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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2019

OR

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

For the transition period from _____ to _____

Commission File Number 001-37795

Park Hotels & Resorts Inc.
(Exact name of registrant as specified in its charter)

Delaware	**36-2058176**
(State or Other jurisdiction of incorporation or organization)	(I.R.S Employer Identification Number)
1775 Tysons Blvd., 7 th Floor, Tysons, VA	**22102**
(Address of Principal Executive Offices)	(Zip Code)

(571) 302-5757
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

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

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

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Trading Symbol	Name of exchange on which registered
Common Stock, $0.01 par value per share	PK	New York Stock Exchange

The number of shares of common stock outstanding on April 30, 2019 was 201,577,509.

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PART I. FINANC IAL INFORMATION

Item 1. Financial Statements.

PARK HOTELS & RESORTS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions, except share and per share data)

	March 31, 2019 (unaudited)	December 31, 2018
ASSETS		
Property and equipment, net	$ 7,944	$ 7,975
Investments in affiliates	49	50
Goodwill	607	607
Intangibles, net	2	27
Cash and cash equivalents	276	410
Restricted cash	14	15
Accounts receivable, net of allowance for doubtful accounts of $1 and $1	172	153
Prepaid expenses	76	82
Other assets	42	44
Operating lease right-of-use asset	212	—
TOTAL ASSETS (variable interest entities - $241 and $242)	$ 9,394	$ 9,363
LIABILITIES AND EQUITY		
Liabilities		
Debt	$ 2,949	$ 2,948
Accounts payable and accrued expenses	162	183
Due to hotel manager	110	137
Due to Hilton Grand Vacations	135	135
Deferred income tax liabilities	41	42
Other liabilities	213	332
Operating lease liability	204	—
Total liabilities (variable interest entities - $217 and $217)	3,814	3,777
Commitments and contingencies - refer to Note 13		
Stockholders' Equity		
Common stock, par value $0.01 per share, 6,000,000,000 shares authorized, 201,715,453 shares issued and 201,539,398 shares outstanding as of March 31, 2019 and 201,290,458 shares issued and 201,198,381 shares outstanding as of December 31, 2018	2	2
Additional paid-in capital	3,588	3,589
Retained earnings	2,044	2,047
Accumulated other comprehensive loss	(6)	(6)
Total stockholders' equity	5,628	5,632
Noncontrolling interests	(48)	(46)
Total equity	5,580	5,586
TOTAL LIABILITIES AND EQUITY	$ 9,394	$ 9,363

Refer to the notes to the unaudited condensed consolidated financial statements.

PARK HOTELS & RESORTS INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited, in millions, except per share data)

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Revenues		
Rooms	$ 405	$ 418
Food and beverage	183	183
Ancillary hotel	53	50
Other	18	17
Total revenues	659	668
Operating expenses		
Rooms	107	112
Food and beverage	124	126
Other departmental and support	149	156
Other property-level	49	53
Management and franchise fees	33	33
Depreciation and amortization	62	70
Corporate general and administrative	17	16
Other	20	17
Total expenses	561	583
Gain on sales of assets, net	31	89
Operating income	129	174
Interest income	1	1
Interest expense	(32)	(31)
Equity in earnings from investments in affiliates	5	4
Gain on foreign currency transactions	—	1
Other gain, net	1	—
Income before income taxes	104	149
Income tax expense	(7)	—
Net income	97	149
Net (income) loss attributable to noncontrolling interests	(1)	1
Net income attributable to stockholders	$ 96	$ 150
Other comprehensive income, net of tax expense:		
Currency translation adjustment, net of tax expense of $0	—	37
Total other comprehensive income	—	37
Comprehensive income	$ 97	$ 186
Comprehensive (income) loss attributable to noncontrolling interests	(1)	1
Comprehensive income attributable to stockholders	$ 96	$ 187
Earnings per share:		
Earnings per share - Basic	$ 0.48	$ 0.71
Earnings per share - Diluted	$ 0.48	$ 0.71
Weighted average shares outstanding - Basic	201	211
Weighted average shares outstanding - Diluted	202	212

Refer to the notes to the unaudited condensed consolidated financial statements.

PARK HOTELS & RESORTS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in millions)

	Three Months Ended March 31, 2019	2018
Operating Activities:		
Net income	$ 97	$ 149
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	62	70
Gain on sales of assets, net	(31)	(89)
Equity in earnings from investments in affiliates	(5)	(4)
Gain on foreign currency transactions	—	(1)
Other gain, net	(1)	—
Share-based compensation expense	4	4
Amortization of deferred financing costs	1	1
Distributions from unconsolidated affiliates	6	1
Deferred income taxes	(1)	(5)
Changes in operating assets and liabilities	(60)	(83)
Net cash provided by operating activities	72	43
Investing Activities:		
Capital expenditures for property and equipment	(64)	(53)
Proceeds from asset dispositions, net	65	360
Insurance proceeds for property damage claims	1	18
Net cash provided by investing activities	2	325
Financing Activities:		
Dividends paid	(201)	(119)
Distributions to noncontrolling interests	(3)	—
Tax withholdings on share-based compensation	(5)	(1)
Repurchase of common stock	—	(348)
Net cash used in financing activities	(209)	(468)
Effect of exchange rate changes on cash and cash equivalents and restricted cash	—	1
Net decrease in cash and cash equivalents and restricted cash	(135)	(99)
Cash and cash equivalents and restricted cash, beginning of period	425	379
Cash and cash equivalents and restricted cash, end of period	$ 290	$ 280
Supplemental Disclosures		
Non-cash financing activities:		
Dividends declared but unpaid	$ 90	$ 86

Refer to the notes to the unaudited condensed consolidated financial statements.

PARK HOTELS & RESORTS INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(unaudited, in millions)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Non-controlling Interests	Total
	Shares	Amount					
Balance as of December 31, 2018	201	$ 2	$ 3,589	$ 2,047	$ (6)	$ (46)	$ 5,586
Share-based compensation, net	—	—	(1)	—	—	—	(1)
Net income	—	—	—	96	—	1	97
Dividends and dividend equivalents (1)	—	—	—	(91)	—	—	(91)
Distributions to noncontrolling interests	—	—	—	—	—	(3)	(3)
Cumulative effect of change in accounting principle	—	—	—	(8)			(8)
Balance as of March 31, 2019	201	$ 2	$ 3,588	$ 2,044	$ (6)	$ (48)	$ 5,580

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Non-controlling Interests	Total
	Shares	Amount					
Balance as of December 31, 2017	215	$ 2	$ 3,825	$ 2,229	$ (45)	$ (49)	$ 5,962
Share-based compensation, net	—	—	3	—	—	—	3
Net income (loss)	—	—	—	150	—	(1)	149
Other comprehensive income	—	—	—	—	37	—	37
Dividends and dividend equivalents (1)	—	—	—	(88)	—	—	(88)
Repurchase of common stock	(14)	—	(250)	(98)	—	—	(348)
Balance as of March 31, 2018	201	$ 2	$ 3,578	$ 2,193	$ (8)	$ (50)	$ 5,715

(1) Dividends declared per common share were $0.45 and $0.43 for the three months ended March 31, 2019 and 2018.

Refer to the notes to the unaudited condensed consolidated financial statements.

Note 1: Organization

Park Hotels & Resorts Inc. (“we,” “us,” “our” or the “Company”) is a Delaware corporation that owns a portfolio of premium-branded hotels and resorts primarily located in prime United States (“U.S.”) markets. On January 3, 2017, Hilton Worldwide Holdings Inc. (“Hilton” or “Parent”) completed the spin-off of a portfolio of hotels and resorts that established Park Hotels & Resorts Inc. as an independent, publicly traded company. The spin-off transaction was effected through a pro rata distribution of Park Hotels & Resorts Inc. stock to existing Hilton stockholders.

For U.S. federal income tax purposes, we are taxed as a real estate investment trust (“REIT”). We are currently, and expect to continue to be, organized and operate in a REIT qualified manner. From the spin-off date, Park Intermediate Holdings LLC (our “Operating Company”), directly or indirectly, holds all of our assets and conducts all of our operations. We own 100% of the interests in our Operating Company.

Note 2: Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

Principles of Consolidation

The unaudited condensed consolidated financial statements reflect our financial position, results of operations and cash flows, in conformity with U.S. generally accepted accounting principles (“U.S. GAAP”). We have condensed or omitted certain information and footnote disclosures normally included in financial statements presented in accordance with U.S. GAAP. In our opinion, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, including normal recurring items, considered necessary for a fair presentation of the interim periods. All significant intercompany transactions and balances within the financial statements have been eliminated.

These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2018 included in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission (“SEC”) on February 28, 2019.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Interim results are not necessarily indicative of full year performance.

Summary of Significant Accounting Policies

Our Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on February 28, 2019, contains a discussion of the significant accounting policies. There have been no significant changes to our significant accounting policies since December 31, 2018 except for the change in lease accounting, refer to “Recently Issued Accounting Pronouncements.”

