to 3.5%, with third quarter above our full year range, benefiting from the World Cup and holiday shifts and fourth quarter a bit below due to calendar shifts and midterm elections.

Turning to development. We had a strong quarter, opening more than 200 hotels totaling over 24,000 rooms, up 50% from the first quarter. More than 20% of total openings were Luxury and Lifestyle hotels, including the opening of Conrad Athens, which marked the debut of our Conrad brand in Greece. We celebrated reaching 500 lifestyle hotels with openings across 12 countries, including the brand debut of Curio in India. Additionally, we surpassed 100,000 rooms globally for Home2 Suites and announced the brand's debut in Spain, another key European market for us.

Conversions represented 36% of openings for the quarter across 12 brands and nearly 30 countries, including Spark openings in Saudi Arabia, Germany and the U.K. Across our portfolio, the 20 new brands that we've launched over the last 2 decades have been powerful engines of our unit growth, and we expect them to continue driving more than half of our net unit growth in the years ahead. We believe our ability to identify white space, develop the right brands in partnership with our owners and launch them with discipline remains a real competitive advantage for us.

Building on that strength in the quarter, we launched Undergraduate by Hilton, a new upper mid-scale brand created to serve a broader range of college and university markets. Undergraduate expands Hilton's collegiate hospitality strategy with a flexible development model that supports both new build and conversion opportunities. Undergraduate complements our existing Graduate brand for a different addressable market with long-term expansion potential of more than 400 hotels.

In the quarter, we signed approximately 43,000 rooms, representing the second largest quarterly signings in our history, increasing 50% from the first quarter and growing year-over-year above our 5-year average historical growth rate. Of total signings 35% were in Luxury and Lifestyle with notable announced signings, including the Waldorf Astoria Miami Beach and our first Curio in the Bahamas. More than 70% of our signings were in international markets, driven by strong momentum across Europe and Asia Pacific outside of China where we currently only have 2% and 1% market share of supply, respectively. In CALA, a fast-growing region where we have only 3% market share of supply, Signings grew 20% year-over-year with growth across all chain scales.

Despite the conflict in the Middle East in the quarter, Middle East signings were up low single digits year-over-year. Our pipeline now stands at a record 541,000 rooms spanning more than 130 countries. Almost half of the pipeline is under construction, positioning Hilton for sustained 6% to 7% net unit growth as we continue to capture a bigger slice of a growing global pie. In the quarter, we saw new development construction starts continue to grow led by the U.S., which was up over 40% versus the same quarter last year. On conversions, we continue to take well more than our fair share of quality rooms and expect conversion openings to be up in all regions for the year, comprising approximately 40% of total openings.

Both new development and conversion growth is driven by continued developer preference for Hilton brands due to industry-leading RevPAR premiums, which further increased in the second quarter. We know our development success is built on strong partnerships with owners, which is why we evaluate every decision through the lens of owner profitability. Over the past year, we've taken several concrete steps to help owners lower costs, strengthen hotel profitability and improve their returns.

First, on fees, reflecting the continued growth in scale and efficiency of Hilton Honors we reduced loyalty fees for most hotels globally. We also launched Hilton Rise, a program that provides program fee discounts when hotels consistently deliver an excellent guest experience. Second, we are taking a more flexible and tailored approach to renovations, balancing owner investment with guest expectations and hotel performance. Most recently, we initiated an intensive cross-functional review of hotel-level P&Ls to identify where Hilton's scale, technology and enterprise capabilities can drive incremental owner profitability. Through this work, we are exploring system-wide opportunities across workforce innovation, purchasing power, and brand cost discipline to strengthen hotel-level margins, reduce complexity and create even greater long-term value for our owners as well as all stakeholders. These owner profitability initiatives are enabled and accelerated by the power of our proprietary technology platform which allows us to innovate faster, scale more effectively and deliver greater value across our entire network.

Earlier this month, we announced an industry-first direct connection with Navan, a travel management company. This integration was made possible by Hilton-developed booking and content APIs that provide direct real-time access to Hilton availability, rates, booking and authoritative property and room content. This direct connection bypasses both intermediary connections and other more expensive distribution channels providing meaningful cost savings for our owners. The same flexible AI-ready technology stack is also enabling the Hilton AI Planner, which launched earlier this year, bringing more personalized, intelligent and useful planning tools to all of our customers. We will continue to extend our technology advantage and utilize it to drive superior returns for owners and better experiences for our guests.

