Call Participants

EXECUTIVES

Christopher J. Nassetta
President, CEO & Director

Jill Chapman
Senior VP and Head of Development Operations & Investor Relations

Kevin J. Jacobs
Executive VP & Chief Financial Officer

ANALYSTS

Brandt Montour
Barclays Bank PLC, Research Division

David Katz
Jefferies LLC, Research Division

Duane Pfennigwerth
Evercore ISI Institutional Equities, Research Division

Elizabeth Dove
Goldman Sachs Group, Inc., Research Division

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

Robin Farley
UBS Investment Bank, Research Division

Shaun Kelley
BofA Securities, Research Division

Smedes Rose
Citigroup Inc., Research Division

Stephen Grambling
Morgan Stanley, Research Division

Steven Pizzella
Deutche Bank, Research Division

Presentation

Operator

Good morning, and welcome to the Hilton Second Quarter 2025 Earnings Conference Call. [Operator Instructions]

This event is being recorded.

I would now like to turn the conference over to Jill Chapman, Senior Vice President, Head of Development Operations and Investor Relations. You may begin.

Jill Chapman
Senior VP and Head of Development Operations & Investor Relations

Thank you, Michael. Welcome to Hilton's Second Quarter 2025 Earnings Call. Before we begin, we would like to remind you that our discussions this morning will include forward-looking statements. Actual results could differ materially from those indicated in the forward-looking statements, and forward-looking statements made today speak only to our expectations as of today. We undertake no obligation to update or revise these statements. For a discussion of some of the factors that could cause actual results to differ, please see the Risk Factors section of our most recently filed Form 10-K.

In addition, we will refer to certain non-GAAP financial measures on this call. You can find reconciliations of non-GAAP to GAAP financial measures discussed in today's call in our earnings press release and on our website at ir.hilton.com. This morning, Chris Nassetta, our President and Chief Executive Officer, will provide an overview of the current operating environment and the company's outlook. Kevin Jacobs, our Executive Vice President and Chief Financial Officer, will then review our second quarter results and discuss expectations for the year. Following their remarks, we'll be happy to take your questions.

With that, I'm pleased to turn the call over to Chris.

Christopher J. Nassetta
President, CEO & Director

Thank you, Jill. Good morning, everyone, and thanks for joining us today. Our second quarter results continue to reinforce the power of our business model and the benefits of strong net unit growth, which drove great bottom line performance. Adjusted EBITDA for the quarter exceeded $1 billion, meaningfully beating expectations even with modestly negative system-wide RevPAR. Adjusted EPS also exceeded our expectations. Our strong portfolio of brands, powerful commercial engines and disciplined execution continued to drive meaningful free cash flow. YTD we have returned $1.7bn to shareholders in the form of buybacks and dividends and remain on track to return approximately $3.3 billion for the full year.

Turning to results. The quarter turned out to be a bit noisier than expected, driving RevPAR down 50 basis points year-on-year. Performance was driven by continued strength in the Middle East and Africa region and Asia Pacific ex China but offset by softer trends in the U.S. and China. Adjusting for holidays and calendar shifts, system-wide RevPAR would have been modestly positive. In the quarter, leisure transient RevPAR grew 1% as an elongated spring break window and easier year-over-year comparison supported leisure demand growth. Business transient RevPAR decreased 2%, driven by the elongated holiday schedule, government spending declines, weaker international inbound business and broader economic uncertainty.

While it's early in the third quarter, we have seen a pickup in nongovernment business demand. Group RevPAR was roughly flat with favorable trends in company meetings largely offset by soft convention business and social events. We did see positive momentum in lead volumes from corporates with month-over-month sequential growth throughout the quarter and '26 and '27 group position are up in the high single digits.

As we look ahead to the third quarter, we expect RevPAR to be flat to modestly down again with holidays and calendar shifts continuing to weigh on reported results. On an adjusted basis, we would expect modest RevPAR growth. For the full year, we continue to expect RevPAR growth of flat to up 2%, with improving trends in the fourth quarter, driven by modest increase in demand and easier year-over-year comparisons. As we think about our business over the intermediate term, I'm very optimistic. In our largest market, a more favorable regulatory environment, certainty in tax reform, expected settling down on global trade policy, continuation of very healthy corporate profits and significant investments across a multitude of industries, including AI, AI-related and core infrastructure investment should accelerate economic growth and unlock meaningful increases in travel demand.

This matched with very limited industry supply growth should drive stronger RevPAR growth over the next several years. Turning to development. During the quarter, we opened 221 hotels totaling more than 26,000 rooms, representing a 52% year-over-year increase excluding acquisitions and partnerships and achieved net unit growth of 7.5%. Our luxury and lifestyle portfolios continued their extraordinary expansion around the world. During the quarter, we celebrated the opening of our 1,000th property in the luxury and lifestyle categories.