Recently Issued Accounting Pronouncements

Adopted Accounting Standards

In February 2016, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2016-02 (“ASU 2016-02”), *Leases (Topic 842)* , which supersedes existing lease accounting guidance in *Leases (Topic 840)* and generally requires all leases to be recognized on the statement of financial position. We adopted this ASU on January 1, 2019 using the optional transition method, which allows entities to initially apply the ASU at the adoption date without revising comparable periods. We consider an arrangement to contain a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for compensation. We elected certain practical expedients that allowed us to utilize historical lease classifications and elected an accounting policy to continue accounting for leases with an initial term of 12 months and less using existing guidance for operating leases. We did not elect the practical expedient that allows us to use hindsight to reassess our probability of exercising renewal options; however, we did include any renewal options controlled by the lessor. On a prospective basis, lease terms will include both renewal options that we are reasonably certain to exercise as well as renewal options controlled by the lessor.

Upon adopti on, we recognized an operating lease right-of-use asset of $213 million representing the right to use land, buildings, and equipment over lease terms which include renewal options we have exercised, and renewal options controlled by the lessor, and a corre sponding operating lease liability of $213 million representing the present value of our fixed lease payment obligations. We also recognized an $8 million impairment of the operating lease right-of-use asset associated with one of our previously impaired h otels as a cumulative effect of change in accounting principle within *retained earnings.* In addition, we reclassified $25 million of below market lease intangibles from *intangibles, net* and $8 million of deferred rent liabilities from *other liabilities* on our condensed consolidated balance sheet to the operating lease right-of-use asset. The discount rate used to calculate the operating lease right-of-use asset and operating lease liability was based on our estimated incremental borrowing rate at our adopti on date of January 1, 2019.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40)* , which adds recognition, measurement, and disclosure guidance on implementation costs of cloud computing arrangements. Implementation costs incurred by customers in cloud computing arrangements are deferred if they would be capitalized by customers in software license arrangements under the existing internal-use software guidance. We elected to early adopt this ASU as of January 1, 2019 on a prospective basis and there was no effect on our consolidated financial statements.

Note 3: Dispositions

Dispositions

During the three months ended March 31, 2019, we sold our interests in the Pointe Hilton Squaw Peak Resort and the Hilton Nuremberg hotels for total gross proceeds of $69 million and recognized a gain, net of selling costs of $31 million on these hotels which is included in *gain on sales of assets, net* in our condensed consolidated statements of comprehensive income.

During the three months ended March 31, 2018, we sold 12 hotels for total gross proceeds of $379 million. We recognized a net gain of approximately $89 million, including the reclassification of a currency translation adjustment of $31 million from accumulated other comprehensive loss into earnings concurrent with the dispositions, which was included in *gain on sales of assets, net* in our condensed consolidated statements of comprehensive income.

Note 4: Property and Equipment

Property and equipment were:

	March 31, 2019	December 31, 2018
	(in millions)	
Land	$ 3,340	$ 3,344
Buildings and leasehold improvements	5,615	5,616
Furniture and equipment	941	949
Construction-in-progress	147	124
	10,043	10,033
Accumulated depreciation and amortization	(2,099)	(2,058)
	$ 7,944	$ 7,975

Depreciation of property and equipment was $62 million and $69 million during the three months ended March 31, 2019 and 2018, respectively.

Hurricanes Irma and Maria

In September 2017, Hurricanes Irma and Maria caused damage and disruption at certain of our hotels in Florida and the Caribe Hilton in Puerto Rico. Our insurance coverage provides us with reimbursement for the replacement cost for the damage to these hotels, which includes certain clean-up and repair costs, exceeding the applicable deductibles, in addition to loss of business.

During the three months ended March 31, 2019, w e received $ 1 million of insurance proceeds related to property damage and recognized an additional $2 million r elated to business interruption. Business interruption proceeds are included within *ancillary hotel revenue* in our condensed consolidated statements of comprehensive income. The insurance receivable as of March 31, 2019 and December 31, 2018 was $23 million and $25 million, respectively, and is included within *other assets* in our condensed consolidated balance sheets.

During the three months ended March 31, 2018, we incurred $7 million of expenses, and based upon additional information obtained during the period, we recognized a loss of $22 million for property a nd equipment that was damaged during the hurricanes. These amounts were offset by the recognition of an insurance receivable of $29 million. Additionally, we received $18 million of insurance proceeds related to property damage.

Note 5: Consolidated Variable Interest Entities ("VIEs") and Investments in Affiliates

Consolidated VIEs

We consolidate three VIEs that own hotels in the U.S. We are the primary beneficiary of these VIEs as we have 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 VIEs are only available to settle the obligations of these entities. Our condensed consolidated balance sheets include the following assets and liabilities of these entities:

	March 31, 2019	December 31, 2018
	(in millions)	
Property and equipment, net	$ 223	$ 223
Cash and cash equivalents	11	12
Restricted cash	2	1
Accounts receivable, net	4	4
Prepaid expenses	1	2
Debt	207	207
Accounts payable and accrued expenses	8	7
Due to hotel manager	1	2
Other liabilities	1	1

During the three months ended March 31, 2019 and 2018, we did not provide any financial or other support to these VIEs that we were not previously contractually required to provide, nor do we intend to provide any such support in the future.

Unconsolidated Entities

Investments in affiliates were:

	Ownership %	March 31, 2019	December 31, 2018
		(in millions)	
Hilton San Diego Bayfront	25%	$ 18	$ 19
All others (7 hotels)	20% - 50%	31	31
		$ 49	$ 50

The affiliates in which we own investments accounted for under the equity method had total debt of approximately $962 million and $955 million as of March 31, 2019 and December 31, 2018, respectively. Substantially all of the debt is secured solely by the affiliates’ assets or is guaranteed by other partners without recourse to us.

Note 6 : Debt

Debt balances and associated interest rates as of March 31, 2019 were:

	Interest Rate at March 31, 2019	Maturity Date	Principal balance as of March 31, 2019	Principal balance as of December 31, 2018
			(in millions)	
SF CMBS Loan	4.11%	November 2023	$ 725	$ 725
HHV CMBS Loan	4.20%	November 2026	1,275	1,275
Mortgage loans	Average rate of 4.22%	2020 to 2026 (1)	207	207
Term loan	L + 1.45%	December 2021	750	750
Revolving credit facility (2)	L + 1.50%	December 2021 (1)	—	—
Financing lease obligations	3.07%	2021 to 2022	1	1
			2,958	2,958
Less: unamortized deferred financing costs and discount			(9)	(10)
			$ 2,949	$ 2,948

(1) Assumes the exercise of all extensions that are exercisable solely at our option.
(2) $1 billion available.

We are required to deposit with lenders certain cash reserves for restricted uses. As of March 31, 2019 and December 31, 2018, our condensed consolidated balance sheets included $14 million and $15 million, respectively, of restricted cash related to our CMBS loans and mortgage loans.

Debt Maturities

The contractual maturities of our debt, assuming the exercise of all extensions that are exercisable solely at our option, as of March 31, 2019 were:

Year	(in millions)
2019	$ —
2020	13
2021	751
2022	32
2023	728
Thereafter (1)	1,434
	$ 2,958

(1) Assumes the exercise of all extensions that are exercisable solely at our option.

Note 7: Fair Value Measurements

We did not elect the fair value measurement option for any of our financial assets or liabilities. The fair values of financial instruments not included in the table below are estimated to be equal to their carrying amounts. The fair value of certain financial instruments and the hierarchy level we used to estimate fair values are shown below:

	Hierarchy Level	March 31, 2019 Carrying Amount	March 31, 2019 Fair Value	December 31, 2018 Carrying Amount	December 31, 2018 Fair Value
		(in millions)			
Liabilities:					
SF CMBS Loan	3	$ 725	$ 727	$ 725	$ 706
HHV CMBS Loan	3	1,275	1,271	1,275	1,214
Term Loan	3	750	748	750	732
Mortgage loans	3	207	203	207	201

Note 8: Leases

We lease hotel properties, land and equipment under operating and financing leases. We are subject to ground leases for 13 of our consolidated properties. Our leases expire, including options under lessor control, at various dates through 2076, with varying renewal options, and the majority expire before 2027.

Our operating leases may require minimum rent payments, variable rent payments based on a percentage of revenue or income or rent payments equal to the greater of a minimum rent or variable rent. In addition, we may be required to pay some, or all, of the capital costs for property and equipment in the hotel during the term of the lease.

The maturities of our non-cancelable operating lease liabilities, due in each of the next five years and thereafter as of March 31, 2019, were:

Year		Operating Leases (in millions)
2019	$	20
2020		27
2021		28
2022		27
2023		21
Thereafter		204
Total minimum rent payments	$	327
Less: imputed interest		123
Total operating lease liabilities	$	204

As of March 31, 2019 the weighted average remaining operating lease term was 15.8 years and the weighted average discount rate used to determine the operating lease liability was 5.7%.

The components of rent expense, primarily included in *other property-level expenses* in our condensed consolidated statements of comprehensive income, supplemental cash flow and non-cash information for all operating leases were:

		Three Months Ended March 31, 2019 (in millions)
Operating lease expense	$	7
Variable lease expense		3
Operating cash flows for operating leases		7
Right-of-use assets obtained in exchange for lease obligations (1)		213

(1) Represents right-of-use assets recorded upon adoption of ASC 842, *Leases,* on January 1, 2019. No additional right-of-use assets were obtained during the three months ended March 31, 2019.

