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Park Hotels & Resorts Inc. Reports Third Quarter 2021 Results

TYSONS, VA (November 3, 2021) – Park Hotels & Resorts Inc. (“Park” or the “Company”) (NYSE: PK) today announced results for the third quarter ended September 30, 2021 and provided an operational update on COVID-19.

Third quarter financial highlights include:

- Pro-forma RevPAR was \$105.48, an increase of 301.6% from the same period in 2020 and a decrease of 43.4% from the same period in 2019;
- Pro-forma occupancy for Park’s 45 consolidated hotels open during the entirety of the third quarter was 58.0%;
- Net loss and net loss attributable to stockholders were \$(82) million and \$(86) million, respectively;
- Adjusted EBITDA was \$77 million, an increase of 141% compared to the second quarter of 2021;
- Pro-forma Hotel Adjusted EBITDA was \$83 million, an improvement of 96.5% compared to the second quarter of 2021;
- Adjusted FFO attributable to stockholders was \$5 million, an improvement of 112.2% compared to the second quarter of 2021;
- Diluted loss per share was \$(0.36); and
- Diluted Adjusted FFO per share was \$0.02.

Additional highlights for the third quarter include:

- Reopened the New York Hilton Midtown in October 2021, increasing to 96% of total room count and leaving just two hotels in the portfolio suspended – Parc 55 San Francisco - a Hilton Hotel and Hilton Short Hills;
- Generated positive Hotel Adjusted EBITDA, with 38 of 45 of Park's open consolidated hotels exceeding break-even levels;
- Completed the sales of the Hotel Adagio, Autograph Collection, and the Le Meridien San Francisco for total gross proceeds of approximately \$304 million; and
- Repaid \$419 million of the term loan entered into in August 2019 ("2019 Term Facility") and fully repaid the remaining \$13 million outstanding under the revolving credit facility ("Revolver"). Year-to-date 2021, the Company partially repaid \$592 million of the 2019 Term Facility, leaving just \$78 million outstanding.

Thomas J. Baltimore, Jr., Chairman and Chief Executive Officer, stated, “I am extremely proud of our continued progress toward our strategic priorities for 2021. We reached break-even at the corporate level for the third quarter – the first time since the pandemic began – and celebrated the reopening of the New York Hilton Midtown in early October. In addition, with the completion of five hotel sales in 2021 totaling \$477 million in gross proceeds, we exceeded our stated asset sales target of \$300-\$400 million and used the proceeds to de-leverage the balance sheet. Additionally, we extended maturities for over \$2 billion of debt since the start of the pandemic and with current liquidity of \$1.8 billion, Park is well-positioned for future growth opportunities. Despite the near-term impact of the Delta variant on our industry, we remain encouraged by the overall progression of the lodging industry's recovery and expect increasing demand trends across all segments into 2022 across our portfolio, including group business where bookings for 2022 increased for the fifth consecutive quarter.”

Selected Statistical and Financial Information

(unaudited, amounts in millions, except RevPAR, ADR and per share data)

	<u>Three Months Ended September 30,</u>			<u>Nine Months Ended September 30,</u>		
	<u>2021</u>	<u>2020</u>	<u>Change⁽¹⁾</u>	<u>2021</u>	<u>2020</u>	<u>Change⁽¹⁾</u>
Pro-forma RevPAR	\$ 105.48	\$ 26.26	301.6%	\$ 75.32	\$ 56.14	34.2%
Pro-forma Occupancy	51.3%	19.1%	32.2% pts	40.1%	28.9%	11.2% pts
Pro-forma ADR	\$ 205.56	\$ 137.06	50.0%	\$ 187.71	\$ 194.25	(3.4)%
Pro-forma Total RevPAR	\$ 157.52	\$ 35.69	341.4%	\$ 112.86	\$ 89.27	26.4%
Net loss	\$ (82)	\$ (276)	NM ⁽²⁾	\$ (387)	\$ (1,226)	NM ⁽²⁾
Net loss attributable to stockholders	\$ (86)	\$ (276)	NM ⁽²⁾	\$ (392)	\$ (1,223)	NM ⁽²⁾
Adjusted EBITDA	\$ 77	\$ (89)	NM ⁽²⁾	\$ 61	\$ (129)	NM ⁽²⁾
Pro-forma Hotel Adjusted EBITDA	\$ 83	\$ (72)	NM ⁽²⁾	\$ 94	\$ (93)	NM ⁽²⁾
Pro-forma Hotel Adjusted EBITDA margin	20.6%	(79.1)%	NM ⁽²⁾	10.9%	(13.6)%	NM ⁽²⁾
Adjusted FFO attributable to stockholders	\$ 5	\$ (147)	NM ⁽²⁾	\$ (146)	\$ (264)	NM ⁽²⁾
Loss per share - Diluted ⁽¹⁾	\$ (0.36)	\$ (1.17)	NM ⁽²⁾	\$ (1.66)	\$ (5.19)	NM ⁽²⁾
Adjusted FFO per share - Diluted ⁽¹⁾	\$ 0.02	\$ (0.62)	NM ⁽²⁾	\$ (0.62)	\$ (1.12)	NM ⁽²⁾
Weighted average shares outstanding - Diluted	236	235	1	236	236	—

(1) Amounts are calculated based on unrounded numbers.

