Hyatt Hotels Corporation

Segment Realignment Investor Conference Call Transcript

Friday, May 3, 2024 at 10:00am CT

Call Participants

EXECUTIVES

Adam Rohman, Senior Vice President of Investor Relations and FP&A

Joan Bottarini, Executive VP & CFO

ANALYSTS

Joseph Richard Greff, JPMorgan Chase & Co, Research Division

Michael Joseph Bellisario, Robert W. Baird & Co. Incorporated, Research Division

Stephen White Grambling, Morgan Stanley, Research Division

Presentation

Operator

Good morning, and welcome to the Hyatt's Informational Conference Call. [Operator Instructions] As a reminder, this conference call is being recorded.

I would now like to turn the call over to Adam Rohman, Senior Vice President of Investor Relations and FP&A. Thank you. Please go ahead.

Adam Rohman

Senior Vice President of Investor Relations and FP&A

Good morning, and thank you for joining us to discuss the supplemental financial information for the year ended December 31, 2023, in connection with Hyatt's new reportable segment. I'm joined today by Joan Bottarini, Hyatt's Chief Financial Officer.

Before we begin, I would like to remind everyone that our comments today may include forward-looking statements under federal securities laws. These statements are subject to numerous risks and uncertainties as described in our annual report on Form 10-K, quarterly reports on Form 10-Q and other SEC filings.

These risks could cause our actual results to differ materially from those expressed in or implied by our comments. Forward-looking

statements on this call are made only as of today and will not be updated as actual events unfold. An archive of this call and transcript will be available on our Investor Relations website for 90 days. Unless otherwise noted, during the call, all references made to the 8-K are specifically in reference to the 8-K filed on Thursday, April 25, 2024, which included supplemental financial information for the year ended December 31, 2023.

We will start today by addressing questions that were submitted in advance of the call and then turn to live Q&A. I will now turn the call over to Joan for opening comments.

Joan Bottarini

Executive VP & CFO

Thanks, Adam, and good morning, everyone. Thank you for joining us today. As previously announced on our fourth quarter earnings call, we will report new reportable segments starting with our first quarter 2024 results. As a result of this realignment, we now have 3 reportable segments: management and franchising, owned and leased and distribution. In advance of reporting our first quarter 2024 results, we furnished certain supplemental financial information that reflects our new segment structure.

And before we move to pre-submitted questions, I want to spend a few minutes reviewing the changes we've made to our segments. Historically, we reported our management and franchising business by 3 geographic locations, owned and leased hotels and since 2021, the businesses acquired from the Apple Leisure Group acquisition as a separate segment. We made changes to our reportable segments in conjunction with organizational changes for certain members of our leadership team, how we assess the performance of our business and make decisions regarding allocation of resources. Our new reportable segment structure is aligned by our 3 businesses, management and franchising, hotel ownership and distribution, and is further simplified by the EDC transaction, which we completed in February of 2024.

We believe our new reportable segments demonstrate the size of our management and franchising earnings and our overall asset-light earnings mix, which we define as the sum of management and franchising and distribution segment adjusted EBITDA divided by total company adjusted EBITDA minus overhead. Additionally, we have provided a schedule on Page 6 of the 8-K, which discloses each line item impacted by the UVC transaction by quarter. We believe that [indiscernible] for the remainder of 2024 and beyond.

Thank you to everyone who submitted questions before today's call, and I'll turn it back to Adam.

Adam Rohman

Senior Vice President of Investor Relations and FP&A

Great. Thank you, Joan. As a reminder, today's discussion will be exclusively focused on the supplemental financial information Hyatt furnished on the Form 8-K last week related to our previously announced segment realignment. We will not cover first quarter results, performance or any other topics unrelated to the segment realignment. However, we invite everyone to join us for our first quarter 2024 earnings conference call next week on May 9, where we will discuss these topics.

We've received a lot of great questions in advance of the call. So we'll go ahead and get started answering them.

Joan Bottarini

Executive VP & CFO

The first couple of questions we received relates to the strategic rationale of the realignment. And the first question is, what prompted the segment realignment of Hyatt financial reporting?

As I just mentioned, the segment realignment was initiated to aligning Hyatt's business strategies, adjustments to the organizational structure and reporting lines and the manner in which our CEO, the company's chief operating decision-maker, assess this performance. This helps Hyatt align its reporting with its current business model and strategic priorities.

Second question was how do these changes in reporting segments align with Hyatt's operational strategies?