Note 9: Income Taxes

We are a REIT for U.S. federal income tax purposes, and we expect to continue to be organized and operate in a manner to remain qualified as a REIT. To qualify as a REIT, we must satisfy requirements related to, among other things, the real estate qualification of sources of our income, the real estate composition and values of our assets, the amounts we distribute to our stockholders annually and the diversity of ownership of our stock. To the extent we continue to remain qualified as a REIT, we generally will not be subject to U.S. federal income tax on taxable income generated by our REIT activities that we distribute annually to our stockholders. Accordingly, no provision for U.S. federal income taxes has been included in our accompanying condensed consolidated financial statements for the three months ended March 31, 2019 and 2018 related to our REIT activities, other than taxes associated with built-in gains related to our assets owned at the date of our spin-off and the remeasurement of deferred tax assets and liabilities.

We will be subject to U.S. federal income tax on taxable sales of built-in gain property (representing property with an excess of fair value over tax basis held by us on January 4, 2017) during the five-year period following the date of our spin-off. In addition, we are subject to non-U.S. income tax on foreign held REIT activities. Further, our taxable REIT subsidiaries (“TRSs”) are generally subject to U.S. federal, state and local, and foreign income taxes (as applicable).

During th e three months ended March 31, 2019, we recognized $7 million of income tax expense, which includes $ 1 million of tax recognized on the gain from assets sold during the period. During the three months ended March 31, 2018, our income tax expense of $5 mill ion was offset by a $5 million deferred tax benefit.

Note 10: Share-Based Compensation

We issue equity-based awards to our employees pursuant to the 2017 Omnibus Incentive Plan ("2017 Employee Plan") and our non-employee directors pursuant to the 2017 Stock Plan for Non-Employee Directors ("2017 Director Plan"). The 2017 Employee Plan provides that a maximum of 8,000,000 shares of our common stock may be issued, and as of March 31, 2019, 5,507,852 shares of common stock remain available for future issuance. The 2017 Director Plan provides that a maximum of 450,000 shares of our common stock may be issued, and as of March 31, 2019, 342,420 shares of common stock remain available for future issuance. For both the three months ended March 31, 2019 and 2018, we recognized $4 million of share-based compensation expense. As of March 31, 2019, unrecognized compensation expense was $27 million, which is expected to be recognized over a weighted-average period of 1.7 years.

Restricted Stock Awards

Restricted Stock Awards ("RSAs") generally vest in annual installments between one and three years from each grant date. The following table provides a summary of RSAs for the three months ended March 31, 2019:

	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested at January 1, 2019	585,106	$ 26.89
Granted	242,625	31.54
Vested	(201,600)	26.30
Forfeited	(5,329)	27.91
Unvested at March 31, 2019	620,802	$ 28.89

Performance Stock Units

Performance Stock Units ("PSUs") generally vest at the end of a three-year performance period and are subject to the achievement of a market condition based on a measure of our total shareholder return relative to the total shareholder return of the companies that comprise the FTSE NAREIT Lodging Resorts Index (that have a market capitalization in excess of $1 billion as of the first day of the applicable performance period). The number of PSUs that may become vested ranges from zero to 200% of the number of PSUs granted to an employee, based on the level of achievement of the foregoing performance measure. The following table provides a summary of PSUs for the three months ended March 31, 2019:

	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested at January 1, 2019	537,936	$ 31.16
Granted	312,978	34.26
Vested	(277,325)	31.25
Unvested at March 31, 2019	573,589	$ 32.81

The grant date fair values of these awards were determined using a Monte Carlo simulation valuation model with the following assumptions:

Expected volatility (1)	20.5%
Dividend yield (2)	—
Risk-free rate	2.4%
Expected term	3 years

(1) Due to limited trading history of our common stock, we used the historical and implied volatilities of our peer group in addition to our historical and implied volatilities over the performance period to estimate appropriate expected volatilities.

(2) Dividends are assumed to be reinvested in shares of our common stock and dividends will not be paid unless shares vest.

Note 11 : Earnings Per Share

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

	Three Months Ended March 31,	
	2019	2018
	(in millions, except per share amounts)	
Numerator:		
Net income attributable to stockholders	$ 96	$ 150
Earnings allocated to participating securities	—	—
Net income attributable to stockholders net of earnings allocated to participating securities	$ 96	$ 150
Denominator:		
Weighted average shares outstanding – basic	201	211
Unvested restricted shares	1	1
Weighted average shares outstanding – diluted	202	212
Basic EPS [1]	$ 0.48	$ 0.71
Diluted EPS [1]	$ 0.48	$ 0.71

(1) Per share amounts are calculated based on unrounded numbers.

Certain of our outstanding equity awards were excluded from the above calculation of EPS for the three months ended March 31, 2019 and 2018 because their effect would have been anti-dilutive.

Note 12: Business Segment Information

As of March 31, 2019, we have two operating segments, our consolidated hotels and unconsolidated hotels. Our unconsolidated hotels operating segment does not meet the definition of a reportable segment, thus our consolidated hotels is our only reportable segment. We evaluate our consolidated hotels primarily based on hotel adjusted earnings before interest expense, taxes and depreciation and amortization ("EBITDA"). Hotel Adjusted EBITDA is calculated as EBITDA from hotel operations, adjusted to exclude:

- Gains or losses on sales of assets for both consolidated and unconsolidated investments;
- Gains or losses on foreign currency transactions;
- Share-based compensation expense;
- Non-cash impairment losses; and
- Other items that we believe are not representative of our current or future operating performance.

The following table presents revenues for our consolidated hotels reconciled to our consolidated amounts and Hotel Adjusted EBITDA to net income:

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
	(in millions)	
Revenues:		
Total consolidated hotel revenue	$ 641	$ 651
Other revenues	18	17
Total revenues	$ 659	$ 668
Hotel Adjusted EBITDA	$ 181	$ 174
Other revenues	18	17
Depreciation and amortization expense	(62)	(70)
Corporate general and administrative expense	(17)	(16)
Other expenses	(20)	(17)
Gain on sales of assets, net	31	89
Interest income	1	1
Interest expense	(32)	(31)
Equity in earnings from investments in affiliates	5	4
Gain on foreign currency transactions	—	1
Income tax expense	(7)	—
Other gain, net	1	—
Other items	(2)	(3)
Net income	$ 97	$ 149

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

	March 31, 2019	December 31, 2018
	(in millions)	
Consolidated hotels	$ 9,327	$ 9,305
All other	67	58
Total	$ 9,394	$ 9,363

Note 13: Commitments and Contingencies

We expect that insurance proceeds, excluding any applicable insurance deductibles, will be sufficient to cover a significant portion of the property damage to our two hotels in Key West, Florida and the Caribe Hilton from Hurricanes Irma and Maria in September 2017 and the resulting loss of business. We have estimated the total amount of damages and insurance proceeds based on all information available to date. As a result, we have recognized a total loss of $16 million representing losses up to the amount of our deductibles . The amount of the loss for property damage and insurance proceeds could change as more information becomes available about the nature and extent of damage. Any gain resulting from insurance proceeds, including those for business interruption, will not be recognized until all contingencies have been resolved.

As of March 31, 2019, we had outstanding commitments under third-party contracts of approximately $62 million for capital expenditures at certain hotels. Our contracts contain clauses that allow us to cancel all or some portion of the work. If cancellation of a contract occurred, our commitment would be any costs incurred up to the cancellation date, in addition to any costs associated with the discharge of the contract.

We may make certain indemnifications or guarantees to select buyers of our hotels as part of the sale process. In addition, losses related to certain contingent liabilities c ould be apportioned to us under the distribution and tax matters agreements related to the spin-off transaction.

We are involved in litigation arising from the normal course of business, some of which includes claims for substantial sums. We are also involved in litigation that is not in the ordinary course of business, and we are indemnified from certain of these claims under the distribution agreement with Hilton. While the ultimate results of claims and litigation relating to assets retained by Hilton in connection with the spin-off cannot be predicted with certainty, we expect that the ultimate resolution of all pending or threatened claims and litigation as of March 31, 2019 will not have a material effect on our condensed consolidated results of operations, financial position or cash flows.

Note 14: Subsequent Events

In May 2019, we executed an agreement to sell the Embassy Suites Parsippany and the Hilton New Orleans Airport, both wholly owned hotels, for an aggregate sales price of $75 million, which is subject to customary prorations and adjustments. In connection with these sales, we expect to recognize an impairment loss of approximately $9 million. Additionally, we executed an agreement to sell the Hilton Atlanta Airport, a wholly owned hotel, for a sales price of $101 million, which is subject to customary prorations and adjustments. Both sales are currently expected to close in June 2019. Each of the sales agreements is subject to a customary due diligence termination right in favor of the applicable buyer. As well, each of the sales agreements is subject to customary closing conditions.

On May 5, 2019, we entered into a definitive agreement and plan of merger (the “Merger Agreement”) pursuant to in which we will acquire all of the outstanding shares of Chesapeake Lodging Trust (“Chesapeake”) in a cash and stock transaction valued at approximately $2.7 billion. Under the terms of the Merger Agreement, Chesapeake shareholders will receive $11.00 in cash and 0.628 shares of Park common stock for each Chesapeake share. In addition, Park has secured a $1.1 billion commitment to finance the cash component, repay certain of Chesapeake’s long-term debt and to fund a portion of the transaction costs. The transaction is subject to customary closing conditions, including receipt of the approval of Chesapeake shareholders. We currently expect the transaction to be completed in late third quarter or early fourth quarter of 2019.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the accompanying unaudited condensed consolidated financial statements, related notes included elsewhere in this Quarterly Report on Form 10-Q, and with our Annual Report on Form 10-K for the year ended December 31, 2018.