Our exceptional Hilton team members continue to bring our award-winning culture to life, helping Hilton achieve 19 No.1 Best Workplace recognitions globally so far this year, the highest number we've ever received. This commitment to delivering reliable and friendly stays also strengthens our industry-leading brands with Hampton, Home2 Suites and Tru recognized for best in category by J.D. Power for 2026.

Overall, we're pleased with the quarter and remain confident that our powerful network effect, industry-leading RevPAR premiums and fee-based capital-light business model will continue to drive strong operating performance, net unit growth and meaningful cash flow, enabling us to return an increasing amount of capital to shareholders.

Now I'm going to turn the call over to Kevin with a few more details on the quarter and our expectations for the full year.

Kevin J. Jacobs
Executive VP & Chief Financial Officer

Thanks, Chris, and good morning, everyone. During the quarter, system-wide RevPAR increased 3.9% versus the prior year on a comparable and currency-neutral basis. Growth was driven by underlying demand recovery in the U.S. where Business Transient and Group both exceeded expectations and a strong World Cup. Adjusted EBITDA was $1.054 billion in the second quarter, up 4.6% year-over-year and exceeding the high-end of our guidance range. Growth was affected by onetime and favorable timing items specific to the second quarter of 2025 and significant renovations in the ownership portfolio in 2026. Out-performance was driven by better-than-expected System-wide RevPAR growth and $17 million of non-RevPAR timing items.

Management and Franchise fees grew 6.4% year-over-year. For the quarter, diluted earnings per share adjusted for special items was $2.29.

Turning to our regional performance. Second quarter comparable U.S. RevPAR increased 5.4%, driven by strong demand across all segments with U.S. Business Travel and Group exceeding prior expectations and a strong World Cup. For full year 2026, we expect U.S. RevPAR growth to be in the mid-single digits. In the Americas outside the U.S., second quarter RevPAR increased 4.6% year-over-year driven by strong Group and Business Travel demand with Canada leading regional gains and continued growth across the Caribbean and South America. For full year 2026, we expect RevPAR growth to be in the low to mid-single digits.

In Europe, RevPAR grew 4.3% year-over-year, led by the U.K. and Ireland and continent-wide strong business and leisure performance. For full year 2026, we expect RevPAR growth for the region to be in the mid-single digits. In the Middle East and Africa region, RevPAR decreased approximately 30% year-over-year, which was better than prior expectations. However, uncertainty in the recovery remains. For full year 2026, we now expect RevPAR in the Middle East and Africa to be down in the high-single to low-double-digits, supported by a strong start to the year before the conflict and modest assumptions for a continuing recovery.

In the Asia Pacific region, second quarter RevPAR was up 6.3% in APAC ex China, led by strength in Business and Leisure and overall strength in Japan and Korea. RevPAR in China decreased 2.2% in the quarter, driven by a decline in Group Travel resulting from continued government restrictions. For full year 2026, we expect RevPAR growth in Asia Pacific to be in the low single digits, with RevPAR down low single digits in China.

Turning to development. As Chris mentioned, for the quarter, we grew net units 6.1% and now have more than 541,000 rooms in our pipeline. We continue to have more rooms under construction than any other hotel company with approximately 1 in every 5 hotel rooms under construction globally, slated to join the Hilton portfolio. We expect to deliver between 6% to 7% growth for the full year with the second half of the year stronger than the first half of the year.

Moving to guidance for the third quarter, including the impact from the Middle East conflict, we expect System-wide RevPAR growth to be approximately 4%. We expect adjusted EBITDA to be between $1.035 billion and $1.055 billion and diluted EPS adjusted for special items to be between $2.28 and $2.34 both affected by the ongoing conflict in the Middle East and significant renovations in the ownership portfolio and timing items. For the full year, we expect RevPAR growth of 3% to 3.5%, driven by continued broadening of demand growth across our system and strength in the U.S. As a result, we expect adjusted EBITDA of between $4.04 billion and $4.08 billion and diluted EPS adjusted for special items of between $8.89 and $9.01. Please note that our guidance ranges do not incorporate future share repurchases.
Moving on to capital return. We paid a cash dividend of $0.15 per share during the second quarter for a total of $34 million. Our board also authorized a quarterly dividend of $0.15 per share for the third quarter. For 2026, we expect to return approximately $3.5 billion to shareholders in the form of buybacks and dividends. Further details on our second quarter results 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 as many of you as possible, so we ask that you limit yourself to one question. Chuck, can we have our first question please?