Changes ensure that the reporting segments are aligned with the company's operational strategies focusing on our global management and franchising operations, owned and leased properties and distribution. For example, our strategy to maximize our core business requires us to allocate our resources towards initiatives that best drive incremental value for our stakeholders. We believe this realignment and organizational structure changes will enhance revenue generation and operational efficiency and provide even greater levels of focus across our business.

Adam Rohman

Senior Vice President of Investor Relations and FP&A

Great. We also received a number of just general modeling questions, which Joan and I are going to split up. The first one is, how does the segment realignment affect Hyatt's reported financial results for 2023?

And for our key financial metrics, including total revenues, net income and adjusted EBITDA, they remain unchanged from what we've previously reported for 2023. However, the segments in which they are reported have changed, which are reflected in the 8-K. Additionally, our new reportable segments in conjunction with the UVC transaction that we completed on February 14 of this year will simplify our financial reporting.

Another question that we received is what changes our adjustments included in the recast results should we be aware of?

And there are really 3 reclassifications that we undertook as part of the realignment. First, Mr & Mrs Smith's results have moved from corporate and other to the distribution segment. Furthermore, we're reporting the results of Mr & Mrs Smith on different line items. Fee revenues, which totaled $15 million in 2023, are now reported within distribution revenue. And general and administrative expenses, which totaled $11 million in 2023, are now reported under the distribution expense, again, all within the newly created distribution segment. And also as a reminder, we acquired Mr & Mrs Smith business in June of 2023.

Second, our co-branded credit card results, which were previously reported under corporate and other are now reported in the management franchising segment. And third, the previous ALG segment results are now reported as follows. Our Hyatt inclusive collection, all-inclusive management and franchise results are reported in the management franchising segment. UVC pre-transaction is in the Distribution segment. And management and royalty fees post transaction are reported in the management and franchise segment. ALG Vacations has now moved into the distribution segment. And the 6 leased ALG hotels are part of the owned and leased segment. And as -- just as a clarification, there's no material impact to our owned and leased segment adjusted EBITDA with the 6 leased hotels moving here.

We've also added a new financial statement line item for integration costs, which was previously included within general and administrative expenses. Please note that the integration costs are still included with adjusted EBITDA. However, we find it is helpful to all stakeholders to report these expenses separate from general and administrative expenses.

<u>Joan Bottarini</u>

Executive VP & CFO

And another modeling question we received was related to something we commented on during our fourth quarter earnings call. We mentioned that ALG Vacations earnings would be down by approximately $20 million in the first quarter compared to the first quarter of 2024. And the question is, will this reduction be reflected in the distribution segment?

And that is correct, the results for ALG Vacations are included in the distribution segment. And as a reminder, on the fourth quarter earnings call, we noted that ALG Vacations had a challenging comparison in the first quarter of 2024 compared to 2023, and the impact would be approximately $20 million.

Another following question is to confirm that there will be regional financial disclosures to the management and franchising segment.

We will report our management and franchising results as one reportable segment. However, to provide visibility into major geographic areas where we have significant operations and earnings, we are now providing additional disclosures, including occupancy, average rate, RevPAR and room inventory into the following major geographic areas: in the United States, Americas excluding the United States, Greater China, Asia Pacific excluding Greater China, Europe and Africa and Middle East.

<u>Adam Rohman</u>

Senior Vice President of Investor Relations and FP&A

Great. Another general modeling question that we received was if we could provide more detail on the line items that are reported under other revenues and other direct costs across our different segments.

So as a result of the certain transactions, there are a couple of changes impacting other revenues and other direct costs moving forward. The first change is detailed on Page 6 of the 8-K. As we previously reported, other revenues and other direct costs for UVC prior to transaction close. As we previously mentioned, UVC's historical results in 2023 as well as results for the period for which we have full ownership of UVC prior to the majority sale on February 14, 2024, are reported in the distribution segment. We will no longer have other revenues or other direct costs in the distribution segment for UVC -- for the UVC transaction starting with February 24 onwards.

The second change relates to the management and franchising segment, where we historically reported other revenues and other direct costs associated with destination residential management. As a reminder, we sold this business in the third quarter of 2023 and retain a relationship with those properties through Homes & Hideaways by World of Hyatt.

For Destination Residential Management, we reported the following revenues and costs in 2023. Other revenues were $41 million in the first quarter, $22 million in the second quarter and $20 million in the third quarter. Other direct costs were $36 million in the first quarter, $23 million in the second quarter and $21 million in the third quarter.

