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Hilton Worldwide Holdings Inc.
Form 10-Q
May 01, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2019

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 001-36243

Hilton Worldwide Holdings Inc.

(Exact name of registrant as specified in its charter)

Delaware

27-4384691

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

7930 Jones Branch Drive, Suite 1100, McLean, VA

22102

(Address of Principal Executive Offices)

(Zip Code)

Registrant's telephone number, including area code: (703) 883-1000

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer ☒ Accelerated filer ☐

Non-accelerated filer ☐ Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange

Act. "

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes
" No x

The number of shares outstanding of the registrant's common stock, par value \$0.01 per share, as of April 24, 2019 was 291,062,641.

HILTON WORLDWIDE HOLDINGS INC.
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

HILTON WORLDWIDE HOLDINGS INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (in millions, except share data)

	March 31, 2019 (unaudited)	December 31, 2018
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 382	\$ 403
Restricted cash and cash equivalents	79	81
Accounts receivable, net of allowance for doubtful accounts of \$43 and \$42	1,102	1,150
Prepaid expenses	140	160
Other	173	189
Total current assets (variable interest entities – \$84 and \$90)	1,876	1,983
Intangibles and Other Assets:		
Goodwill	5,162	5,160
Brands	4,872	4,869
Management and franchise contracts, net	841	872
Other intangible assets, net	408	415
Operating lease right-of-use assets	916	—
Property and equipment, net	412	367
Deferred income tax assets	146	90
Other	220	239
Total intangibles and other assets (variable interest entities – \$179 and \$178)	12,977	12,012
TOTAL ASSETS	\$ 14,853	\$ 13,995
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable, accrued expenses and other	\$ 1,679	\$ 1,549
Current maturities of long-term debt	35	16
Current portion of deferred revenues	323	350
Current portion of liability for guest loyalty program	757	700
Total current liabilities (variable interest entities – \$55 and \$56)	2,794	2,615
Long-term debt	7,330	7,266
Operating lease liabilities	1,103	—
Deferred revenues	830	826
Deferred income tax liabilities	850	898
Liability for guest loyalty program	987	969
Other	851	863
Total liabilities (variable interest entities – \$257 and \$263)	14,745	13,437
Commitments and contingencies - see Note 14		
Equity:		
Preferred stock, \$0.01 par value; 3,000,000,000 authorized shares, none issued or outstanding as of March 31, 2019 and December 31, 2018	—	—
Common stock, \$0.01 par value; 10,000,000,000 authorized shares, 332,869,893 issued and 291,720,450 outstanding as of March 31, 2019 and 332,105,163 issued and 294,815,890		3

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outstanding as of December 31, 2018

Treasury stock, at cost; 41,149,443 shares as of March 31, 2019 and 37,289,273 shares as of December 31, 2018	(2,921) (2,625)
Additional paid-in capital	10,374	10,372	
Accumulated deficit	(6,558) (6,417)
Accumulated other comprehensive loss	(798) (782)
Total Hilton stockholders' equity	100	551	
Noncontrolling interests	8	7	
Total equity	108	558	
TOTAL LIABILITIES AND EQUITY	\$ 14,853	\$ 13,995	

See notes to condensed consolidated financial statements.

HILTON WORLDWIDE HOLDINGS INC.
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (in millions, except per share data)
 (unaudited)

	Three Months Ended March 31, 2019 2018	
Revenues		
Franchise and licensing fees	\$382	\$331
Base and other management fees	80	77
Incentive management fees	55	55
Owned and leased hotels	312	334
Other revenues	26	23
	855	820
Other revenues from managed and franchised properties	1,349	1,254
Total revenues	2,204	2,074
Expenses		
Owned and leased hotels	298	320
Depreciation and amortization	84	82
General and administrative	107	104
Other expenses	20	14
	509	520
Other expenses from managed and franchised properties	1,383	1,275
Total expenses	1,892	1,795
Operating income	312	279