Hilton’s Two Spin-Offs Are Finally Complete

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As of January 4, Hilton Worldwide as we previously knew it no longer exists. Instead, Hilton Worldwide Holdings has officially completed the spin-offs of Park Hotels & Resorts, a lodging real estate investment trust (REIT), and Hilton Grand Vacations Inc. (HGV), its timeshare business. All three entities are now independent, publicly traded companies.

Park and HGV began trading on the New York Stock Exchange today, and Hilton also initiated a one-for-three reverse stock split, and will continue trading under the ticker symbol HLT.

McLean, Virginia-based Hilton Worldwide, the hotel management company which currently has 13 brands, will retain its executive leadership with president and CEO Christopher J. Nassetta, EVP and CFO Kevin J. Jacobs, and SVP and chief accounting officer Michael W. Duffy.

Park, which is also headquartered in McLean, will be led by chairman, president and CEO Thomas J. Baltimore, Jr., the former head of RLJ Lodging Trust. The new Park REIT encompasses 67 hotel properties with more than 35,000 rooms worldwide.

HGV, which is headquartered in Orlando, is led by president and CEO Mark Wang, and manages a total of 46 resorts for which it markets and sells vacation ownership intervals.

In a statement, Hilton CEO Nassetta said, “The new Hilton is a fee-based, capital efficient, and resilient business with tremendous growth potential around the world. We believe this will result in opportunities for our team members and meaningful returns for our hotel owners and shareholders.”

During a Hilton Investor Day in December, Nassetta said the push for the spin-offs was primarily motivated by a desire to create value for shareholders.

He said, “We want to have each of these businesses be able to have dedicated shareholder bases. They’re very different businesses and everybody in this room, some of you may like all of them, but people want to have the opportunity to self-select … And last but not least is really to create capital market efficiency and tax efficiency opportunities. And as a consequence of how we’re doing it with the tax-free spin and the REIT conversion with the Park assets, we’re creating a tremendous amount of efficiency in that regard.”

Spin offs of this nature are becoming standard operating procedure for some of the largest hotel companies. Hilton’s competitor, Marriott, for example, has already completed spin offs of its hotel business, REIT business and timeshare business years ago.

Looking Ahead

By the end of the first quarter, Hilton’s current majority stakeholder, Blackstone, hopes to complete the sale of the majority of its shares in Hilton to HNA Group, the same company which recently purchased Carlson Hotels. HNA will soon acquire 25 percent of the company for a total of $6.5 billion.

As Hilton continues on its asset-light strategy, it also hopes its new partnership with HNA will give the company a distinct advantage over the competition as it pursues growth in China, in particular.

“The HNA deal I think is just the next step in our China journey,” Nassetta said during Hilton’s Investor Day. “Here is an organization that had vast assets around the world in the travel and tourism space, but particularly some really important assets in China. They are faring 200 million passengers a year on their airlines. They have tens of millions of loyalty members. They have the number two online travel agent, the number one tour operator business in all of China. And so the idea is to connect all of our assets together."