In addition to the general modeling questions that we've received, we also have a number of questions related to UVC specifically, which we'll now turn to.

<u>Joan Bottarini</u>

Executive VP & CFO

The first question asks that UVC is an important part of ALG's vertically integrated business. Does this change post transaction?

UVC remains an essential component of the services platform we provide that is highly valuable to UVC members and Hyatt's inclusive collection owners. The membership level will remain exclusive to Hyatt's inclusive collection, ensuring that our current members and owners continue to receive the valuable benefit to UVC.

As a reminder, members receive a variety of valuable benefits, including free nights and preferred pricing. And these benefits are exclusive to our largest portfolio of luxury all-inclusive properties in the world. Owners benefit from a large and loyal membership base, earn commissions on in-house membership sales and realize bookings at the lower cost of acquisition compared with other sales channels.

UVC remains a very important part of the Hyatt inclusive collection ecosystem. Hyatt has retained an ownership stake, and we have shared goals with our partner to continue to grow the membership club with Hyatt managing the operations in our long-term management agreement. The transaction reduces accounting complexity as we no longer will report net deferrals and net finance contracts. And the fees we earn under our management royalty agreement contribute meaningfully to our asset-light earnings through fees.

Adam Rohman

Senior Vice President of Investor Relations and FP&A

Great. We've received a number of questions about the best way to remove UVC's impact from 2023's financial results.

And so to start, we'd point you to Page 6 of the 8-K, which has UVC's 2023 results by quarter and for the full year by each of the major line items. For all of 2023 and for the period of our full ownership up until the sale in February, UVC's results are reported in the distribution segment.

Also, as Joan just mentioned, by way of reminder, we will receive management and royalty fees within franchise and other fees in the management franchising segment. And we noted on our Q4 2023 call that we expect these fees to be approximately $50 million in 2024. As Joan also just mentioned, we will no longer report net deferrals and net finance contracts starting with the first quarter earnings release.

There are 6 key line items where UVC results were reported prior to the transaction, each of which is disclosed on Page 6 of the 8-K, including other revenues, general and administrative, other direct costs, adjusted EBITDA, net deferrals and net finance contracts. You will notice that the removal of other revenues, G&A and other direct costs results in an adjusted EBITDA increase of $55 million for the full year 2023, which, as a reminder, is why we previously reported net deferrals, which represented net cash received but not recorded in adjusted EBITDA and net finance contracts, which represented a future contractual obligation to pay, which was also not reported in adjusted EBITDA.

For year-over-year comparisons that reflects the full removal of UVC, you should exclude each of these line items from our 2023 reported results.

Joan Bottarini

Executive VP & CFO

Another question on UVC was how will the sale affect Hyatt's free cash flow?

The UVC earnings to Hyatt post transaction are primarily through the royalty and management fee contracts and represent virtually 100% free cash flow conversion. The management and royalty fees will be more predictable over the long term.

Another question we received is how would the segment realignment affects Hyatt's borrowing costs and financial leverage?

The segment realignment is not expected to have any impact on our borrowing cost or financial leverage. However, we believe our simpler reporting will help all stakeholders, including investors and rating agencies to better evaluate our business and our financial performance.

Adam Rohman

Senior Vice President of Investor Relations and FP&A

Great. We also had another question about how the segment realignment influences Hyatt's valuation?

We believe that the segment realignment makes it easier for all stakeholders to view each of our distinct business lines, our management franchising business, our owned and leased business and our distribution business. We feel the simplification of our reporting segments, our significant asset-light earnings and the elimination of net deferral, net finance contracts will lead to a better understanding of our business and its potential growth into the future.

We felt that the ALG segment is not properly valued based on the component pieces. And the ALG all-inclusive management franchise business was not separately valued consistent with the remaining components of our management franchising business. And now that we've allocated the components within our -- each of our reportable segments, we feel that visibility into these earnings components is much more transparent.

So that was the last question that we received in advance of our call -- in advance of the call. And we still have plenty of time remaining for live Q&A. So I'll turn it over to our operator, Julianne, for our first question.

Operator

[Operator Instructions] Our first question comes from Joseph Greff from JPMorgan.

Joseph Richard Greff

JPMorgan Chase & Co, Research Division

So I have in front of me your 8-K, and I'm looking right now for my first question, the statement of -- consolidated statements of income as recast. So on the PDF, it would be Page 1. I'm also next to it, I have your -- you have [indiscernible] by now, Adam, your Schedule A22.

