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Hilton Worldwide Holdings Inc.

Form 10-Q

August 01, 2014

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, 2014

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

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

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 28, 2014 was 984,617,365.

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, 2014 (unaudited)	December 31, 2013
ASSETS		
Current Assets:		
Cash and cash equivalents	\$545	\$594
Restricted cash and cash equivalents	284	266
Accounts receivable, net of allowance for doubtful accounts of \$30 and \$32	858	731
Inventories	359	396
Deferred income tax assets	23	23
Current portion of financing receivables, net	52	94
Current portion of securitized financing receivables, net	65	27
Prepaid expenses	166	148
Other	65	104
Total current assets (variable interest entities - \$216 and \$97)	2,417	2,383
Property, Investments and Other Assets:		
Property and equipment, net	9,036	9,058
Financing receivables, net	359	635
Securitized financing receivables, net	462	194
Investments in affiliates	257	260
Goodwill	6,227	6,220
Brands	5,016	5,013
Management and franchise contracts, net	1,390	1,452
Other intangible assets, net	727	751
Deferred income tax assets	196	193
Other	410	403
Total property, investments and other assets (variable interest entities - \$694 and \$408)	24,080	24,179
TOTAL ASSETS	\$26,497	\$26,562
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable, accrued expenses and other	\$1,999	\$2,079
Current maturities of long-term debt	3	4
Current maturities of non-recourse debt	107	48
Income taxes payable	11	11
Total current liabilities (variable interest entities - \$219 and \$86)	2,120	2,142
Long-term debt	11,314	11,751
Non-recourse debt	890	920

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Deferred revenues	593	674
Deferred income tax liabilities	5,058	5,053
Liability for guest loyalty program	630	597
Other	1,145	1,149
Total liabilities (variable interest entities - \$987 and \$583)	21,750	22,286

Commitments and contingencies - see Note 16

Equity:

Preferred stock, \$0.01 par value; 3,000,000,000 authorized shares, none issued or outstanding as of June 30, 2014 and December 31, 2013	—	—
Common stock, \$0.01 par value; 30,000,000,000 authorized shares, 984,617,365 issued and outstanding as of June 30, 2014 and 984,615,364 issued and outstanding as of December 31, 2013		10
Additional paid-in capital	10,009	9,948
Accumulated deficit	(4,999)	) (5,331)
Accumulated other comprehensive loss	(186)	) (264)
Total Hilton stockholders' equity	4,834	4,363
Noncontrolling interests	(87)	) (87)
Total equity	4,747	4,276
TOTAL LIABILITIES AND EQUITY	\$26,497	\$26,562

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		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Revenues				
Owned and leased hotels	\$1,117	\$1,070	\$2,062	\$1,984
Management and franchise fees and other	354	299	666	561
Timeshare	276	261	555	507
	1,747	1,630	3,283	3,052
Other revenues from managed and franchised properties	920	750	1,747	1,591
Total revenues	2,667	2,380	5,030	4,643
Expenses				
Owned and leased hotels	833	804	1,604	1,547
Timeshare	188	181	365	351
Depreciation and amortization	158	149	311	309
General, administrative and other	133	92	230	189
	1,312	1,226	2,510	2,396
Other expenses from managed and franchised properties	920	750	1,747	1,591
Total expenses	2,232	1,976	4,257	3,987
Operating income	435	404	773	656
Interest income	5	1	6	3
Interest expense	(158)	) (131)	) (311)	) (274)
Equity in earnings from unconsolidated affiliates	8	7	12	8
Gain (loss) on foreign currency transactions	32	(39)	) 46	(82)
Other gain (loss), net	11	(1)	) 14	6
Income before income taxes	333	241	540	317
Income tax expense	(121)	) (84)	) (204)	) (122)
Net income	212	157	336	195
Net income attributable to noncontrolling interests	(3)	) (2)	) (4)	) (6)
Net income attributable to Hilton stockholders	\$209	\$155	\$332	\$189
Earnings per share				
Basic and diluted	\$0.21	\$0.17	\$0.34	\$0.20

See notes to condensed consolidated financial statements.

HILTON WORLDWIDE HOLDINGS INC.
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
 (In millions)
 (Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Net income	\$212	\$157	\$336	\$195
Other comprehensive income (loss), net of tax benefit (expense):				
Currency translation adjustment, net of tax of \$66, \$(31), \$102 and \$(155)	53	(18)	) 81	(181)
Pension liability adjustment, net of tax of \$(1), \$(5), \$(1) and \$(7)	3	8	4	12
Cash flow hedge adjustment, net of tax of \$3, \$—, \$5 and \$—	(6)	) —	(9)) —
Total other comprehensive income (loss)	50	(10)	) 76	(169)
Comprehensive income	262	147	412	26
Comprehensive income attributable to noncontrolling interests	(3)	) (8)	) (2)	) (22)
Comprehensive income attributable to Hilton stockholders	\$259	\$139	\$410	\$4

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,	
	2014	2013
Operating Activities		
Net income	\$336	\$195
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	311	309
Equity in earnings from unconsolidated affiliates	(12	) (8
Loss (gain) on foreign currency transactions	(46	) 82
Other gain, net	(14	) (6
Share-based compensation	41	3
Distributions from unconsolidated affiliates	11	10
Deferred income taxes	(42	) 25
Change in restricted cash and cash equivalents	(1	) (46
Working capital changes and other	(72	) 74