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 ("Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended ("Exchange Act"). Forward-looking statements include, but are not limited to, statements related to our expectations regarding the performance of our business, our financial results, our liquidity and capital resources, the effects of competition and the effects of future legislation or regulations, the expected completion of anticipated acquisitions and dispositions, the declaration and payment of future dividends statements about the benefits of the proposed transaction involving us and Chesapeake and statements that address operating performance, events or developments that we expect or anticipates will occur in the future, including but not limited to statements regarding anticipated synergies and G&A savings, future financial and operating results, plans, objectives, expectations and intentions, expected sources of financing, anticipated asset dispositions, anticipated leadership and governance, creation of value for stockholders, benefits of the proposed transaction to customers, employees, stockholders and other constituents of the combined company, the integration of us and Chesapeake, cost savings and the expected timetable for completing the proposed transaction, and other non-historical statements.. Forward-looking statements include all statements that are not historical facts, and in some cases, can be identified by the use of forward-looking terminology such as the words "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.

Forward-looking statements involve risks, uncertainties and assumptions. Actual results may differ materially from those expressed in these forward-looking statements for various reasons, including risks associated with our ability to consummate the proposed transaction and the timing of the closing of the proposed transaction; the ability to satisfy conditions necessary to close the proposed transaction; applicable regulatory changes; the availability of financing; risks associated with acquisitions generally, including the integration of the combined companies' businesses; risks associated with execution of anticipated asset dispositions; risks associated with achieving expected revenue synergies or cost savings; as well as other risks and uncertainties detailed from time to time in our filings with the SEC. You should not put undue reliance on any forward-looking statements and we urge investors to carefully review the disclosures we make concerning risk and uncertainties in Item 1A: "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2018, as such factors may be updated from time to time in our periodic filings with the SEC, which are accessible on the SEC's website at www.sec.gov, as well as risks, uncertainties and other factors discussed in this Quarterly Report on Form 10-Q. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Overview

We have a diverse portfolio of iconic and market-leading hotels and resorts with significant underlying real estate value. We currently hold investments in entities that have ownership or leasehold interests in 51 hotels, consisting of premium-branded hotels and resorts with over 30,000 rooms, of which over 85% are luxury and upper upscale (as defined by Smith Travel Research) and over 97% are located in the U.S. Our high-quality portfolio includes hotels in major urban and convention areas, such as New York City, Washington, D.C., Chicago, San Francisco and New Orleans; premier resorts in key leisure destinations, including Hawaii, Orlando and Key West; and hotels adjacent to major gateway airports, such as Los Angeles International, Boston Logan International and Miami International, as well as hotels in select suburban locations.

Our objective is to be the preeminent lodging real estate investment trust ("REIT"), focused on consistently delivering superior, risk-adjusted returns to stockholders through active asset management and a thoughtful external growth strategy while maintaining a strong and flexible balance sheet. As a pure-play real estate company with direct access to capital and independent financial resources, we believe our enhanced ability to implement compelling return on investment initiatives within our portfolio represents a significant embedded growth opportunity. Finally, given our scale and investment expertise, we believe we will be able to successfully execute single-asset and portfolio acquisitions and dispositions to further enhance the value and diversification of our assets throughout the lodging cycle, including potentially taking advantage of the economies of scale that could come from consolidation in the lodging REIT industry.

We operate our business through two operating segments, our consolidated hotels and unconsolidated hotels. Our consolidated hotels operating segment is our only reportable segment. Refer to: Note 12: "Business Segment Information" in our unaudited condensed consolidated financial statements included elsewhere within this Quarterly Report on Form 10-Q for additional information regarding our operating segments.

Outlook

The U.S. lodging industry benefited during 2018 from a positive macro-economic landscape overall, with fourth quarter of 2018 gross domestic product (“GDP”) increasing 2.2%, coupled with continued improvements in non-residential fixed business investment, a leading indicator of RevPAR performance. Our ability to experience continued RevPAR growth during the remainder of 2019 depends on various factors, including the strength of group and transient demand and the timing of completion of renovation projects at several of our hotels. In addition, RevPAR growth and profitability will depend on several macroeconomic factors, including corporate profitability, consumer confidence, employment (and resulting increase in wages) and GDP growth, coupled with supply growth and increased popularity of online booking services and short-term lodging websites.

Recent Events

During February and March 2019, we sold the Pointe Hilton Squaw Peak Resort for a sales price of $51 million and the Hilton Nuremburg for a sales price of $18 million.

In May 2019, we executed an agreement to sell the Embassy Suites Parsippany and the Hilton New Orleans Airport, both wholly owned hotels, for an aggregate sales price of $75 million, which is subject to customary prorations and adjustments. Additionally, we executed an agreement to sell the Hilton Atlanta Airport, a wholly owned hotel, for a sales price of $101 million, which is subject to customary prorations and adjustments. Both sales are currently expected to close in June 2019. Each of the sales agreements is subject to a customary due diligence termination right in favor of the applicable buyer. As well, each of the sales agreements is subject to customary closing conditions.

On May 5, 2019, we entered into a definitive agreement and plan of merger (the “Merger Agreement”) with Chesapeake Lodging Trust (“Chesapeake”), which is currently expected to be completed in late third quarter or early fourth quarter of 2019. Refer to Note 14: “Subsequent Events” in our unaudited consolidated financial statements included elsewhere within this Quarterly Report on Form 10-Q for additional information.

Key Business Metrics Used by Management

Comparable Hotels Data

We present certain data for our hotels on a comparable hotel basis as supplemental information for investors. We define our comparable hotels as those that: (i) were active and operating in our portfolio since January 1st of the previous year; and (ii) have not sustained substantial property damage, business interruption, undergone large-scale capital projects or for which comparable results are not available. We present comparable hotel results to help us and our investors evaluate the ongoing operating performance of our comparable hotels.

2019 Comparable Hotels

Of the 43 hotels that we consolidated as of March 31, 2019, 42 have been classified as comparable hotels. Due to the continued effects of business interruption from Hurricane Maria at the Caribe Hilton in Puerto Rico, the results from that property were excluded from our comparable hotels. Our comparable hotels as of March 31, 2019 also exclude one hotel returned to the lessor after the expiration of the ground lease in December 2018 and two consolidated hotels that were sold in February and March 2019.

2018 Comparable Hotels

Of the 46 hotels that we consolidated as of December 31, 2018, 44 hotels were classified as comparable hotels. Due to the conversion of a significant number of rooms at the Hilton Waikoloa Village to HGV timeshare units in 2017, and due to the effects of business interruption from Hurricane Maria at the Caribe Hilton in Puerto Rico, the results from these properties were excluded from our comparable hotels. Our comparable hotels as of December 31, 2018 also exclude the 12 consolidated hotels that were sold in January and February 2018.

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. 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 (“ADR”) levels as demand for rooms increases or decreases.

Average Daily Rate

ADR represents rooms revenue divided by total number of room nights sold in 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 hotel industry, and we use ADR to assess pricing levels that we are able to generate by type of customer, as changes in rates have a more pronounced effect on overall revenues and incremental profitability than changes in occupancy, as described above.

Revenue per Available Room

Revenue per Available Room ("RevPAR") represents rooms revenue divided 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 factors of operations at a hotel or group of hotels: 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 (prior periods are reflected using current period exchange rates), unless otherwise noted.

Non-GAAP Financial Measures

We also evaluate the performance of our business through certain other financial measures that are not recognized under U.S. GAAP. Each of these non-GAAP financial measures should be considered by investors as supplemental measures to GAAP performance measures such as total revenues, operating profit and net income.

EBITDA, Adjusted EBITDA and Hotel Adjusted EBITDA

EBITDA, presented herein, reflects net income excluding depreciation and amortization, interest income, interest expense, income taxes and interest expense, income tax and depreciation and amortization included in equity in earnings from investments in affiliates.

Adjusted EBITDA, presented herein, is calculated as EBITDA, further adjusted to exclude:

- Gains or losses on sales of assets for both consolidated and unconsolidated investments;
- Gains or losses on foreign currency transactions;
- Transition expense related to our establishment as an independent, publicly traded company;
- Transaction costs associated with hotel acquisitions or dispositions expensed during the period;
- Severance expense;
- Share-based compensation expense;
- Casualty gains or losses and impairment losses; and
- Other items that we believe are not representative of our current or future operating performance.

Hotel Adjusted EBITDA measures hotel-level results before debt service, depreciation and corporate expenses for our consolidated hotels, including both comparable and non-comparable hotels but excluding hotels owned by unconsolidated affiliates, and is a key measure of our profitability. We present Hotel Adjusted EBITDA to help us and our investors evaluate the ongoing operating performance of our consolidated hotels.

EBITDA, Adjusted EBITDA and Hotel Adjusted EBITDA are not recognized terms under U.S. GAAP and should not be considered as alternatives to net income (loss) or other measures of financial performance or liquidity derived in accordance with U.S. GAAP. In addition, our definitions of EBITDA, Adjusted EBITDA and Hotel Adjusted EBITDA may not be comparable to similarly titled measures of other companies.

We believe that EBITDA, Adjusted EBITDA and Hotel Adjusted EBITDA provide useful information to investors about us and our financial condition and results of operations for the following reasons: (i) EBITDA, Adjusted EBITDA and Hotel Adjusted EBITDA are among the measures used by our management team to make day-to-day operating decisions and evaluate our operating performance between periods and between REITs by removing the effect of our capital structure (primarily interest expense) and asset base (primarily depreciation and amortization) from our operating results; and (ii) EBITDA, Adjusted EBITDA and Hotel Adjusted EBITDA 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.