So if I look at Schedule A22 and I'm looking at the gross fees of $985 million and then I look at your recast income statement, it's $970 million of gross fees, that $15 million of delta is just the shifting of Mr & Mrs Smith commission fees, correct?

Adam Rohman

Senior Vice President of Investor Relations and FP&A

Yes, that's correct.

Joseph Richard Greff

JPMorgan Chase & Co, Research Division

And then so the as-reported corresponding growth fees for 2023 of $1.028 million is intact in terms of looking at a fee base in which to grow from for 2024, correct?

Adam Rohman

Senior Vice President of Investor Relations and FP&A

Yes, that's correct.

Joseph Richard Greff

JPMorgan Chase & Co, Research Division

Okay. And then did you give much contemplation to doing a kind of pro forma as adjusted, so what corresponds to EBITDA of $1.106 billion and fees, gross fees of $1.028 billion as you have in your Schedule A22? That's sort of what would be the most helpful, right, for all of us to grow on an adjusted basis?

Adam Rohman

Senior Vice President of Investor Relations and FP&A

Yes. When we thought about it, we felt like the schedule on Page 6 of 8-K that we provided would be helpful to share UVC by quarter on a clean basis. The Schedule A22 that we filed with our Q4 results had a number of different pieces in it, including the recast of Mr & Mrs Smith, which is now reflected in the 8-K as well as the impact of Hyatt Regency Aruba sale that we announced during the fourth quarter call.

As we've traditionally done with asset sales, we have a schedule in our earnings release that highlights the impact of adjusted EBITDA losses to the segment when we either complete a transaction, either selling or buying. And we'll continue to provide that schedule. So we think putting those pieces together will provide a clear way to sort of show things on a pro forma basis.

Joseph Richard Greff

JPMorgan Chase & Co, Research Division

Just to make sure I'm understanding what you're saying versus hearing what I'd like you to say, so the A22 or the information contained on Schedule A22, I guess you'll have a continuation of the as-adjusted estimates? Meaning for example, since the quarter -- you guys reported fourth quarter results, there have been at least 2 transactions, so there will be a further adjustment in terms of having a kind current true 2023 base in which to grow from?

Adam Rohman

Senior Vice President of Investor Relations and FP&A

Yes. So what you're able to do is you'll be able to take the recast 2023 results. You'd be able to use Page 6 of the 8-K to remove UVC from those results. And then we have a schedule in our earnings release, as we've always had, that would have any impact of asset sales that we've completed over time. And then additionally, don't forget that you would need to add in the approximately $60 million of fees for UVC that's now coming through our management franchising segment.

Joseph Richard Greff

JPMorgan Chase & Co, Research Division

Well, that would be included in that $1.082 billion as-adjusted disclosure, correct?

Adam Rohman

Senior Vice President of Investor Relations and FP&A

In the -- are you referring to A22, the old Schedule A22?

Joseph Richard Greff

JPMorgan Chase & Co, Research Division

Yes.

Adam Rohman

Senior Vice President of Investor Relations and FP&A

Yes, it would be -- if you look at the footnotes there, it's not the $60 million that we've disclosed for 2024. It would have been our estimate of what 2023 would have been.

Joseph Richard Greff

JPMorgan Chase & Co, Research Division

Right, right, right. Okay. And then like another modeling question. Obviously, if we look at base management fees going forward or what you have here is -- and recast, that contemplates base management fees from non-all-inclusive managed hotels and then the all-inclusive managed hotels. And that's going to be lumped together, which is fine, not complaining about that.

When we look at base management fees' economics for the total of managed fee -- total of the managed hotels, inclusive -- the all-inclusive is the base management fee economics or percentage of total revenue's the same as what it is for non-all-inclusive?

Adam Rohman

Senior Vice President of Investor Relations and FP&A

That's a good question. I don't know if...

Joseph Richard Greff

JPMorgan Chase & Co, Research Division

Maybe to help you with that, I mean, obviously, we're going to reverse engineer what worldwide -- what total revenues are, hotel and other, going forward based on what you're reporting as base. And we're going to obviously model both sets of managed hotels, nonall-inclusive and all-inclusive. So it would be helpful to know it could be sort of just a general way of thinking about it in terms of what the economics -- what that percentage to total revenues are? And if you don't know that, if you can get back to us, that would be great.

Joan Bottarini

Executive VP & CFO

So Joe, are you asking for a breakdown of net package RevPAR relative to RevPAR and...