We also announced our plans to welcome 3 new luxury and lifestyle hotels per week in 2025. None are more impressive and iconic than the Waldorf Astoria in New York, which reopened its doors just last week, marking the beginning of a new era for the spectacular hotel that has been a cornerstone of New York City culture since 1931. The greatest of them all as Conrad Hilton famously described the landmark property recaptures the hotel's original Granger once again setting the benchmark for luxury hospitality globally.

During the quarter, our conversion-friendly brands continued to gain traction with guests and owners, which helped fuel our growth in key international markets. LXR debuted in France with the opening of the Sax Paris, a landmark 18 Century building transformed into a refined gathering place in the heart of Paris. We welcomed our first Tapestry hotels in Northern Ireland and Turkey and Hawaii, while Curio debut in Vienna, Austria. We also opened our first all-inclusive Curio resort in the Dominican Republic. DoubleTree continued to be an important driver of conversion reaching 700 hotels worldwide and entering its 60th country during the second quarter.

Spark opened more than 40 hotels in the quarter, bringing its portfolio to more than 170 hotels across 6 countries with roughly 200 more hotels in the pipeline. Overall, conversion span 10 brands and accounted for over 1/3 of our openings in the quarter. We remain confident in our ability to continue driving strong conversions, thanks to the power of our existing brands, which have consistently delivered an industry-leading share of conversions in the U.S. and with the upcoming launches of exciting new conversion brands. In July, we also debuted the first hotel of our game-changing new extended stay brand, LivSmart Studios. Grounded in extensive research and a deep understanding of the evolving needs of long-stay travelers and hotel owners alike, LiveSmart Studio represents the latest chapter in our growth strategy and reinforces our commitment to offering a Hilton for every traveler and every stay occasion. In addition to strong opening, we signed 3,000 rooms in the quarter putting us on pace to deliver high single-digit growth in signings for the full year.

We also increased our development pipeline to more than 510,000 rooms growing both year-over-year and sequentially versus the first quarter with expansion in strategic markets and across chain scales. We announced plans for Waldorf Astoria to debut in key destinations, including Helsinki, Bali and New Delhi in the coming years, and we signed Nomad hotels in Singapore and Detroit, which will mark the brand's respective debuts in the Asia Pacific and Americas region. We signed our first Canopy hotels in Tokyo and Italy, our first tempo in Canada. And in July, we signed our first Tapestry in Saudi Arabia.

We also further expanded our focused service pipeline to meet the growing demand for affordable upscale accommodations. During the quarter, we announced that Hampton will soon debut in Thailand, Tru will enter Vietnam, and Spark will open its first hotels in Saudi Arabia and Puerto Rico. We also committed to key growth milestones in emerging economies, including expanding our portfolio in India tenfold and tripling our portfolio in Africa in the coming years. We continued growth in construction starts, with continued growth in construction starts, tremendous international opportunities and a strong conversion story, we feel very confident in our ability to drive net unit growth solidly within our 6% to 7% range for the full year.

As you all know, we have an incredible skill set of identifying white space and developing and launching new brands. As I mentioned last quarter, the team is working hard behind the scenes on several new brands in the lifestyle space, in addition to a couple of new concepts in the alternative accommodation space, a number of which are conversion friendly. We have done the research with our customers, and have already received tremendous feedback from our owners on these new brands, a couple of which will be launched by year-end.

Hilton Honors continues to perform extraordinarily well with more than 226 million members, up 16% year-over-year with membership now evenly split between the U.S. and international travelers, reflecting the strength of Hilton's global reach and a further testament to our success in delivering premium products and experiences for any state occasion anywhere in the world our guests want to travel.

Everything we do is underpinned by our award-winning culture and our incredible family of Hilton team members continue to differentiate our brands from the competition. In July, Brand Finance named Hilton has the most valuable hotel brand for the tenth consecutive year. Additionally, just last week, our Hampton, Home2 Suites and Tru brands were named best in category by J.D. Power for their respective segments in the U.S. During the quarter, we were also named the #1 best workplace in Switzerland, Austria, Netherlands, India and Vietnam, adding to the 660 Great Place to Work awards and more than 70 #1 wins around the world since 2016. Overall, we feel good about where we are and are very optimistic about the business. We have the best brands in the industry with more coming. The biggest development pipeline in our history and the economy in our largest market is set up for better growth, all of which should continue to drive strong performance.

Now I'm going to turn the call over to Kevin to talk a little bit more detail about the quarter and our expectations for the full year.

Kevin J. Jacobs
Executive VP & Chief Financial Officer

Thanks, Chris, and good morning, everyone. During the quarter, system-wide RevPAR decreased 50 basis points versus the prior year on a comparable and currency-neutral basis, driven by declines in occupancy and modest rate growth. Adjusted EBITDA was $1,008 million in the second quarter, up 10% year-over-year and meaningfully exceeding the high end of our guidance range. Outperformance was predominantly driven by timing of non-RevPAR items. Management franchise fees grew 8% year-over-year. For the quarter, diluted earnings per share adjusted for special items was $2.20.