(2) Percentage change is not meaningful.

Operational Update

Park reopened one hotel in October 2021, increasing total rooms by 1,878 rooms. The timing of reopening Park's remaining two suspended hotels will depend primarily on demand recovery in their respective markets.

The current status of Park's hotels as of November 3, 2021 is as follows (for a list of status by hotel please see Park's financial supplement):

<u>Status</u>	<u>Number of Hotels</u>	<u>Total Rooms</u>
Consolidated Open	46	26,551
Consolidated Suspended	2	1,338
Total Consolidated	48	27,889
Unconsolidated Open ⁽¹⁾	6	4,036
Total Hotels	54	31,925

(1) The ground lease for the Embassy Suites Secaucus Meadowlands expired on October 31, 2021 and the property was turned over to the ground lessor on that date.

Changes in Pro-forma ADR, Occupancy and RevPAR compared to the same periods in 2020 and 2019 and Pro-forma Occupancy for Park's 48 consolidated hotels were as follows:

	<u>Change in Pro-forma ADR</u>		<u>Change in Pro-forma Occupancy</u>		<u>Change in Pro-forma RevPAR</u>		<u>2021 Pro-forma Occupancy</u>
	<u>2021 vs. 2020</u>	<u>2021 vs. 2019</u>	<u>2021 vs. 2020</u>	<u>2021 vs. 2019</u>	<u>2021 vs. 2020</u>	<u>2021 vs. 2019</u>	
Q1 2021	(28.9)%	(30.6)%	(35.0)% pts	(50.7)% pts	(69.3)%	(76.2)%	26.6%
Q2 2021	44.8	(16.7)	36.1	(43.4)	897.0	(58.9)	42.2
July 2021	45.3	—	42.1	(29.0)	462.2	(33.7)	56.8
August 2021	52.0	(5.7)	29.3	(35.8)	269.4	(45.1)	49.7
September 2021	45.6	(16.6)	24.8	(34.4)	206.6	(51.8)	47.2
Q3 2021	50.0	(7.0)	32.2	(33.0)	301.6	(43.4)	51.3
Preliminary October 2021	51.8	(13.8)	26.9	(34.3)	226.2	(48.8)	50.3

Changes in Pro-forma ADR, Occupancy and RevPAR for certain periods in 2021 compared to the same periods in 2020 and 2019 and Pro-forma Occupancy for 2021 for only the consolidated hotels open during the entirety of each period were as follows:

	Number of Consolidated Hotels Open	Change in Pro-forma ADR		Change in Pro-forma Occupancy		Change in Pro-forma RevPAR		2021 Pro-forma Occupancy
		2021 vs. 2020	2021 vs. 2019	2021 vs. 2020	2021 vs. 2019	2021 vs. 2020	2021 vs. 2019	
Q1 2021	40	(28.3)%	(28.8)%	(27.2)% pts	(41.1)% pts	(58.5)%	(66.1)%	37.2%
Q2 2021	41	45.9	(11.1)	47.6	(28.5)	891.5	(41.1)	55.8
July 2021	45	45.3	2.0	47.6	(20.8)	462.0	(22.9)	64.2
August 2021	45	52.0	(3.6)	33.1	(28.1)	269.5	(35.7)	56.2
September 2021	45	45.4	(12.4)	28.0	(26.8)	206.2	(41.7)	53.4
Q3 2021	45	49.9	(4.1)	36.3	(25.2)	301.5	(33.2)	58.0
Preliminary October 2021	45	49.7	(11.3)	28.7	(28.2)	212.1	(41.3)	55.2

For the third quarter of 2021, Park's portfolio generated positive Hotel Adjusted EBITDA with 38 of 45 of Park's open consolidated hotels exceeding break-even levels.