Joseph Richard Greff

JPMorgan Chase & Co, Research Division

Well, no, basically base fees that you'll report is going to be base management fees is what you're going to report is going to be al lmanaged hotels, which now include all-inclusive, which is sort of new versus before, right? I mean we knew what total fees were for all-inclusive.

But for now what's included in your recast based management fees, I don't -- at this point, I don't really need what it is for all-inclusive. And it's going to be a function of the net package RevPAR in terms of base, but what's the total enterprise economics are.

Am I explaining myself well or am I not really?

Adam Rohman

Senior Vice President of Investor Relations and FP&A

Yes. Maybe we can take it -- maybe we can discuss it separately next week after we report or maybe we can just chat before that if needed. I'm not quite following.

Joseph Richard Greff

JPMorgan Chase & Co, Research Division

Okay.

Adam Rohman

Senior Vice President of Investor Relations and FP&A

But I know one question that we've had about -- that we have had over the last couple of days is we do report net package RevPAR. We are -- we've disclosed it by geography, but we haven't included the rooms. And so getting to like an overall rooms number that you could then sort of gross up can't be done. And we are going to look at making an adjusted to the inventory table that we've previously provided...

Joseph Richard Greff

JPMorgan Chase & Co, Research Division

Yes, that leads into my next question. I think if you look at your room count, if you can resegment and have sub totals of total owned and leased and then break out managed and franchise separately between all-inclusive and non-all-inclusive, it would just be a hell of a lot easier as opposed to...

Adam Rohman

Senior Vice President of Investor Relations and FP&A

Yes.

Joseph Richard Greff

JPMorgan Chase & Co, Research Division

Which I kind of think you have this more, at least...

Adam Rohman

Senior Vice President of Investor Relations and FP&A

Yes. Yes, we've got that, and we'll also -- we're also planning to provide the inventory table for Q1, Q2 and Q3 of 2023 as well and under the new presentation so that you can use that along...

Joseph Richard Greff

JPMorgan Chase & Co, Research Division

Yes. But -- okay, before we make a hard and fast decision on that changing those, I would have a sub total and break out all-inclusive within that for managed and franchised, right, because we're going to be modeling managed and franchised rooms for both segments, non-all-inclusive and all-inclusive, right, based on these new disclosures. So that would be helpful to us.

Adam Rohman

Senior Vice President of Investor Relations and FP&A

Yes. No, that's good. That's good feedback. We appreciate that.

Operator

Our next question comes from Michael Bellisario from Baird.

Michael Joseph Bellisario

Robert W. Baird & Co. Incorporated, Research Division

I guess just a follow-up there on the rooms. If you're going to give us the breakdown of rooms by brand, you don't need to give us inclusive and all-inclusive, right, because we can just add up the brands that are the all-inclusive brands, correct?

Adam Rohman

Senior Vice President of Investor Relations and FP&A

Yes. We've had a question about because we would provide a geographic breakdown between Americas and European all-inclusive results that it would be helpful to have those room counts as well. So that was one of the adjustments that we were planning to make just to help -- you're right, you could take all the brands, counts, times, global net package RevPAR and get to a global number. But if you're interested in looking at it between the Americas and [indiscernible] or Europe, you would be able to do that right now without the room accounts.

Michael Joseph Bellisario

Robert W. Baird & Co. Incorporated, Research Division

Right. Right. Understood. Next question just on Page 6. When you look at the EBITDA going up $55 million, the quarterly numbers that are 11, 14, 12 and 18, is that effectively the incremental UVC then -- sorry, the UVC fee coming from the joint venture? Or are there other G&A adjustments in there trying to understand the quarterly calculation so we can figure out sort of go-forward ratios for the fee component there?

Adam Rohman

Senior Vice President of Investor Relations and FP&A

Yes. So Mike, that is just the -- essentially what you're seeing on the adjusted EBITDA line is the total EBITDA, what would have been the total EBITDA losses by quarter for UVC as we previously reported it. So it doesn't include any fees on a go-forward basis. It's just simply showing you that the -- if you take the net change in revenues and direct cost plus the G&A that we previously had, you would pick up $11 million in Q1, $14 million in Q2, et cetera, just for adjusted EBITDA.

You would then need to take into account the incremental fees associated with UVC for 2024, which are part of the gross fee guidance or outlook that we provided on our last earnings call.

Michael Joseph Bellisario

Robert W. Baird & Co. Incorporated, Research Division

Got it. Understood. And then relative to the $60 million in 2024, what would the sort of pro forma have been in 2023 for that same fee structure?