Turning to our regional performance. Second quarter comparable U.S. RevPAR decreased 1.5%, and largely driven by pressure across business transient and group as declines in government spend and softer international inbound demand weighed on performance. For full year 2025, we expect U.S. RevPAR growth to be at the lower end of our system-wide RevPAR range. In the Americas outside the U.S., second quarter RevPAR increased 3.8% year-over-year. driven by strength in the luxury and lifestyle portfolio, particularly in resort locations. For full year 2025, we expect RevPAR growth to be in the mid-single digits. In Europe, RevPAR grew 2% year-over-year driven by growth in Continental Europe supported by strong group business. For full year 2025, we expect low single-digit RevPAR growth given continued weakness in the U.K. and Ireland. In the Middle East and Africa region, RevPAR increased 10.3% year-over-year, driven by record-breaking months of travel around key events and holidays, including EID, Hajj and Catholic and Orthodox Easter. For full year 2025, we expect RevPAR growth in the mid-single-digit range.

In the Asia Pacific region, second quarter RevPAR was up 0.3% year-over-year. RevPAR and APAC x China increased 5.2%, led by strong group trends in Japan and Korea. RevPAR in
China declined 3.4% in the quarter, largely driven by continued weakness in corporate travel demand, particularly in Tier 2 and Tier 3 cities and changes in government travel policies. For full year 2025, we expect RevPAR growth in Asia Pacific to be roughly flat, assuming modest RevPAR declines in China.

Turning to development. As Chris mentioned, for the quarter, we grew net units 7.5% and have more than 510,000 rooms in our pipeline, of which nearly half are under construction. Looking to the year ahead, we expect to deliver 6% to 7% net unit growth for the full year. Moving to our guidance. For the third quarter, we expect system-wide RevPAR growth to be flat to modestly down. We expect adjusted EBITDA of between $935 million and $955 million and diluted EPS adjusted for special items to be between $1.98 and $2.04. For the full year, we expect RevPAR growth of 0% to 2%, adjusted EBITDA of between $3.65 billion and $3.71 billion and diluted EPS adjusted for special items of between $7.83 and $8. Please note that our guidance ranges do not incorporate future share repurchases.

Moving on to capital return. We paid a cash dividend of $0.15 per share during the second quarter for a total of $73 million in dividends for the year. Our Board also authorized a quarterly dividend of $0.15 per share in the third quarter. For the full year, we expect to return approximately $3.3 billion to shareholders in the form of buybacks and dividends. Further details on our second quarter results can be found in the earnings release we issued earlier this morning.
This completes our prepared remarks. We would now like to open the line for any questions you may have. [Operator Instructions].

Question and Answer

Operator

The first question comes from Sean Kelley with Bank of America.

Shaun Clisby Kelley
BofA Securities, Research Division

Chris, you mentioned in your prepared remarks a little bit about some green shoots you're seeing. I think that's consistent with what we've heard from some of the airlines and other travel providers, but hoping you could elaborate a little bit what you're seeing across maybe the 3 different segments, leisure, business and group? And then specifically, what's it going to take organically to get a little bit better in the 4Q, there is some concern in the fourth quarter about tougher comps just lapping some of the pent-up demand after the election last year.

Christopher J. Nassetta
President, CEO & Director

Yes. Good question, and I tried to cover some of it, Shaun, in prepared comments. So I'll try and do the first part of this briefly because some of it's redundant. I think if you sort of break it down the segments by quarter. What you saw in the second quarter, as I covered, was relative strength in leisure which you would expect. It was a little bit more than we thought simply because sort of the rolling nature of what went on between spring break and then the impact at the end of the quarter of fourth of July and the shift of fourth of July.

If you put those 2 things together, it's sort of not surprising that you would have seen strength in leisure and weakness on the other segments of the business, which is what we saw. It was probably a touch different than we expected. I mean, obviously, we said relatively flat, which means it could be a little up, a little down. It was a little down. So it was pretty much in line with what we thought with maybe a little bit more impact from the rolling holiday shift, but generally in line. As you get into the third quarter, the -- you have a similar sort of situation given Jewish holiday shifts and the like that are, I think, from a segment point of view, distort things again a little bit where you're going to probably see third quarter leisure be strongest in business transient and group being relatively weaker, which is not obviously up until the second quarter, what we've been seeing. I think when you get to the fourth quarter, that will reverse itself because you're going to get finally to a quarter that is a little bit more normalized.

The fourth quarter has a bit of a benefit from the Jewish holiday shift into the third quarter. But I think it's a little bit more normal quarter. And I think as a result, what you're going to see is pretty decent, we think, leisure growth, but comparable business transient growth and then group sort of leading the way, which is what more recently we have been seeing. That -- our view on the fourth quarter, which we spent a lot of time on. And I mentioned in my prepared comments is based on sort of a few reshoots that we're seeing, which I'll talk about, particularly in the group space as you look at the corporate group, you're starting to see uptick as you look out in the '26 and '27, you see really strong position.