EBITDA, Adjusted EBITDA and Hotel Adjusted EBITDA have limitations as analytical tools and should not be considered either in isolation or as a substitute for net income (loss) or other methods of analyzing o ur operating performance and results as reported under U.S. GAAP. Some of these limitations are:

- EBITDA, Adjusted EBITDA and Hotel Adjusted EBITDA do not reflect our interest expense;
- EBITDA, Adjusted EBITDA and Hotel Adjusted EBITDA do not reflect our income tax expense;
- EBITDA, Adjusted EBITDA and Hotel 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; and
- other companies in our industry may calculate EBITDA, Adjusted EBITDA and Hotel Adjusted EBITDA differently, limiting their usefulness as comparative measures.

We do not use or present EBITDA, Adjusted EBITDA and Hotel Adjusted EBITDA as measures of our liquidity or cash flow. These measures have limitations as analytical tools and should not be considered either in isolation or as a substitute for cash flow or other methods of analyzing our cash flows and liquidity as reported under U.S. GAAP. Some of these limitations are:

- EBITDA, Adjusted EBITDA and Hotel Adjusted EBITDA do not reflect changes in, or cash requirements for, our working capital needs;
- EBITDA, Adjusted EBITDA and Hotel Adjusted EBITDA do not reflect the cash requirements necessary to service interest or principal payments, on our indebtedness;
- EBITDA, Adjusted EBITDA and Hotel Adjusted EBITDA do not reflect the cash requirements to pay our taxes;
- EBITDA, Adjusted EBITDA and Hotel Adjusted EBITDA do not reflect historical cash expenditures or future requirements for capital expenditures or contractual commitments; and
- 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, Adjusted EBITDA and Hotel Adjusted EBITDA do not reflect any cash requirements for such replacements.

Because of these limitations, EBITDA, Adjusted EBITDA and Hotel 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.

The following table provides the components of Hotel Adjusted EBITDA:

	Three Months Ended March 31,	
	2019 (1)	**2018** (1)
	(in millions)	
Comparable Hotel Adjusted EBITDA	$ 181	$ 166
Non-comparable Hotel Adjusted EBITDA	—	8
Hotel Adjusted EBITDA	$ 181	$ 174

(1) Based on our 2019 comparable hotels as of March 31, 2019.

The following table provides a reconciliation of Net income to Hotel Adjusted EBITDA:

	Three Months Ended March 31,	
	2019	2018
	(in millions)	
Net income	$ 97	$ 149
Depreciation and amortization expense	62	70
Interest income	(1)	(1)
Interest expense	32	31
Income tax expense	7	—
Interest expense, income tax and depreciation and amortization included in equity in earnings from investments in affiliates	5	7
EBITDA	202	256
Gain on sales of assets, net	(31)	(89)
Gain on foreign currency transactions	—	(1)
Transition expense	—	2
Severance expense	1	—
Share-based compensation expense	4	4
Other items	—	2
Adjusted EBITDA	176	174
Less: Adjusted EBITDA from investments in affiliates	10	12
Less: All other [(1)]	(15)	(12)
Hotel Adjusted EBITDA	$ 181	$ 174

(1) Includes *other revenues* and *other expenses* , non-income taxes on REIT leases included in *other property-level expenses and corporate general and administrative expenses* .

NAREIT FFO attributable to stockholders and Adjusted FFO attributable to stockholders

We present NAREIT FFO attributable to stockholders and NAREIT FFO per diluted share (defined as set forth below) as non-GAAP measures of our performance. We calculate funds from operations ("FFO") attributable to stockholders for a given operating period in accordance with standards established by the National Association of Real Estate Investment Trusts ("NAREIT"), as net income or loss attributable to stockholders (calculated in accordance with U.S. GAAP), excluding depreciation and amortization, gains or losses on sales of assets, impairment, and the cumulative effect of changes in accounting principles, plus adjustments for unconsolidated joint ventures. Adjustments for unconsolidated joint ventures are calculated to reflect our pro rata share of the FFO of those entities on the same basis. As noted by NAREIT in its December 2018 "NAREIT Funds from Operations White Paper – 2018 Restatement," since real estate values historically have risen or fallen with market conditions, many industry investors have considered presentation of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. For these reasons, NAREIT adopted the FFO metric in order to promote an industry-wide measure of REIT operating performance. We believe NAREIT FFO provides useful information to investors regarding our operating performance and can facilitate comparisons of operating performance between periods and between REITs. Our presentation may not be comparable to FFO reported by other REITs that do not define the terms in accordance with the current NAREIT definition, or that interpret the current NAREIT definition differently than we do. We calculate NAREIT FFO per diluted share as our NAREIT FFO divided by the number of fully diluted shares outstanding during a given operating period.

We also present Adjusted FFO attributable to stockholders and Adjusted FFO per diluted share when evaluating our performance because we believe that the exclusion of certain additional items described below provides useful supplemental information to investors regarding our ongoing operating performance. Management historically has made the adjustments detailed below in evaluating our performance and in our annual budget process. We believe that the presentation of Adjusted FFO provides useful supplemental information that is beneficial to an investor's complete understanding of our operating performance. We adjust NAREIT FFO attributable to stockholders for the following items, which may occur in any period, and refer to this measure as Adjusted FFO attributable to stockholders:

- Gains or losses on foreign currency transactions;
- Transition expense related to our establishment as an independent, publicly traded company;
- Transaction costs associated with hotel acquisitions or dispositions expensed during the period;
- Severance expense;

- Share-based compensation expense;
- Casualty gains or losses; and
- Other items that we believe are not representative of our current or future operating performance.

The following table provides a reconciliation of net income attributable to stockholders to NAREIT FFO attributable to stockholders and Adjusted FFO attributable to stockholders:

	Three Months Ended March 31, 2019	2018
	(in millions)	
Net income attributable to stockholders	$ 96	$ 150
Depreciation and amortization expense	62	70
Depreciation and amortization expense attributable to noncontrolling interests	(1)	(1)
Gain on sales of assets, net	(31)	(89)
Equity investment adjustments:		
Equity in earnings from investments in affiliates	(5)	(4)
Pro rata FFO of investments in affiliates	9	10
NAREIT FFO attributable to stockholders	130	136
Gain on foreign currency transactions	—	(1)
Transition expense	—	2
Severance expense	1	—
Share-based compensation expense	4	4
Other items	1	(4)
Adjusted FFO attributable to stockholders	$ 136	$ 137
NAREIT FFO per share - Diluted (1)	$ 0.65	$ 0.64
Adjusted FFO per share - Diluted (1)	$ 0.67	$ 0.65

(1) Per share amounts are calculated based on unrounded numbers and are calculated independently for each period presented.

Comparable Hotel Data

Three Months Ended March 31, 2019 Compared with Three Months Ended March 31, 2018

During the three months ended March 31, 2019, our comparable hotels experienced RevPAR growth of 4.5%, primarily attributable to an increase in both group and contract revenue of 10.3% and 19.3%, respectively, which offset a 0.5% decline in transient revenue. The increase in group and contract revenue was a result of increases in both occupancy and rate, whereas a 3.3% decrease in transient occupancy was only partially offset by a 2.9% increase in transient rate. The following table sets forth data for our 2019 comparable hotels by geographic market as of March 31, 2019 and 2018:

	As of March 31, 2019		Three Months Ended March 31, 2019			Three Months Ended March 31, 2018			Percent Change in
Market	No. of Hotels	No. of Rooms	ADR	Occupancy	RevPAR	ADR	Occupancy	RevPAR	RevPAR
Hawaii	2	3,970	$ 256.26	90.1%	$ 230.80	$ 253.55	92.1%	$ 233.47	(1.1)%
Northern California	6	4,279	285.99	84.0	240.34	250.06	81.3	203.28	18.2
Florida	6	3,294	260.88	86.8	226.40	260.56	86.4	225.17	0.5
Other	13	4,819	160.55	75.1	120.59	154.64	76.7	118.65	1.6
New Orleans	2	1,939	200.84	77.9	156.52	198.55	76.3	151.41	3.4
Chicago	3	1,883	132.38	57.2	75.71	130.59	60.9	79.48	(4.8)
New York	1	1,878	229.31	79.1	181.36	243.81	75.3	183.69	(1.3)
Southern California	4	1,304	169.64	85.4	144.92	158.03	77.1	121.88	18.9
Washington, D.C.	3	1,282	172.33	66.8	115.04	174.80	66.3	115.93	(0.8)
Total Domestic	40	24,648	$ 223.17	79.9%	$ 178.31	$ 214.92	79.4%	$ 170.68	4.5%
Total International	2	631	$ 158.89	65.1%	$ 103.47	$ 146.94	65.2%	$ 95.87	7.9%
All Markets	42	25,279	$ 221.86	79.5%	$ 176.44	$ 213.52	79.0%	$ 168.81	4.5%

During the three months ended March 31, 2019, the overall increase in RevPAR for our comparable hotels was primarily a result of increases i n ADR and occupancy at both our Northern California and Southern California hotels. Northern California benefited from an increase at our San Francisco hotels in group, contract and transient revenue of 42.1%, 16.1% and 9.7%, respectively. Southern Califo rnia benefited primarily from a 52.7% RevPAR increase at the Hilton Santa Barbara Beachfront Resort from an increase in occupancy and rate following the renovation and repositioning of the hotel completed in April 2018. RevPAR increased at our New Orleans hotels as a result of an increase in group revenue of 10.1% at the Hilton New Orleans Riverside and contract revenue, which more than doubled at the Hilton New Orleans Airport. The overall increase in RevPAR for our comparable hotels was partially offset by declines in RevPAR at our Hawaii and Chicago hotels. The decline in RevPAR in Hawaii was primarily a result of an 11.5% decrease in transient revenue at the Hilton Waikoloa Village, which has experienced continued disruption following the 2018 volcanic activity on the Big Island. The decline in Chicago is primarily a result of a 16.7% decrease in group revenue at the Hilton Chicago, resulting from fewer citywide event room nights when compared to the three months ended March 31, 2018, which was only part ially offset by an 11.5% increase in transient revenue.