Domestic leisure transient demand experienced some disruption from the Delta variant beginning late August 2021 coupled with customary seasonal decline after significant growth during the summer as COVID-19 vaccinations rates increased, domestic restrictions eased and restrictions on international travel continued. The Pro-forma Rooms Revenue mix for each of the three and nine months ended September 30, 2021, 2020 and 2019 for the 45 consolidated hotels open during the entirety of the third quarter of 2021 or 40 consolidated hotels open during the entirety of the first nine months of 2021 were as follows:

Group	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	2019	2021	2020	2019
Group	13.1%	13.4%	26.2%	9.6%	26.5%	27.9%
Transient	80.0	69.8	66.3	82.7	63.2	66.3
Contract	5.0	14.9	5.4	5.9	8.1	3.8
Other	1.9	1.9	2.1	1.8	2.2	2.0

The change in Pro-forma Rooms Revenue for the three and nine months ended September 30, 2021 compared to the same periods in 2019 for the 45 consolidated hotels open during the entirety of the third quarter of 2021 or 40 consolidated hotels open during the entirety of the first nine months of 2021 were as follows:

Group	Three Months Ended September 30,	Nine Months Ended September 30,
	2021 vs. 2019	2021 vs. 2019
Group	(67.1)%	(80.7)%
Transient	(20.8)	(30.4)
Contract	(40.1)	(14.0)
Other	(39.7)	(52.3)

Group demand was tempered in the third quarter by the increase in COVID-19 cases related to the Delta variant, and certain markets have experienced attrition related to group cancellations. Park expects to see a return of group demand beginning in the second quarter of 2022 in select markets as groups continued to push out meetings originally scheduled for the third and fourth quarters of 2021 into 2022. Group bookings for 2022 have increased each of the past five quarters, growing by nearly 260,000 room nights, or nearly 31%, since September 30, 2020 with acceleration following the approval of COVID-19 vaccines for emergency use in November 2020. As of September 30, 2021, 2022 group bookings are approximately 66% of what 2019 group bookings were as of September 30, 2018, a slight decrease from last quarter due to cancellations in Q1 2022 and a slowdown in bookings as a result of concerns over the Delta variant. Despite this setback, 2022 average group rates on the books remain strong, exceeding 2019 average group rates on the books at September 30, 2018.

Highlights for Park's consolidated hotels owned as of November 3, 2021 in each of the Company's key markets, segmented between leisure and other markets, are as follows:

Leisure Markets

- **Hawaii:** Both Hawaii hotels continued to benefit from domestic leisure demand, generating positive Hotel Adjusted EBITDA during the third quarter of 2021. Hilton Waikoloa Village and Hilton Hawaiian Village achieved peak occupancy of 92% and 91% in July 2021, respectively, and occupancy of 77% and 76%, respectively, for the quarter. Rate increased by 25% at the Hilton Waikoloa Village compared to the third quarter of 2019;
- **Orlando:** Park's Orlando hotels continued to benefit from strong leisure demand in July, resulting in peak combined occupancy of 72% in July 2021 and combined occupancy of 49% for the quarter, while still achieving a 15% increase in rate compared to the third quarter of 2019;
- **New Orleans:** The Hilton New Orleans Riverside benefited from an increase in leisure demand and also experienced an increase in occupancy to 74% in September from housing first responders, displaced residents and others following Hurricane Ida in late August. The hotel achieved occupancy of 50% for the quarter;
- **Southern California:** Park's hotels in Southern California benefited from an increase in leisure demand during the summer, resulting in peak occupancy of 81% in July 2021 and 74% for the quarter, an increase of 7 percentage points from the second quarter of 2021. Compared to the third quarter of 2019, rate increased by 22%;
- **Key West:** Casa Marina, A Waldorf Astoria Resort, and The Reach Key West, Curio Collection, continued to benefit from leisure transient demand with peak combined occupancy of 87% in July 2021 and 69% for the quarter. Compared to the third quarter of 2019, occupancy increased by 10 percentage points and rate increased by 60%; and
- **Miami:** Park's Miami hotels benefited from strong leisure transient demand in July. The hotels achieved peak combined occupancy of 76% in July 2021 and 67% for the quarter. Rate increased by 32% compared to the third quarter of 2019.

Other Markets

- **San Francisco:** Three of Park's four hotels in the San Francisco market are open and achieved a combined occupancy of 41% for the quarter. The JW Marriott San Francisco Union Square and Hyatt Centric Fisherman's Wharf, both of which remained open throughout the pandemic and benefited from strong transient demand throughout the summer, achieved peak occupancy of 68% and 90% in July 2021, respectively, and 67% and 84% for the quarter, respectively, an increase of approximately 21 and 24 percentage points, respectively, from the second quarter of 2021;
- **Boston:** Park's Boston hotels benefited from demand from airline crews coupled with strong leisure demand, achieving peak combined occupancy of 72% in August 2021 and 69% for the quarter, an increase of 24 percentage points from the second quarter of 2021;
- **New York:** The New York Hilton Midtown reopened in October 2021 and preliminary results were strong, with preliminary rate that was 96% of October 2019 and better than expected local group and catering revenue, including a 1,300-person event;
- **Chicago:** Park's five hotels in Chicago achieved a combined occupancy of 39% for the quarter and a combined average rate that was just 8% below the combined average rate achieved for the third quarter 2019. In particular, the Hilton Chicago Downtown saw only a 1% decrease in rate versus the third quarter of 2019, mostly due to strong group and leisure demand in July;
- **Denver:** The Hilton Denver benefited from a sporting-related group event in July, which resulted in occupancy of 77% in July 2021. Occupancy for the quarter was 68%, an increase of 18 percentage points from the second quarter of 2021, and rate declined by just 4% versus the same period in 2019;
- **Washington, D.C.:** Park's hotels in the Washington, D.C. market benefited primarily from leisure demand, with peak combined occupancy of 46% for August 2021 and 43% for the quarter, an increase of 13 percentage points from the second quarter of 2021; and
- **Seattle:** Park's Seattle hotels benefited from demand from airline crews and strong summer leisure travel with peak combined occupancy of 66% in July 2021 and 61% for the quarter, an increase of 10 percentage points from the second quarter of 2021.