Question and Answer

Operator

And our first question for today will come from Shaun Kelley with Bank of America.

Shaun Clisby Kelley
BofA Securities, Research Division

Thanks for all the prepared remarks, a lot to cover. Chris, I'm going to go down a slightly different path, which is, I think, I feel like your section on owner health and some of the initiatives you've taken there is new. And I'd like to just see if you could elaborate a little bit, specifically, if you could just comment on the reduced loyalty fee you mentioned for owners and maybe elaborate a little for those who aren't as familiar with the RISE program and what that may mean? Just some of these initiatives you're taking to help out owners and sort of that point there.

Christopher J. Nassetta
President, CEO & Director

Yes. I'm happy to do it. We put in the script for a reason. We're spending and have been spending a lot of time on this. I mean if you think about it, not to go too far back in time, but if you think about the lead up to COVID, and I hate going back this far, but if you look at '17, '18, '19 you had conditions in the industry that were not great in most of those years in the sense of you had very low top line growth and higher growth in expenses. It wasn't as high as it got post-COVID, but nonetheless, margins were sort of going backwards, and I think it made very challenging.

I'm talking predominantly at this point really in the U.S., which is still 75% of the system. And where these issues are more extreme. And so it was quite a difficult operating environment for owners. Then you get into COVID, and we all know it was difficult for everybody, us and them, but I mean all of the operating costs and all that are -- those burdens are taken on largely by our ownership community. So really, really difficult time. We did, as you know, a ton of different things to provide relief during that time. We worked very quickly and I think in a really thoughtful way to try and help every way we could and also make sure we survive those times which we did and as did they.

And then we get out of COVID and you got into a super high growth period of time, obviously, as a result of getting past the pandemic and you had very high top line growth. And while inflation was high, you did see some pretty nice trajectory because you had really strong rate growth in a higher inflationary environment. But -- and that felt good, particularly after COVID. But then over the last couple of years, what you've been really suffering from is a bit like the pre-COVID times with a little -- even a little bit more extreme, meaning in the U.S., you've had very low or last year, negative top line growth and expenses growing higher than that and stubbornly sort of high inflation and particularly in areas that matter in insurance and energy and in labor costs. And so margins have been going backwards.

And so here's the reality we listen to these things. I'm -- I come out of the owner community. It's been a long time now almost, I guess, 19 years, going on 20 years, but I sort of cut my teeth in the industry on that side of the business, have a lot of relationships and friendships and in that -- in the ownership community. And we're listening to them. And so what we've been trying to do over the last year or 2 is think about on a broad basis, how can we be smarter in that environment to help out. Now I do think things and we'll get to it. You see it in the results year-to-date and what we're guiding to into next year, we'll leave that for another question.

I think things are going in a really good direction where my belief is owners are going to get margin growth, and that we're going to get into a different cycle. But the reality is they've had a more challenging time. And so -- we've been, at the same time, growing scale and utilizing AI and lots of process change to get more efficient in every way, not just that affects our P&L, but that affects the broader P&L and the entire system that we manage for the owner community. And so last year, we launched and it started life in January officially, but we launched last year, reductions in loyalty because we can, because we have been continuing to garner scale and efficiencies in that business. And then we put project what we called RISE and I talked about in place which is basically a reduction in program costs, again, around efficiencies that we're able to find that we can still run the system but do it more efficiently, utilizing better process, AI and a lot of other innovative thinking.

And the combination of those things is somewhere between 75 basis points and 100 basis points in margin for owners. Now in RISE, we did create a gating system, which we think is good for everybody, which means we know during COVID that there was the whole industry, a lack of investment -- and so we're trying to -- we obviously are going through a big investment cycle. Our owners are investing a lot of money, but we basically want -- set it up so that if it's a good experience for the customers, you get through the gate.

And if it's not, then you have to work on that. And if you do, you'll get through the gate. And right now, a little -- and those standards move up every year, but roughly half the system right now in the United States is getting the full benefit of both of those things. And I believe that will continue to grow. So I think it's good for the ownership community. It's incenting the right behaviors vis-a-vis delivering the right outcomes for customers, which ultimately is what helps us continue to drive share growth, which is good, not just for us, it's good for the system and good for owners.