Adam Rohman

Senior Vice President of Investor Relations and FP&A

It's approximately $54 million. It was in the -- it was in one of the footnotes of Schedule A22 in our last earnings release.

Michael Joseph Bellisario

Robert W. Baird & Co. Incorporated, Research Division

Right. But wasn't that footnote only through February though and not including January?

Adam Rohman

Senior Vice President of Investor Relations and FP&A

That's correct. Are you asking what would have been on a full year basis?

Michael Joseph Bellisario

Robert W. Baird & Co. Incorporated, Research Division

Yes. Full year.

Adam Rohman

Senior Vice President of Investor Relations and FP&A

We don't know off the top of our -- I don't know off the top of my head. It's not something we've disclosed. But the $60 million that we have noted for 2024 is as of the February 14 transaction. So it wouldn't include January either.

Michael Joseph Bellisario

Robert W. Baird & Co. Incorporated, Research Division

Okay. Got it. And then just my last question just on integration fees, the $16 million. If I'm reading the Qs and Ks correctly, there $8 million of costs for Dream, 4 for Mr & Mrs Smith. Do those 8 for Dream show up in managed and franchise segment now, the 4 for Mr & Mrs Smith in distribution? And then what and where are the remaining 4? And then lastly, for your 2024 guidance, were there any integration costs included in the SG&A guide there? And that's all for me.

Adam Rohman

Senior Vice President of Investor Relations and FP&A

So the integration costs are not allocated into the different segments. They'll all sit and will continue to sit within our overhead expenses. And the G&A guidance that we provided on our last call does not include any integration expenses. That's a clean G&A number. So we can take that away as something to consider for next week's call to provide an update for '24.

Operator

[Operator Instructions] Our next question comes from Stephen Grambling from Morgan Stanley.

Stephen White Grambling

Morgan Stanley, Research Division

Just maybe a quick one. But when we look at the license fee or the royalty rate that you're getting from the UVC business going forward, I think you maybe mentioned this on the last call, but what is that based on? Is that based on gross revenue? Is there any minimums that are embedded within the agreement?

Joan Bottarini

Executive VP & CFO

Stephen, it's based on a revenue definition from the activity base of the contract sales from the JV.

Stephen White Grambling

Morgan Stanley, Research Division

Right. And so that would match up roughly with -- go ahead.

Joan Bottarini

Executive VP & CFO

I was just going to say as we reported multiple times, that revenue base is highly correlated to our net rooms growth. And so as you think about that into the future, our expansion of the all-inclusive rooms inventory is highly correlated. We actually shared this at our Investor Day, highly correlated that the contract sales and the revenue associated with that have concentrated net rooms growth in the all-inclusive segment in the Americas.

Stephen White Grambling

Morgan Stanley, Research Division

Got it. And that would be on a -- effectively, the gross -- yes, that is. And I think that's -- you had previously kind of disclosed all deferrals and things like that, and we can get to an equivalent of gross revenues from the UVC segment. I guess on the other end of the spectrum, is there any minimums that need to be achieved within the contract in any given year that they will be paying you?

Joan Bottarini

Executive VP & CFO

We're not going to get into the contractual structure, but it is based on revenues from, let's say, from contracts sale -- for the first contract sale in the period.

Stephen White Grambling

Morgan Stanley, Research Division

Got it. Yes. The impetus for the question is that when we're comparing you to the 2 peers, I guess, they do have license fees for timeshare. I realize it's not exactly timeshare, but there are nuances in terms of minimums and those relationships. So that's all we're trying to get at.

Joan Bottarini

Executive VP & CFO

Yes. No structural aspects of the contracts that we would point out that have any material impact on the fee growth. It's a variable fee based on the contracted revenue.

Adam Rohman

Senior Vice President of Investor Relations and FP&A

Okay. So I think that's the last question that we have in the queue. And so I'll go ahead and turn it over to Joan for some closing remarks.

Joan Bottarini

Executive VP & CFO

Yes, I'd just like to take a minute to thank everyone again for joining us for this morning call. We know our segment realignment required more time for each of you to adjust your models of Hyatt's financial results and future model projections. And we appreciate you spending the time with us today.

And we'd be happy to spend additional one-on-one time after we release first quarter next week to answer any additional questions.

And we look forward to speaking with you again next Thursday during our first quarter earnings call. And I appreciate your interest in Hyatt. Have a good day.

Operator

This concludes today's conference call. Thank you for participating, and have a wonderful day. You may all disconnect.