Balance Sheet and Liquidity

Park and its hotel managers have taken several proactive steps to reduce the Company's burn rate, increase liquidity and mitigate the effects of COVID-19 on its business, including reducing labor and other operating expenses and cutting forecasted expenditures for 2021 to approximately \$56 million for maintenance projects. As a result of these measures, coupled with expected continued leisure demand and the continued distribution of COVID-19 vaccines, Park's portfolio generated positive Hotel Adjusted EBITDA and Park achieved break-even results at the corporate level during the third quarter.

Park's Net Debt as of September 30, 2021 was \$4.1 billion. Utilizing the net proceeds from the issuance of the 2029 Senior Secured Notes and the sales of five hotels during 2021 to repay outstanding debt, the Company has just \$78 million outstanding on its sole remaining corporate term loan. Park's current liquidity is over \$1.8 billion, including \$1.075 billion of available capacity under the Company's Revolver.

Park had the following debt outstanding as of September 30, 2021:

(unaudited, dollars in millions)

Debt	Collateral	Interest Rate	Maturity Date	As of September 30, 2021
Fixed Rate Debt				
Mortgage loan	DoubleTree Hotel Spokane City Center	3.62%	July 2026	\$ 14
Mortgage loan	Hilton Denver City Center	4.90%	August 2022 ⁽¹⁾	58
Mortgage loan	Hilton Checkers Los Angeles	4.11%	March 2023	27
Mortgage loan	W Chicago - City Center	8.25%	August 2023 ⁽²⁾	75
Commercial mortgage-backed securities loan	Hilton San Francisco Union Square, Parc 55 San Francisco - a Hilton Hotel	4.11%	November 2023	725
Mortgage loan	Hyatt Regency Boston	4.25%	July 2026	136
Commercial mortgage-backed securities loan	Hilton Hawaiian Village Beach Resort	4.20%	November 2026	1,275
Mortgage loan	Hilton Santa Barbara Beachfront Resort	4.17%	December 2026	165
2025 Senior Secured Notes		7.50%	June 2025	650
2028 Senior Secured Notes		5.88%	October 2028	725
2029 Senior Secured Notes		4.88%	May 2029	750
Finance lease obligations		3.07%	2021 to 2022	—
Total Fixed Rate Debt		5.10%⁽³⁾		4,600
Variable Rate Debt				
Revolving credit facility ⁽⁴⁾⁽⁵⁾	Unsecured	L + 3.00%	2021 to 2023	—
Mortgage loan	DoubleTree Hotel Ontario Airport	L + 3.00%	May 2022	30
2019 Term Facility ⁽⁴⁾⁽⁶⁾	Unsecured	L + 2.65%	August 2024	78
Total Variable Rate Debt		3.25%⁽³⁾		108
Add: unamortized premium				3
Less: unamortized deferred financing costs and discount				(41)
Total Debt⁽⁷⁾		5.08%⁽³⁾		\$ 4,670

⁽¹⁾ The loan matures in August 2042 but is callable by the lender beginning August 2022.

⁽²⁾ In January 2021, Park ceased making debt service payments toward the \$75 million mortgage loan secured by the W Chicago City Center and has received a notice of an event of default. The default interest rate on the loan is 8.25%, and the stated interest rate is 4.25%. While Park hopes to negotiate an amendment with the lender, there can be no assurances that an agreement will be reached.

⁽³⁾ Calculated on a weighted average basis.

⁽⁴⁾ In May 2020, Park amended its credit and term loan facilities to add a LIBOR floor of 25 basis points.

⁽⁵⁾ In September 2020, Park increased its aggregate commitments under the Revolver by \$75 million to \$1.075 billion and extended the maturity date with respect to \$901 million of the aggregate commitments for two years to December 2023, including all \$75 million of the increased Revolver commitments. The maturity date for the remaining \$174 million of commitments under the Revolver is December 2021. In July 2021, Park fully repaid the outstanding balance of the Revolver with net proceeds from the sale of the Hotel Indigo San Diego Gaslamp Quarter and Courtyard Washington Capitol Hill Navy Yard.