And the last thing is we're doing another body of work, which I would sort of describe as RISE II internally, which is trying to figure out in a very granular way across the entire P&L, as I mentioned in my comments, across our entire cost structure across all brand standards both operating and physical property level standards. Are there things that we can do to continue to push the envelope and that's utilizing sometimes old-fashioned elbow grease and sometimes utilizing the benefits of our technology and AI, where we're making really good progress. And we do think there's more opportunity to come. So that's why I put it in. I mean I put it in because I said that, Charlie, and Sofia we're spending a huge amount of time on this for all the right reasons. We're spending a lot of time as we always do with our ownership community. And we want you and them to know that we recognize that they are an extraordinarily important partner and customer of ours, and it needs to work for the customers in the hotels and it needs to work for them for our flywheel to keep flying.

Operator

Next question will come from Dan Politzer with JPMorgan.

Daniel Brian Politzer
JPMorgan Chase & Co, Research Division

Chris, you talked about a broad-based momentum and strengthening of demand trends for the remainder of the year and actually into 2027. Can you talk about what underlies that confidence in line of sight over the course of the next 18 months? And how do we kind of reconcile that with the kind of nuances in your cadence for RevPAR up 4% in the third quarter and then I think it implies about up low single digits in the fourth quarter.

Christopher J. Nassetta
President, CEO & Director

Yes. I mean, so at the risk of a lot of data, let me try and like lift up because there's a lot of noise in this year. There's some negative noise, which is largely sort of oriented towards the Middle East, a little bit of Mexico -- and then there's a lot of positive noise, if you will, between easier comps broadly and World Cup. And so we spent -- and hopefully, this is helpful. And we spent a huge amount of time on the science of like getting underneath what's really going on when you sort of cleanse it for all of that. How does it make you feel?

And so what I would say, like let me break down Q2 a little bit, let me talk about both in the U.S. and globally, and then let me talk about the year and the setup for next year. So if we were at 5.4% in the U.S. in Q2, I would say roughly half of that, so a little -- leaving behind 2.7%, a little over 2.5% was -- what we say is real sort of run rate growth. And the other 2.7% was comps and World Cup. I mean they just -- you had meaningful benefits from those two things. If you look at the world, we were at roughly 4%, and there was roughly 2 points of that 4 points that I think was -- were those things. So you would say 2% to 2.5% in both cases when you round it and you take out the noise.

Now remembering this is going to complicate more. The Middle East in the quarter was a full percentage point. So the 4% would have been 5% and above for Middle East. But let's leave that out for the moment. Sort of the run rate, I would say, when you look at the full year in the U.S. sort of implies around 2.5%. We think that's what it's going to be for the second half of the year. Kevin said in his comments. Third quarter is getting a little extra juice from the World Cup and some holiday stuff. The fourth quarter has got some calendar shifts in the midterms. When you look at the year -- the second half of the year, we think it looks a lot like the first half of the year when you take out the noise, of comps and World Cup.

When you look at the full system-wide and do the same thing. We think it ends up at like 2% or 2.5%. So what we would say, like as we get into budget season here in the next few weeks, what we would say is you start off a base, which is -- I mean the big difference is really Business Transient midweek coming back in a very meaningful way, which is where you're seeing the greatest improvement, we think that you're running at 2% or 2.5%. So as I think how that translates -- and I think the second half of the year is just fine. There's just noise with World Cup and calendar shifts going on. We don't think there's anything wrong with the fourth quarter. But that's just noise. That's just like -- that's stuff happening as between the quarters.

As I think about '27, which we're starting to do a lot of thinking on because we are literally getting into budget season. And even though it will be a granular exercise, there is some top-down view of the world that Kevin and I and others will provide I sort of look at it like you're starting out at 2% to 2.5%. And then what do you add to it or take away from it? I would say most of the stuff I see is a tailwind to that. So I think you could debate it, but I would be happy to debate it with you, the U.S. economy is getting stronger. I mean it shows up in our results. The strength is broadening for the reasons that I talked about in my script. You have very favorable tax regulatory policy, huge investment cycle in AI infrastructure to support the AI complex, broad-based spending that's going -- continuing to go on, on infrastructure. Just look at the NRFI numbers, the single highest correlation between demand growth and hotel rooms historically and now is -- increases in NRFI, those numbers are going up, not surprisingly when you're spending trillions of dollars on these things, it leads to good things. So I think that is picking up steam.

