

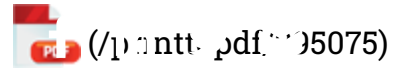
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Hilton banks on continued net unit growth

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The company added 10,000 net rooms in the first quarter of 2019 and recorded positive performance in most regions, contributing to what CEO and President Chris Nassetta called "a good start to the year."





The Conrad Washington, D.C. (the hotel's Estuary bar is shown here) opened in March. The first Conrad-branded hotel in the U.S. capital, the hotel was developed by real estate firm Hines and investor Qatari Diar. (Photo: Hilton)

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MCLEAN, Virginia—Hilton's development pipeline shows no sign of slowing down, and on a call to share Q1 2019 earnings (<http://hotelnewsnow.com/Articles/295063/Q1-2019-earnings-roundup>) results with analysts, CEO and President Chris Nassetta said the company expects momentum to continue.

"We achieved 7% net unit growth in the quarter," he said. "We remain on track to deliver approximately 6.5% net unit growth for the year."

The company opened 12,100 guestrooms in the quarter, or 10,000 net additional rooms, and approved 29,300 new rooms, resulting in a pipeline of 371,000 rooms worldwide as of 31 March. Approximately 200,000 of those pipeline rooms are located outside of the U.S., according to the company's earnings release (<https://newsroom.hilton.com/5,7assets/HWW/docs/2019/2019-Q1-Earnings-Release-FINAL.pdf>).

At the end of the quarter, the company had 5,704 hotels open, comprising 914,633 guestrooms.

Also on the topic of growth, Nassetta addressed questions from analysts about the possibility of Hilton entering the home-sharing business, prompted by news of Marriott International's newly announced home-rentals brand (<http://hotelnewsnow.com/Articles/295044/Marriott-unveils-new-home-rentals-brand>).

"The short answer at the moment is that (home rentals) is not something we're pursuing," he said. "The longer answer is ... we fundamentally think homesharing is a different business. ... It's not a bad business, but it's a different stay occasion, not the premium value proposition."

He added that while the company has spent a lot of time thinking about it, and reserves the right to change its mind in the future, now isn't the time to enter that space.

"Our customers at the moment tell us ... that they don't need this from us, and in a sense, they don't want it from us, which I found surprising," he said. "I'm a big believer in focus. ... We want to be focused on delivering high-quality branded experiences, in a broader network and continue to grow in a way customers can rely on us to deliver great experiences."

Performance highlights

On the performance side, stronger group business results drove a quarter that Nassetta called "a good start to the year."

Systemwide comparable revenue per available room increased 1.8% in Q1 compared to the same quarter in 2018, driven by group business RevPAR up 3.7% in the quarter.

"Looking at segments, group was a little better than we thought and transient was a little worse than we thought and the net result ... didn't drag the overall (number) down," he said.

Nassetta pointed to weaker-than-expected March business (<http://hotelnewsnow.com/Articles/294895/How-a-weak-March-could-set-the-tone-for-industrys-2019>), saying that the Easter calendar shift led to a more spread-out spring break season.

"When we looked at the travel patterns, we think spring break (being spread out across March) had a material impact on business travel during that period, and that drove the bulk of business travel weakness in March," he said.

He added that group business likely will "lead the charge again this year" in terms of growth, which is supported by business already on the books.

"On the transient side, our expectations are that demand will be healthy and continue to grow," he said. "Getting past the Easter effect and into May and June, it does look like business transient goes back to a more normal pattern."

Adjusted earnings before interest, taxes, depreciation and amortization grew 12% over the same quarter last year, exceeding the high end of the company's previous guidance.

Full-year systemwide RevPAR is expected to increase between 1% and 3%.

At press time, Hilton stock was trading at \$92.45, up 28.8% year to date. The Baird/STR Hotel Stock Index (<http://hotelnewsnow.com/Stock/BairdSTRHotelStockIndex>) was up 16.2% year to date.

Regional highlights

Hilton EVP and CFO Kevin Jacobs shared regional performance drivers behind the company's overall RevPAR growth.

U.S. RevPAR grew 1.8% in the quarter, driven by 1.3% average daily rate growth compared to the same quarter last year.

The Americas outside the U.S. saw 4.4% RevPAR growth, driven by strength in the Caribbean and Latin America, with particularly strong results in Puerto Rico, Jacobs said.



Europe notched 3.2% RevPAR growth, driven by strong inbound travel to London and good group performance in Barcelona, but Jacobs noted that “softening transient demand in the broader U.K. tempered growth.”

RevPAR was down 5.7% in the Middle East and Africa region in the first quarter, thanks to “significant levels of new supply in the Emirates,” which continue to pressure ADR, Jacobs said.

And slowdowns in intra-Chinese travel, as well as softer international inbound numbers to China, put RevPAR growth in the Asia Pacific region at 1% in the quarter.

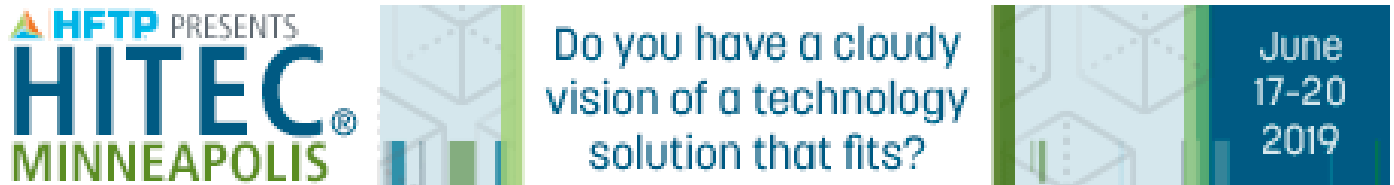
Brand news and other highlights

Nassetta spoke about the February launch of Signia Hilton (<http://www.hotelnewsnow.com/Articles/294027/Hilton-launches-Signia-with-focus-on-meetings-events>), the company’s newest brand, which sits in the upper-upscale large meetings space.

Three projects are in the works—an expansion and renovation of the Hilton Orlando Bonnet Creek, plus new-builds in Indianapolis and Atlanta currently underway.

In other brand news, Jacobs shared updates on the Tru by Hilton brand. The company had 61 hotels open at the end of the first quarter, and Jacobs said “we’ll have another 60 open this year and well over 500 working deals.”

He noted a key change in the Tru prototype since its initial launch. While it was designed without a desk in the guestroom, Jacobs said that due to a lot of customer feedback, the company ended up adding desks.



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