⁽⁶⁾ Following the sales of the Hotel Indigo San Diego Gaslamp Quarter and Courtyard Washington Capitol Hill Navy Yard in June 2021, the Hotel Adagio, Autograph Collection in July 2021 and the Le Meridien San Francisco in August 2021, Park repaid \$419 million of the 2019 Term Facility during the third quarter.

⁽⁷⁾ Excludes \$225 million of Park's share of debt of its unconsolidated joint ventures.

Dividends

In light of the COVID-19 pandemic, Park suspended dividend payments following the payment of its first quarter 2020 dividend.

Full-Year 2021 Outlook

Given the continued economic uncertainty, travel restrictions and rapidly changing circumstances related to the COVID-19 pandemic, Park is not providing an outlook for full-year 2021 at this time.

The Company's ability to predict future operating results remains significantly impacted by the current COVID-19 pandemic. Park expects that the trends affecting the economy will continue to depress hotel operating results across the portfolio. While recent trends have shown signs of improvement, the economic environment continues to lack sufficient clarity at this time to provide accurate guidance.

Supplemental Disclosures

In conjunction with this release, Park has furnished a financial supplement with additional disclosures on its website. Visit www.pkhotelsandresorts.com for more information. Park has no obligation to update any of the information provided to conform to actual results or changes in Park's portfolio, capital structure or future expectations.

Conference Call

Park will host a conference call for investors and other interested parties to discuss third quarter 2021 results on November 4, 2021 beginning at 11 a.m. Eastern Time. Participants may listen to the live webcast by logging onto the Investors section of the website at www.pkhotelsandresorts.com. Alternatively, participants may listen to the live call by dialing (877) 451-6152 in the United States or (201) 389-0879 internationally and requesting Park Hotels & Resorts' Third Quarter 2021 Earnings Conference Call. Participants are encouraged to dial into the call or link to the webcast at least ten minutes prior to the scheduled start time.

A replay of the webcast will be available within 24 hours after the live event on the Investors section of Park's website.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include, but are not limited to, statements related to Park's current expectations regarding the performance of its business, financial results, liquidity and capital resources, including the expected reopening dates for the Company's hotels and dates that its properties will break even or achieve positive Hotel Adjusted EBITDA, the impact to the Company's business and financial condition and that of its hotel management companies, measures being taken in response to COVID-19, the effects of competition and the effects of future legislation or regulations, the expected completion of anticipated dispositions, the declaration and payment of future dividends 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," "hopes" or the negative version of these words or other comparable words. You should not rely on forward-looking statements since they involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond the Company's control and which could materially affect its results of operations, financial condition, cash flows, performance or future achievements or events. Currently, one of the most significant factors continues to be the adverse effect of COVID-19, including resurgences, on the Company's financial condition, results of operations, cash flows and performance, its hotel management companies and its hotels' tenants, and the global economy and financial markets. COVID-19 has significantly affected the Company's business, and the extent to which COVID-19 continues to affect the Company, its hotel managers, tenants and guests at the Company's hotels will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of the pandemic, the actions taken to contain the pandemic or mitigate its effect, the emergence of virus variants, the efficacy, availability and deployment of vaccinations and other treatments to combat COVID-19, including public adoption rates of COVID-19 vaccines, additional closures that may be mandated or advisable even after the reopening of certain of the Company's hotels on a limited basis, whether due to an increased number of COVID-19 cases or otherwise, and the direct and indirect economic effects of the pandemic and containment measures, among others. Moreover, investors are cautioned to interpret many of the risks identified in the risk factors included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 as being heightened as a result of the ongoing and numerous adverse impacts of COVID-19.

Forward-looking statements involve risks, uncertainties and assumptions. Actual results may differ materially from those expressed in these forward-looking statements. You should not put undue reliance on any forward-looking statements and Park urges investors to carefully review the disclosures Park makes concerning risk and uncertainties in Item 1A: "Risk Factors" in Park's Annual Report on Form 10-K for the year ended December 31, 2020, as such factors may be updated from time to time in Park's filings with the SEC,

which are accessible on the SEC's website at www.sec.gov. Except as required by law, Park undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Non-GAAP Financial Measures

Park presents certain non-GAAP financial measures in this press release, including Nareit FFO attributable to stockholders, Adjusted FFO attributable to stockholders, EBITDA, Adjusted EBITDA, Hotel Adjusted EBITDA, Hotel Adjusted EBITDA margin and Net debt. These non-GAAP financial measures should be considered along with, but not as alternatives to, net income (loss) as a measure of its operating performance. Please see the schedules included in this press release including the "Definitions" section for additional information and reconciliations of such non-GAAP financial measures.

About Park

Park is the second largest publicly traded lodging REIT with a diverse portfolio of market-leading hotels and resorts with significant underlying real estate value. Park's portfolio currently consists of 54 premium-branded hotels and resorts with approximately 32,000 rooms primarily located in prime city center and resort locations. Visit www.pkhotelsandresorts.com for more information.