Results of Operations

The following items have had a significant effect on the year-over-year comparability of our operations and are further discussed in the sections below:

- *Property Dispositions:* During the three months ended March 31, 2019 and 2018, we sold 2 and 12 consolidated hotels, respectively. Additionally, as of January 2019, we no longer lease the Hilton Chicago O'Hare. The results of operations during our period of ownership of these hotels are included within non-comparable revenues and operating expenses.

Revenue

Rooms

	Three Months Ended March 31,		
	2019 (1)	2018 (1)	Percent Change
	(in millions)		
Comparable rooms revenue	$ 401	$ 384	4.4%
Non-comparable rooms revenue	4	34	(88.2)
Total rooms revenue	$ 405	$ 418	(3.1)%

(1) Based on our 2019 comparable hotels as of March 31, 2019.

Comparable rooms revenue increased $17 million during the three months ended March 31, 2019 compared to the same period in 2018 primarily as a result of an increase in comparable hotel RevPAR of 4.5%. For a discussion of comparable hotel RevPAR see "—Comparable Hotel Data." Non-comparable rooms revenue decreased $30 million during the three months ended March 31, 2019 primarily as a result of our property dispositions.

Food and beverage

	Three Months Ended March 31,		
	2019 (1)	2018 (1)	Percent Change
	(in millions)		
Comparable food and beverage revenue	$ 181	$ 170	6.5%
Non-comparable food and beverage revenue	2	13	(84.6)
Total food and beverage revenue	$ 183	$ 183	—

(1) Based on our 2019 comparable hotels as of March 31, 2019.

Comparable food and beverage revenue increased $11 million during the three months ended March 31, 2019 compared to the same period in 2018 primarily as a result of an increase in banquet and catering revenue. Food and beverage revenue at our non-comparable hotels decreased $11 million during the three months ended March 31, 2019 primarily as a result of our property dispositions.

Ancillary hotel

	Three Months Ended March 31,		
	2019 (1)	2018 (1)	Percent Change
	(in millions)		
Comparable ancillary hotel revenue	$ 50	$ 47	6.4%
Non-comparable ancillary hotel revenue	3	3	—
Total ancillary hotel revenue	$ 53	$ 50	6.0%

(1) Based on our 2019 comparable hotels as of March 31, 2019.

Ancillary hotel revenue at our comparable hotels increased $3 million during the three months ended March 31, 2019 compared to the same period in 2018 as a result of an increase in resort and parking fees.

Other

	Three Months Ended March 31,		
	2019	2018	Percent Change
	(in millions)		
Laundry revenue	$ 3	$ 3	—%
Support service revenue	15	14	7.1
Total other revenue	$ 18	$ 17	5.9%

Operating Expenses

Rooms

	Three Months Ended March 31,		
	2019 (1)	2018 (1)	Percent Change
	(in millions)		
Comparable rooms expense	$ 106	$ 103	2.9%
Non-comparable rooms expense	1	9	(88.9)
Total rooms expense	$ 107	$ 112	(4.5)%

(1) Based on our 2019 comparable hotels as of March 31, 2019 .

Non-comparable rooms expense decreased $8 million during the three months ended March 31, 2019 compared to the same period in 2018 as a result of our property dispositions.

Food and beverage

	Three Months Ended March 31,		
	2019 (1)	2018 (1)	Percent Change
	(in millions)		
Comparable food and beverage expense	$ 123	$ 117	5.1%
Non-comparable food and beverage expense	1	9	(88.9)
Total food and beverage expense	$ 124	$ 126	(1.6)%

(1) Based on our 2019 comparable hotels as of March 31, 2019 .

Food and beverage expense at our comparable hotels increased $6 million during the three months ended March 31, 2019 compared to the same period in 2018 primarily as a result of increases in banquet and catering expenses from the costs associated with the increase in the associated revenue. Non-comparable food and beverage expense decreased $8 million during the three months ended March 31, 2019 compared to the same period in 2018 primarily as a result of our property dispositions.

Other departmental and support

	Three Months Ended March 31,		
	2019 (1)	2018 (1)	Percent Change
	(in millions)		
Comparable other departmental and support expense	$ 145	$ 140	3.6%
Non-comparable other departmental and support expense	4	16	(75.0)
Total other departmental and support expense	$ 149	$ 156	(4.5)%

(1) Based on our 2019 comparable hotels as of March 31, 2019 .

Other departmental and support expense at our comparable hotels increased $5 million during the three months ended March 31, 2019 compared to the same period in 2018 as a result of increases in administrative and general and sales and marketing expenses primarily as a result of an increase in business. Other departmental and support expense at our non-comparable hotels decreased $12 million during the three months ended March 31, 2019 compared to the same period in 2018 primarily as a result of our property dispositions.

Other property-level

	Three Months Ended March 31,		
	2019 (1)	2018 (1)	Percent Change
	(in millions)		
Comparable other property-level expense	$ 48	$ 47	2.1%
Non-comparable other property-level expense	1	6	(83.3)
Total other property-level expense	$ 49	$ 53	(7.5)%

(1) Based on our 2019 comparable hotels as of March 31, 2019 .

Other property-level expenses at our non-comparable hotels decreased $5 million during the three months ended March 31, 2019 compared to the same period in 2018 primarily as a result of our property dispositions.

Management and franchise fees

	Three Months Ended March 31,		
	2019 (1)	2018 (1)	Percent Change
	(in millions)		
Comparable management and franchise fees expense	$ 33	$ 31	6.5%
Non-comparable management and franchise fees expense	—	2	(100.0)
Total management and franchise fees expense	$ 33	$ 33	—

(1) Based on our 2019 comparable hotels as of March 31, 2019 .

Corporate general and administrative

	Three Months Ended March 31,		
	2019	2018	Percent Change
	(in millions)		
General and administrative expenses	$ 12	$ 10	20.0%
Share-based compensation expense	4	4	—
Transition expense	—	2	(100.0)
Severance expense	1	—	NM (1)
Total corporate general and administrative	$ 17	$ 16	6.3%

(1) Percentage change is not meaningful.

Other

	Three Months Ended March 31,		
	2019	2018	Percent Change
	(in millions)		
Laundry expense	$ 5	$ 4	25.0%
Support services expense	15	13	15.4
Total other	$ 20	$ 17	17.6%

Gain on sales of assets, net

During the three months ended March 31, 2019, we recognized a gain of $31 million , as a result of the sale of two of our consolidated hotels. Refer to Note 3: "Dispositions" in our unaudited consolidated financial statements included elsewhere within this Quarterly Report on Form 10-Q for additional information.

During the three months ended March 31, 2018, we recognized a gain of $89 million, including the reclassification of a currency translation adjustment of $31 million from accumulated other comprehensive loss to earnings, as a result of the sale of 12 of our hotels.

Non-operating Income and Expenses

Interest expense

	Three Months Ended March 31,		
	2019	2018	Percent Change
	(in millions)		
SF and HHV CMBS Loans (1)	$ 21	$ 21	—%
Mortgage Loans	2	2	—
Term Loan	7	6	16.7
Other	2	2	—
Total interest expense	$ 32	$ 31	3.2%

(1) In October 2016, we entered into a $725 million CMBS loan secured by the Hilton San Francisco Union Square and the Parc 55 Hotel San Francisco ("SF CMBS Loan") and a $1.275 billion CMBS loan secured by the Hilton Hawaiian Village Waikiki Beach Resort ("HHV CMBS Loan").

Income tax expense

	Three Months Ended March 31,		
	2019	2018	Percent Change
	(in millions)		
Income tax expense	$ 7	$ —	NM (1)

(1) Percentage change is not meaningful.

During the three months ended March 31, 2019, we recognized $7 million of income tax expense, which includes $1 million of tax recognized on the gain from assets sold during the period. Income tax expense for the three months ended March 31, 2018 of $5 million was offset by an income tax benefit of $5 million.

Liquidity and Capital Resources

Overview

Our sources of liquidity include cash flows from operations, cash and cash equivalents, borrowings under our revolving credit facility ("Revolver") and issuing securities. As of March 31, 2019, we had total cash and cash equivalents of $290 million, including $14 million of restricted cash. Restricted cash consists of cash restricted as to use by our debt agreements. In addition, we had $1 billion of available capacity remaining under our Revolver and the ability to raise capital through the issuance of securities under our shelf-registration statement on Form S-3.