Things can happen, good, bad and ugly. I realize, but I'd say I would take the over that the 2.5% that we're sort of baseline in the U.S. it's getting better. You've got more opportunity in recovery of government. On top of that, you've got inbound international in the U.S. I mean, the second quarter was great because of the World Cup. But I mean, broadly, next year, through the whole year, you've got opportunities for recovery in inbound international travel. Okay. So that all feels pretty good.

And then you think about the rest of the world, and there's a lot of uncertainty. I mean you have -- I'm optimistic by nature, everybody knows that. I would think the Middle East is going to get resolved one way or another and that we've got tailwinds which are probably the Middle East this year alone is costing us 0.5 point, something like that in overall growth. I don't know what it will be, but I think it will be better than -- so I think we have that tailwind. I think we've got a Mexico tailwind. Again, it's a relatively small part of the business, but impactful. And I just was in China a couple of weeks ago and spent a great week with our teams there. It's hard to know. The China economy is sputtering, I mean it's growing but not consistent with what prior growth rates have been. But it feels like it’s sort of hitting some level of stability. And I think there's an opportunity to not maybe see incredible upside, but a bit of upside there, which has obviously been a bit of a drag for the last few years.

And we thought, well, China would be flat this year. It's not -- it's going to be down another couple of points, something like that. So again, when I put all that together and I think about our budget off of sort of a 2.5-ish baseline, I would say I think it will be better than that. And I think we'll have another really healthy year of growth, all things being equal.

Operator

Your next question will come from Lizzie Dove with Goldman Sachs.

Elizabeth Dove
Goldman Sachs Group, Inc., Research Division

I guess maybe expanding on that a little bit. You talked last quarter about the C-shaped economy and the convergence between the chain scales, particularly in the U.S. Could you maybe expand on that and kind of how you're seeing that now and how that's evolved through the quarter and to the extent you believe that could continue to be a tailwind as we move into '27 as well?

Christopher J. Nassetta
President, CEO & Director

Yes. And then, Lizzie, thank you for the question. I talked about it a bit, so I'll try not to be too redundant. I mean we're definitely seeing it. I mean that doesn't mean, by the way, that the top of the C is -- is coming down. I mean, Luxury is doing -- the high end of the business continues to do quite well. And I told you that my expectation is it will. I think it was particularly [torqued] during World Cup because World Cup was very focused on lots of inbound -- high-end inbound international during the quarter and in urban markets. So I think you got extra torque in the quarter. But I think the high end for some extended period of time will be good. But what you're definitely seeing if you look at last year, the mid-scale, upper mid-scale, all that was negative last year, and the biggest sort of flip around, if you will, has been in those segments going from circa like minus 2% to plus 4% to 6% a very, very big turnaround.

I think like it's hard to deny -- again, look at the NRFI numbers, like all of that investment going on in the country, like the people that do it aren't staying in luxury hotels and people that do it are staying in mid-scale, upper mid-scale and that's what we're seeing. As I think I already said, the biggest single change we've seen over the last couple of quarters is midweek Business Transient growth, which is exactly what we've been dying to see and really strong growth in SMB, small, medium-sized businesses within Business Transient that is significantly from a growth rate point of view, outstripping what we're seeing with like big corporates and the like.

And again, I think it's all sort of fundamentally connected to the regulatory tax investment cycle, AI cycle. I don't know how all that ends. I'm not smart enough to know what it looks like 2 or 3 or 4 years from now. I would bet a lot of money. It's awfully hard to stop the spend. And once all those trillions are sort of committed, all these data centers. I mean, they're data centers, one in Kentucky, written about the [indiscernible]. It's $0.5 trillion data center, one data center. Once this stuff is going, it will keep going for a period of time. And so I think -- I do think we are seeing the bottom and the mid -- the middle class is getting back in the game and all these mid-scale, other mid-scale, everything sort of that has been fairly weak over the last couple of years is really strengthening. It's really impossible to deny. We continue to see it, by the way, going into the third quarter. We continue to see it post-World Cup.

Now we don't have a ton of data post-World Cup. But I mean World Cup was winding down. There are fewer and fewer games, and yet into the third quarter, we continue to see really good strength in rate. We continue to see really good strength in midweek business transient, really good strength in SMB, all the things that we're talking about. So I think this C-shape thing is alive and well. And I think it's -- personally, I think it's sustainable just based on the basic laws of economics.

Operator

The next question will come from Brandt Montour with Barclays.

Brandt Antoine Montour
Barclays Bank PLC, Research Division

I was hoping maybe, Kevin, if you could talk a little bit about the EBITDA guidance that you guys gave. You beat the 2Q guide by a healthy figure and didn't flow through all of that to the full year EBITDA guidance in the midpoint. Just wondering if there's anything to call out there or just general conservatism?

Kevin J. Jacobs
Executive VP & Chief Financial Officer

No. I think that, look, we put something in both our prepared remarks and the release about some of the items that were timing items. And those timing items about $17 million was really across the P&L, more smaller things, nothing sort of major that I would even call out in that category, and then the rest of it was driven by RevPAR, right? And if you think about what -- how we outperformed and if you drive it by 4 and our rule of thumb, that all sort of holds together in terms of the beat on RevPAR flowed through the way you would have expected it and the increase in our guidance is flowing through for the full year the way you would have expected it.

What's really going on over the course of the year, if you think about the midpoint of our guidance being close to 9% growth, you've got -- we mentioned it a pretty significant drag in the ownership segment, right? We have 3 hotels, 3 major hotels. And if you think about -- if you take a step back in ownership, not to go on a full ramp about that segment. But if you go back in time, we had about 100 hotels. We're down to about 46 hotels in leasehold or a few JVs today. And among that is about 1/3 of those hotels that drive over 80% of the EBITDA are really important, really great hotels that provide a lot of benefit to the company in terms of serving customers. 3 of those strategic hotels are either fully closed in the case of Munich Park and Amsterdam or under significant renovation in the case of Tokyo, which is our largest EBITDA producer in that portfolio. These are really good long-term decisions that are going to drive great performance in these hotels going forward.

So if you go down the line a few years, you're going to have significant -- a couple of years, you're going to have significant tailwinds. But this year, it's over -- that's $20 million to $25 million just in those 3 hotels alone impact to EBITDA. And then if you take the Middle East, that's over $20 million of impact just there in terms of IMF and base fees. And so if you take a step all the way back, just in those two dynamics, you're adding $40 million plus, maybe even closer to $50 million of EBITDA for the year. So if you adjust for that, the full year is well ahead of algorithm. The algorithm is alive and well. So that's really what's going on if you take a step back from it.

Operator

The next question will come from David Katz with Jefferies.

David Brian Katz
Jefferies LLC, Research Division

Apologies for focusing on just 1 hotel, but you mentioned it, Chris, and I think it's an important hotel and an important market, and that's the Waldorf Miami Beach. Can you talk a bit more about, number one, presumption is that there probably was some key money involved there. And two, just how you see your presence in that market given some of the other luxury dynamics with other hotels reopening and some other trades and upgrades, et cetera, et cetera.

Christopher J. Nassetta
President, CEO & Director

Yes, you're right. It's 1 hotel, but an important one because for Luxury, Lifestyle, South Beach, Miami, pretty important market. We've been working -- we have another Waldorf in the broader Miami market, but nothing in the South Beach market at the high end. And it's something we've been working on for a very long time. The -- our partner in London and what will be a spectacular hotel that's opening up later this fall, the Waldorf Astoria in London at Admiralty Arch, a real jewel box as the Rubin Brothers out of the U.K. and they ended up buying the hotel in South Beach. I think a couple of years ago, and we've been -- we have a great relationship in the work that we're doing in London, and we ended up having lots of conversations with them. And ultimately, they are big, big believers in the Waldorf brand and we were able to make a deal.

There is -- we don't get into disclosing individual deal economics. There's definitely key money. There's key money in every deal like that, particularly in the United States, that's just what the competitive environment suggests, by the way key money doesn't change our guidance on key money in terms of the broader guidance that we've given. But we're really excited about it. They are going to close the hotel, really reinvent it from a beach club point of view, food and beverage, public space, rooms, they're going to really do a thoughtful job and based on our experience with them in London. But broader experience in seeing the work that they've done. We think it's going to be an exemplary representation of Waldorf in South Beach and will fit the work they're doing will certainly fit that market dynamic. So we're very excited about it.

Operator

Next question will come from Steve Pizzella with Deutsche Bank.

Steven Donald Pizzella
Deutsche Bank AG, Research Division

On the NUG outlook, I believe you've indicated growth should accelerate in the second half relative to the first half run rate. Can you walk us through the key drivers behind that acceleration? How much visibility you have into those expectations today? And any early thoughts on the 2027 NUG outlook?

Kevin J. Jacobs
Executive VP & Chief Financial Officer

Yes, I'll take this one, Steve. Look, I think we have a lot of visibility. The vast majority of our -- of what we expect to open this year as construction and process between new build construction and conversions that are in flight. So if you -- the reality is we did say in our prepared remarks and in the script -- sorry, in the press release that is back in -- that's just math, right? So we think we're going to do 6% to 7% for the year, that means we still feel good about the midpoint or we wouldn't be giving you 6% to 7%. And so that just implies that there is going to be an acceleration.

Historically, we are back-end loaded in terms of deliveries. This year, maybe a little bit more than normal. But again, we have visibility into all that, that is in flight. There's still a lot of year left, so you still have time to do in the year, for the year conversions and things like that. So the range is still the range. But we feel comfortable with the midpoint. And then what we've been saying for a while, and we'll continue to say is we think we can deliver 6% to 7% for the foreseeable future. So as we go -- when we go into next year, we will again have the vast majority of what we expect to deliver will be construction and process. You always have some in the year, for the year conversions. That's why we give you a range. But we feel like 6% to 7% is the right way to think about what we can produce going forward.

Operator

Your next question will come from Smedes Rose with Citi.

Smedes Rose
Citigroup Inc., Research Division

I just -- I wanted to ask you, you mentioned that in the quarter, small and medium-sized businesses were a big driver of some of that great business transient, you saw at [5% to 7%,] was it a similar small and medium that were helping to drive group? And could you speak to maybe what you're seeing from your larger kind of corporates on the business transient and group side? Is that maybe a source of incremental strength going forward? Or kind of what does that look like from here?

Christopher J. Nassetta
President, CEO & Director

Yes. I think the answer is yes. We saw SMB growth in business transient sort of 7-plus percent roughly. It also definitely was a driver on the Group side. Corporate the big corporates were growing but at a lower pace in both regards. But not dramatically so. I mean if

SMB was growing at 7%, the corporate was growing at like 5%, so 4.5% to 5%. So both were pretty healthy, but the pickup, I noted the pickup in SMB for a reason. That has been a very strong driver of the tailwind on midweek business transient, just that pickup. That segment had not been growing as much. And now it's not only growing, but it is eclipsed from a growth rate point of view. So it's both. It's SMB is helping both, that's leading the charge in business transient recovery and helping on group as well.

Operator

The next question will come from Robin Farley with UBS.

Robin Margaret Farley
UBS Investment Bank, Research Division

Great. And I apologize if you addressed this already, we have three calls going right now at the same time. So -- but a lot of commentary about the strong midweek business in group, but definitely is a pickup from last quarter. Can you give a little color on what's going on on the Leisure side of things?

Christopher J. Nassetta
President, CEO & Director

Yes. Yes, we did not talk about that in great detail. Leisure was strong. I mean it was in third place behind Business Transient and Group in the quarter, that has I think ultimately, more to do with the shift in Easter and other sort of holiday timing going on. But we feel very good about continued growth in Leisure. We think it will be driven by high-end Leisure growth, but it will also -- if you believe what I'm saying about getting the middle class back into the game, that means not only are they going to be traveling more for business purposes, but we think they're going to be traveling more for leisure purposes too. So we think that, that will help in that segment on weekends and otherwise. So continues to grow, I think, on a run rate basis will be relatively strong for the year.

Robin Margaret Farley
UBS Investment Bank, Research Division

And just as a follow-up, I don't know if you quantified anything about the Leisure RevPAR in the quarter? And then I know you mentioned World Cup and calendar benefits adding about half the RevPAR growth. Could you break out just the World Cup piece of it just separately?

Christopher J. Nassetta
President, CEO & Director

Yes. I would say we did talk about the Leisure in our prepared comments. It was 1.6% up again with impact from shift of holiday, et cetera. So it would have been otherwise when you neutralize for that, it would have been stronger. I would say World Cup in the second quarter, if it's 2.7%, and I think it's like 1.5%, 1.7% was probably World Cup. And the other point, the other 100 basis points was comps, plus or minus.

Operator

The next question will come from Duane Pfennigwerth with Evercore ISI.

Duane Thomas Pfennigwerth
Evercore ISI Institutional Equities, Research Division

Just to revisit the owner profitability initiative that you highlighted. Maybe you could speak to what specifically Hilton is doing that you believe differs from your competitors on this front. And is this more relevant for a specific set of chain scales? In other words, are these efficiency initiatives more relevant for full service versus select service hotels?