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
	<u>(unaudited)</u>	
ASSETS		
Property and equipment, net	\$ 8,549	9,193
Investments in affiliates	14	14
Intangibles, net	44	45
Cash and cash equivalents	772	951
Restricted cash	70	30
Accounts receivable, net of allowance for doubtful accounts of \$2 and \$3	62	26
Prepaid expenses	34	39
Other assets	34	60
Operating lease right-of-use assets	215	229
TOTAL ASSETS (variable interest entities - \$239 and \$229)	<u><u>\$ 9,794</u></u>	<u><u>\$ 10,587</u></u>
LIABILITIES AND EQUITY		
Liabilities		
Debt	\$ 4,670	5,121
Accounts payable and accrued expenses	204	147
Due to hotel managers	96	88
Deferred income tax liabilities	9	10
Other liabilities	115	134
Operating lease liabilities	232	244
Total liabilities (variable interest entities - \$218 and \$213)	<u>5,326</u>	<u>5,744</u>
Stockholders' Equity		
Common stock, par value \$0.01 per share, 6,000,000,000 shares authorized, 236,884,447 shares issued and 236,479,696 shares outstanding as of September 30, 2021 and 236,217,344 shares issued and 235,915,749 shares outstanding as of December 31, 2020	2	2
Additional paid-in capital	4,529	4,519
(Accumulated deficit) retained earnings	(16)	376
Accumulated other comprehensive loss	—	(4)
Total stockholders' equity	<u>4,515</u>	<u>4,893</u>
Noncontrolling interests	(47)	(50)
Total equity	<u>4,468</u>	<u>4,843</u>
TOTAL LIABILITIES AND EQUITY	<u><u>\$ 9,794</u></u>	<u><u>\$ 10,587</u></u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenues				
Rooms	\$ 274	\$ 70	\$ 587	\$ 453
Food and beverage	76	10	152	174
Ancillary hotel	58	15	137	87
Other	15	3	35	25
Total revenues	423	98	911	739
Operating expenses				
Rooms	76	30	170	162
Food and beverage	63	18	126	155
Other departmental and support	119	64	298	296
Other property-level	51	84	151	200
Management fees	19	2	40	27
Impairment and casualty loss, net	2	2	7	696
Depreciation and amortization	68	75	213	225
Corporate general and administrative	14	13	48	42
Acquisition costs	—	9	—	10
Other	14	6	34	31
Total expenses	426	303	1,087	1,844
(Loss) gain on sales of assets, net	(11)	(1)	(5)	62
Operating loss	(14)	(206)	(181)	(1,043)
Interest income	—	—	—	2
Interest expense	(66)	(59)	(195)	(149)
Equity in losses from investments in affiliates	—	(7)	(6)	(16)
Other loss, net	(5)	(3)	(7)	(6)
Loss before income taxes	(85)	(275)	(389)	(1,212)
Income tax benefit (expense)	3	(1)	2	(14)
Net loss	(82)	(276)	(387)	(1,226)
Net (income) loss attributable to noncontrolling interests	(4)	—	(5)	3
Net loss attributable to stockholders	(86)	(276)	(392)	(1,223)
Loss per share:				
Loss per share – Basic	\$ (0.36)	\$ (1.17)	\$ (1.66)	\$ (5.19)
Loss per share – Diluted	\$ (0.36)	\$ (1.17)	\$ (1.66)	\$ (5.19)
Weighted average shares outstanding – Basic	236	235	236	236
Weighted average shares outstanding – Diluted	236	235	236	236

PARK HOTELS & RESORTS INC.
NON-GAAP FINANCIAL MEASURES RECONCILIATIONS
EBITDA AND ADJUSTED EBITDA

(unaudited, in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net loss	\$ (82)	\$ (276)	\$ (387)	\$ (1,226)
Depreciation and amortization expense	68	75	213	225
Interest income	—	—	—	(2)
Interest expense	66	59	195	149
Income tax (benefit) expense	(3)	1	(2)	14
Interest expense, income tax and depreciation and amortization included in equity in earnings from investments in affiliates	3	2	8	11
EBITDA	52	(139)	27	(829)
Loss (gain) on sales of assets, net	11	1	5	(62)
Acquisition costs	—	9	—	10
Severance expense	—	24	—	26
Share-based compensation expense	5	4	15	10
Impairment and casualty loss, net	2	2	7	696
Other items	7	10	7	20
Adjusted EBITDA	77	(89)	61	(129)

PARK HOTELS & RESORTS INC.
NON-GAAP FINANCIAL MEASURES RECONCILIATIONS
PRO-FORMA HOTEL ADJUSTED EBITDA AND
PRO-FORMA HOTEL ADJUSTED EBITDA MARGIN