Our known short-term liquidity requirements primarily consist of funds necessary to pay for operating expenses and other expenditures, including reimbursemen ts to our hotel manager for payroll and related benefits, costs associated with the operation of our hotels, interest and scheduled principal payments on our outstanding indebtedness, capital expenditures for renovations and maintenance at our hotels, and dividends to our stockholders. Our long-term liquidity requirements primarily consist of funds necessary to pay for scheduled debt maturities, capital improvements at our hotels, and costs associated with potential acquisitions.

Our commitments to fund capital expenditures for renovations and maintenance at our hotels will be funded by cash and cash equivalents, restricted cash to the extent permitted by our lending agreements and cash flow from operations. We have established reserves for capital expenditures ("FF&E reserve") in accordance with our management and certain debt agreements. Generally, these agreements require that we fund 4% of hotel revenues into a FF&E reserve, unless such amounts have been incurred.

We finance our business activities primarily with existing cash and cash generated from our operations, and if necessary, short-term borrowing under our Revolver or proceeds from public offerings of other securities. We believe that this cash will be adequate to meet anticipated requirements for operating expenses and capital expenditures for the foreseeable future. Our cash management objectives are to maintain the availability of liquidity, minimize operational costs, make debt payments and fund our capital expenditure programs and future acquisitions. Further, we have an investment policy that is focused on the preservation of capital and maximizing the return on new and existing investments.

Merger Agreement

In May 2019, we entered into the Merger Agreement with Chesapeake, which is currently expected to close in late third quarter or early fourth quarter of 2019. Refer to Note 14: "Subsequent Events" in our unaudited consolidated financial statements included elsewhere within this Quarterly Report on Form 10-Q for additional information.

Stock Repurchase Program

In February 2019, our Board of Directors approved a stock repurchase program allowing us to repurchase up to $300 million of our common stock over a two-year period, ending in February 2021. Stock repurchases, if any, would be made through open market purchases, including through Rule 10b5-1 trading programs, in privately negotiated transactions, or in such other manner that would comply with applicable securities laws. The timing of stock repurchases and the number of shares to be repurchased will depend upon prevailing market conditions and other factors. No stock repurchases have been made to date under this program.

Sources and Uses of Our Cash and Cash Equivalents

The following tables summarize our net cash flows and key metrics related to our liquidity:

	March 31, 2019	March 31, 2018	Percent Change
	(in millions)		
Net cash provided by operating activities	$ 72	$ 43	67.4%
Net cash provided by investing activities	2	325	NM [1]
Net cash used in financing activities	(209)	(468)	(55.3)%

(1) Percentage change is not meaningful.

Operating Activities

Cash flow from operating activities are primarily generated from the operating income generated at our hotels.

The $29 million increase in net cash provided by operating activities for the three months ended March 31, 2019 compared to the three months ended March 31, 2018 was primarily due to the timing of receipts from our customers and payments to our vendors and other third parties.

Investing Activities

The $323 million decrease in net cash provided by investing activities for the three months ended March 31, 2019 compared to the three months ended March 31, 2018 was primarily attributable to $295 million less in net proceeds received from the sale of hotels and $17 million less in insurance proceeds received for property damage claims, partially offset by an increase of $11 million in capital expenditures for property and equipment at our hotels.

Financing Activities

The $259 million decrease in net cash used in financing activities for the three months ended March 31, 2019 compared to the three months ended March 31, 2018 is primarily attributable to the repurchase of 14,000,000 shares of our common stock for $348 million during the three months ended March 31, 2018, partially offset by an increase in dividends paid of $82 million.

Dividends

As a REIT, we are required to distribute at least 90% of our REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gain, to our stockholders on an annual basis. Therefore, as a general matter, it is unlikely that we will be able to retain substantial cash balances that could be used to meet our liquidity needs from our annual taxable income. Instead, we will need to meet these needs from external sources of capital and amounts, if any, by which our cash flow generated from operations exceeds taxable income.

We declared the following dividends to holders of our common stock during 2019:

Record Date	Payment Date	Dividend per Share	
March 29, 2019	April 15, 2019	$	0.45
June 28, 2019	July 15, 2019	$	0.45

Debt

As of March 31, 2019, our total indebtedness was approximately $3 billion, excluding approximately $234 million of our share of debt of investments in affiliates. Substantially all the debt of such unconsolidated affiliates is secured solely by the affiliates' assets or is guaranteed by other partners without recourse to us. Refer to Note 6: "Debt" in our unaudited condensed consolidated financial statements included elsewhere within this Quarterly Report on Form 10-Q for additional information.

Off-Balance Sheet Arrangements

Our off-balance sheet arrangements as of March 31, 2019 included construction contract commitments of approximately $62 million for capital expenditures at our properties. Our contracts contain clauses that allow us to cancel all or some portion of the work. If cancellation of a contract occurred, our commitment would be any costs incurred up to the cancellation date, in addition to any costs associated with the discharge of the contract.

Critical Accounting Policies and Estimates

The preparation of our financial statements in accordance with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of our financial statements, the reported amounts of revenues and expenses during the reporting periods and the related disclosures in our condensed consolidated financial statements and accompanying footnotes. We have discussed those 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 year ended December 31, 2018, filed with the Securities and Exchange Commission ("SEC") on February 28, 2019. There have been no material changes to our critical accounting policies or the methods or assumptions we apply.

Item 3. Quantit ative and Qua litative Disclosures About Market Risk.

We are exposed to market risk primarily from changes in interest rates, which may affect our future income, cash flows and fair value, depending on changes to interest rates. In certain situations, we may seek to reduce cash flow volatility associated with changes in interest rates by entering into financial arrangements 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.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management has evaluated, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, the effectiveness of the disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, the ("Exchange Act"), as required by paragraph (b) of Rules 13a-15 and 15d-15 of the Exchange Act. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of March 31, 2019, our disclosure controls and procedures were effective to ensure that information we are required to disclose in reports filed or submitted with the SEC (i) is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and (ii) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our 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 or otherwise, some of which include claims for substantial sums, including proceedings involving tort and other general liability claims, employee claims and consumer protection claims. Most occurrences involving liability, claims of negligence and employees are covered by insurance with solvent insurance carriers. For those matters not covered by insurance, which include commercial matters, we recognize a liability when we believe the loss is probable and can be reasonably estimated. 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 liquidity. 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.

The following risk factors amend certain risk factors contained in our Annual Report on Form 10-K for the year ended December 31, 2018. Other than the risk factors revised below, which have been revised to reflect (i) our recently announced merger with Chesapeake Lodging Trust ("Chesapeake") and (ii) amendments to our amended and restated certificate of incorporation which were approved by our stockholders at our Annual Meeting on April 26, 2019, there have been no material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2018.

The proposed merger with Chesapeake Lodging Trust presents certain risks to our business and operations.

In May 2019, we entered into the Merger Agreement with Chesapeake, which provides for the merger of Chesapeake with and into one of our subsidiaries (the "Merger"). Pursuant to the terms and subject to the conditions set forth in the Merger Agreement, at the effective time of the Merger, each outstanding common share of beneficial interest of Chesapeake will be converted into the right to receive 0.628 of a share (the "Exchange Ratio") of our common stock and $11.00 in cash. We expect to complete the transaction in late third quarter or early fourth quarter of 2019, although we cannot assure you that the transaction will close on such timetable or at all. Because the Exchange Ratio is fixed and will not be adjusted in the event of any change in our stock price or the stock price of Chesapeake, our stockholders have no assurances of the market value of the consideration we will pay to Chesapeake shareholders in the Merger. Neither we nor Chesapeake has the right to terminate the Merger Agreement based on an increase or decrease in the market price of our common stock.

Prior to closing, the Merger may present certain risks to our business and operations, which could materially affect our business, financial results and stock price, including, among other things, that:

- failure to complete the Merger, including due to the failure of the Chesapeake stockholders to approve the Merger or the failure of us or Chesapeake to satisfy another closing condition outside of our control, could negatively impact our stock price and our future business and financial results;
- we expect to incur substantial expenses related to the Merger whether or not the Merger is completed; and
- the pendency of the Merger could adversely affect our business and operations, including by diverting significant focus of management and other resources.

In addition, certain risks may continue to exist at and following the closing of the Merger, including, among other things, that:

- certain asset sales, including Chesapeake assets, that we expect to occur either before or shortly after closing of the Merger to reduce our leverage, may not occur on in the timeframe that we expect, and any delay or failure to complete such asset sales could adversely affect the combined company's credit profile;
- we may be unable to successfully integrate our business and Chesapeake's business successfully;
- we may be unable to realize the anticipated benefits of the Merger or do so within the anticipated timeframe;
- as a result of the Merger, we will have a significant amount of indebtedness and may need to incur more in the future;
- our future results will suffer if we do not effectively manage our expanded operations; and
- the market price of our common stock may decline as a result of the Merger.

Our amended and restated certificate of incorporation does not permit any person to own more than 9.8% of our outstanding common stock or more than 9.8% of any outstanding class or series of our preferred stock, and attempts to acquire our common stock or any class or series of our preferred stock in excess of these 9.8% limits would not be effective without an exemption from these limits by our board of directors.

For us to qualify as a REIT under the Code, not more than 50% of the value of our outstanding stock may be owned directly or indirectly, by five or fewer individuals (including certain entities treated as individuals for this purpose) during the last half of a taxable year. In addition, for the rental income we receive on the hotels leased to our TRS lessees and operated by Hilt on (or another hotel manager) to be qualifying REIT income, Hilton (or the other hotel manager) must qualify as an "eligible independent contractor," as described above.