Christopher J. Nassetta
President, CEO & Director

Well, I really can't speak to what our competitors are doing, but I am not aware that our competitors are doing similar things. What's notable is we're reducing the fee load to our owners across the board on loyalty and then if they get through the gate as I described on system fees broadly. What was the second part of the question?

Duane Thomas Pfennigwerth
Evercore ISI Institutional Equities, Research Division

Just if this is more relevant for specific chain scales? Is this more of a...

Christopher J. Nassetta
President, CEO & Director

I'd say it's across the board. Loyalties across the board, Project RISE, which is system pieces across the board. So it affects it affects program fees across all categories.

Kevin J. Jacobs
Executive VP & Chief Financial Officer

And then Duane, I'd just add, we've said this before a bunch of times, but these discounts that we're talking about are in the program fees in loyalty and in the program versus other fees.

Operator

The next question will come from Michael Bellisario with Baird.

Michael Joseph Bellisario
Robert W. Baird & Co. Incorporated, Research Division

Just on the signings front, one of your best quarters. Is some of that pickup because RevPAR is better and owners and developers are more confident today? And how much of it is just you continue to capture an outside share of deal flow?

Christopher J. Nassetta
President, CEO & Director

Yes. I think -- listen, I think the second quarter -- I mean, the first quarter was a little bit slower, just people getting their engines going. It took a little longer. So some of that was just calendar in the second quarter. But I believe part of it. I can't scientifically tell you how much of it is, yes, a better environment. People are looking at the broader environment. And I think -- I believe what I am describing to you because they're seeing it in their performance broadly in their hotels across the system. And so deals that they've been trying to get in the ground, they're more interested in getting going on and we're interested in signing deals.

And as you heard, construction starts were up in a very material way in the U.S., too, which I think, again, is reflective of people's, number one, ability to get the deals done, ability to get them financed and then confidence in the forward outlook for the business. Some of it is definitely -- we are getting into a cyclical up cycle and people believe what I believe, which is it is sustainable, and we're going into a pretty good part of the cycle for performance.

Operator

The next question will come from Trey Bowers with Wells Fargo.

Raymond S. Bowers
Wells Fargo Securities, LLC, Research Division

A lot of my questions have been answered, so maybe I'll just do more of a modeling question. Kevin, you might have addressed this in the $17 million of kind of puts and takes. But just looking at Franchise and License fees up 8.5% year-over-year. If I look at 7% NUG and 4% RevPAR just anything to call out on comparisons of kind of non-RevPAR fee growth that were in the quarter last year, not in the quarter this year that would cause that discrepancy?

Kevin J. Jacobs
Executive VP & Chief Financial Officer

No. I mean -- well, if you're talking about the full year, it's really everything except for ownership, right? So you do have the Middle East impact, a little bit of Mexico on IMF and you do -- and in the quarter, you do have the couple of onetime items. So if you know about the second quarter, as we mentioned, there was a big onetime item last year that everybody knew about. And then if you're talking about the full year, it's really just the IMF and the impact of the Middle East. And if you adjust for that and a little bit of FX, you get the algorithm or better.

Raymond S. Bowers
Wells Fargo Securities, LLC, Research Division

Sorry. I was just talking specific Franchise and License, not total fees.

Kevin J. Jacobs
Executive VP & Chief Financial Officer

On franchise and license fees?

Raymond S. Bowers
Wells Fargo Securities, LLC, Research Division

Yes.

Kevin J. Jacobs
Executive VP & Chief Financial Officer

That's -- if you look at that for the year, that's algorithm or better as well.

Operator

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

Christopher J. Nassetta
President, CEO & Director

Thanks, Chuck, and great to have everybody. We always appreciate you spending time, particularly if we have three other calls going on hopefully, everybody got a chance to listen in. Obviously, a lot going on in the world, a lot of complexity in terms of Q2, mostly good complexity in the sense of things that were helping it. But as I said, I think when you distill it down, I think there are very good things going on. We feel really very good about the setup for the rest of this year, more importantly, the setup for the next year or 2. We think we're in a good -- a good cycle of same-store growth, and we obviously continue to pick up some great momentum on the development side. So we feel great about the business. We feel great about where we're going. I appreciate the time, and we'll look forward to talking to you after the third quarter.

Operator
This concludes our conference call for today. Thank you for your participation, and you may now disconnect.