(unaudited, dollars in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	Adjusted EBITDA	\$ 77	\$ (89)	\$ 61
Less: Adjusted EBITDA from investments in affiliates	(4)	2	(4)	2
Add: All other ⁽¹⁾	11	11	33	34
Hotel Adjusted EBITDA	84	(76)	90	(93)
Less: Adjusted EBITDA from hotels disposed of	(1)	4	4	—
Pro-forma Hotel Adjusted EBITDA	<u>\$ 83</u>	<u>\$ (72)</u>	<u>\$ 94</u>	<u>\$ (93)</u>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	Total Revenues	\$ 423	\$ 98	\$ 911
Less: Other revenue	(15)	(3)	(35)	(25)
Less: Revenues from hotels disposed of	(4)	(3)	(17)	(32)
Pro-forma Hotel Revenues	<u>\$ 404</u>	<u>\$ 92</u>	<u>\$ 859</u>	<u>\$ 682</u>

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	Change ⁽²⁾	2021	2020	Change ⁽²⁾
	Pro-forma Hotel Revenues	\$ 404	\$ 92	341.4%	\$ 859	\$ 682
Pro-forma Hotel Adjusted EBITDA	\$ 83	\$ (72)	NM ⁽³⁾	\$ 94	\$ (93)	NM ⁽³⁾
Pro-forma Hotel Adjusted EBITDA margin ⁽²⁾	20.6%	(79.1)%	NM ⁽³⁾	10.9%	(13.6)%	NM ⁽³⁾

⁽¹⁾ Includes *other revenues* and *other expenses*, non-income taxes on TRS leases included in *other property-level expenses* and *corporate general and administrative expenses* in the condensed consolidated statements of operations.

⁽²⁾ Percentages are calculated based on unrounded numbers.

⁽³⁾ Percentage change is not meaningful.

PARK HOTELS & RESORTS INC.
NON-GAAP FINANCIAL MEASURES RECONCILIATIONS
NAREIT FFO AND ADJUSTED FFO

(unaudited, in millions, except per share data)

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Net loss attributable to stockholders	\$ (86)	\$ (276)	\$ (392)	\$ (1,223)
Depreciation and amortization expense	68	75	213	225
Depreciation and amortization expense attributable to noncontrolling interests	(1)	(1)	(3)	(3)
Loss (gain) on sales of assets, net	11	1	5	(62)
Gain on sale of investments in affiliates ⁽¹⁾	—	—	—	(1)
Impairment loss	—	2	5	697
Equity investment adjustments:				
Equity in losses from investments in affiliates	—	7	6	16
Pro rata FFO of investments in affiliates	3	(3)	1	(6)
Nareit FFO attributable to stockholders	<u>(5)</u>	<u>(195)</u>	<u>(165)</u>	<u>(357)</u>
Casualty loss (gain), net	2	—	2	(1)
Severance expense	—	24	—	26
Acquisition costs	—	9	—	10
Share-based compensation expense	5	4	15	10
Other items ⁽²⁾	3	11	2	48
Adjusted FFO attributable to stockholders	<u>\$ 5</u>	<u>\$ (147)</u>	<u>\$ (146)</u>	<u>\$ (264)</u>
Nareit FFO per share – Diluted⁽³⁾	\$ (0.02)	\$ (0.83)	\$ (0.70)	\$ (1.52)
Adjusted FFO per share – Diluted⁽³⁾	\$ 0.02	\$ (0.62)	\$ (0.62)	\$ (1.12)
Weighted average shares outstanding – Diluted	236	235	236	236

⁽¹⁾ Included in *other loss, net* in the condensed consolidated statements of operations.

⁽²⁾ The nine months ended September 30, 2020 includes \$30 million of tax expense on hotels sold during the period.

⁽³⁾ Per share amounts are calculated based on unrounded numbers.

PARK HOTELS & RESORTS INC.
NON-GAAP FINANCIAL MEASURES RECONCILIATIONS
NET DEBT

(unaudited, in millions)

		September 30, 2021
Debt	\$	4,670
Add: unamortized deferred financing costs and discount		41
Less: unamortized premium		(3)
Long-term debt, including current maturities and excluding unamortized deferred financing cost, premiums and discounts		4,708
Add: Park's share of unconsolidated affiliates debt, excluding unamortized deferred financing costs		225
Less: cash and cash equivalents		(772)
Less: restricted cash		(70)
Net debt	\$	4,091

PARK HOTELS & RESORTS INC.
DEFINITIONS

Pro-forma

The Company presents certain data for its consolidated hotels on a pro-forma hotel basis as supplemental information for investors: Pro-forma Hotel Revenues, Pro-forma RevPAR, Pro-forma Total RevPAR, Pro-forma Occupancy, Pro-forma ADR, Pro-forma Hotel Adjusted EBITDA and Pro-forma Hotel Adjusted EBITDA Margin. The Company presents pro-forma hotel results to help the Company and its investors evaluate the ongoing operating performance of its hotels. The Company's pro-forma metrics exclude results from property dispositions that have occurred through November 3, 2021 and include results from property acquisitions as though such acquisitions occurred on the earliest period presented.