For the purpose of assisting our qualification as a REIT for U.S. federal income tax purposes, among other purposes, our amended and restated certificate of incorporation prohibits beneficial or constructive ownership by any person of more than 9.89%, in value or by number of shares, whichever is more restrictive, of the outstanding shares of our common stock or more than 9.8%, in value or by number of shares, whichever is more restrictive, of any outstanding class or series of our preferred stock, which we refer to as the "ownership limit." The constructive ownership rules under the Code are complex and may cause shares of the outstanding common stock or preferred stock owned by a group of related persons to be deemed to be constructively owned by one person. As a result, the acquisition of less than 9.8% of our outstanding common stock or any class or series of our preferred stock by a person could cause a person to own constructively in excess of 9.8% of our outstanding common stock or any class or series of our preferred stock, respectively, and thus violate the ownership limit. There can be no assurance that our board of directors, as permitted in the amended and restated certificate of incorporation, will not decrease this ownership limit in the future. Any attempt to own or transfer shares of our common stock or preferred stock in excess of the ownership limit without the consent of our board of directors will result either in the shares in excess of the limit being transferred by operation of the amended and restated certificate of incorporation to a charitable trust, and the person who attempted to acquire such excess shares will not have any rights in such excess shares, or in the transfer being void.

The ownership limit may have the effect of precluding a change in control of us by a third party, even if such change in control would be in the best interests of our stockholders or would result in receipt of a premium to the price of our common stock (and even if such change in control would not reasonably jeopardize our REIT status). In addition, exemptions to the ownership limit may limit our board of directors' power to grant further exemptions in the future.

Anti-takeover provisions in our organizational documents and Delaware law might discourage or delay acquisition attempts for us that you might consider favorable.

Our amended and restated certificate of incorporation and bylaws contains provisions that may make the merger or acquisition of our company more difficult without the approval of our board of directors. Among other things:

- the restrictions on ownership and transfer of our stock discussed under the caption "Description of Capital Stock—Restrictions on Ownership and Transfer" prevent any person from acquiring more than 9.8% (in value or by number of shares, whichever is more restrictive) of our outstanding common stock or more than 9.8% (in value or by number of shares, whichever is more restrictive) of any outstanding class or series of our preferred stock without the approval of our board of directors;
- although we do not have a stockholder rights plan, and would either submit any such plan to stockholders for ratification or cause such plan to expire within a year, these provisions would allow us to authorize the issuance of undesignated preferred stock in connection with a stockholder rights plan or otherwise, the terms of which may be established and the shares of which may be issued without stockholder approval, and which may include super voting, special approval, dividend, or other rights or preferences superior to the rights of the holders of common stock;
- these provisions prohibit stockholder action by written consent unless such action is recommended by all directors then in office; and
- these provisions establish advance notice requirements for nominations for elections to our board or for proposing matters that can be acted upon by stockholders at stockholder meetings.

Further, as a Delaware corporation, we are also subject to provisions of Delaware law, which may impair a takeover attempt that our stockholders may find beneficial. These anti-takeover provisions and other provisions under Delaware law could discourage, delay or prevent a transaction involving a change in control of our company, including actions that our stockholders may deem advantageous, or negatively affect the trading price of our common stock. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and to cause us to take other corporate actions you desire.

The stock ownership limits imposed by the Code for REITs and our amended and restated certificate of incorporation restrict stock transfers and/or business combination opportunities.

In order for us to maintain our qualification as a REIT under the Code, not more than 50% in value of our outstanding stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) at any time during the last half of each taxable year. Our amended and restated certificate of incorporation, with certain exceptions, authorizes our board of directors to take the actions that are necessary and desirable to preserve our qualification as a REIT. Unless exempted by our board of directors, no person or entity (other than a person or entity who has been granted an e xception) may directly or indirectly, beneficially own, or be deemed to own by virtue of the applicable constructive ownership provisions of the Code, more than 9.8%, in value or by number of shares, whichever is more restrictive, of our outstanding common stock, or more than 9.8%, in value or by number of shares, whichever is more restrictive, of any outstanding class or series of our preferred stock.

Our board may, in its sole discretion, grant an exemption to the ownership limits, subject to certain conditions and the receipt by our board of certain representations and undertakings. In addition, our board of directors may change the share ownership limits. Our amended and restated certificate of incorporation also prohibits any person from: (1) beneficially or constructively owning, as determined by applying certain attribution rules of the Code, our stock if that would result in us being “closely held” under Section 856(h) of the Code or otherwise cause us to fail to qualify as a REIT; (2) beneficially or constructively owning shares of our stock that would cause any person, including Hilton Parent, to fail to qualify as our eligible independent contractor; (3) transferring stock if such transfer would result in our stock being owned by fewer than 100 persons; and (4) beneficially owning shares of our stock to the extent such ownership would result in our failing to qualify as a “domestically controlled qualified investment entity” within the meaning of Section 897(h) of the Code. The stock ownership limits contained in our amended and restated certificate of incorporation key off the ownership at any time by any “person,” which term includes entities, and take into account direct and indirect ownership as determined under various ownership attribution rules in the Code. The stock ownership limits also might delay or prevent a transaction or a change in our control that might involve a premium price for our common stock or otherwise be in the best interests of our stockholders.

Item 2. Unregistered Sales of Equity Securities.

2(a): Unregistered Sales of Equity Securities and Use of Proceeds

None.

2(b): Use of Proceeds from Registered Securities

None.

2(c): Purchases of Equity Securities

Record Date	Total number of shares purchased (1)	Weighted average price paid per share (1)	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs
January 1, 2019 through January 31, 2019	7	$ 25.58	N/A	N/A
February 1, 2019 through February 28, 2019	77,411	$ 31.82	N/A	N/A
March 1, 2019 through March 31, 2019	6,560	$ 31.52	N/A	N/A
	83,978			

(1) The number of shares purchased represents shares of common stock surrendered by certain of our employees to satisfy their federal and state tax obligations associated with the vesting of restricted common stock. With respect to these shares, the weighted average price paid per share is based on the closing price of our common stock on the trading date immediately prior to the date of delivery of the shares. No shares of common stock were repurchased pursuant to the previously announced stock repurchase program.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exh ibits

Exhibit Number	Description
2.1	Distribution Agreement by and among Hilton Worldwide Holdings Inc., Park Hotels & Resorts Inc., Hilton Grand Vacations Inc. and Hilton Domestic Operating Company Inc., dated as of January 2, 2017 (incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K, filed on January 4, 2017).
3.1	Amended and Restated Certificate of Incorporation of Park Hotels & Resorts Inc. (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K, filed on April 30, 2019).
3.2	Amended and Restated By-laws of Park Hotels & Resorts Inc. (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K, filed on February 26, 2019).
10.1	Park Hotels & Resorts Inc. Executive Long-Term Incentive Program (amended and restated as of January 25, 2019) (incorporated by reference to Exhibit 10.31 to our Annual Report on Form 10-K, filed on February 28, 2019).
10.2	Park Hotels & Resorts Inc. Executive Short-Term Incentive Program (amended and restated as of January 25, 2019) (incorporated by reference to Exhibit 10.32 to our Annual Report on Form 10-K, filed on February 28, 2019).
11.1	Computation of Per Share Earnings from Operations (included in the notes to the unaudited financial statements contained in this Report).
31.1*	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1 *	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith.
32.2 *	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
*	Filed herewith

SIGNA TURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

		Park Hotels & Resorts Inc.
Date: May 6, 2019	By:	/s/ Thomas J. Baltimore Jr. Thomas J. Baltimore, Jr. Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)
Date: May 6, 2019	By:	/s/ Sean M. Dell'Orto Sean M. Dell'Orto Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)
Date: May 6, 2019	By:	/s/ Darren W. Robb Darren W. Robb Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Thomas J. Baltimore, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Park Hotels & Resorts 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in the Securities Exchange Act of 1934, as amended, 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(s) 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.

Date: May 6, 2019

By: /s/ Thomas J. Baltimore, Jr.

Thomas J. Baltimore, Jr.
Chairman of the Board, President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Sean M. Dell'Orto, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Park Hotels & Resorts 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in the Securities Exchange Act of 1934, as amended, 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(s) 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.

Date: May 6, 2019

By: /s/ Sean M. Dell'Orto

Sean M. Dell'Orto
Executive Vice President, Chief Financial Officer and Treasurer

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 of Park Hotels & Resorts Inc. (the “Company”) on Form 10-Q for the quarter ended March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Thomas J. Baltimore, Jr., President and Chief Executive Officer of the Company, in my capacity as an officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 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 result of operations of the Company.

Date: May 6, 2019

By: /s/ Thomas J. Baltimore, Jr.

Thomas J. Baltimore, Jr.
Chairman of the Board, President and
Chief Executive Officer

In accordance with SEC Release NO. 34-47986, this Exhibit is furnished to the SEC as an accompanying document and is not deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended.

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 of Park Hotels & Resorts Inc. (the “Company”) on Form 10-Q for the quarter ending March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Sean M. Dell’Orto, Executive Vice President, Chief Financial Officer and Treasurer, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 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 result of operations of the Company.

Date: May 6, 2019

By: /s/ Sean M. Dell’Orto

**Sean M. Dell’Orto
Executive Vice President,
Chief Financial Officer and Treasurer**

In accordance with SEC Release NO. 34-47986, this Exhibit is furnished to the SEC as an accompanying document and is not deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended.