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 June 30, 2020

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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value per share	HLT	New York Stock Exchange

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	☐
		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 ☒

The number of shares outstanding of the registrant's common stock, par value $0.01 per share, as of July 31, 2020 was 277,309,352.

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)

	June 30, 2020 (unaudited)	December 31, 2019
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 3,503	$ 538
Restricted cash and cash equivalents	72	92
Accounts receivable, net of allowance for credit losses of $70 and $44	827	1,261
Prepaid expenses	91	130
Other	84	72
Total current assets (variable interest entities – $54 and $100)	4,577	2,093
Intangibles and Other Assets:		
Goodwill	5,147	5,159
Brands	4,869	4,877
Management and franchise contracts, net	688	780
Other intangible assets, net	328	421
Operating lease right-of-use assets	740	867
Property and equipment, net	355	380
Deferred income tax assets	118	100
Other	304	280
Total intangibles and other assets (variable interest entities – $194 and $179)	12,549	12,864
TOTAL ASSETS	$ 17,126	$ 14,957
LIABILITIES AND EQUITY (DEFICIT)		
Current Liabilities:		
Accounts payable, accrued expenses and other	$ 1,372	$ 1,703
Current maturities of long-term debt	45	37
Current portion of deferred revenues	242	332
Current portion of liability for guest loyalty program	647	799
Total current liabilities (variable interest entities – $47 and $64)	2,306	2,871
Long-term debt	10,437	7,956
Operating lease liabilities	926	1,037
Deferred revenues	1,445	827
Deferred income tax liabilities	669	795
Liability for guest loyalty program	1,626	1,060
Other	1,008	883
Total liabilities (variable interest entities – $239 and $260)	18,417	15,429
Commitments and contingencies – see Note 14		
Equity (Deficit):		
Preferred stock, $0.01 par value; 3,000,000,000 authorized shares, none issued or outstanding as of June 30, 2020 and December 31, 2019	—	—
Common stock, $0.01 par value; 10,000,000,000 authorized shares, 330,229,410 issued and 277,309,060 outstanding as of June 30, 2020 and 333,159,770 issued and 278,985,125 outstanding as of December 31, 2019	3	3
Treasury stock, at cost; 52,920,350 shares as of June 30, 2020 and 54,174,645 shares as of December 31, 2019	(4,457)	(4,169)
Additional paid-in capital	10,465	10,489
Accumulated deficit	(6,429)	(5,965)
Accumulated other comprehensive loss	(881)	(840)
Total Hilton stockholders' deficit	(1,299)	(482)
Noncontrolling interests	8	10
Total deficit	(1,291)	(472)
TOTAL LIABILITIES AND EQUITY (DEFICIT)	$ 17,126	$ 14,957

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 June 30,		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Revenues				
Franchise and licensing fees	$ 132	$ 444	$ 471	$ 826
Base and other management fees	8	89	68	169
Incentive management fees	(5)	58	18	113
Owned and leased hotels	31	387	241	699
Other revenues	10	26	33	52
	176	1,004	831	1,859
Other revenues from managed and franchised properties	388	1,480	1,653	2,829
Total revenues	564	2,484	2,484	4,688
Expenses				
Owned and leased hotels	95	334	334	632
Depreciation and amortization	88	86	179	170
General and administrative	63	113	123	220
Reorganization costs	38	—	38	—
Impairment losses	15	—	127	—
Other expenses	13	15	27	35
	312	548	828	1,057
Other expenses from managed and franchised properties	554	1,458	1,890	2,841
Total expenses	866	2,006	2,718	3,898
Operating income (loss)	(302)	478	(234)	790
Interest expense	(106)	(101)	(200)	(199)
Loss on foreign currency transactions	(13)	(3)	(4)	(3)
Other non-operating loss, net	(23)	(12)	(23)	(8)
Income (loss) before income taxes	(444)	362	(461)	580
Income tax benefit (expense)	12	(101)	47	(160)
Net income (loss)	(432)	261	(414)	420
Net loss (income) attributable to noncontrolling interests	2	(1)	2	(2)
Net income (loss) attributable to Hilton stockholders	$ (430)	$ 260	$ (412)	$ 418
Earnings (loss) per share:				
Basic	$ (1.55)	$ 0.90	$ (1.49)	$ 1.43
Diluted	$ (1.55)	$ 0.89	$ (1.48)	$ 1.42
Cash dividends declared per share	$ —	$ 0.15	$ 0.15	$ 0.30

See notes to condensed consolidated financial statements.

HILTON WORLDWIDE HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in millions)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Net income (loss)	$ (432)	$ 261	$ (414)	$ 420
Other comprehensive income (loss), net of tax benefit (expense):				
Currency translation adjustment, net of tax of $1, $9, $9 and $1	20	15	(4)	12
Pension liability adjustment, net of tax of $(1), $—, $(1) and $(1)	2	2	3	4
Cash flow hedge adjustment, net of tax of $1, $8, $14 and $13	(4)	(25)	(40)	(40)
Total other comprehensive income (loss)	18	(8)	(41)	(24)
Comprehensive income (loss)	(414)	253	(455)	396
Comprehensive loss (income) attributable to noncontrolling interests	2	(1)	2	(2)
Comprehensive income (loss) attributable to Hilton stockholders	$ (412)	$ 252	$ (453)	$ 394

See notes to condensed consolidated financial statements.

HILTON WORLDWIDE HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)
(unaudited)

	Six Months Ended June 30,	
	2020	**2019**
Operating Activities:		
Net income (loss)	$ (414)	$ 420
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Amortization of contract acquisition costs	15	14
Depreciation and amortization	179	170
Impairment losses	127	—
Loss on foreign currency transactions	4	3
Share-based compensation	12	81
Deferred income taxes	(118)	1
Contract acquisition costs	(23)	(43)
Change in deferred revenues	528	(57)
Change in liability for guest loyalty program	413	106
Working capital changes and other	223	(45)
Net cash provided by operating activities	946	650
Investing Activities:		
Capital expenditures for property and equipment	(30)	(46)
Capitalized software costs	(33)	(44)
Other	(13)	(5)
Net cash used in investing activities	(76)	(95)
Financing Activities:		
Borrowings	2,690	1,795
Repayment of debt	(213)	(1,317)
Debt issuance costs	(14)	(27)
Dividends paid	(42)	(87)
Repurchases of common stock	(296)	(653)
Share-based compensation tax withholdings and other	(43)	(34)
Net cash provided by (used in) financing activities	2,082	(323)
Effect of exchange rate changes on cash, restricted cash and cash equivalents	(7)	2
Net increase in cash, restricted cash and cash equivalents	2,945	234
Cash, restricted cash and cash equivalents, beginning of period	630	484
Cash, restricted cash and cash equivalents, end of period	$ 3,575	$ 718
Supplemental Disclosures:		
Cash paid during the year:		
Interest	$ 200	$ 190
Income taxes, net of refunds	53	157

See notes to condensed consolidated financial statements.

Note 1: Organization and Basis of Presentation

Organization

Hilton Worldwide Holdings Inc. (the "Parent," or together with its subsidiaries, "Hilton," "we," "us," "our" or the "Company"), a Delaware corporation, is one of the largest hospitality companies in the world and is engaged in managing, franchising, owning and leasing hotels and resorts, and licensing its brands and intellectual property ("IP"). As of June 30, 2020, we managed, franchised, owned or leased 6,215 hotels and resorts, including timeshare properties, totaling 983,465 rooms in 118 countries and territories.

Basis of Presentation

The accompanying condensed consolidated financial statements for the three and six months ended June 30, 2020 and 2019 have been prepared in accordance with United States ("U.S.") generally accepted accounting principles ("GAAP") and are unaudited. We have condensed or omitted certain information and footnote disclosures normally included in financial statements presented in accordance with GAAP. Although we believe the disclosures made are adequate to prevent the information presented from being misleading, these financial statements should be read in conjunction with the consolidated financial statements and notes thereto in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported and, accordingly, ultimate results could differ from those estimates. Additionally, interim results are not necessarily indicative of full year performance. In particular, the novel coronavirus ("COVID-19") pandemic had a material adverse impact on our results for the three and six months ended June 30, 2020, and we expect it to continue to have a material adverse impact on our results for an indeterminate length of time. Management is making estimates and judgments in light of these circumstances, and this interim period, as well as upcoming periods, are unlikely to be comparable to past performance or indicative of future performance. In our opinion, the accompanying condensed consolidated financial statements reflect all adjustments, including normal recurring items, considered necessary for a fair presentation of the interim periods. All material intercompany transactions have been eliminated in consolidation.

Reorganization

We recognized $38 million of reorganization costs in our condensed consolidated statements of operations during the three and six months ended June 30, 2020 related to organizational changes, including reductions in our workforce and the associated costs, as part of our efforts to reduce future costs for our corporate operations in response to the COVID-19 pandemic. As of June 30, 2020, $35 million of such reorganization costs were included in accounts payable, accrued expenses and other in our condensed consolidated balance sheet.

Note 2: Recently Issued Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2016-13 ("ASU 2016-13"), *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which significantly changes how entities account for credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. On January 1, 2020, we adopted ASU 2016-13 and subsequent ASUs issued to clarify its application, on a prospective basis, and recognized a $10 million cumulative adjustment, net of taxes, in accumulated deficit. By applying ASU 2016-13 at the adoption date, the presentation of credit losses for periods prior to January 1, 2020 remains unchanged and in accordance with *Receivables (Topic 310*).

As a result of the adoption, we consider forecasted business conditions, in addition to current business conditions and historical collection activity, in calculating our allowance for credit losses on our financial instruments. The cumulative adjustment to accumulated deficit that we recognized upon adoption of this ASU did not include the impact of the COVID-19 crisis as a forecasted business condition. However, during the six months ended June 30, 2020, we revised our expected future credit loss rates from those used at adoption, primarily for our accounts receivable balances, in light of business conditions in the current environment. In particular, we considered the expected impact on our hotel owners' and customers' ability to ultimately settle receivables that are or will be due to us.

Note 3: Revenues from Contracts with Customers

Contract Liabilities

The following table summarizes the activity of our contract liabilities, which are classified as a component of current and long-term deferred revenues, during the six months ended June 30, 2020:

	(in millions)
Balance as of December 31, 2019	$ 1,041
Cash received in advance and not recognized as revenue[1][2]	725
Revenue recognized[1][3]	(110)
Other[4]	(22)
Balance as of June 30, 2020	$ 1,634

(1) Primarily related to Hilton Honors, our guest loyalty program, which included revenue recognized of $51 million.
(2) Includes $636 million recorded as a result of the Hilton Honors points pre-sale to American Express; see below for additional information.
(3) During the three months ended June 30, 2020 and 2019, revenue recognized was $56 million and $78 million, respectively, and during the six months ended June 30, 2019 was $135 million.
(4) Represents changes in estimated transaction prices for our performance obligations related to points issued under Hilton Honors, which had no effect on revenues.

In April 2020, we pre-sold Hilton Honors points to American Express for $1.0 billion in cash ("Honors Points Pre-Sale"), of which $636 million was recorded in deferred revenues and the remainder was recorded in liability for guest loyalty program in our condensed consolidated balance sheet. American Express and their respective designees may use the points in connection with Hilton Honors co-branded credit cards and for promotions, rewards and incentive programs or certain other activities as they may establish or engage in from time to time. We recognize revenue from licensing fees related to these Hilton Honors points when American Express issues the points to customers and other revenues from managed and franchised properties when customers redeem the Hilton Honors points.

Performance Obligations

As of June 30, 2020, we had deferred revenues for unsatisfied performance obligations consisting of: (i) $422 million related to Hilton Honors that will be recognized as revenues when the points are redeemed, which we estimate will occur over approximately the next two to three years; (ii) $561 million related to the Honors Points Pre-Sale of which a portion will be recognized as revenue when points are awarded, with the remaining portion recognized as revenues when the points are redeemed; and (iii) $651 million related to application, initiation and licensing fees that is expected to be recognized as revenues over the terms of the related contracts.

Incentive Management Fees

We update our estimates of the expected achievement of incentive management fee targets each reporting period and constrain the recognition of revenue to the extent that we do not expect to achieve the thresholds as specified in our management contracts with incentive fees. Due to revisions of the initial estimates, we reversed certain incentive fees that were recognized in the previous period during the three months ended June 30, 2020, due to the expectation that stated return thresholds to the hotel owners would no longer be met.

Note 4: Consolidated Variable Interest Entities

As of June 30, 2020 and December 31, 2019, we consolidated two variable interest entities ("VIEs") that lease hotel properties. We consolidated these VIEs since we are the primary beneficiary, having the power to direct the activities that most significantly affect their economic performance. Additionally, we have the obligation to absorb their losses and the right to receive benefits that could be significant to them. The assets of our consolidated VIEs are only available to settle the obligations of the respective entities. Our condensed consolidated balance sheets included the assets and liabilities of these entities, which primarily comprised the following:

	June 30, 2020	December 31, 2019
	(in millions)	
Cash and cash equivalents	$ 41	$ 81
Property and equipment, net	78	69
Deferred income tax assets	53	48
Other non-current assets	63	61
Accounts payable, accrued expenses and other	27	49
Long-term debt[1]	195	194
Other long-term liabilities	17	17

[1] Includes finance lease liabilities of $177 million as of June 30, 2020 and December 31, 2019.

In June 2020, one of our consolidated VIEs entered into a revolving credit facility to provide financial flexibility in response to business disruption during the COVID-19 pandemic. The revolving credit facility has a borrowing capacity of 2.75 billion Japanese yen (equivalent to $26 million as of June 30, 2020) and matures in June 2021. As of June 30, 2020, no amounts have been drawn under the revolving credit facility.

We did not provide any financial or other support to any consolidated VIEs that we were not previously contractually required to provide during the six months ended June 30, 2020 and 2019, and we are not aware of any future obligations to do so.

Note 5: Finite-Lived Intangible Assets

Finite-lived intangible assets were as follows:

	June 30, 2020		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
		(in millions)	
Management and franchise contracts:			
Management and franchise contracts recorded at Merger[1]	$ 2,158	$ (2,051)	$ 107
Contract acquisition costs[2]	604	(133)	471
Development commissions and other	131	(21)	110
	$ 2,893	$ (2,205)	$ 688
Other intangible assets:			
Leases[1][3]	$ 144	$ (85)	$ 59
Capitalized software costs	650	(451)	199
Hilton Honors[1]	337	(267)	70
	$ 1,131	$ (803)	$ 328

	December 31, 2019		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
	(in millions)		
Management and franchise contracts:			
Management and franchise contracts recorded at Merger[1]	$ 2,163	$ (1,974)	$ 189
Contract acquisition costs	604	(121)	483
Development commissions and other	127	(19)	108
	$ 2,894	$ (2,114)	$ 780
Other intangible assets:			
Leases[1]	$ 290	$ (176)	$ 114
Capitalized software costs	625	(399)	226
Hilton Honors[1]	338	(257)	81
Other[1]	34	(34)	—
	$ 1,287	$ (866)	$ 421

(1) Represents intangible assets that were initially recorded at their fair value as part of the October 24, 2007 transaction whereby we became a wholly owned subsidiary of affiliates of The Blackstone Group Inc. (the "Merger").
(2) We recognized impairment losses during the three and six months ended June 30, 2020 that reduced the gross and net carrying values of contract acquisition costs by $9 million.
(3) We recognized impairment losses during the six months ended June 30, 2020 that reduced the gross carrying value of our leases intangible asset by $138 million, the accumulated amortization by $92 million and the net carrying value by $46 million. See Note 7: "Fair Value Measurements" for additional information.

Amortization of our finite-lived intangible assets was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(in millions)			
Recognized in depreciation and amortization expense[1]	$ 74	$ 71	$ 151	$ 141
Recognized as a reduction of franchise and licensing fees and base and other management fees	7	7	15	14

(1) Includes amortization expense of $47 million and $51 million for the three months ended June 30, 2020 and 2019, respectively, and $96 million and $102 million for the six months ended June 30, 2020 and 2019, respectively, associated with assets that were initially recorded at their fair value at the time of the Merger.

We estimate future amortization of our finite-lived intangible assets as of June 30, 2020 to be as follows:

Year	Recognized in Depreciation and Amortization Expense	Recognized as a Reduction of Franchise and Licensing Fees and Base and Other Management Fees
	(in millions)	
2020 (remaining)	$ 120	$ 15
2021	129	29
2022	98	26
2023	63	26
2024	13	25
Thereafter	122	350
	$ 545	$ 471

Note 6: Debt

Long-term debt balances, including obligations for finance leases, and associated interest rates and maturities as of June 30, 2020, were as follows:

	June 30, 2020	December 31, 2019
	(in millions)	
Senior secured revolving credit facility with a weighted average rate of 1.43%, due 2024	$ 1,690	$ 195
Senior secured term loan facility with a rate of 1.93%, due 2026	2,619	2,619
Senior notes with a rate of 4.250%, due 2024	1,000	1,000
Senior notes with a rate of 4.625%, due 2025	900	900
Senior notes with a rate of 5.375%, due 2025	500	—
Senior notes with a rate of 5.125%, due 2026	1,500	1,500
Senior notes with a rate of 4.875%, due 2027	600	600
Senior notes with a rate of 5.750%, due 2028	500	—
Senior notes with a rate of 4.875%, due 2030	1,000	1,000
Finance lease liabilities with a weighted average rate of 5.82%, due 2020 to 2030	245	245
Other debt with a rate of 3.08%, due 2026	18	17
	10,572	8,076
Less: unamortized deferred financing costs and discount	(90)	(83)
Less: current maturities of long-term debt[(1)]	(45)	(37)
	$ 10,437	$ 7,956

(1) Represents current maturities of finance lease liabilities.

Our senior secured credit facilities consist of a $1.75 billion senior secured revolving credit facility (the "Revolving Credit Facility") and a senior secured term loan facility (the "Term Loans"). The obligations of our senior secured credit facilities are unconditionally and irrevocably guaranteed by the Parent and substantially all of its direct and indirect wholly owned domestic subsidiaries. In March 2020, as a precautionary measure in order to increase our cash position and preserve financial flexibility in light of current uncertainty in the global markets resulting from the COVID-19 pandemic, we fully drew down on our Revolving Credit Facility. As of June 30, 2020, we also had $60 million of letters of credit outstanding under the Revolving Credit Facility.

In April 2020, we issued $500 million aggregate principal amount of 5.375% Senior Notes due 2025 (the "5.375% 2025 Senior Notes") and $500 million aggregate principal amount of 5.750% Senior Notes due 2028 (the "2028 Senior Notes") and incurred $14 million of debt issuance costs. Interest on the 5.375% 2025 Senior Notes and the 2028 Senior Notes is payable semi-annually in arrears on May 1 and November 1 of each year, beginning November 1, 2020.

The 4.250% Senior Notes due 2024, the 4.625% Senior Notes due 2025, the 5.375% 2025 Senior Notes, the 5.125% Senior Notes due 2026, the 4.875% Senior Notes due 2027, the 2028 Senior Notes and the 4.875% Senior Notes due 2030 are collectively referred to as the Senior Notes and are jointly and severally guaranteed on a senior unsecured basis by the Parent and substantially all of its direct and indirect wholly owned domestic subsidiaries, other than Hilton Domestic Operating Company Inc. ("HOC"), a wholly owned subsidiary of the Parent, which is the issuer.

The contractual maturities of our long-term debt as of June 30, 2020 were as follows:

Year	(in millions)
2020 (remaining)	$ 20
2021	41
2022	25
2023	21
2024	2,712
Thereafter	7,753
	$ 10,572

Note 7: Fair Value Measurements

Estimates of the fair values of our financial instruments and nonfinancial assets were determined using available market information and appropriate valuation methods. Considerable judgment is necessary to interpret market data and develop the estimated fair values.

The fair values of certain financial instruments and the hierarchy level we used to estimate the fair values are shown below:

	June 30, 2020			
		Hierarchy Level		
	Carrying Value	Level 1	Level 2	Level 3
	(in millions)			
Assets:				
Cash equivalents	$ 3,304	$ —	$ 3,304	$ —
Restricted cash equivalents	12	—	12	—
Liabilities:				
Long-term debt[1]	10,219	5,934	—	4,156
Interest rate swaps	95	—	95	—

	December 31, 2019			
		Hierarchy Level		
	Carrying Value	Level 1	Level 2	Level 3
	(in millions)			
Assets:				
Cash equivalents	$ 117	$ —	$ 117	$ —
Restricted cash equivalents	32	—	32	—
Liabilities:				
Long-term debt[1]	7,731	5,230	—	2,834
Interest rate swaps	37	—	37	—

(1) The carrying values include unamortized deferred financing costs and discount. The carrying values and fair values exclude finance lease liabilities and other debt.

We measure our interest rate swaps at fair value, which was determined using a discounted cash flow analysis that reflects the contractual terms of the interest rate swaps, including the period to maturity, and uses observable market-based inputs of similar instruments, including interest rate curves, as applicable. Our interest rate swaps are included in other long-term liabilities in our condensed consolidated balance sheets.

Our nonfinancial assets that were measured at fair value on a non-recurring basis during the six months ended June 30, 2020, and for which we recorded impairment losses, were related to certain hotel properties under operating and finance leases in our ownership segment. See Note 5: "Finite-Lived Intangible Assets" and Note 8: "Leases" for additional information on the impairment losses related to our leased properties. The fair values, which were determined using significant Level 3 unobservable inputs, were as follows:

	(in millions)
Other intangible assets, net[1]	$ —
Operating lease right-of-use assets[1]	34
Property and equipment, net[1]	8

(1) Amounts were measured at March 31, 2020, except for $10 million of operating lease right-of-use ("ROU") assets, which were remeasured at June 30, 2020.

We recognized impairment losses during the three months ended March 31, 2020 related to certain hotel properties under operating and finance leases. During the three months ended June 30, 2020, the short-term expected results for certain of these leased hotels declined from estimates used in the assessment of recoverability at March 31, 2020, generally due to extensions of government mandated closures and additional visibility into expected hotel customer engagement at such properties. As a result, further analysis of the recoverability of the carrying value of the assets related to leased hotel properties was necessary at June 30, 2020.

We assessed recoverability of the assets included in the table above using estimates of undiscounted net cash flows, and concluded that the carrying values of the assets were not fully recoverable. We then estimated the fair value of these assets using discounted cash flow analyses, which included an estimate of the impact of the COVID-19 pandemic on each leased property based on the expected recovery term. The stabilized growth rates after recovery and discount rates used for the fair value of the assets reflect the risk profile of the underlying cash flows and the individual markets where the assets are located, and are not necessarily indicative of our hotel portfolio as a whole. Estimations of stabilized growth rates after the recovery period ranged from 1.7 percent to 4.8 percent, and discount rates ranged from 7.0 percent to 12.0 percent, with the weighted average, based on relative impairment losses, for both inputs being at the lower end of each of the ranges. As a result of these non-recurring fair value measurements, we recognized impairment losses of $6 million and $118 million during the three and six months ended June 30, 2020, respectively.

The fair values of financial instruments not included in these tables are estimated to be equal to their carrying values as of June 30, 2020 and December 31, 2019.

Note 8: Leases

We lease hotel properties, land, corporate office space and equipment used at hotels and corporate offices, with our most significant lease liabilities related to hotel properties. As of June 30, 2020, we leased 52 hotels under operating leases and six hotels under finance leases, two of which were the liabilities of consolidated VIEs and were non-recourse to us. Our hotel leases expire at various dates, with varying renewal and termination options.

During the three and six months ended June 30, 2020, we recognized $6 million and $51 million of impairment losses related to certain operating lease ROU assets, respectively, and, during the six months ended June 30, 2020, we recognized $21 million of impairment losses related to property and equipment, including $2 million of finance lease ROU assets. All of these impairment losses were included in impairment losses in our condensed consolidated statements of operations; see Note 7: "Fair Value Measurements" for additional information.

Our future minimum lease payments as of June 30, 2020 were as follows:

	Operating Leases	Finance Leases
Year	**(in millions)**	
2020 (remaining)	$ 116	$ 32
2021	167	48
2022	137	37
2023	123	30
2024	103	30
Thereafter	752	137
Total minimum lease payments	1,398	314
Less: imputed interest	(310)	(69)
Total lease liabilities	$ 1,088	$ 245

Note 9: Income Taxes

At the end of each quarter, we estimate the effective income tax rate expected to be applied for the full year to ordinary income, which excludes discrete items. Discrete items that were recognized during the six months ended June 30, 2020 included impairment losses and the vesting of certain share-based compensation awards, which provided us with tax benefits. The effective income tax rate for the full year is determined by the level and composition of income (loss) before income taxes, excluding discrete items as discussed above, which is subject to federal, state, local and foreign income taxes. The Company's forecast includes losses for the full year in many foreign jurisdictions. For certain foreign jurisdictions, we expect to have net operating losses ("NOLs"), which we expect to be utilized in future periods. However, as future utilization of NOLs reduces

foreign taxes paid, we expect U.S. foreign tax credits to be reduced, thereby reducing or eliminating the tax benefit of the NOLs on a global basis. Because of the reduced global tax benefit of NOLs in these specific jurisdictions, our effective income tax rate estimate is lower than the combined U.S. statutory rate. Due to forecasted losses before income taxes for the full year, the Company is forecasting an overall tax benefit.

We file income tax returns, including returns for our subsidiaries, with federal, state, local and foreign tax jurisdictions. We are under regular and recurring audit by the Internal Revenue Service ("IRS") and other taxing authorities on open tax positions. The timing of the resolution of tax audits is highly uncertain, as are the amounts, if any, that may ultimately be paid upon such resolution. Changes may result from the conclusion of ongoing audits, appeals or litigation in federal, state, local and foreign tax jurisdictions or from the resolution of various proceedings between the U.S. and foreign tax authorities. As of June 30, 2020, we remain subject to federal and state examinations of our income tax returns for tax years from 2005 through 2018 and foreign examinations of our income tax returns for tax years from 1996 through 2019.

Our total unrecognized tax benefits as of June 30, 2020 and December 31, 2019 were $428 million and $395 million, respectively. As of June 30, 2020 and December 31, 2019, we had accrued approximately $59 million and $52 million, respectively, for interest and penalties related to these unrecognized tax benefits. Included in the balances of unrecognized tax benefits as of June 30, 2020 and December 31, 2019 were $388 million and $380 million, respectively, associated with positions that, if favorably resolved, would provide a benefit to our effective income tax rate.

In prior periods, we received 30-day Letters from the IRS and the Revenue Agents Reports ("RARs") for the 2006 through the 2013 tax years. We disagreed with several of the proposed adjustments in the RARs and filed formal appeals protests with the IRS. The unsettled proposed adjustments sought by the IRS for the tax years with open audits would result in additional U.S. federal taxes owed of approximately $817 million, excluding interest and penalties and potential state income taxes. We disagree with the IRS's position on each of their assertions and intend to vigorously contest them. However, based on continuing appeals process discussions with the IRS, we believe that it is more likely than not that we will not recognize the full benefit related to certain of the issues being appealed. Accordingly, as of June 30, 2020, we had recorded $78 million of unrecognized tax benefits related to these issues.

Note 10: Share-Based Compensation

We recognized share-based compensation expense of $24 million and $47 million during the three months ended June 30, 2020 and 2019, respectively, and $12 million and $81 million during the six months ended June 30, 2020 and 2019, respectively, which included amounts reimbursed by hotel owners in all periods. The expenses recognized during the three and six months ended June 30, 2020 were net of the reversal of expenses recognized in prior periods, as a result of the determination that the performance conditions of certain share-based compensation awards were no longer probable of achievement, as described in further detail below.

As part of the Hilton 2017 Omnibus Incentive Plan (the "2017 Plan"), we award time-vesting restricted stock units and restricted stock (collectively, "RSUs"), nonqualified stock options ("options") and performance-vesting RSUs ("performance shares") to our eligible employees. As of June 30, 2020, unrecognized compensation costs for unvested awards under the 2017 Plan were approximately $138 million, which are expected to be recognized over a weighted-average period of 2.0 years on a straight-line basis. As of June 30, 2020, there were 12,541,000 shares of common stock available for future issuance under the 2017 Plan, plus any shares subject to awards outstanding under the 2013 Omnibus Incentive Plan, which will become available for issuance under the 2017 Plan if such outstanding awards expire or are terminated or are canceled or forfeited.

RSUs

During the six months ended June 30, 2020, we granted 907,000 RSUs with a weighted average grant date fair value per share of $93.43, which generally vest in equal annual installments over two or three years from the date of grant.

Options

During the six months ended June 30, 2020, we granted 755,000 options with a weighted average exercise price per share of $93.33, which vest over three years from the date of grant in equal annual installments and terminate 10 years from the date of grant or earlier if the individual’s service terminates under certain circumstances.

The weighted average grant date fair value per share of the options granted during the six months ended June 30, 2020 was $21.47, which was determined using the Black-Scholes-Merton option-pricing model with the following assumptions:

Expected volatility[1]	23.69 %
Dividend yield[2]	0.55 %
Risk-free rate[3]	0.96 %
Expected term (in years)[4]	6.0

(1) Estimated using historical movement of Hilton's stock price.
(2) Estimated based on the quarterly dividend and the three-month average stock price at the date of grant.
(3) Based on the yields of U.S. Department of Treasury instruments with similar expected lives.
(4) Estimated using the average of the vesting periods and the contractual term of the options.

As of June 30, 2020, 1,965,000 options were exercisable.

Performance Shares

During the six months ended June 30, 2020, we granted 347,000 performance shares with a weighted average grant date fair value per share of $93.33. The performance shares are settled at the end of the three-year performance period with: (i) 50 percent of the awards subject to achievement based on the compound annual growth rate ("CAGR") of the Company's earnings before interest expense, income tax benefit (expense) and depreciation and amortization ("EBITDA"), adjusted to exclude certain items ("Adjusted EBITDA") and (ii) 50 percent of the awards subject to achievement based on the Company's free cash flow per share CAGR. The total number of performance shares that vest related to each performance measure is based on an achievement factor, which is estimated each reporting period, that ranges from a zero percent to 200 percent payout, with 100 percent being the target. As of June 30, 2020, we determined that the performance conditions for the outstanding 2018 and 2019 performance shares were not probable of achievement and that the performance conditions for the outstanding 2020 performance shares were probable of achievement, for which we recognized compensation expense at the target achievement percentage. Based on revisions to our estimates of the achievement factor for the outstanding 2018 and 2019 awards, the share-based compensation expense recognized during the three months ended June 30, 2020 is net of the reversal of prior expense recognized related to the outstanding 2019 performance shares, and the expense recognized during the six months ended June 30, 2020 is net of the reversal of prior expense recognized related to the outstanding 2018 and 2019 performance shares.

Note 11: Earnings (Loss) Per Share

The following table presents the calculation of basic and diluted earnings (loss) per share ("EPS"):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(in millions, except per share amounts)			
Basic EPS:				
Numerator:				
Net income (loss) attributable to Hilton stockholders	$ (430)	$ 260	$ (412)	$ 418
Denominator:				
Weighted average shares outstanding	277	290	277	291
Basic EPS	$ (1.55)	$ 0.90	$ (1.49)	$ 1.43
Diluted EPS:				
Numerator:				
Net income (loss) attributable to Hilton stockholders	$ (430)	$ 260	$ (412)	$ 418
Denominator:				
Weighted average shares outstanding[(1)]	278	292	279	294
Diluted EPS	$ (1.55)	$ 0.89	$ (1.48)	$ 1.42

(1) Approximately 3 million and 1 million share-based compensation awards were excluded from the computation of diluted EPS for the three and six months ended June 30, 2020, respectively, and 1 million share-based compensation awards were excluded from the computation of EPS for the three and six months ended June 30, 2019 because their effect would have been anti-dilutive under the treasury stock method.

Note 12: Stockholders' Equity (Deficit) and Accumulated Other Comprehensive Loss

The following tables present the changes in the components of stockholders' equity (deficit):

	Three Months Ended June 30, 2020							
	Equity (Deficit) Attributable to Hilton Stockholders							
	Common Stock		Treasury Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
	Shares	Amount						
					(in millions)			
Balance as of March 31, 2020	277	$ 3	$ (4,462)	$ 10,443	$ (5,999)	$ (899)	$ 10	$ (904)
Net loss	—	—	—	—	(430)	—	(2)	(432)
Other comprehensive income	—	—	—	—	—	18	—	18
Share-based compensation	—	—	5	22	—	—	—	27
Balance as of June 30, 2020	277	$ 3	$ (4,457)	$ 10,465	$ (6,429)	$ (881)	$ 8	$ (1,291)

	Three Months Ended June 30, 2019							
	Equity (Deficit) Attributable to Hilton Stockholders							
	Common Stock		Treasury Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
	Shares	Amount						
					(in millions)			
Balance as of March 31, 2019	292	$ 3	$ (2,921)	$ 10,374	$ (6,558)	$ (798)	$ 8	$ 108
Net income	—	—	—	—	260	—	1	261
Other comprehensive loss	—	—	—	—	—	(8)	—	(8)
Dividends	—	—	—	—	(44)	—	—	(44)
Repurchases of common stock	(4)	—	(383)	—	—	—	—	(383)
Share-based compensation	—	—	—	45	—	—	—	45
Deconsolidation of a VIE	—	—	—	—	—	—	(2)	(2)
Balance as of June 30, 2019	288	$ 3	$ (3,304)	$ 10,419	$ (6,342)	$ (806)	$ 7	$ (23)

	Six Months Ended June 30, 2020							
	Equity (Deficit) Attributable to Hilton Stockholders							
	Common Stock		Treasury Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
	Shares	Amount						
					(in millions)			
Balance as of December 31, 2019	279	$ 3	$ (4,169)	$ 10,489	$ (5,965)	$ (840)	$ 10	$ (472)
Net loss	—	—	—	—	(412)	—	(2)	(414)
Other comprehensive loss	—	—	—	—	—	(41)	—	(41)
Dividends	—	—	—	—	(42)	—	—	(42)
Repurchases of common stock	(3)	—	(279)	—	—	—	—	(279)
Share-based compensation	1	—	(9)	(24)	—	—	—	(33)
Cumulative effect of the adoption of ASU 2016-13	—	—	—	—	(10)	—	—	(10)
Balance as of June 30, 2020	277	$ 3	$ (4,457)	$ 10,465	$ (6,429)	$ (881)	$ 8	$ (1,291)

	Six Months Ended June 30, 2019							
	Equity (Deficit) Attributable to Hilton Stockholders							
	Common Stock		Treasury Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
	Shares	Amount						
	(in millions)							
Balance as of December 31, 2018	295	$ 3	$ (2,625)	$ 10,372	$ (6,417)	$ (782)	$ 7	$ 558
Net income	—	—	—	—	418	—	2	420
Other comprehensive loss	—	—	—	—	—	(24)	—	(24)
Dividends	—	—	—	—	(87)	—	—	(87)
Repurchases of common stock	(8)	—	(679)	—	—	—	—	(679)
Share-based compensation	1	—	—	47	—	—	—	47
Cumulative effect of the adoption of ASU 2016-02	—	—	—	—	(256)	—	—	(256)
Deconsolidation of a VIE	—	—	—	—	—	—	(2)	(2)
Balance as of June 30, 2019	288	$ 3	$ (3,304)	$ 10,419	$ (6,342)	$ (806)	$ 7	$ (23)

In March 2020, we suspended share repurchases and the payment of dividends. The stock repurchase program remains authorized by the board of directors, and we may resume share repurchases in the future at any time, depending on market conditions, our capital needs and other factors.

The changes in the components of accumulated other comprehensive loss, net of taxes, were as follows:

	Currency Translation Adjustment[1]	Pension Liability Adjustment[2]	Cash Flow Hedge Adjustment[3]	Total
	(in millions)			
Balance as of December 31, 2019	$ (549)	$ (269)	$ (22)	$ (840)
Other comprehensive loss before reclassifications	(5)	(1)	(41)	(47)
Amounts reclassified from accumulated other comprehensive loss	1	4	1	6
Net current period other comprehensive income (loss)	(4)	3	(40)	(41)
Balance as of June 30, 2020	$ (553)	$ (266)	$ (62)	$ (881)

	Currency Translation Adjustment[1]	Pension Liability Adjustment[2]	Cash Flow Hedge Adjustment[3]	Total
	(in millions)			
Balance as of December 31, 2018	$ (545)	$ (260)	$ 23	$ (782)
Other comprehensive income (loss) before reclassifications	11	—	(35)	(24)
Amounts reclassified from accumulated other comprehensive loss	1	4	(5)	—
Net current period other comprehensive income (loss)	12	4	(40)	(24)
Balance as of June 30, 2019	$ (533)	$ (256)	$ (17)	$ (806)

(1) Includes net investment hedges and intra-entity foreign currency transactions that are of a long-term investment nature. Amounts reclassified related to the liquidation of investments in foreign entities and were recognized net of taxes in loss on foreign currency transactions in our condensed consolidated statements of operations.

(2) Amounts reclassified related to the amortization of prior service cost and amortization of net loss and were recognized net of taxes in other non-operating loss, net in our condensed consolidated statements of operations.

(3) Amounts reclassified related to interest rate swaps and forward contracts that hedge our foreign currency denominated fees and were recognized net of taxes in interest expense and franchise and licensing fees, base and other management fees and other revenues from managed and franchised properties, respectively, in our condensed consolidated statements of operations.

Note 13: Business Segments

We are a hospitality company with operations organized in two distinct operating segments: (i) management and franchise and (ii) ownership. These segments are managed and reported separately because of their distinct economic characteristics.

The management and franchise segment includes all of the hotels we manage for third-party owners, as well as all franchised hotels operated or managed by someone other than us. This segment also earns licensing fees from Hilton Grand Vacations Inc. ("HGV") and strategic partnerships for the right to use certain Hilton marks and IP, as well as fees for managing properties in our ownership segment. As of June 30, 2020, this segment included 690 managed hotels and 5,405 franchised hotels consisting of 953,946 total rooms. As a result of the COVID-19 pandemic, approximately 1,170 hotels in our management and franchise segment had temporarily suspended operations at some point in time during the six months ended June 30, 2020, largely beginning in mid-March. Of these hotels, more than half had reopened as of June 30, 2020.

As of June 30, 2020, the ownership segment included 65 properties totaling 20,562 rooms. As a result of the COVID-19 pandemic, approximately 35 hotels in our ownership segment had temporarily suspended operations at some point in time during the six months ended June 30, 2020, largely beginning in mid-March, of which approximately 10 had reopened as of June 30, 2020. The segment comprised 57 hotels that we wholly owned or leased, one hotel owned by a consolidated non-wholly owned entity, two hotels leased by consolidated VIEs and five hotels owned or leased by unconsolidated affiliates.

The performance of our operating segments is evaluated primarily on operating income (loss), without allocating other revenues and expenses or general and administrative expenses.

The following table presents revenues for our reportable segments, reconciled to consolidated amounts:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(in millions)			
Franchise and licensing fees	$ 134	$ 445	$ 476	$ 830
Base and other management fees[1]	12	106	78	198
Incentive management fees	(5)	58	18	113
Management and franchise	141	609	572	1,141
Ownership	31	387	241	699
Segment revenues	172	996	813	1,840
Amortization of contract acquisition costs	(7)	(7)	(15)	(14)
Other revenues	10	26	33	52
Direct reimbursements from managed and franchised properties[2]	196	789	941	1,564
Indirect reimbursements from managed and franchised properties[2]	192	691	712	1,265
Intersegment fees elimination[1]	1	(11)	—	(19)
Total revenues	$ 564	$ 2,484	$ 2,484	$ 4,688

(1) Includes management, royalty and IP fees charged to our ownership segment by our management and franchise segment, which were eliminated in our condensed consolidated statements of operations.
(2) Included in other revenues from managed and franchised properties in our condensed consolidated statements of operations.

The following table presents operating income (loss) for our reportable segments, reconciled to consolidated income (loss) before income taxes:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(in millions)			
Management and franchise[1]	$ 141	$ 609	$ 572	$ 1,141
Ownership[1]	(63)	42	(93)	48
Segment operating income	78	651	479	1,189
Amortization of contract acquisition costs	(7)	(7)	(15)	(14)
Other revenues, less other expenses	(3)	11	6	17
Net other revenues (expenses) from managed and franchised properties	(166)	22	(237)	(12)
Depreciation and amortization	(88)	(86)	(179)	(170)
General and administrative expenses	(63)	(113)	(123)	(220)
Reorganization costs	(38)	—	(38)	—
Impairment losses	(15)	—	(127)	—
Operating income (loss)	(302)	478	(234)	790
Interest expense	(106)	(101)	(200)	(199)
Loss on foreign currency transactions	(13)	(3)	(4)	(3)
Other non-operating loss, net	(23)	(12)	(23)	(8)
Income (loss) before income taxes	$ (444)	$ 362	$ (461)	$ 580

[1] Includes management, royalty and IP fees charged to our ownership segment by our management and franchise segment, which were eliminated in our condensed consolidated statements of operations.

The following table presents total assets for our reportable segments, reconciled to consolidated amounts:

	June 30, 2020	December 31, 2019
	(in millions)	
Management and franchise	$ 11,031	$ 11,455
Ownership	1,323	1,610
Corporate and other	4,772	1,892
	$ 17,126	$ 14,957

Note 14: Commitments and Contingencies

We provide performance guarantees to certain owners of hotels that we operate under management contracts. Most of these guarantees allow us to terminate the contract, rather than fund shortfalls, if specified operating performance levels are not achieved. However, in limited cases, we are obligated to fund performance shortfalls, creating variable interests in the ownership entities of the hotels, of which we are not the primary beneficiary. As of June 30, 2020, we had four performance guarantees, with expirations ranging from 2023 to 2039, and possible cash outlays totaling approximately $19 million. Our obligations under these guarantees in future periods are dependent on the operating performance level of the related hotel over the remaining term of the performance guarantee. We have included the impact of the COVID-19 pandemic on these hotels in our expectations of their future operating performance and, as of June 30, 2020 and December 31, 2019, we accrued current liabilities of $10 million and $3 million, respectively, for our performance guarantees. We do not have any letters of credit pledged as collateral against our performance guarantees. We may enter into new contracts containing performance guarantees in the future, which could increase our possible cash outlays.

We hold interests in VIEs, for which we are not the primary beneficiary, that have entered into loan agreements with third parties. Under the terms of our contractual arrangements with certain of these VIEs, we may provide financial support to such entities under specified circumstances, including default of such a VIE under a third-party loan agreement, and may have the option to acquire a controlling financial interest in such an entity at a predetermined amount. In a circumstance that we provide financial support or exercise our option to acquire an additional interest in a VIE, we may be required to reassess whether we

are the primary beneficiary of the VIE. If we determine that we are the primary beneficiary of the VIE, we would be required to consolidate the total assets, liabilities and results of operations of the VIE, which may be material upon consolidation.

As of June 30, 2020, we guaranteed two loans for three hotels that we franchise or will franchise for a total of $30 million. One of the loans has an initial maturity date in 2022 with two one-year extension options, and the other loan will mature in 2023. As a result of the COVID-19 pandemic and our assessment of expected losses under these guarantees, we accrued a current liability of $20 million as of June 30, 2020 for the guarantee of one of these loans. We do not have any letters of credit pledged as collateral against these guarantees.

We have entered into an agreement with the owner of a hotel that we manage to finance capital expenditures at the hotel. As of June 30, 2020, we had remaining possible cash outlays related to this agreement of approximately $10 million; however, we cannot currently estimate the timing of the payments or if they will be made at all.

We receive fees from managed and franchised properties to operate our marketing, sales and brand programs on behalf of hotel owners. As of June 30, 2020 and December 31, 2019, we had collected an aggregate of $150 million and $350 million in excess of amounts expended, respectively, across all programs.

We are involved in various claims and lawsuits arising in the ordinary course of business, some of which include claims for substantial sums. While the ultimate results of claims and litigation cannot be predicted with certainty, we expect that the ultimate resolution of all pending or threatened claims and litigation as of June 30, 2020 will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and with our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements include, but are not limited to, statements related to our expectations regarding the impact of the COVID-19 pandemic, the performance of our business, our financial results, our liquidity and capital resources and other non-historical statements. In some cases, you can identify these forward-looking statements by the use of words such as "outlook," "believes," "expects," "potential," "continues," "may," "will," "should," "could," "seeks," "projects," "predicts," "intends," "plans," "estimates," "anticipates" or the negative version of these words or other comparable words. Such forward-looking statements are subject to various risks and uncertainties including, among others, risks inherent to the hospitality industry, macroeconomic factors beyond our control, risks related to the impact of the COVID-19 pandemic, competition for hotel guests and management and franchise contracts, risks related to doing business with third-party hotel owners, performance of our information technology systems, growth of reservation channels outside of our system, risks of doing business outside of the U.S. and our indebtedness. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. We believe these factors include but are not limited to those described under "Part I—Item 1A. Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 and "Part II. Other Information—Item 1A. Risk Factors" of this Quarterly Report on Form 10-Q. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included elsewhere in this Quarterly Report on Form 10-Q. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

COVID-19 Pandemic

During the six months ended June 30, 2020, the COVID-19 pandemic significantly impacted the global economy and strained the hospitality industry due to travel restrictions and stay-at-home directives in place at various times during the period, resulting in cancellations and significantly reduced travel around the world. The reduction in travel has resulted in complete and partial suspensions of hotel operations in many of the locations in which our hotels are located for an indeterminate duration, which, outside of China, largely began in mid-March, and included approximately 20 percent of our global hotel properties for some portion of the reporting period. As such, it had a material adverse impact on our results for the three and six months ended June 30, 2020, and we expect it to continue to have a material adverse impact on our results in future periods, as described below under "—Results of Operations."

As of July 31, 2020, 96 percent of our global hotel properties were open, while 260 hotels had temporarily suspended operations. Hotels that have reopened generally have experienced significantly lower occupancy as compared with periods before the onset of the pandemic.

In response to this global crisis, we have taken actions to prioritize the safety and security of our guests, employees and owners and support our communities, which have included: (i) finding alternative uses for our hotel properties, such as providing housing for first responders and healthcare workers, which included our partnership with American Express to donate up to one million hotel room nights across the U.S. to frontline medical professionals; (ii) pledging financial assistance to organizations helping those affected by COVID-19 through our Hilton Effect Foundation; and (iii) providing the option for our Hilton Honors members to donate Hilton Honors points to select foundations aiding those impacted by COVID-19. Most recently, as properties around the world are reopening and certain travel restrictions are lifted, we launched a new program, Hilton CleanStay, that will deliver a new standard of cleanliness and disinfection to our properties worldwide, and Hilton EventReady, which focuses on cleanliness and customer service specific to meetings and events. Additionally, we have taken several steps to help our business withstand this uncertain time, as detailed in "—Liquidity."

Overview

Our Business

Hilton is one of the largest hospitality companies in the world, with 6,215 properties comprising 983,465 rooms in 118 countries and territories as of June 30, 2020. Our premier brand portfolio includes: our luxury and lifestyle hotel brands, Waldorf Astoria Hotels & Resorts, LXR Hotels & Resorts, Conrad Hotels & Resorts, Canopy by Hilton, Tempo by Hilton and Motto by Hilton; our full service hotel brands, Signia by Hilton, Hilton Hotels & Resorts, Curio Collection by Hilton, DoubleTree by Hilton, Tapestry Collection by Hilton and Embassy Suites by Hilton; our focused service hotel brands, Hilton Garden Inn, Hampton by Hilton, Tru by Hilton, Homewood Suites by Hilton and Home2 Suites by Hilton; and our timeshare brand, Hilton Grand Vacations. As of June 30, 2020, we had 108 million members in our award-winning guest loyalty program, Hilton Honors.

Segments and Regions

We analyze our operations and business by both operating segments and geographic regions. Our operations consist of two reportable segments that are based on similar products or services: (i) management and franchise and (ii) ownership. The management and franchise segment provides services, including hotel management and licensing of our brands and IP. This segment generates its revenue from: (i) management and franchise fees charged to third-party hotel owners; (ii) licensing fees from HGV and strategic partnerships for the right to use certain Hilton marks and IP; and (iii) fees for managing our owned and leased hotels. As a manager of hotels, we typically are responsible for supervising or operating the property in exchange for management fees. As a franchisor of hotels, we charge franchise fees in exchange for the use of one of our brand names and related commercial services, such as our reservation system, marketing and information technology services. The ownership segment primarily derives earnings from providing nightly hotel room sales, food and beverage sales and other services at our owned and leased hotels.

Geographically, we conduct business through three distinct geographic regions: (i) the Americas; (ii) Europe, Middle East and Africa ("EMEA"); and (iii) Asia Pacific. The Americas region includes North America, South America and Central America, including all Caribbean nations. Although the U.S. is included in the Americas, it represented 72 percent of our system-wide hotel rooms as of June 30, 2020; therefore, the U.S. is often analyzed separately and apart from the Americas region and, as such, it is presented separately within the analysis herein. The EMEA region includes Europe, which represents the western-most peninsula of Eurasia stretching from Iceland in the west to Russia in the east, and the Middle East and Africa ("MEA"), which represents the Middle East region and all African nations, including the Indian Ocean island nations. Europe and MEA are often analyzed separately and, as such, are presented separately within the analysis herein. The Asia Pacific region includes the eastern and southeastern nations of Asia, as well as India, Australia, New Zealand and the Pacific Island nations.

System Growth and Development Pipeline

Our strategic objectives include the continued expansion of our global footprint and fee-based business. As we enter into new management and franchise contracts, we expand our business with minimal or no capital investment by us as the manager or franchisor, since the capital required to build and maintain hotels is typically provided by the third-party owner of the hotel with whom we contract to provide management services or license our brand names and IP. Prior to approving the addition of new properties to our management and franchise development pipeline, we evaluate the economic viability of the property based on its geographic location, the credit quality of the third-party owner and other factors. By increasing the number of management and franchise contracts with third-party owners, over time we expect to increase revenues, overall return on invested capital and cash available to support our business needs. While these objectives have not changed as a result of the COVID-19 pandemic, the current economic environment has posed certain challenges to the execution of our strategy, which have and may continue to include delays in openings and new development. See further discussion on our cash management policy, as detailed in "—Liquidity."

As of June 30, 2020, we had over 2,700 hotels in our development pipeline that we expect to add as open hotels in our system, representing nearly 414,000 rooms under construction or approved for development throughout 121 countries and territories, including 35 countries and territories where we do not currently have any open hotels. All of the rooms in the development pipeline are within our management and franchise segment. Additionally, of the rooms in the development pipeline, 234,000 rooms were located outside the U.S., and 222,000 rooms were under construction. We do not consider any individual development project to be material to us.

Brexit

In June 2016, the United Kingdom ("U.K.") held a referendum in which voters approved an exit from the European Union ("E.U.") (commonly referred to as "Brexit"). The U.K.'s withdrawal from the E.U. occurred on January 31, 2020, beginning the implementation period, which is set to end on December 31, 2020 and can be extended up to two years. The effects of Brexit will depend on the final terms that will be negotiated during the implementation period, including the terms of any trade agreements that will dictate the U.K.'s access to E.U. markets. While our results as of and for the six months ended June 30, 2020 were not materially affected by Brexit, the final outcomes are not yet certain. Brexit measures could potentially disrupt the markets we serve and cause tax and foreign currency volatility, which could have adverse effects on our business. We will continue to monitor the potential impact of Brexit on our business during the implementation period.

Key Business and Financial Metrics Used by Management

Comparable Hotels

We define our comparable hotels as those that: (i) were active and operating in our system for at least one full calendar year as of the end of the current period, and open January 1st of the previous year; (ii) have not undergone a change in brand or ownership type during the current or comparable periods reported; and (iii) have not sustained substantial property damage, business interruption, undergone large-scale capital projects or for which comparable results were not available. Of the 6,160 hotels in our system as of June 30, 2020, 5,018 hotels were classified as comparable hotels. Our 1,142 non-comparable hotels included 192 hotels, or approximately three percent of the total hotels in our system, that were removed from the comparable group during the last twelve months because they sustained substantial property damage, business interruption, underwent large-scale capital projects or comparable results were otherwise not available.

When considering business interruption in the context of our definition of comparable hotels, any hotel that had completely or partially suspended operations on a temporary basis at any point during the six months ended June 30, 2020 as a result of the COVID-19 pandemic was considered to be part of the definition of comparable hotels. Despite these temporary suspensions of hotel operations, we believe that including these hotels within occupancy, average daily rate and revenue per available room, reflects the underlying results of our business for the three and six months ended June 30, 2020.

Occupancy

Occupancy represents the total number of room nights sold divided by the total number of room nights available at a hotel or group of hotels for a given period. Occupancy measures the utilization of our hotels' available capacity. Management uses occupancy to gauge demand at a specific hotel or group of hotels in a given period. Occupancy levels also help us determine achievable average daily rate pricing levels as demand for hotel rooms increases or decreases.

Average Daily Rate ("ADR")

ADR represents hotel room revenue divided by the total number of room nights sold for a given period. ADR measures average room price attained by a hotel, and ADR trends provide useful information concerning the pricing environment and the nature of the customer base of a hotel or group of hotels. ADR is a commonly used performance measure in the industry, and we use ADR to assess pricing levels that we are able to generate by type of customer, as changes in rates charged to customers have a different effect on overall revenues and incremental profitability than changes in occupancy, as described above.

Revenue per Available Room ("RevPAR")

RevPAR is calculated by dividing hotel room revenue by the total number of room nights available to guests for a given period. We consider RevPAR to be a meaningful indicator of our performance as it provides a metric correlated to two primary and key drivers of operations at a hotel or group of hotels, as previously described: occupancy and ADR. RevPAR is also a useful indicator in measuring performance over comparable periods for comparable hotels.

References to RevPAR, ADR and occupancy are presented on a comparable basis, and references to RevPAR and ADR are presented on a currency neutral basis, unless otherwise noted. As such, comparisons of these hotel operating statistics for the three and six months ended June 30, 2020 and 2019 use the exchange rates for the three and six months ended June 30, 2020, respectively.

EBITDA and Adjusted EBITDA

EBITDA reflects net income (loss), excluding interest expense, income tax benefit (expense) and depreciation and amortization.

Adjusted EBITDA is calculated as EBITDA, as previously defined, further adjusted to exclude certain items, including gains, losses, revenues and expenses in connection with: (i) asset dispositions for both consolidated and unconsolidated equity investments; (ii) foreign currency transactions; (iii) debt restructurings and retirements; (iv) furniture, fixtures and equipment ("FF&E") replacement reserves required under certain lease agreements; (v) reorganization, severance, relocation and other related expenses; (vi) share-based compensation; (vii) non-cash impairment; (viii) amortization of contract acquisition costs; (ix) the net effect of reimbursable costs included in other revenues and other expenses from managed and franchised properties; and (x) other items.

We believe that EBITDA and Adjusted EBITDA provide useful information to investors about us and our financial condition and results of operations for the following reasons: (i) these measures are among the measures used by our management team to evaluate our operating performance and make day-to-day operating decisions and (ii) these measures are frequently used by securities analysts, investors and other interested parties as a common performance measure to compare results or estimate valuations across companies in our industry. Additionally, these measures exclude certain items that can vary widely across different industries and among competitors within our industry. For instance, interest expense and income taxes are dependent on company specifics, including, among other things, capital structure and operating jurisdictions, respectively, and, therefore, could vary significantly across companies. Depreciation and amortization, as well as amortization of contract acquisition costs, are dependent upon company policies, including the method of acquiring and depreciating assets and the useful lives that are used. For Adjusted EBITDA, we also exclude items such as: (i) FF&E replacement reserves for leased hotels to be consistent with the treatment of FF&E for owned hotels, where it is capitalized and depreciated over the life of the FF&E; (ii) share-based compensation expense (benefit), as this could vary widely among companies due to the different plans in place and the usage of them; (iii) the net effect of our cost reimbursement revenues and reimbursed expenses, as we contractually do not operate the related programs to generate a profit over the terms of the respective contracts; and (iv) other items that are not core to our operations and are not reflective of our operating performance.

EBITDA and Adjusted EBITDA are not recognized terms under GAAP and should not be considered as alternatives to net income (loss) or other measures of financial performance or liquidity derived in accordance with GAAP. EBITDA and Adjusted EBITDA have limitations as analytical tools and should not be considered as alternatives, either in isolation or as a substitute, for net income (loss), cash flow or other methods of analyzing our results as reported under GAAP. Some of these limitations are:

- EBITDA and Adjusted EBITDA do not reflect changes in, or cash requirements for, our working capital needs;
- EBITDA and Adjusted EBITDA do not reflect our interest expense, or the cash requirements necessary to service interest or principal payments, on our indebtedness;
- EBITDA and Adjusted EBITDA do not reflect income tax expenses or benefits or the cash requirements to pay our taxes;
- EBITDA and Adjusted EBITDA do not reflect historical cash expenditures or future requirements for capital expenditures or contractual commitments;
- EBITDA and Adjusted EBITDA do not reflect the effect on earnings or changes resulting from matters that we consider not to be indicative of our future operations;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect any cash requirements for such replacements; and
- other companies in our industry may calculate EBITDA and Adjusted EBITDA differently, limiting their usefulness as comparative measures.

Because of these limitations, EBITDA and Adjusted EBITDA should not be considered as discretionary cash available to us to reinvest in the growth of our business or as measures of cash that will be available to us to meet our obligations.

Results of Operations

The hotel operating statistics by region for our system-wide comparable hotels were as follows:

	Three Months Ended June 30, 2020	Variance 2020 vs. 2019	Six Months Ended June 30, 2020	Variance 2020 vs. 2019
U.S.				
Occupancy	24.4 %	(55.9)% pts.	41.5 %	(34.5)% pts.
ADR	$ 101.17	(33.2)%	$ 129.02	(13.2)%
RevPAR	$ 24.68	(79.7)%	$ 53.56	(52.6)%
Americas (excluding U.S.)				
Occupancy	10.3 %	(60.7)% pts.	32.4 %	(35.8)% pts.
ADR	$ 76.72	(32.7)%	$ 109.78	(5.9)%
RevPAR	$ 7.93	(90.2)%	$ 35.58	(55.3)%
Europe				
Occupancy	7.1 %	(72.3)% pts.	30.0 %	(43.1)% pts.
ADR	$ 84.21	(39.9)%	$ 115.43	(12.6)%
RevPAR	$ 5.98	(94.6)%	$ 34.68	(64.1)%
MEA				
Occupancy	15.4 %	(50.2)% pts.	38.6 %	(29.8)% pts.
ADR	$ 103.91	(28.7)%	$ 128.99	(8.8)%
RevPAR	$ 16.01	(83.3)%	$ 49.85	(48.5)%
Asia Pacific				
Occupancy	28.8 %	(40.7)% pts.	33.4 %	(34.1)% pts.
ADR	$ 74.09	(33.3)%	$ 96.70	(15.5)%
RevPAR	$ 21.31	(72.4)%	$ 32.31	(58.2)%
System-wide				
Occupancy	22.3 %	(56.1)% pts.	39.3 %	(35.1)% pts.
ADR	$ 97.18	(33.2)%	$ 124.94	(12.6)%
RevPAR	$ 21.67	(81.0)%	$ 49.06	(53.9)%

During the three and six months ended June 30, 2020, we experienced significant declines in RevPAR in all regions compared to the same periods in 2019, due to both occupancy and ADR decreases resulting from the COVID-19 pandemic. Our Asia Pacific region experienced the effects of the pandemic early in 2020, with suspensions of hotel operations beginning in late January. Pronounced negative results in the Americas and EMEA regions lagged the Asia Pacific region, with hotel suspensions in those regions beginning in mid-March. Of the approximately 1,205 properties that had suspended hotel operations at some point during the six months ended June 30, 2020, approximately 46 percent were in the U.S., 10 percent were in the Americas (excluding U.S.), 23 percent were in Europe, 5 percent were in MEA and 16 percent were in Asia Pacific. As of July 31, 2020, the operations at 260 hotels, primarily located in the U.S., were temporarily suspended. However, properties that have reopened have experienced significantly lower occupancy compared with periods prior to the onset of the pandemic as business and transient demand remains lower and travel restrictions and stay-at-home directives are still in place in many areas.

On a global level, the pervasiveness of the COVID-19 impact began in late March, with its most significant adverse impact on occupancy and RevPAR seen in April. Since April, all regions, except for MEA, have experienced month over month increases in occupancy and RevPAR. We experienced the most notable recoveries in the U.S. and Asia Pacific with occupancy levels up approximately 20 percentage points and 15 percentage points, respectively, from April to June.

The table below provides a reconciliation of net income (loss) to EBITDA and Adjusted EBITDA:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(in millions)			
Net income (loss)	$ (432)	$ 261	$ (414)	$ 420
Interest expense	106	101	200	199
Income tax expense (benefit)	(12)	101	(47)	160
Depreciation and amortization	88	86	179	170
EBITDA	(250)	549	(82)	949
Loss on foreign currency transactions	13	3	4	3
FF&E replacement reserves	7	15	21	29
Share-based compensation expense	24	47	12	81
Reorganization costs	38	—	38	—
Impairment losses	15	—	127	—
Amortization of contract acquisition costs	7	7	15	14
Net other expenses (revenues) from managed and franchised properties	166	(22)	237	12
Other adjustment items[1]	31	19	42	29
Adjusted EBITDA	$ 51	$ 618	$ 414	$ 1,117

(1) Includes severance not related to the reorganization and other items. The three and six months ended June 30, 2020 also include losses related to the disposal of an investment and an accrual for a loan guarantee for a franchised hotel. The three and six months ended June 30, 2019 also include expenses recognized in connection with the refinancings and repayments of our senior secured credit facilities.

Revenues

	Three Months Ended June 30,		Percent Change	Six Months Ended June 30,		Percent Change
	2020	2019	2020 vs. 2019	2020	2019	2020 vs. 2019
	(in millions)			(in millions)		
Franchise and licensing fees	$ 132	$ 444	(70.3)	$ 471	$ 826	(43.0)
Base and other management fees	$ 8	$ 89	(91.0)	$ 68	$ 169	(59.8)
Incentive management fees	(5)	58	NM[1]	18	113	(84.1)
Total management fees	$ 3	$ 147	(98.0)	$ 86	$ 282	(69.5)

(1) Fluctuation in terms of percentage change is not meaningful.

The COVID-19 pandemic and the related reduction in global travel and tourism resulted in the complete or partial suspensions of hotel operations at approximately 1,170 of our managed and franchised properties at some point during the six months ended June 30, 2020. Of these hotels, more than half had reopened as of June 30, 2020.

On a comparable basis, decreases in occupancy and ADR led to reduced RevPAR, resulting in decreases in franchise fees and management fees from our comparable managed and franchised properties. For the three months ended June 30, 2020, RevPAR decreased 77.9 percent at our comparable franchised properties and 88.3 percent at our comparable managed properties, resulting from reduced occupancy of 54.6 percentage points and 59.7 percentage points, respectively, and reduced ADR of 29.1 percent and 44.7 percent, respectively. For the six months ended June 30, 2020, RevPAR decreased 51.6 percent at our comparable franchised properties and 58.7 percent at our comparable managed properties, resulting from reduced occupancy of 33.6 percentage points and 39.3 percentage points, respectively, and reduced ADR of 12.2 percent and 10.7 percent, respectively.

Incentive fees decreased during the periods as they are based on hotels' operating profits, which have declined and are expected to continue to decline as a result of the COVID-19 pandemic. For the three months ended June 30, 2020, we reversed incentive fees that were recognized in the previous period due to the expectation that stated return thresholds to the hotel owners would no longer be met.

Management and franchise and licensing fees also decreased on a non-comparable basis. Licensing and other fees decreased $48 million and $53 million during the three and six months ended June 30, 2020, respectively, primarily due to decreased licensing fees from both our strategic partnerships and HGV as a result of the COVID-19 pandemic. The six months ended June 30, 2020, also included a $12 million decrease in termination fees, attributable to a termination fee that was recognized in 2019 for the redevelopment of a franchised hotel.

Including new development and ownership type transfers, from January 1, 2019 to June 30, 2020, we added 532 managed and franchised properties on a net basis, providing an additional 71,073 rooms to our management and franchise segment. While we have historically experienced increases to management and franchise fees as new hotels are a part of our system for full periods, the impact of the COVID-19 pandemic has outweighed the impact of these property additions in 2020.

	Three Months Ended June 30,		Percent Change	Six Months Ended June 30,		Percent Change
	2020	2019	2020 vs. 2019	2020	2019	2020 vs. 2019
	(in millions)			(in millions)		
Owned and leased hotels	$ 31	$ 387	(92.0)	$ 241	$ 699	(65.5)

Owned and leased hotel revenues decreased primarily due to the COVID-19 pandemic and the related reduction in global travel and tourism. As a result of the COVID-19 pandemic, approximately 35 hotels in our ownership segment had temporarily suspended operations at some point in time during the six months ended June 30, 2020, of which nearly 10 hotels had reopened as of June 30, 2020. On a comparable basis, decreases in occupancy and ADR led to reduced RevPAR, resulting in decreases in revenues from our comparable owned and leased hotels. For the three and six months ended June 30, 2020, RevPAR decreased 96.0 percent and 67.9 percent, respectively, resulting from reduced occupancy of 73.5 percentage points and 45.1 percentage points, respectively, and reduced ADR of 41.6 percent and 16.1 percent, respectively. Additionally, owned and leased hotel revenues decreased $12 million and $28 million during the three and six months ended June 30, 2020, respectively, due to properties that were transferred to our managed and franchised segment during 2019.

	Three Months Ended June 30,		Percent Change	Six Months Ended June 30,		Percent Change
	2020	2019	2020 vs. 2019	2020	2019	2020 vs. 2019
	(in millions)			(in millions)		
Other revenues	$ 10	$ 26	(61.5)	$ 33	$ 52	(36.5)

The decreases in other revenues during the three and six months ended June 30, 2020 were primarily due to decreases in revenues from our purchasing operations related to delayed hotel improvement projects and lower volume purchasing based on reduced hotel demand as a result of the COVID-19 pandemic.

Operating Expenses

	Three Months Ended June 30,		Percent Change	Six Months Ended June 30,		Percent Change
	2020	2019	2020 vs. 2019	2020	2019	2020 vs. 2019
	(in millions)			(in millions)		
Owned and leased hotels	$ 95	$ 334	(71.6)	$ 334	$ 632	(47.2)

Owned and leased hotel expenses decreased primarily due to decreases in occupancy resulting from the COVID-19 pandemic and approximately 35 hotels suspending operations at some point during the six months ended June 30, 2020. Further, as a result of declining performance, variable rent expense was reduced at most leased hotels with a variable rent structure. However, certain fixed costs of maintaining these hotels, even while temporarily closed or operating with very low occupancy, could not be reduced at the same rate as the hotel revenue decreases during the periods. Additionally, owned and leased hotel expenses decreased $11 million and $25 million during the six months ended June 30, 2020 related to properties that were transferred to our managed and franchised segment during 2019.

	Three Months Ended June 30,		Percent Change	Six Months Ended June 30,		Percent Change
	2020	2019	2020 vs. 2019	2020	2019	2020 vs. 2019
	(in millions)			(in millions)		
Depreciation and amortization	$ 88	$ 86	2.3	$ 179	$ 170	5.3
General and administrative	63	113	(44.2)	123	220	(44.1)
Reorganization costs	38	—	NM[1]	38	—	NM[1]
Impairment losses	15	—	NM[1]	127	—	NM[1]
Other expenses	13	15	(13.3)	27	35	(22.9)

(1) Fluctuation in terms of percentage change is not meaningful.

The increases in depreciation and amortization expense were primarily due to increases in amortization expense resulting from additions to capitalized software costs during 2020 and 2019, partially offset by reduced amortization expense due to impairment losses on other intangible assets related to our leased properties that were recognized during the six months ended June 30, 2020.

General and administrative expenses decreased primarily as a result of actions taken by the Company during the three and six months ended June 30, 2020 to reduce or eliminate certain corporate costs in response to the COVID-19 pandemic; refer to "—Liquidity and Capital Resources" for additional information. These actions are expected to also reduce costs in future periods. In addition, share-based compensation expense decreased due to the determination that the performance conditions of our outstanding 2018 and 2019 performance shares were no longer probable of achievement, resulting in a reversal of previously recognized expense for the outstanding 2019 performance awards during the three and six months ended June 30, 2020 and for the outstanding 2018 performance awards during the six months ended June 30, 2020; see Note 10: "Share-Based Compensation" in our unaudited condensed consolidated financial statements for additional information.

During the three and six months ended June 30, 2020, we recognized reorganization costs related to activities undertaken in response to the COVID-19 pandemic, primarily relating to reductions in our workforce and associated costs.

During the three months ended June 30, 2020, we recognized $6 million and $9 million of impairment losses on hotel operating lease ROU assets and management contract acquisition costs, respectively. During the six months ended June 30, 2020, we recognized $51 million, $21 million, $9 million and $46 million of impairment losses on hotel operating lease ROU assets, property and equipment related to our leased properties, management contract acquisition costs and other intangible assets related to our leased hotel properties, respectively. These impairment losses were due to a decline in results and expected future performance at the related hotels as a result of the COVID-19 pandemic.

Other expenses decreased primarily as a result of decreases in expenses from our purchasing operations, resulting from reduced demand, partially offset by an increase in amounts accrued related to our performance guarantees.

Non-operating Income and Expenses

	Three Months Ended June 30,		Percent Change	Six Months Ended June 30,		Percent Change
	2020	2019	2020 vs. 2019	2020	2019	2020 vs. 2019
	(in millions)			(in millions)		
Interest expense	$ (106)	$ (101)	5.0	$ (200)	$ (199)	0.5
Loss on foreign currency transactions	(13)	(3)	NM[1]	(4)	(3)	33.3
Other non-operating loss, net	(23)	(12)	91.7	(23)	(8)	NM[1]
Income tax benefit (expense)	12	(101)	NM[1]	47	(160)	NM[1]

(1) Fluctuation in terms of percentage change is not meaningful.

The increases in interest expense were primarily due to the issuance of the 4.875% Senior Notes due 2030 in June 2019, the full draw down on the Revolving Credit Facility in March 2020 and the issuances of the 5.375% 2025 Senior Notes and the 2028 Senior Notes in April 2020. The increases were partially offset by a decrease in interest expense on our Term Loans due to a 2019 principal repayment of $500 million and a lower variable interest rate, as well as decreased variable interest expense of certain finance leases for our hotels that resulted from a decline in operating performance.

The losses on foreign currency transactions included changes in foreign currency exchange rates on certain intercompany financing arrangements, including short-term cross-currency intercompany loans. The changes were the result of various currencies, but, for the three months ended June 30, 2020, were primarily related to changes in the Australian dollar.

Other non-operating loss, net for the three and six months ended June 30, 2020 primarily included losses related to an accrual for a loan guarantee for a franchised hotel and the disposal of an investment. Other non-operating loss, net for the three and six months ended June 30, 2019 primarily included a loss on the disposal of an unconsolidated real estate investment and expenses recognized in connection with the refinancings and repayments of our senior secured credit facilities.

The changes in the income tax provisions were primarily attributable to decreases in income before income taxes, offset by reductions in the tax benefits recognized for the expected NOLs generated in 2020 in certain foreign jurisdictions. For additional information, see Note 9: "Income Taxes" in our unaudited condensed consolidated financial statements.

Segment Results

Refer to Note 13: "Business Segments" in our unaudited condensed consolidated financial statements for reconciliations of revenues for our reportable segments to consolidated amounts and of segment operating income to consolidated income (loss) before income taxes. We evaluate our business segment operating performance using segment operating income (loss), without allocating other revenues and expenses or general and administrative expenses.

Refer to "—Revenues" for further discussion of the decreases in revenues from our managed and franchised properties, which are correlated to our management and franchise segment revenues and segment operating income. Refer to "—Revenues" and "—Operating Expenses" for further discussion of the decreases in revenues and operating expenses at our owned and leased hotels, which are correlated with our ownership segment revenues and segment operating income (loss).

Liquidity and Capital Resources

Overview

As of June 30, 2020, we had total cash and cash equivalents of $3,575 million, including $72 million of restricted cash and cash equivalents. The majority of our restricted cash and cash equivalents balance related to cash collateral on our self-insurance programs and cash held for FF&E reserves.

Although we cannot presently estimate the ultimate and total financial impact of the unprecedented COVID-19 pandemic, which is highly dependent on the severity and duration of the pandemic, we expect it will continue to have a significant adverse impact on our results of operations. As such, due to the uncertainties associated with the COVID-19 pandemic and the indeterminate length of time it will affect the hospitality industry, we have taken certain proactive measures to secure our liquidity position to be able to meet our obligations for the foreseeable future, which have included: (i) fully drawing down on our $1.75 billion Revolving Credit Facility; (ii) suspending dividend payments and share repurchases; (iii) implementing strict cost management measures, such as temporarily halting marketing programs, temporarily eliminating non-essential expenses, including capital expenditures, and reducing payroll and related costs through workforce reductions, furloughs and temporary salary reductions; (iv) consummating the Honors Points Pre-Sale; and (v) issuing $1.0 billion aggregate principal amount of senior notes.

Our known short-term liquidity requirements primarily consist of funds necessary to pay for operating and other expenditures, including costs associated with the management and franchising of hotels, corporate expenses, payroll and compensation costs, taxes and compliance costs, interest payments on our outstanding indebtedness, contract acquisition costs and capital expenditures for renovations and maintenance at the hotels within our ownership segment. We expect to pay a significant portion of the reorganization costs recognized during the three months ended June 30, 2020 in the three months ending September 30, 2020. While our accounts receivable balance as of June 30, 2020 is less than prior periods, we are generally experiencing slower payment of certain fees due to us. As such, we have considered the implications of these delayed payment trends in developing our estimates of expected future credit losses.

Our long-term liquidity requirements primarily consist of funds necessary to pay for scheduled debt maturities, capital improvements to the hotels within our ownership segment, commitments to owners in our management and franchise segment and corporate capital and information technology expenditures. We have currently suspended dividend payments and share repurchases, but expect that these activities will result in uses of liquidity in future periods.

We have a long-term investment policy that is focused on the preservation of capital and maximizing the return on new and existing investments and returning available capital to stockholders through dividends and share repurchases. However, the COVID-19 pandemic has caused us to temporarily change our cash management strategy as described above. Within the framework of our long-term investment policy, we currently intend to continue to finance our business activities primarily with cash on our balance sheet as of June 30, 2020 and cash generated from our operations.

After considering our approach to liquidity and accessing our available sources of cash, we believe that our cash position will be adequate to meet anticipated requirements for operating and other expenditures, including corporate expenses, payroll and related benefits, taxes and compliance costs and other commitments for an estimated period of at least 24 months, even at very low occupancy levels. The objectives of our cash management policy are to maintain the availability of liquidity while minimizing operational costs.

We may from time to time issue or incur or increase our capacity to incur new debt and/or purchase our outstanding debt through underwritten offerings, open market transactions, privately negotiated transactions or otherwise. Issuances or incurrence of new debt (or an increase in our capacity to incur new debt) and/or purchases or retirement of outstanding debt, if any, will depend on prevailing market conditions, liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

We formally suspended share repurchases given the current economic environment and our efforts to preserve cash, and no share repurchases were made after March 5, 2020. The stock repurchase program remains authorized by the board of directors, and we may resume share repurchases in the future at any time, depending on market conditions, our capital needs and other factors. Prior to the suspension, during the six months ended June 30, 2020, we repurchased 2.6 million shares of our common stock under our stock repurchase program for $279 million, which we funded principally with available cash. As of June 30, 2020, approximately $2.2 billion remained available for share repurchases under the program.

Sources and Uses of Our Cash and Cash Equivalents

The following table summarizes our net cash flows:

	Six Months Ended June 30,		Percent Change
	2020	**2019**	**2020 vs. 2019**
	(in millions)		
Net cash provided by operating activities	$ 946	$ 650	45.5
Net cash used in investing activities	(76)	(95)	(20.0)
Net cash provided by (used in) financing activities	2,082	(323)	NM[(1)]

(1) Fluctuation in terms of percentage change is not meaningful.

Operating Activities

The increase in net cash provided by operating activities was primarily the result of $1.0 billion of cash received in connection with the Honors Points Pre-Sale, offset by decreases in cash inflows generated from our management and franchise properties and our owned and leased hotels. The decreases were largely the result of decreases in system-wide RevPAR due to the COVID-19 pandemic, as further discussed in "—Revenues." Additionally, cash paid for taxes decreased $104 million, primarily resulting from decreases in income before income taxes, as well as NOLs that were generated in 2020 in many foreign tax jurisdictions that had taxable income in 2019.

Investing Activities

Net cash used in investing activities primarily related to capital expenditures for property and equipment and capitalized software costs. Beginning in March 2020, we took steps to temporarily eliminate non-essential expenses, including capital expenditures, in response to the COVID-19 pandemic. While we do not expect to be able to fully eliminate such expenditures, we expect to materially reduce our spending on an annual basis, when compared to the prior year. Our capital expenditures for property and equipment primarily consisted of expenditures related to our corporate facilities and the renovation of hotels in our ownership segment, and our capitalized software costs related to various systems initiatives, for the benefit of both our hotel owners and our overall corporate operations.

Financing Activities

The change in cash flows related to financing activities was primarily attributable to a $1.5 billion increase in net borrowings and repayments under our Revolving Credit Facility, a $500 million decrease in net borrowings and repayments under our Term Loans and a $400 million decrease in share repurchases and dividend payments.

Debt and Borrowing Capacity

As of June 30, 2020, our total indebtedness, excluding unamortized deferred financing costs and discount, was approximately $10.6 billion. For additional information on our total indebtedness, including fully drawing down our Revolving Credit Facility, our issuance of $1.0 billion aggregate principal amount of senior notes and guarantees on our debt, refer to Note 6: "Debt" in our unaudited condensed consolidated financial statements.

If we are unable to generate sufficient cash flow from operations in the future to service our debt, we may be required to reduce capital expenditures or issue additional equity securities. Our ability to make scheduled principal payments and to pay interest on our debt depends on our future operating performance, which is subject to general conditions in or affecting the hospitality industry that may be beyond our control. Although our operating activities provided cash during the six months ended June 30, 2020 it was primarily a result of the Honors Points Pre-Sale. The COVID-19 pandemic negatively impacted our cash flows from operations during the period, and will continue to do so for an indeterminate period of time. We have taken precautions to secure our cash position, as discussed above, and expect to be able to meet our current obligations. Furthermore, we do not have any material indebtedness outstanding that matures prior to June 2024.

Contractual Obligations

During the six months ended June 30, 2020, we fully drew down $1.69 billion under our Revolving Credit Facility, after giving effect to the letters of credit outstanding, which matures in 2024 and is repayable by us at any time. Further, we issued $500 million aggregate principal amount of senior notes due 2025 and $500 million aggregate principal amount of senior notes due 2028. Other than these borrowings, there were no material changes to our contractual obligations from what we previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

Off-Balance Sheet Arrangements

See Note 14: "Commitments and Contingencies" in our unaudited condensed consolidated financial statements for a discussion of our off-balance sheet arrangements.

Summarized Guarantor Financial Information

HOC is the issuer of the Senior Notes and is 100 percent owned by Hilton Worldwide Parent LLC ("HWP"), which, in turn, is 100 percent owned by the Parent. The Senior Notes are guaranteed jointly and severally on a senior unsecured basis by the Parent, HWP and substantially all of the Parent's direct and indirect wholly owned domestic restricted subsidiaries, except for HOC, the issuer (together, the "Guarantors"). The indentures that govern the Senior Notes provide that any subsidiary of the Company that provides a guarantee of our senior secured credit facilities will guarantee the Senior Notes. As of June 30, 2020, none of our foreign subsidiaries or domestic subsidiaries owned by foreign subsidiaries or conducting foreign operations or our non-wholly owned subsidiaries guaranteed the Senior Notes.

The guarantees are full and unconditional, subject to certain customary release provisions. The indentures that govern the Senior Notes provide that any Guarantor may be released from its guarantee so long as: (i) the subsidiary is sold or sells all of its assets; (ii) the subsidiary is released from its guaranty under our senior secured credit facilities; (iii) the subsidiary is declared "unrestricted" for covenant purposes; or (iv) the requirements for legal defeasance or covenant defeasance or to discharge the indenture have been satisfied, in each case in compliance with applicable provisions of the indentures.

HOC nor any of the Guarantors have any reporting obligation under the Exchange Act in respect of the Senior Notes; however, we are supplementally providing the information set forth below. The following tables present summarized financial information for HOC, along with the Parent and all other Guarantors, on a combined basis:

	As of June 30, 2020
	(in millions)
ASSETS	
Total current assets	$ 711
Intangible assets, net	8,862
Total intangibles and other assets	9,133
TOTAL ASSETS	9,844
LIABILITIES AND DEFICIT	
Total current liabilities	1,714
Long-term debt	10,301
Total liabilities	16,127
Total Hilton stockholders' deficit	(6,283)
TOTAL LIABILITIES AND DEFICIT	9,844

	Six Months Ended June 30, 2020
	(in millions)
Revenues	
Revenues	$ 518
Other revenues from managed and franchised properties	1,493
Total revenues	$ 2,011
Expenses	
Expenses	$ 245
Other expenses from managed and franchised properties	1,704
Total expenses	$ 1,949
Operating income	$ 62
Interest expense	(193)
Income tax benefit	47
Net loss	(115)
Net loss attributable to Hilton stockholders	(115)

Critical Accounting Policies and Estimates

The preparation of our unaudited condensed consolidated financial statements in accordance with GAAP requires us to make estimates and assumptions that affect reported amounts and related disclosures. We have discussed the policies and estimates that we believe are critical and require the use of complex judgment in their application in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

As a result of the impact of the COVID-19 pandemic on our business, we have had to reevaluate certain estimates and assumptions that affect our reported amounts. In particular, we extended the expected redemption rate of our Hilton Honors points over the next year, which, due to the re-evaluation at March 31, 2020, resulted in reclassifications of the liabilities for guest loyalty program and deferred revenues from current to long-term of $221 million and $50 million, respectively. We continued to use the revised methodology as of June 30, 2020. Additionally, we recognized impairment losses of $15 million and $127 million during the three and six months ended June 30, 2020, respectively, which required the use of significant judgments and estimates. See Note 7: "Fair Value Measurements" and Note 5: "Finite-Lived Intangible Assets" in our unaudited condensed consolidated financial statements for additional information on the impairment losses.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk primarily from changes in interest rates and foreign currency exchange rates, which may affect future income, cash flows and the fair value of the Company, depending on changes to interest rates or foreign currency exchange rates. In certain situations, we may seek to reduce cash flow volatility associated with changes in interest rates and foreign currency exchange rates by entering into derivative financial instruments intended to provide a hedge against a portion of the risks associated with such volatility. We continue to have exposure to such risks to the extent they are not hedged. We enter into derivative financial instruments to the extent they meet the objectives described above, and we do not use derivatives for trading or speculative purposes. Our exposure to market risk has not materially changed from what we previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019; however, given the impact that the COVID-19 pandemic has had on the global market, we continue to monitor our exposure to market risk and have adjusted, and will continue to adjust, our hedge portfolios accordingly.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

The Company maintains a set of disclosure controls and procedures as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission ("SEC") rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. The design of any disclosure controls and procedures is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. In accordance with Rule 13a-15(b) of the Exchange Act, as of the end of the period covered by this Quarterly Report on Form 10-Q, an evaluation was carried out under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of its disclosure controls and procedures. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures, as of the end of the period covered by this Quarterly Report on Form 10-Q, were effective to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There has been no change in the Company's internal control over financial reporting during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in various claims and lawsuits arising in the ordinary course of business, some of which include claims for substantial sums, including proceedings involving tort and other general liability claims, employee claims, consumer protection claims and claims related to our management of certain hotel properties. We recognize a liability when we believe the loss is probable and can be reasonably estimated. Most occurrences involving liability, claims of negligence and employees are covered by insurance with solvent insurance carriers. The ultimate results of claims and litigation cannot be predicted with certainty. We believe we have adequate reserves against such matters. We currently believe that the ultimate outcome of such lawsuits and proceedings will not, individually or in the aggregate, have a material adverse effect on our consolidated financial position, results of operations or cash flows. However, depending on the amount and timing, an unfavorable resolution of some or all of these matters could materially affect our future results of operations in a particular period.

Item 1A. Risk Factors

For a discussion of our potential risks and uncertainties, see the risk factor below and the risk factors previously disclosed in response to "Part I —Item 1A. Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 and "Part II —Item 1A. Risk Factors" of our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020.

Supplemental Risk Factor

The ongoing global COVID-19 pandemic has negatively affected and will continue to negatively affect our business, financial condition and results of operations.

The COVID-19 pandemic has significantly affected the global economy and strained the hospitality industry due to travel restrictions and stay-at-home directives that have resulted in cancellations and reduced travel around the world, as well as complete and partial suspensions of certain hotel operations for an indeterminate duration. Currently, there are no fully effective vaccines or treatments for COVID-19 and the timing and efficacy of any future vaccines and treatments are uncertain. As such, COVID-19 has had a material negative impact on our results for the three and six months ended June 30, 2020, and will continue to negatively affect future results. The current and uncertain future impact of the COVID-19 pandemic, including its effect on the ability or desire of people to travel and use our hotel properties for lodging, food and beverage and other services, is expected to continue to negatively affect our results, operations, outlook, plans, growth, cash flows and liquidity.

The U.S. and other national and local governments have restricted travel and could expand such restrictions, even after they are relaxed, and a number of our hotels have fully or partially suspended operations. We have been and expect to continue to be negatively affected by additional governmental regulations and travel advisories to fight the pandemic, including recommendations by the U.S. Department of State, the Centers for Disease Control and Prevention and the World Health Organization.

We cannot predict when any of our hotels that have completely or partially suspended operations will be able to fully reopen, the conditions upon which a full reopening may occur or the effects of any such conditions. We also cannot predict if any of our hotels that are currently operational will have to completely or partially suspend operations in the future. Moreover, even where travel advisories and restrictions have been lifted, travel demand has been and is increasingly likely to remain weak for a significant length of time and we cannot predict if or when our properties will return to pre-pandemic demand or pricing. Adverse changes in the perceived or actual economic climate, including higher unemployment rates, declines in income levels and loss of personal wealth resulting from the impact of COVID-19, will negatively affect travel demand.

The steps we have taken to reduce operating costs, including temporarily reducing compensation, reducing our workforce and furloughing a substantial number of our team members, and further steps we may take in the future to reduce costs for us or our third-party hotel owners, may negatively affect our brand reputation and ability to attract and retain team members. If our furloughed team members do not return to work with us when the COVID-19 pandemic subsides, including because they find new jobs during the furlough, we may experience operational challenges that could negatively affect hotel results, guest experience and loyalty. We also may face demands or requests from labor unions that represent team members at our hotels for additional compensation, healthcare benefits or other terms, including making payments to underfunded multi-employer pension plans for covered union employees, as a result of COVID-19 that could increase costs, and we could experience labor issues as we implement our COVID-19 mitigation plans. In addition, depending on the length of the furloughs, we may need to

make severance payments to some of our furloughed team members, even if we intend to have the team members return to work in the future. Even after the COVID-19 pandemic subsides, we could still experience long-term impacts on our operating costs as a result of attempts to counteract future outbreaks of COVID-19 or other viruses through, for example, enhanced health and hygiene requirements or other such measures in one or more regions.

We cannot predict the full impact that COVID-19 will have on our partners, such as third-party owners of our properties, third-party service providers, travel agencies, suppliers and other vendors. In particular, if third-party owners of our hotels are unable to maintain their hotels and service indebtedness secured by their hotels, our results of operations and reputation could suffer. Third-party owners of our hotels have experienced financing difficulties and significant declines in revenues, thereby making it more likely that they could declare bankruptcy or face other difficulties with their lenders. Bankruptcies, sales or foreclosures involving our hotels could, in some cases, result in the termination of our management or franchise contracts and eliminate our anticipated income and cash flows, which would negatively affect our results of operations. Hotel owners with financial difficulties may be unable or unwilling to pay us amounts that we are entitled to under our existing contracts on a timely basis or at all. Current and ongoing economic conditions also could affect our ability to enter into management and franchise contracts with potential third-party owners of our hotels, who may be unable to obtain financing or face other delays in developing hotel projects. As a result, some properties in our development pipeline may not enter our system when we anticipated, or at all, and new hotels may enter our pipeline at a slower rate than in the past, thereby negatively affecting our overall growth. Likewise, if we or our hotel owners or franchisees are unable to access capital to make physical improvements to our hotels, the quality of our hotels may suffer, which may negatively impact our reputation and guest loyalty, and our market share may suffer as a result.

We may be required to raise additional capital in the future and our access to and cost of financing will depend on, among other things, global economic conditions, conditions in the global financing markets, the availability of sufficient amounts of financing, our prospects and our credit ratings. Certain of our credit ratings have been downgraded or placed on credit watch, and if our credit ratings were to be further downgraded, or general market conditions were to ascribe higher risk to our rating levels, our industry or us, our access to capital and the cost of any debt financing would be negatively affected. In addition, the terms of future debt agreements could include more restrictive covenants, or require incremental collateral, which may further restrict our business operations. There is no guarantee that debt financings will be available in the future to fund our obligations, or that they will be available on terms consistent with our expectations. In addition, because of reduced travel demand, certain of our leased properties will not generate revenue sufficient to meet operating expenses. If or when we determine the value of our leased properties has significantly declined, we have recognized and in the future could have to recognize significant non-cash impairment charges to our results of operations. Further, to the extent COVID-19 significantly impacts spending patterns of Hilton Honors co-branded credit cardholders or the acquisition of new cardholders, we will receive lower license fees under our co-brand credit card arrangements.

The COVID-19 pandemic has significantly increased economic and demand uncertainty and could cause a global recession, which would have a further adverse impact on our financial condition and operations. The significant increase in unemployment in the U.S. and other regions due to the adoption of social distancing and other policies to slow the spread of COVID-19 is likely to have a sustained negative impact on travel demand for an indefinite period of time. The extent of the effects of COVID-19 on our business and the travel industry at large remains highly uncertain and will ultimately depend on future developments, including, but not limited to, the duration and severity of the outbreak, the timing and availability of vaccinations and other treatments to combat COVID-19, and the length of time it takes for demand and pricing to stabilize and normal economic and operating conditions to resume. Given the uncertainty as to the extent and timing of the potential future spread or mitigation of COVID-19 and the imposition or relaxation of protective measures, we are presently unable to estimate the full impact to our future results of operations, cash flows or financial condition.

Additionally, COVID-19 could negatively affect our internal controls over financial reporting as we have reduced our workforce and placed many of our team members on temporary furlough. Our remaining team members are required to work from home and, therefore, new processes, procedures and controls could be required to respond to changes in our business environment. Further, should any key team members become ill from COVID-19 and unable to work, the attention of our management team could be diverted.

The potential effects of COVID-19 also could intensify or otherwise affect many of our other risk factors that are included in "Part I —Item 1A. Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, including, but not limited to, risks inherent to the hospitality industry, macroeconomic factors beyond our control, competition for hotel guests and management and franchise contracts, risks related to doing business with third-party hotel owners, performance of our information technology systems, growth of reservation channels outside of our system, risks of doing business outside of the U.S. and risks related to our indebtedness. Because the COVID-19 situation is unprecedented and

continuously evolving, the other potential impacts to our risk factors that are further described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 are uncertain.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Effective August 8, 2020, the temporary salary reductions that were implemented for our employees, including our named executive officers, in response to the COVID-19 pandemic will be discontinued. Our President and Chief Executive Officer will continue to forgo his salary for the remainder of 2020.

Item 6. Exhibits

Exhibit Number	Exhibit Description
3.1	Certificate of Incorporation of Hilton Worldwide Holdings Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on December 17, 2013).
3.2	Certificate of Amendment to Certificate of Incorporation of Hilton Worldwide Holdings Inc. effective as of January 3, 2017 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on January 4, 2017).
3.3	Amended and Restated By-Laws of Hilton Worldwide Holdings Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on August 2, 2019).
4.1	Indenture, dated as of April 21, 2020, by and among Hilton Domestic Operating Company Inc., the guarantors from time to time party thereto and Wilmington Trust, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on April 22, 2020).
4.2	Form of 5.375% Senior Note due 2025 (included in Exhibit 4.1).
4.3	Form of 5.750% Senior Note due 2028 (included in Exhibit 4.1).
10.1	Separation Agreement and General Release, dated June 15, 2020, between Ian Carter and Hilton Domestic Operating Company Inc.*
31.1	Certificate of Christopher J. Nassetta, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certificate of Kevin J. Jacobs, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certificate of Christopher J. Nassetta, President and Chief Executive Officer, pursuant to Section 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2	Certificate of Kevin J. Jacobs, Executive Vice President and Chief Financial Officer, pursuant to Section 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
101.INS	Inline XBRL Instance Document - this instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.

Exhibit Number	Exhibit Description
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

* This document has been identified as a management contract or compensatory plan or arrangement.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HILTON WORLDWIDE HOLDINGS INC.

By:	/s/ Christopher J. Nassetta
Name:	Christopher J. Nassetta
	President and Chief Executive Officer

By:	/s/ Kevin J. Jacobs
Name:	Kevin J. Jacobs
	Executive Vice President and Chief Financial Officer

Date: August 6, 2020

Hilton

Ian Carter
SEPARATION AGREEMENT AND GENERAL RELEASE

This Confidential Separation Agreement and General Release of all claims ("Agreement") is made by and between Ian Carter ("You" or "Your") and Hilton Domestic Operating Company Inc. (the "Company"), regarding the terms of Your employment and separation from employment with the Company or one of its affiliates. The general provisions of this Agreement are subject to the Hilton Worldwide Holdings Inc. 2019 Executive Severance Plan, as amended from time to time (the "Plan"), except to the extent modified by this Agreement. The definitions of any capitalized terms not defined in the Agreement are set forth in the Plan.

1. Terms of Your Separation.

Separation Date: Your employment with the Company will terminate effective the earlier of (i) December 31, 2020 or (ii) the date You commence employment with any subsequent employer other than Hilton or any of its affiliates (the "Separation Date"). You hereby confirm Your resignation from all officer and board positions with the Company and its affiliates effective as of the Separation Date.

Advisory Services: Effective July 4, 2020 (the "Transition Date") and through Your Separation Date, You will transition from Your current role and will be employed as a Special Advisor for consultation and advice.

Salary Continuation: You will continue to receive Your current annual base salary (less applicable federal, state and local withholding taxes and other applicable deductions), subject to the COVID-19 salary reduction currently in effect for members of the Company's Executive Committee, through your Separation Date.

Performance: You must satisfactorily perform Your duties and any transition tasks assigned to You through the Separation Date, as determined by the Company. If You obtain other employment with the Company or a subsidiary or affiliate prior to Your Separation Date, or if You resign or are terminated for Cause or breach of this Agreement prior to Your Separation Date, You will be ineligible to receive any separation payments or benefits under this Agreement or the Plan, and this Agreement will be null and void.

PTO: You will continue to accrue Paid Time Off ("PTO") at Your current rate based upon Your years of service with the Company until the Separation Date. The Company will pay You for any accrued, unused PTO through Your Separation Date in accordance with Company policy.

401(k): You will continue to be eligible to participate in the Company's 401(k) Plan through the Separation Date, with such participation subject to the terms and conditions of the 401(k) Plan.

Pro Rata Bonus: In accordance with the retirement provisions of the Corporate bonus plan, You are eligible to receive a payment of $420,000 (less applicable federal, state and local withholding taxes and other applicable deductions), representing a pro-rata portion of Your 2020 annual bonus at target level based on time served in Your current role (from January 1, 2020 through June 30, 2020), payable within thirty (30) days of December 31, 2020, subject to the terms and conditions of the Company's Corporate bonus plan. You will not be eligible for any additional bonus under the Company's Corporate bonus plan.

LTI: Your LTI awards will continue to vest in accordance with the Retirement Eligibility provision in the LTI Plan and applicable award agreements, subject to Your compliance with any post-termination obligations. If, as of the Separation Date, You have vested and unexercised stock options that were granted in 2014, prior to the adoption of the Retirement Eligibility provision, You will have ninety (90) days from the Separation Date to exercise these stock options. If, as of the Separation Date, You have vested and unexercised stock options that were granted in 2015 or later, You will have five (5) years from the Separation Date (but in no event later than the end of the option period) to exercise these stock options.

COBRA: Your medical, dental and vision benefits, if applicable, continue through Your Separation Date. The date of the qualifying event for purposes of the Consolidated Omnibus Budget Reconciliation Act ("COBRA") and any applicable state law shall be Your Separation Date. You will be eligible for COBRA continuation health benefits to the extent provided under Part 6 of Subtitle B of Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), provided You otherwise qualify for such COBRA coverage and timely pay the required premiums for any such coverage. You will receive separate information regarding Your option to continue, at Your expense under COBRA, health benefits after Your Separation Date.

Pension: Your accounts in the Hilton UK Pension Plan and the Hilton UK Hotels Ltd Employer-Financed Retirement Benefit Scheme (HUKHERBS/Supplemental Plan) will be paid in accordance with the terms and conditions of the applicable plan.

Long Tenure Travel Program: You will be eligible for continued access to discounted hotel rooms under Hilton's Long Tenure Team Member Travel Program commensurate with ten years of service to the Company and subject to the terms and conditions of the program, which may be changed from time to time. These discounted rates are not available and cannot be offered to Your family and friends.

2. **Consideration.** In exchange for You signing this Agreement, which includes a general release in Section 3, in accordance with Section 17 below, and also for signing the further attached general release (the "Second Release") on or within seven (7) days after the Separation Date, and for You not revoking the general release or Second Release, and subject to the terms of the Plan and this Agreement, including Your compliance with the obligations described herein, the Company will provide You with the following consideration (the "Consideration"):

Separation Payment: You will receive a lump sum Separation Payment of $3,360,000 (less applicable federal, state and local withholding taxes and other applicable deductions) payable within thirty (30) days of December 31, 2020. The Separation Payment represents an amount equal to the sum of two times (2x) Your Annual Base Salary and (ii) Target Bonus. This payment is not considered eligible compensation for purposes of the Company's 401(k) Plan.

COBRA Payment You will receive a lump sum payment of $27,802 (less applicable federal, state and local withholding taxes and other applicable deductions) payable within thirty (30) days of December 31, 2020, which is equivalent to twelve (12) months of the excess of (i) the COBRA cost over (ii) the amount that You would have had to pay for the coverage if You had remained employed and paid for the coverage at the active employee rate, less applicable withholding taxes. This payment is not considered eligible compensation for purposes of the Company's 401(k) Plan.

Life Insurance: You will be eligible to convert Your Company-sponsored life insurance coverage that is in place immediately prior to Your Separation Date into an individual life insurance policy in accordance with the terms of the Company's life insurance plan. The Company will make a taxable cash payment to You of $5,778, equal to the amount required to continue such life insurance coverage in place on the Separation Date as an individual policy for twelve (12) months following the Separation Date. This amount will be paid in a single lump sum (less applicable federal, state and local withholding taxes and other applicable deductions), within thirty (30) days of December 31, 2020 ("Life Insurance Payment"). This payment is not considered eligible compensation for purposes of the Company's 401(k) Plan.

Outplacement: The Company will provide You with outplacement services provided by a firm determined by the Company in its sole discretion for up to twelve (12) months following December 31, 2020. The outplacement services will be provided pursuant to an agreement between the Company and a Company- approved vendor, which the Company will pay directly. Outplacement services must be initiated within sixty (60) days of signing this Agreement.

You acknowledge that: (i) the Consideration described above constitutes all monetary and non- monetary terms and benefits associated with Your separation, (ii) the Consideration is inclusive of any severance benefits to which You are eligible under any severance plan, agreement or arrangement sponsored by or agreed to by the Company or its affiliates, (iii) the Consideration exceeds any earned wages or anything else of value otherwise owed to You by the Company, and (iv) You would not receive this Consideration absent Your execution of this Agreement.

As a condition for receiving the Consideration, You will be required to execute the Second Release on or within seven (7) days after the Separation Date, covering any matters, disputes, claims or potential matters, disputes or claims that arise or that You may allege have arisen during the period between Your execution of this Agreement and the Separation Date. You may not execute the Second Release prior to your Separation Date. Your execution of the Second Release shall be a condition to Your eligibility for the Consideration.

3. **General Release.** In exchange for the Consideration identified above, You hereby covenant not to sue and release and forever discharge the Company and any of its past or present successors, predecessors, subsidiaries, affiliates, and parents, and their respective past and present officers, directors, employees, insurers, investors and agents, and all of their successors and assigns (collectively "Released Parties") from any and all causes of action, claims or demands, known or unknown, that exist as of the date You sign this Agreement relating in any way to Your employment with the Company or the separation of Your employment. Without limiting the generality of the foregoing, the claims You are waiving include, but are not limited to, wrongful and retaliatory discharge, defamation, libel, slander, breach of contract, false imprisonment, or any other contract, tort or common law claim. You are also releasing all claims under any federal, state or local law, rule, regulation or ordinance, including, but not limited to, Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Older Workers' Benefit Protection Act, the Americans With Disabilities Act, the Employee Retirement Income Security Act of 1974, the Pregnancy Discrimination Act, the Family and Medical Leave Act (to the extent permitted by law), the Civil Rights Act of 1871, the Civil Rights Act of 1991, The Genetic Information Nondiscrimination Act of 2008, the Fair Credit Reporting Act, the Equal Pay Act, the Massachusetts Fair Employment Practices Act; the Massachusetts Wage Payment Statute; the Massachusetts Wage and Hour Laws; the West Virginia Human Rights Act, the New Jersey Conscientious Employee Protection Act; the Minnesota Human Rights Act, the Virginia Human Rights Act – Va. Code § 2.2-3900 et seq., any regulations thereunder, and any human rights law of any Virginia county or municipality; Virginia Statutory Provisions Regarding Retaliation/Discrimination for exercising rights under the Workers' Compensation Act – Va. Code § 65.2-308(A) and (B); The Virginia Equal Pay Act – Va. Code § 40.1-28.6; The Virginians With Disabilities Act – Va. Code § 51.5-1 et seq.; Virginia statutory provisions regarding AIDS testing – Va. Code Ann. §32.1-36.1; Virginia statutory provisions regarding wage payments – Va. Code § 40.1-28.8 et seq.; Virginia statutory provisions regarding occupational safety and health – Va. Code § 401-49.3 et seq. Such released claims also include any and all claims with respect to attorneys' fees or under any Company handbook, policy, procedure or benefit plan (except (i) vested benefits, if any, under the Company's 401(k) Plan and the Company's retirement plan, and (ii) accrued benefits, if any, under any Company welfare benefit plan, as defined in Section 3(1) of ERISA).

If You work or have worked in California, or if You reside in California, You waive all rights under California Civil Code Section 1542, which provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

Thus, notwithstanding the provisions of section 1542 (or any other state law counterpart to section 1542), and to implement a full and complete release and discharge of the Released Parties, You expressly acknowledge this Agreement is intended to include in its effect, without limitation, all

Claims You do not know or suspect to exist in Your favor at the time of signing this Agreement, and that this Agreement contemplates the extinguishment of any such Claim or Claims. You warrant You have read this Agreement, including this waiver of California Civil Code section 1542 (and any other state's counterpart to section 1542), and that You have consulted counsel or have had the opportunity to consult counsel about this Agreement and specifically about the waiver of section 1542, and that You understand this Agreement and the section 1542 waiver, and so You freely and knowingly enter into this Agreement.

Notwithstanding the foregoing, the parties agree that this General Release does not apply to any claims You may have for workers' compensation benefits, unemployment insurance or indemnification as provided by state law, or any other claims that cannot be lawfully released. Excepted from the General Release provisions of this Agreement are Your rights to file a charge with an administrative agency and to participate in an agency investigation or report possible violations of federal law or regulation to any governmental agency or entity. However, You knowingly and intentionally waive any right to monetary relief or other individual specific remedy that might be sought on Your behalf by any other person, entity, local, state or federal government or agency thereof, including specifically the Equal Employment Opportunity Commission, U.S. Department of Labor, or any state agency. Nothing herein shall preclude Your right to receive an award from a governmental agency for information provided under any whistleblower program. You understand that neither this provision nor anything else in this Agreement prohibits You from reporting possible violations of federal law or regulation to any governmental agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, Congress, and any agency Inspector General, or making other disclosures protected under the whistleblower provisions of federal law or regulation. You further understand that You do not need the prior authorization of the Company's legal department to make any such reports or disclosures and You are not required to notify the Company that You have made such reports or disclosures.

Except as provided above, this General Release includes all claims existing as of the date You sign this Agreement, even though You did not know or suspect those claims to exist at the time You signed the Agreement, regardless of whether knowledge of such claims or the underlying facts would have materially affected Your decision to sign this Agreement. Your subsequent discovery of different or additional facts shall not affect the enforceability of this General Release. Notwithstanding the foregoing, this General Release shall not bar any claim to enforce, or alleging a breach of, this Agreement.

4. **Ongoing Cooperation**. You agree to cooperate and take reasonable steps in the future in order to carry out the terms of this Agreement, including without limitation, providing additional information, signing documents, and responding to inquiries, all as may be requested from time to time. You agree to cooperate fully and provide assistance to the Company in any legal or other proceedings which may be required, including any litigation or potential litigation or administrative, regulatory or investigatory matter in which You are, or may be, a witness, or as to which You possess, or may possess, relevant information. Subject to advance approval, the Company shall pay all reasonable expenses incurred in connection with a request made by a Released Party pursuant to this section. You further agree that, without the prior written consent of the Company or its attorneys, You will not communicate with any individual who is pursuing, or may be pursuing, any claims against the Company, or any attorneys for such individuals, about such claims or potential claims, and You will promptly inform the Company or its counsel of any efforts by such persons or their attorneys to speak with You.

5. **Return of Company Property.** On or before the Separation Date, You will turn over any Company records, materials, documents, information or property in Your possession including, without limitation, ID cards, keys, credit cards, files, software, business equipment, cell phone, laptop computer and instruction manuals. After following Company process and procedures, including the removal of Company software and all Company-related data and information, You may retain Your laptop, cell phone and corresponding phone number. You agree that You will not retain or provide to anyone other than the Company any Company materials, documents, information or property, or any copies, excerpts, or summaries of such materials, documents, information or property. To the extent You have any Company-related data or information stored on any personal computer, Personal Digital Assistant (PDA) or other electronic storage facility in Your personal possession or control, You agree that You will immediately delete all such data or information, and will not retain copies or downloads of any such data or information in any format whatsoever. The Company is not required to provide any Consideration unless and until You fully comply with this provision.

6. **Restrictive Covenants Regarding Non-Competition and Non-Solicitation.** You acknowledge and recognize the highly competitive nature of the businesses of the Company and its subsidiaries and affiliates. Accordingly, You agree as follows:

   a. During Your employment and the one-year period following the Separation Date (the "Restricted Period"), You will not, whether on Your own behalf or on behalf of or in conjunction with any person or entity, directly or indirectly solicit or assist in soliciting away from the Company the business of any then current client or customer, or any potential client or customer with whom You (or Your direct reports) had personal contact or dealings, or to which You were aware of any confidential information, on behalf of the Company during the one-year period preceding the Separation Date.

   b. During the Restricted Period, You will not directly or indirectly:

      i. engage in the Business providing services in the nature of the services You provided to the Company at any time in the one year prior to the Separation Date for a Competitor in the Restricted Area;

      ii. enter the employ of, or render any services to, a Competitor in the Restricted Area, except where such employment or services do not relate in any manner to the Business;

      iii. acquire a financial interest in, or otherwise become actively involved with, a Competitor, directly or indirectly, as an individual, partner, shareholder, officer, director, principal, agent, trustee or consultant; or

      iv. intentionally and adversely interfere with, or attempt to adversely interfere with, business relationships between the Company and any of its clients, customers, suppliers, partners, members or investors.

   c. Notwithstanding anything to the contrary in this Section 6, You may, directly or indirectly, own, solely as an investment, securities of any person or entity engaged in the business of operating, managing or franchising hotel and lodging properties and timeshares ("Business") (including, without limitation, a Competitor) which are publicly traded on a national or regional stock exchange or on the over-the-counter market if You (i) are not a

controlling person of, or a member of a group which controls, such person and (ii) do not, directly or indirectly, own 2% or more of any class of securities of such person.

d. During the Restricted Period, You will not, whether on Your own behalf or on behalf of or in conjunction with any person or entity, directly or indirectly:

   i. solicit or encourage any employee of the Company to leave the employment of the Company; or

   ii. hire any employee who was employed by the Company as of the Separation Date or who left the employment of the Company coincident with, or within one year prior to or after, the Separation Date, provided that this prohibition does not apply to (i) administrative personnel employed by the Company or (ii) any Company employee who is hired away from the Company as a result of responding to a generic job posting on a website or in a newspaper or periodical of general circulation, without any involvement or encouragement by You.

e. During the Restricted Period, You will not, whether on Your own behalf or on behalf of or in conjunction with any person or entity, directly and intentionally encourage any consultant of the Company to cease working with the Company.

f. It is expressly understood and agreed that, although You and the Company consider the restrictions contained in this Section 6 to be reasonable, if a final judicial determination is made by a court of competent jurisdiction that the time or territory or any other restriction contained in this Section 6 is an unenforceable restriction against You, the provisions of this Section 6 shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if any court of competent jurisdiction finds that any restriction contained in this Section 6 is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.

g. The period of time during which the provisions of this Section 6 shall be in effect shall be extended by the length of time during which You are in breach of the terms hereof as determined by any court of competent jurisdiction on the Company's application for injunctive relief.

h. For purposes of this Section 6, "Competitor" shall mean any person, firm, partnership, joint venture, association, corporation or other business organization, entity or enterprise whatsoever which is engaged in the business of acquiring controlling investments in, owning, operating, managing or franchising hotel and lodging properties, short term rentals or serviced apartment businesses, including, but not limited to, Accor Company, AirBnB Inc., Best Western Company, Carlson Hospitality Company, Choice Hotels International, G6 Hospitality, Host Hotels & Resorts, Inc., Hyatt Hotels Corporation, Intercontinental Hotels Group, LQ Management LLC, Marriott International, Wyndham Hotels & Resorts, Inc., and Wynn Ltd.

i. You acknowledge and agree that a violation of any of the terms of this Agreement will cause the Company irreparable injury for which adequate remedy at law is not available and that the Company may seek an injunction, restraining order or other equitable relief to

prevent breaches of the provisions of this Agreement and to enforce specifically the terms and provisions hereof in any court of competent jurisdiction in the United States or any state thereof, in addition to any other remedy to which it may be entitled at law or equity.

7. Confidential Information.

a. You agree that You will not at any time (x) retain or use for the benefit, purposes or account of You or any other person or entity; or (y) disclose, divulge, reveal, communicate, share, transfer or provide access to any person outside the Company (other than its professional advisers who are bound by confidentiality obligations or otherwise in performance of Your duties under Your employment and pursuant to customary industry practice), any non-public, proprietary or confidential information – including without limitation trade secrets, know- how, research and development, software, databases, inventions, processes, formulae, technology, designs and other intellectual property, information concerning finances, investments, profits, pricing, costs, products, services, vendors, customers, clients, partners, investors, personnel, compensation, recruiting, training, advertising, sales, marketing, promotions, government and regulatory activities and approvals – concerning the past, current or future business, activities and operations of the Company, its Subsidiaries or affiliates and/or any third party that has disclosed or provided any of same to the Company on a confidential basis ("Confidential Information") without the prior written authorization of the Board of Directors of the Company.

b. "Confidential Information" shall not include any information that is (i) generally known to the industry or the public other than as a result of Your breach of this covenant; (ii) made legitimately available to You by a third party without breach of any confidentiality obligation of which You have knowledge; or (iii) required by law to be disclosed; provided that with respect to subsection (iii) You shall give prompt written notice to the Company of such requirement, disclose no more information than is so required, and reasonably cooperate with any attempts by the Company to obtain a protective order or similar treatment.

c. Upon termination of Your employment with the Company for any reason, You shall (x) cease and not thereafter commence use of any Confidential Information or intellectual property (including without limitation, any patent, invention, copyright, trade secret, trademark, trade name, logo, domain name or other source indicator) owned or used by the Company, its subsidiaries or affiliates; and (y) immediately destroy, delete, or return to the Company, at the Company's option, all originals and copies in any form or medium (including memoranda, books, papers, plans, computer files, letters and other data) in Your possession or control (including any of the foregoing stored or located in Your office, home, laptop or other computer, whether or not Company property) that contain Confidential Information, except that You may retain only those portions of any personal notes, notebooks and diaries that do not contain any Confidential Information.

d. Nothing contained in this Agreement limits (i) Your ability to disclose any information to governmental agencies or commissions as may be required by law, or (ii) Your right to communicate, cooperate or file a complaint with any U.S. federal, state or local governmental or law enforcement branch, agency or entity (collectively, a "Governmental Entity") with respect to possible violations of any U.S. federal, state or local law or regulation, or otherwise make disclosures to any Governmental Entity, in each case, that are protected under the whistleblower provisions of any such law or regulation, provided

that in each case such communications and disclosures are consistent with applicable law, or (iii) Your right to receive an award from a Governmental Entity for information provided under any whistleblower program, without notice to the Company. This Agreement does not limit Your right to seek and obtain a whistleblower award for providing information relating to a possible securities law violation to the Securities and Exchange Commission. You will not be held criminally or civilly liable under any U.S. federal or state trade secret law for the disclosure of a trade secret that is made (i) in confidence to a U.S. federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. If You file a lawsuit for retaliation by an employer for reporting a suspected violation of law, You may disclose the trade secret to Your attorney and use the trade secret information in the court proceeding, if You file any document containing the trade secret under seal, and do not disclose the trade secret, except pursuant to court order. You are not required to give prior notice to (or get prior authorization from) the Company regarding any such communication or disclosure. Except as otherwise provided in this paragraph or under applicable law, under no circumstance are You authorized to disclose any information covered by the Company's or any of its affiliates' attorney-client privilege or attorney work product or the Company's or any of its affiliates' trade secrets without the prior written consent of the Company.

8. **Non-Disparagement.** During your employment and at all times thereafter, You agree that You will not directly, or through any other person or entity, make any public or private statements that are disparaging of the Company, its affiliates or subsidiaries, or their respective businesses or employees, officers, directors, or stockholders, or any product or service offered by the Company.

9. **Employee Representations.** You represent and agree that:

a. You have suffered no specific injuries while employed by the Company that You did not report to the Company.

b. Except as provided in this Agreement, You have been provided all wages, compensation and benefits due and owing to You.

c. You fully understand all terms of this Agreement, have been provided a copy of the Plan, and are signing this Agreement voluntarily and with full knowledge of their significance.

d. As a condition to the receipt of the Consideration provided in Section 2 of this Agreement, You must fully comply with Your obligations as set forth in the Plan and in this Agreement, including, but not limited to, Your obligations in Sections 4, 5, 6, 7 and 8 of this Agreement.

e. The Company, including any of its subsidiaries, divisions and/or affiliates, has no obligation now or at any time in the future to rehire, engage, employ or do business with You in any capacity, including as an independent contractor, agent or consultant.

f. You understand that this Agreement reflects all of the terms agreed to by You and the Company. In signing this Agreement, You do not rely and have not relied upon any representation or statement made by the Company or by the Company's agents, representatives or attorneys that is not specifically stated in this written Agreement. Any

verbal or written representation or statement not expressly included in this Agreement will not be enforceable against the Company.

10. **Contact Information.** The Company and its representatives may need to contact You in the future in connection with this Agreement. You confirm that Your current contact information is as follows:

    Mailing Address:

    Phone:

    You agree to provide prompt written notice to Matt Schuyler, Chief Human Resources Officer,
    delivered to the Company's headquarters at 7930 Jones Branch Drive, McLean, VA, 22102 of any change to Your contact information shown above.

11. **Non-Admissions.** By signing this Agreement, the Company does not admit to any wrongdoing or legal violation by the Company or the Released Parties. Accordingly, this Agreement may not be used in any proceeding as an admission, but only in an action to enforce its terms.

12. **Confidentiality of Agreement.** You agree that the terms of this Agreement are confidential and You will not divulge any terms of this Agreement to anyone except Your accountant, attorney, or spouse, if any, and except as required by law.

13. **Legal Review**. This Agreement is intended as a legally binding and enforceable document. You have been advised to seek legal counsel and have been provided time and opportunity to consult with an attorney prior to executing this Agreement.

14. **Severability.** If any part of this Agreement is held invalid, that part shall be severed and the remaining parts shall be given full force and effect. Notwithstanding the foregoing, in the event the General Release in this Agreement is declared invalid, this Agreement shall be null and void, and the Company shall be entitled to the return of the Consideration paid to You through the date any portion of the Agreement is held invalid.

15. **Section 409A.** Except as otherwise provided in Section 2 of this Agreement, it is intended that the Consideration paid pursuant to Section 2 of this Agreement be exempt from Section 409A due to the "short-term deferral" exception set forth in Treasury Section 1.409A-1(b)(4), or such other exemption as may apply. In no event will any Consideration be paid later than March 15th of the year following the year in which Your employment terminates. Each payment or benefit payable under this Agreement shall constitute separate payments for purposes of Treasury Regulation Section 1.409A- 2(b)(2). In the event that any of the amounts listed in Section 2 of this Agreement are considered nonqualified deferred compensation as defined in Section 409A and such amounts are payable during a period in which You are a "Specified Employee" under Section 409A, then, amounts that would otherwise be payable during the six-month period immediately following the Separation Date will be accumulated through and paid on the first day of the seventh month following Your Separation Date (or if You die during such period, within 30 days after Your death). The normal payment or distribution schedule for any remaining payments or distributions will resume at the end of the six- month period.

16. **Complete Agreement/Governing Law.** This Agreement and the Plan are incorporated herein by reference, and constitute the complete understanding and entire agreement of the parties and supersedes any and all prior agreements, understandings, negotiations and discussions, whether oral or written; provided, however, that in the event that You have previously executed or are

subject to an arbitration agreement or other agreement with the Company that contains confidentiality, nondisclosure, noncompetition and/or non-solicitation obligations ("Prior Agreements"), then such provisions of the relevant Prior Agreements shall survive and are reaffirmed as an essential term and condition of this Agreement and are to be read in conjunction with this Agreement to afford the Company the broadest protections allowed by law. The Agreement cannot be amended, terminated, discharged or waived, except by a mutually agreed upon writing signed by You and an authorized representative of the Company. The laws of the Commonwealth of Virginia, without any reference to or application of conflicts of laws provisions thereof, shall govern and control this Agreement.

17. **Consideration and Revocation Period.** Pursuant to the Older Workers Benefit Protection Act of 1990 ("OWBPA"), You are advised: (1) to consult an attorney regarding this Agreement before executing the Agreement; (2) that rights or claims, including those arising under the Age Discrimination in Employment Act of 1967 ("ADEA"), that may arise after the date this Agreement is executed are not waived; (3) You have twenty-one (21) days from Your receipt of this Agreement to consider it before signing and returning, although You may, at your discretion, choose to sign and return it earlier; (4) for a period of seven (7) days following Your signing of this Agreement, You may revoke this Agreement;(5) this Agreement shall not become effective or enforceable until seven
(7) days after You sign and do not revoke this Agreement; and (6) You may revoke this Agreement only by sending written notice of revocation delivered to Matt Schuyler, Chief Human Resources Officer within this seven (7) day period. The revocation must be received or postmarked no later than midnight on the seventh day following Your execution of this Agreement. Any revocation must state "I hereby revoke my acceptance of our agreement and general release."

YOU UNDERSTAND THAT YOU ARE WAIVING ANY CLAIMS UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT AND THE OLDER WORKERS' BENEFIT PROTECTION ACT.

YOU AGREE THAT ANY MODIFICATIONS, MATERIAL OR OTHERWISE, MADE TO THIS AGREEMENT AND GENERAL RELEASE, DO NOT RESTART OR AFFECT IN ANY MANNER THE ORIGINAL UP TO TWENTY-ONE (21) CALENDAR DAY CONSIDERATION PERIOD.

YOU FREELY AND KNOWINGLY, AND AFTER DUE CONSIDERATION, ENTER INTO THIS AGREEMENT AND GENERAL RELEASE INTENDING TO WAIVE, SETTLE AND RELEASE ALL CLAIMS YOU HAVE OR MIGHT HAVE AGAINST RELEASED PARTIES.

Hilton Domestic Operating Company Inc.

By: /s/ Matthew W. Schuyler
Name: Matthew W. Schuyler, CHRO
Date: June 19, 2020

Employee

By: /s/ Ian Carter
Name: Ian Carter

Date: June 18, 2020

Ian Carter

SECOND RELEASE

In exchange for the Consideration offered by Hilton Domestic Operating Company Inc. (the "Company") in the previously-executed Confidential Separation Agreement and General Release (the "Agreement"), and pursuant to Section 2 therein, Ian Carter, for You and Your heirs, personal representatives, and assigns (referred to herein jointly as "You" or "Your"), hereby agrees as follows:

1. **General Release and Covenant Not to Sue.** In exchange for the Consideration identified above, You hereby covenant not to sue and release and forever discharge the Company and any of its past or present successors, predecessors, subsidiaries, affiliates, and parents, and their respective past and present officers, directors, employees, insurers, investors and agents, and all of their successors and assigns (collectively "Released Parties") from any and all causes of action, claims or demands, known or unknown, that exist as of the date You sign this Agreement relating in any way to Your employment with the Company or the separation of Your employment. Without limiting the generality of the foregoing, the claims You are waiving include, but are not limited to, wrongful and retaliatory discharge, defamation, libel, slander, breach of contract, false imprisonment, or any other contract, tort or common law claim. You are also releasing all claims under any federal, state or local law, rule, regulation or ordinance, including, but not limited to, Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Older Workers' Benefit Protection Act, the Americans With Disabilities Act, the Employee Retirement Income Security Act of 1974, the Pregnancy Discrimination Act, the Family and Medical Leave Act (to the extent permitted by law), the Civil Rights Act of 1871, the Civil Rights Act of 1991, The Genetic Information Nondiscrimination Act of 2008, and the Equal Pay Act, the Massachusetts Fair Employment Practices Act; the Massachusetts Wage Payment Statute; the Massachusetts Wage and Hour Laws; the West Virginia Human Rights Act, the New Jersey Conscientious Employee Protection Act; the Minnesota Human Rights Act, the Virginia Human Rights Act – Va. Code § 2.2-3900 et seq., any regulations thereunder, and any human rights law of any Virginia county or municipality; Virginia Statutory Provisions Regarding Retaliation/Discrimination for exercising rights under the Workers' Compensation Act – Va. Code § 65.2-308(A) and (B); The Virginia Equal Pay Act – Va. Code § 40.1-28.6; The Virginians With Disabilities Act – Va. Code § 51.5-1 et seq.; Virginia statutory provisions regarding AIDS testing – Va. Code Ann. §32.1-36.1; Virginia statutory provisions regarding wage payments – Va. Code § 40.1-28.8 et seq.; Virginia statutory provisions regarding occupational safety and health – Va. Code § 401-49.3 et seq. Such released claims also include any and all claims with respect to attorneys' fees or under any Company handbook, policy, procedure or benefit plan (except (i) vested benefits, if any, under the Company's 401(k) Plan and the Company's Retirement Plan, and (ii) accrued benefits, if any, under any Company welfare benefit plan, as defined in Section 3(1) of ERISA).

   If You work or have worked in California, or if You reside in California, You waive all rights under California Civil Code Section 1542, which provides:

   A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

   Thus, notwithstanding the provisions of section 1542 (or any other state law counterpart to section 1542), and to implement a full and complete release and discharge of the Released Parties, You expressly acknowledge this Agreement is intended to include in its effect, without limitation, all Claims You do not know or suspect to exist in Your favor at the time of signing this Agreement, and that this Agreement contemplates the extinguishment of any such Claim or Claims. You warrant You have read this Agreement, including this waiver of California Civil Code section 1542

(and any other state's counterpart to section 1542), and that You have consulted counsel or have had the opportunity

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to consult counsel about this Agreement and specifically about the waiver of section 1542, and that You understand this Agreement and the section 1542 waiver, and so You freely and knowingly enter into this Agreement.

Notwithstanding the foregoing, the parties agree that this General Release does not apply to any claims You may have for workers' compensation benefits, unemployment insurance or indemnification as provided by state law, or any other claims that cannot be lawfully released. Excepted from the General Release provisions of this Agreement are Your rights to file a charge with an administrative agency and to participate in an agency investigation or report possible violations of federal law or regulation to any governmental agency or entity. However, You knowingly and intentionally waive any right to monetary relief or other individual specific remedy that might be sought on Your behalf by any other person, entity, local, state or federal government or agency thereof, including specifically the Equal Employment Opportunity Commission, U.S. Department of Labor, or any state agency. Nothing herein shall preclude Your right to receive an award from a governmental agency for information provided under any whistleblower program. You understand that neither this provision nor anything else in this Agreement prohibits You from reporting possible violations of federal law or regulation to any governmental agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, Congress, and any agency Inspector General, or making other disclosures protected under the whistleblower provisions of federal law or regulation. You further understand that You do not need the prior authorization of the Company's legal department to make any such reports or disclosures and You are not required to notify the Company that You have made such reports or disclosures.

Except as provided above, this General Release includes all claims existing as of the date You sign this Agreement, even though You did not know or suspect those claims to exist at the time You signed the Agreement, regardless of whether knowledge of such claims or the underlying facts would have materially affected Your decision to sign this Agreement. Your subsequent discovery of different or additional facts shall not affect the enforceability of this General Release. Notwithstanding the foregoing, this General Release shall not bar any claim to enforce, or alleging a breach of, this Agreement.

1. <u>Acknowledgements and Representations</u>:

a. By Your signature below, You affirm and represent that, as of the date You sign this Second Release, You have not filed or caused to be filed any claim, complaint or action against any of the Released Parties in any form or forum and that You are not presently a party to any claim, complaint or action against any of the Released Parties.

b. You acknowledge and agree that You have complied with Your obligations as set forth in the Plan and in this Agreement, including, but not limited to, Your obligations in Sections 4, 5, 6, 7 and 8 of the Agreement.

c. As an Employee of at least forty (40) years of age, You have certain federal rights under the Age Discrimination in Employment Act ("ADEA"), as amended by the Older Workers Benefit Protection Act. By Your signature below, You hereby acknowledge that the Company has advised You to seek advice of counsel with respect to this Second Release; that You have a period of seven (7) days after Your Separation Date (which is more than twenty-one (21) days after Your receipt of this Second Release) in which to consider this second Release before signing it; and that You may revoke this Second Release at any time within seven (7) days after You execute it. Any such revocation must be in writing and directed to Matt Schuyler, Chief Human

Resources Officer, within seven (7) days for it to be effective. If You elect to revoke this Second Release, You will not be entitled to the Consideration described in Section 2 of the Agreement.

By voluntarily executing this Release, You confirm that You have read and understand and accept the terms of the Agreement and of this Second Release, having had the option to have said terms reviewed by Your attorney. You further acknowledge that You have signed this Second Release as a voluntary act and without coercion or force of any kind whatsoever.

ACCEPTED AND AGREED TO:

/s/ Ian Carter **June 18, 2020**
Name Date of Execution

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Christopher J. Nassetta, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2020 of Hilton Worldwide Holdings Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Christopher J. Nassetta

Christopher J. Nassetta
President and Chief Executive Officer
(Principal Executive Officer)
August 6, 2020

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Kevin J. Jacobs, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2020 of Hilton Worldwide Holdings Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Kevin J. Jacobs

Kevin J. Jacobs
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
August 6, 2020

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY
ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Hilton Worldwide Holdings Inc. (the "Company") for the fiscal quarter ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher J. Nassetta, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Christopher J. Nassetta

Christopher J. Nassetta
President and Chief Executive Officer
(Principal Executive Officer)

August 6, 2020

A signed original of this certification required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY
ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Hilton Worldwide Holdings Inc. (the "Company") for the fiscal quarter ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kevin J. Jacobs, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Kevin J. Jacobs

Kevin J. Jacobs
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

August 6, 2020

A signed original of this certification required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.