EBITDA, Adjusted EBITDA, Hotel Adjusted EBITDA and Hotel Adjusted EBITDA margin

Earnings (loss) before interest expense, taxes and depreciation and amortization ("EBITDA"), presented herein, reflects net income (loss) excluding depreciation and amortization, interest income, interest expense, income taxes and interest expense, income tax and depreciation and amortization included in equity in earnings (losses) from investments in affiliates.

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

- Gains or losses on sales of assets for both consolidated and unconsolidated investments;
- Costs associated with hotel acquisitions or dispositions expensed during the period;
- Severance expense;
- Share-based compensation expense;
- Impairment losses and casualty gains or losses; and
- Other items that management believes are not representative of the Company's current or future operating performance.

Hotel Adjusted EBITDA measures hotel-level results before debt service, depreciation and corporate expenses of the Company's consolidated hotels, which excludes hotels owned by unconsolidated affiliates, and is a key measure of the Company's profitability. The Company presents Hotel Adjusted EBITDA to help the Company and its investors evaluate the ongoing operating performance of the Company's consolidated hotels.

Hotel Adjusted EBITDA margin is calculated as Hotel Adjusted EBITDA divided by total hotel revenue.

EBITDA, Adjusted EBITDA, Hotel Adjusted EBITDA and Hotel Adjusted EBITDA margin are not recognized terms under United States ("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, the Company's definitions of EBITDA, Adjusted EBITDA, Hotel Adjusted EBITDA and Hotel Adjusted EBITDA margin may not be comparable to similarly titled measures of other companies.

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

EBITDA, Adjusted EBITDA, Hotel Adjusted EBITDA and Hotel Adjusted EBITDA margin 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 the Company's operating performance and results as reported under U.S. GAAP.

Nareit FFO attributable to stockholders, Adjusted FFO attributable to stockholders Nareit FFO per share - diluted and Adjusted FFO per share - diluted

Nareit FFO attributable to stockholders and Nareit FFO per diluted share (defined as set forth below) are presented herein as non-GAAP measures of the Company's performance. The Company calculates funds from (used in) 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 (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 the Company's 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. The Company believes Nareit FFO provides useful information to investors regarding its operating performance and can facilitate comparisons of operating performance between periods and between REITs. The Company's 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. The Company calculates Nareit FFO per diluted share as Nareit FFO divided by the number of fully diluted shares outstanding during a given operating period.

The Company also presents Adjusted FFO attributable to stockholders and Adjusted FFO per diluted share when evaluating its performance because management believes that the exclusion of certain additional items described below provides useful supplemental information to investors regarding the Company's ongoing operating performance. Management historically has made the adjustments detailed below in evaluating its performance and in its annual budget process. Management believes that the presentation of Adjusted FFO provides useful supplemental information that is beneficial to an investor's complete understanding of operating performance. The Company adjusts Nareit FFO attributable to stockholders for the following items, which may occur in any period, and refers to this measure as Adjusted FFO attributable to stockholders:

- Costs associated with hotel acquisitions or dispositions expensed during the period;
- Severance expense;
- Share-based compensation expense;
- Other items that management believes are not representative of the Company's current or future operating performance.

Net Debt

Net debt, presented herein, is a non-GAAP financial measure that the Company uses to evaluate its financial leverage. Net debt is calculated as (i) long-term debt, including current maturities and excluding unamortized deferred financing costs; and (ii) the Company's share of investments in affiliate debt, excluding unamortized deferred financing costs; reduced by (a) cash and cash equivalents; and (b) restricted cash and cash equivalents.

The Company believes Net debt provides useful information about its indebtedness to investors as it is frequently used by securities analysts, investors and other interested parties to compare the indebtedness of companies. Net debt should not be considered as a substitute to debt presented in accordance with U.S. GAAP. Net debt may not be comparable to a similarly titled measure of other companies.

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. Room nights available to guests have not been adjusted for suspended or reduced operations at certain of Park's hotels as a result of COVID-19. Occupancy measures the utilization of the Company's 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 management 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 management uses ADR to assess pricing levels that the Company is 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. Room nights available to guests have not been adjusted for suspended or reduced operations at certain of Park’s hotels as a result of COVID-19. Management considers RevPAR to be a meaningful indicator of the Company’s 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.

Total RevPAR

Total RevPAR represents rooms, food and beverage and other hotel revenues divided by the total number of room nights available to guests for a given period. Room nights available to guests have not been adjusted for suspended or reduced operations at certain of Park’s hotels as a result of COVID-19. Management considers Total RevPAR to be a meaningful indicator of the Company’s performance as approximately one-third of revenues are earned from food and beverage and other hotel revenues. Total RevPAR is also a useful indicator in measuring performance over comparable periods.