What you've seen in group this year sort of post liberation Day was just like a lot of the segments, everybody got rattled and everything kind of froze up. As I said on the last call, it's a little bit of a wait-and-see additive. Will that affect all segments?

It even affect leisure -- affected leisure, but in second quarter, that was distorted by spring break and fourth of July. As you get into the fourth quarter, we're starting to see the early signs that, that is unfreezing. People are getting out of the wait and see. Certainly, as you look at '26 and '27, you're seeing it. The other thing that's going on in the fourth quarter is the comps are just easier. I mean if you think about last year, we had a lot going on. We had major strikes in many of our major markets around the country. that had a pretty significant impact.

And we had a U.S. Presidential election. Nobody will forget that. And that's not good for -- maybe good for Washington on occasion. But it's really broadly not good because people are a bit less around that. So again, we're in -- there's a lot of moving parts and so like last time, we're doing our -- as you know, a lot of people pulled guidance, we didn't we try to do our best. I think we were pretty darn close. I mean we said plus or minus flat, and I think we ended up there. I think we're -- we have the site lines into Q3. We feel good about that.

And for Q4, again, I gave you the underpinning of why we feel better. We feel pretty good about it. I mean there's a lot of moving parts. I think the green shoots, I talked about in prepared remarks, what we're seeing in booking behavior on the group side and what we're seeing very recently on the corporate business transient side, which is saying that the wait and see, that's showing, the freeze of April, May and to a degree, June we're starting to see a thaw, but it's really early, which is why my comments, and I know this is quite a filibuster I'm going here, and so there'll be no more questions probably. But I wanted to lift up because there's so much noise in the system right now politically and otherwise, and I'm not obviously going to get political, but if you really lift up and look at what's going on, I said in our largest market, the U.S., which is 75% of our business, you may like had, or like what's going on, but it is, I think, pretty hard to deny that over the next several years, we're not going to end up in a condition where we're going to have incremental economic growth. And a lot of that is going to be coming in the form, in my opinion, of the -- in the area that has the highest correlation to growth in room nights for hospitality, which is NRFI, nonresidential fixed investment.

So you have a regulatory environment that is and going to continue to be much easier, tax environment where you have certainty corporate profits that remain quite strong and resilient, huge amounts of investments still to come in the core infrastructure that got done in the last administration, very little of which has still been spent that is going to continue to be a gift that keeps giving. On top of that, investment that's going on in terms of AI and related areas, data centers, energy around it and the reshoring not of everything that our population consumes but some of the critical elements. Again, the chips bill, that's just getting rolling. And there are other critical elements from a national defense point of view, where we are going to reshore some of these things. And all of those things require over the next 2, 3, 4, probably next 5-plus years, but I think it's hard to look 5 years over the next 2 or 3 years, huge amounts of activity and investment. What we have found, again, a very high R-squared for on a slight lag on nonresidential fixed investment. My belief is you're going to start. I mean whether it's in the fourth quarter, I don't know. I gave you the reasons why we feel better about the fourth quarter. And we've been pretty good at forecasting. So I'd say we feel pretty good about that. But as I think about '26, '27, '28, I think lifting up above all this crazy noise I actually -- I am an optimist self-declared, but I think there are legitimate reasons to feel really, really good about demand.

And then at the same time, while we outperform from a from the same point of our growth and our development story, which I'm sure we'll get to. So I won't get into that on my current filibuster. Supply growth in the industry is at the lowest levels that we've really ever seen because all the noise in the system coming out of COVID meant there wasn't a lot of money available. And now all the noise in the system around what's been going on in the last 6 or 12 months between an election and tariff issues and tax uncertainty, these things are getting nailed down, but there's a lag effect. And so you're going to be in a super cycle, continued super cycle of very, very low over the next several years, increases in new supply. So again, we can talk about quarters. I know you have to -- I know our investors, many of them are, some care more than others. But my job, I think, is to like lift up above the noise and try and give you a sense of sort of the the real -- what I see the real -- the title shifts. And I think the title shifts are hard to see when you have this much noise, but I think if you lift up the title shifts feel awfully good to me.

Operator

And your next question comes from Stephen Grambling with Morgan Stanley.

Stephen White Grambling
Goldman Sachs Group, Inc., Research Division

Speaking of title shifts. You did mention that you're still expecting modest declines in China for RevPAR. Maybe pivoting to the development side, in that market? What development trends are you seeing there? And if we continue to see weakness in that market or other factors may be impacting development. Where do you see the biggest opportunities to backfill any pockets of weakness that could come up in that market, maybe looking around the world?

Christopher J. Nassetta
President, CEO & Director

Yes. That's a great question. We do expect modest declines. I mean when we started the year, we had -- as you know, I think we talked about it on a prior call or two, we expected to have a little bit of growth in China same-store. I think we went to flat last time. And I think with what's going on in China at the moment, which is an austerity campaign to sort of make sure that they can get the real estate sector righted they can put themselves in a good position for whatever trade deals they need to make. At the moment, that is rippling through in a way that it's not dramatically impacting the business. But on the margin, we expect to be a little bit down. Having said that, I would say, listen, I wouldn't -- like right now, and I've said this on many calls and not that I'm in the middle of it, but I think we are sort of as 2 countries to a degree, inexorably linked to 1 another. .

I think our Treasury Secretary said this morning on Bloomberg or I thought I saw somewhere like the idea isn't to decouple. It's just to have a different kind of agreement with one another. You can sort of see that we already have some of the trade deal done. I think you can see a path to a rational outcome with China from a U.S. China trade point of view, which I think then makes their dealings with the rest of the world, much, much easier. And so part of what's going on there, again, is austerity related to being braced for whatever might come. As those things sort of hopefully work themselves out, I think China is same-store business will pick up steam. China is a big population. We've talked about it 1,000 times.

They love to travel. They want to travel. It's just right now, they're sort of like clamping down on consumption in a bunch of different ways. I suspect that is a relatively short-lived experience. On the development side, we still see terrific activity Again, you have to sort of, again, lifting way up. I mean China will have ups and downs. By the way, the U.S. economy has ups and downs, recessions, like they're a big complicated economy, they're going to have they're going to have the same thing. But underneath it is that the capacity, meaning the number of hotel rooms per capita in China is like crazy lower than other large economies, including our economy, like a fraction of it. So they are undersupplied in what we do in other forms of real estate, some of the resi, some of the commercial retail, they may be oversupplied, certainly in certain markets. But in our business, they are broadly undersupplied. So you have people, large populations want to travel, eventually will travel.

They will also travel outside the United States or outside of China, which is a big deal. You have a very -- much more limited supply hotels in that market. And importantly, you have a real estate market, which has been part of their problem that needs to be reformatted. And we are becoming a really important part of the solution of taking, as we've talked about on prior calls, some of these got cities and buildings and turn them into active, productive uses.

And so the net impact of all that is in the development world, and Kevin add whatever he wants to add. I mean, we're going to see all our metrics up year-over-year. We're going to sign more deals. We're going to start more under construction. This year in China than we did last year. So we are continuing to be -- see quite favorable conditions. And eventually, I do believe the same store will come back and support it. And what we're hearing from owners in that market is the economics support it. And why would that be in a slower economy because it's undersupplied.

Operator

And your next question comes from Dan Politzer with JPMorgan.

Duane Thomas Pfennigwerth
Evercore ISI Institutional Equities, Research Division

I just wanted to follow up on net unit growth. It sounds like, Chris, you're kind of reinforcing that 6% to 7%, which is, I think the term used was solidly in that range. This has been an area...

Christopher J. Nassetta
President, CEO & Director

I did very intentionally. .

Duane Thomas Pfennigwerth
Evercore ISI Institutional Equities, Research Division

Yes, it seems emphatic. So I wanted to kind of go back to that. I guess what's driving the reinforced confidence there has there been a pivot in the conversations that you've had in the development community? Or is this more of a reflection of some of those brands coming online or just elevated conversions? If you can kind of [indiscernible]

Christopher J. Nassetta
President, CEO & Director

Yes. I think it's a little bit of everything. Obviously, we're continuing to have really good success on conversions with a bunch of great conversion brands. We're going to add at least a couple more conversion brands probably by the end of the year that we think are going to add to that. The brands continue to perform really, really well. So the feedback from the owner community is strong. Things are being sort of disrupted around the world is -- it is maybe bad for new construction, but it's actually quite good for conversion activities.

So we feel good about that. And I would say the increase -- we've been confident, I've been saying we will be in the 6% to 7% range, and I'm a little bit more emphatic because of that part of the story, but it's also starts. I mean our starts are going to be up 16%, 17% this year. And once they start, almost 100% of the time, they finish. And so we've seen those numbers even in a very challenging environment tick up. So that makes us feel really good. I mean we have the biggest pipeline in our history. Half of it is under construction. We continue to see more and more going under construction. The brands are performing well. And when we model it out, we feel like we're solidly in that zone and feel good about it.

Operator

And your next question comes from David Katz with Jefferies.

David Brian Katz
Jefferies LLC, Research Division

Look, what I wanted to really get at is there's some building momentum on the luxury side of things. And -- if you could just give us some general commentary about what that implies about the economic intensity and the long-term potential volatility in RevPAR that, that brings your system? I'd love just into perspective on that.

Christopher J. Nassetta
President, CEO & Director

Not sure I fully understand the question, but I'll answer what I think it is. David, and you can...

David Brian Katz
Jefferies LLC, Research Division

I think -- rephrase if you like.

Christopher J. Nassetta
President, CEO & Director

No, you can course correct me. Listen, we are super focused in luxury and lifestyle. Obviously, luxury is a relatively small smaller component. Lifestyle, we have a whole bunch of existing brands. We have a whole bunch of new brands. And the reason we're doing it luxury, while I've said many times, we're never going to that's not a bulk of the profitability of the company is ever going to come from.

It becomes an important part the whole halo effect of our broader network effect and Hilton Honors and loyalty and giving people the choices they want when they want those. And we feel super good about what we have going on in luxury. The SLH deal is working really, really well in terms of what the metrics that the owners are the benefit that the owners that SLH are getting and the benefit that our Hilton Honors members are getting that we anticipated our core luxury brands, particularly Waldorf, I talked about New York, by the way. If you haven't been in New York, go and see it, it's spectacular. I'm sure everybody that's in New York will eventually get through it, you'll be at some events there. But we're making tremendous progress with all our luxury brands, but particularly Waldorf, we have 36 open, 33 in the pipeline, we're going to open 6 Waldorf's this year in some of the most -- New York, I would say, probably the most important luxury hotel, not just for us, but probably for anybody in the world. So we're making really good progress. Our customers like it and we'll continue to grind and those are complicated.

And as I said, they're part of the help prime the pump of loyalty and other things, but I think they are never going to be a disproportionate piece of the puzzle in terms of bottom line profitability, but they're important and that's why we focus on it. Lifestyle is a little bit different. I mean lifestyle can a collection brand that's upscale micro urban brand like Motto all the way up to Nomad and luxury lifestyle and everything in between. And in the end, when you add it all up, lifestyle is a mega category, it can be thousands of hotels that we have found like everybody else that there are customers, particularly younger customers. that love our core products, and they stay in them, but they really want these sometimes for some of their needs in certain -- for certain trip occasions.

And so we've obviously been super focused on it. As I mentioned, we're going to have 2 or 3 more brands that I mentioned on the last call, sort of in the upscale, upscale plus areas of lifestyle that we think have real scalability opportunities. And what we're trying to do, not to -- again, I like to lift up is just build the most powerful network effect. I said when we went public and I say it to our teams all the time, the more that we can serve any customer for any need they have anywhere in the world they want to be, the more powerful the system is, the higher we can drive market share the more loyalty members we get, the lower distribution costs become and so it goes. And so lifestyle we hit 1,000 with luxury lifestyle. I think that the addressable market is into the many of thousands, not necessarily the luxury piece of it is for the reasons I described. But with the broad range of lifestyle at different price points. And so we're super focused on it, super excited about it and I think making terrific progress.

Operator

And your next question comes from Steve Pizzella with Deutsche Bank.

Steve Pizzella

Just wanted to try and expand on conversions a little more if we can. Can you talk about what you're seeing in the current environment, both domestically and internationally? How much key money is being used in addition, what do you view as the addressable market for conversions, including some of the more bulkier 500 to 1,000-plus unit deals?

Kevin J. Jacobs
Executive VP & Chief Financial Officer

Yes. I think it's a good question, Steve. I'll just give you some of the -- just some of the conversion stats. 33% of our deals in the quarter were conversions. That's up 50%. We expect it's going to be 40% for the year. That addressable market, there's -- look, if you think about parts of the world like Europe in particular, where there's a lot more unbranded hotels, than there are branded hotels and then you think about we take. I think at the end of the day, you have to come back to we take share. I mean, Chris implied this in his early answer, but how do you have confidence in 6 to 7? How do you have confidence that you can fill in conversions when the new construction environment is a little bit slower? Well, part of it is that you fish where the fish are, right? Developers want to do deals. And when new construction gets a little bit harder, by the way, our new construction is fine. And our brands are more financeable than our competitors' brands. And so we take share in new construction. So that's a good story. I don't want to discount that.

But then you talk about brands that are perform less well, particularly in a softer demand environment where people are seeking better performance and better RevPAR index driven by our network effect the addressable market, I mean, we could do the math is huge, right, because you have all the independent hotels and then you have all the hotels where you have an existing brand where either the contracts coming due who are the contracts coming due and it can perform better, right? And so we have a lot of confidence in our conversion strategy. Bigger hotels, you're starting to see, you'll see a couple between now and the end of the year that we can't talk about yet, where there are larger hotels, right, 700, 800 room hotels that are independent and sort of in this environment don't want to go it alone. So we're coming in and converting to our brands. So it's sort of all of the above, and we really believe that the strength of our brands gives us a leg up in conversions. And then key money, I'd say not really that much -- that -- it really hasn't changed all that much. It is a slightly more competitive environment. We have been very disciplined, right? We still have -- of our rooms under construction, we only use key money on 8% of the deals. And so that's sort of consistent with long-term trends even in an environment where our competitors are using a little bit more to try to claw back some of the share that we're taking from them. And so it's not -- in the higher end, when you get into luxury and conversions of larger hotels, it does get competitive because you just have more brands chasing it. But I think overall, our ranges of use in terms of dollars and percentage of deals is going to remain very consistent.

Operator

Your next question comes from Robin Farley with UBS.

Robin Margaret Farley
UBS Investment Bank, Research Division

I'm trying to figure out which are my 2 questions please for my one. I guess I'll go with that. Kevin, I'm going to try and stick to it. Kevin, you had meant the timing of non-RevPAR fees. I wonder if you could just give a little bit of color around -- I don't know if that sounds like something pulled forward that you thought maybe would have come in the second half of the year, that kind of thing? Or just kind of quantify that a little? And also, I assume that your guidance probably had included the idea that you would have had a couple of resorts that were owned by Playa that you would get termination fees from. Was that in your guidance? Did that -- was that in Q2? Or is that more fall in Q3? So just some color around that piece.

Kevin J. Jacobs
Executive VP & Chief Financial Officer

Yes. That's all fair. I'll take the second half first, because the second part first because it's easier. Yes, we -- there were some termination fees that some of which has been highly publicized because it was part of a public transaction, that was timing from third -- we expected in the third quarter, came in the second quarter. It was all built into our guidance. The reason we said predominantly timing is it was almost all built into our guidance, right? You had a little bit of movement here and there on FX and a couple of other things on RevPAR. But largely, it was timing of you get termination fees some of the other ancillary lines of business that are non-RevPAR driven and a little bit of corporate expense that we view as almost entirely timing, and that's why you saw us keep our guidance consistent for the year. .

Robin Margaret Farley
UBS Investment Bank, Research Division

Okay. Great. And I don't know if you can break out like the dollar amount that sort of shifted maybe into Q2 from Q3, and then I'll hop back in line from [indiscernible]

Kevin J. Jacobs
Executive VP & Chief Financial Officer

No, I'm just going to keep it to what I said, Robin, which is largely timing.

Operator

And your next question comes from Brandt Montour with Barclays. .

Brandt Antoine Montour
Barclays Bank PLC, Research Division

So I just wanted to drill in on Spark. The prepared commentary is pretty clear, right? You have 170 open, 200 in the pipeline. I think there's a concern floating around out there that the first sort of wave of Spark are lower hanging fruit. And then the next wave would sort of take a little bit longer to get done and perhaps contribute less to net unit growth over sort of maybe the same period of time. Is there any sort of -- is there any truth to that? And if so, maybe you can just help us understand which conversion brands are going to -- would make up for that.

Christopher J. Nassetta
President, CEO & Director

Yes. Well, the second part first, there's -- all our other conversion brands are performing well. And as I mentioned, we're going to have a couple more by the end of the year that we think will add meaningfully to growth. But that doesn't take anything away from Spark. I don't know what the noise out there is probably most likely coming from our competitors, and I'll leave it at that. But Spark's doing great. We -- as I said, we have 170 open, 200 in the pipeline. My goal is by the end of next year to have 400 of those plus open, I think we will 400 because I think we can generally prove sort of semi scientifically that when you get a system size, if it's distributed, the right way, particularly here, it's largely starting out of the U.S., it starts to take on a life of its own. The key to being able to get there and keep the momentum is obviously performance always and market share. Spark is now the highest if you look at our comparable hotels, which now is gone from a very small set of hotels to a growing and decent size set. It's the highest market share brand that we have.

So it is performing exceptionally well. I've also heard noise out from others in the market that Spark is not all it's cracked up to be performance-wise. That's a bunch of hooey. It's literally the highest market share brand, and we have some very high market share brands. So I feel very good about that. And as I mentioned in the prepared comments, we got a -- it's a big world out there, right? So we've got India that we've done deal. We've got -- we mentioned Saudi Arabia. We mentioned Puerto Rico, Europe is just getting cranked up. They're Latin America, we're just getting cranked up. So No, I'm not -- I believe we are on course to deliver spec continue to deliver a spectacular brand that will continue adding to our growth through conversions by driving extraordinary performance for those owners that sign up with us. Again, I'll go back to reinforce. That doesn't mean it's the only engine of growth. I think we have a bunch of others that continue to add significantly, DoubleTree's obviously a huge contributor as well as Tapestry, Curio and we are, as I mentioned last time, in the putting the finishing touches on another collection brand in lifestyle that is sort of in the Tapestry zone, but just for more unique assets. And we think the addressable market there is very, very large, and we already honestly are out talking to owners and putting deals together and we'll talk more about it when we have a name and a little bit more substance. But that gives you a sense of how excited ownership community is that we don't even have a name.

We have the concept and and they're willing to sign up. So it's a multifaceted approach. It's not in any way overdependent on Spark, but Spark is doing great, and we'll will continue to be a great contributor for many, many, many years to come.

Operator

And your next question comes from Lizzie Dove with Goldman Sachs.

Elizabeth Dove
Goldman Sachs Group, Inc., Research Division

I guess also last year, you did a couple of partnerships like with SLA and some inorganic things with Nomad and graduate. I'm curious what your appetite is today and on the go forward into doing more of these and whether that kind of 6% to 7% unit growth that you're kind of talking about, if that's organic or if it includes any kind of other partnerships or small deals that you might do?

Christopher J. Nassetta
President, CEO & Director

No. I think the way you should think about that is it's organic. And that -- like we're very happy with all 3 of those. Now I view SLH as organic, although the bulk of that came into the system last year. There'll be a little bit that comes in this year. with Nomad and Graduate, we're super excited about how those are going. We even have some things to continue to offshoots in the Graduate world and all the accommodations and other approaches to being able to monetize our core business, that acquisition. And so we're super excited about the -- how those are going and the returns that we'll get on them.

But you listen for -- I've been here 18 years and other than those 2 things really with SLH being a partnership, Nomad and graduate. We've not acquired anything. So it's not to say this, and I'm required to never say never we could. But that's not what our focus is. Our focus was is why I put it in my comments, is on getting back to brand building the way we do it. Where we see legitimate white spaces that are opportunities to continue to build our network effect and add to our growth. So the entire organizational focus is there. We're not out sort of bounty hunting to do acquisitions. So the way you should think about the 6% to 7% is that, that does not imply we're going to go out and buy anything. That implies our existing and new brands are going to deliver that kind of growth.

Operator

And your next question comes from Michael Bellisario with Baird.

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

I just wanted to go back to fundamentals and your positive momentum comment. But are you seeing group leads actually convert to more signed contracts? Or is there still a gap there? And then similarly on BT. Are you seeing any momentum recently in terms of a pickup in demand or bookings?

Christopher J. Nassetta
President, CEO & Director

I sort of said it's a really good question, Michael. And I tried to address it in various comments I've made and I'll say it again. Yes, we are, but very early days. I mean we're coming out of this very noisy period. And I think there's sort of a recovery, we're in a recovery zone where things have definitely stabilized. You can go look at what all the airlines said and you can sort of get that same thing. Things have sort of stabilized. And if you look at very recent data trends, I think you could start to say what I said earlier that the great -- you're going from the great wait and see to the great thaw happening, but it's early. It is really early, which, again, not to be a Pollyanna. That's why I said like it's happening. I mean, these things are happening I think it's undeniable, sort of the bigger picture, the title movements that are going on, exactly what month you start to see it light up or the after merger, so to speak, to go on it.

It's really -- that's very hard to judge. But I -- but we are seeing the far occur. It's clearly been stable, and now you're starting to see pockets and segments where people are booking. And that's why I gave the booking data for group in '26 and '27 because people have the confidence to say, "All right, I don't know what's going on right now, but I got a plan in advance, and they are booking to a point where we have high single-digit group position into '26 and '27. I think that's a super strong leading indicator of the psychology out there. But we're early in this reporting season, we're early in the third quarter, and we still have all this noise in the third quarter. I think it takes to the fourth quarter to get past some of the calendar shifts and holiday shifts.

Operator

And your next question comes from Smedes Rose with Citi.

Smedes Rose
Citigroup Inc., Research Division

I just wanted to ask you if you provide any kind of updated thoughts on your presence in the all-inclusive space noted a handful of properties were transitioned out due to M&A, is that still a big kind of focal area for your leisure guests? Are you kind of more focused on getting kind of near-term conversion opportunities there? Just kind of how do you think about, I guess, maybe backfilling some of those rooms.

Christopher J. Nassetta
President, CEO & Director

Yes. We feel -- listen, we've been focused in the AI space as as everybody else. I think it's a good growth business. I don't -- it's obviously only applicable and limited market. So it's not the biggest growth opportunity that we see in the world, but it's an important one, which is why we focused on it.

The play, I think obviously worked out in a way that everybody knows, which set up reduced size by rooms of the portfolio that we open some other things. So we're not really particularly far off were 5,000 or 6,000 rooms that we have open if you look at the pipeline and other things that we have sort of under discussion, a similar level of active discussions. And we have found, again, for certain markets, it's a good outlet for redemptions for some of our most loyal honors members.

So we will -- much like we've done in luxury and other areas, we will continue we will continue to move forward and continue to grow there. And we feel great about our performance and great about the growth opportunities we just opened in the Dominican Republic last week, a beautiful big new Curio. We have a bunch of others of those coming. So again, it's important, it's not relative to a big global business. It's a it's a relatively small part of our business. And I think when we wake up in 5 or 10 years, it will be a lot bigger than it is today, but it's not going to be a super large percentage of the overall business.

Kevin J. Jacobs
Executive VP & Chief Financial Officer

Yes. And I think, Smedes, we'll do both newbuilds and conversions. I mean, Chris referenced the Curio and the Dominican, that's a new build, but we also converted a Hilton on the beach in the hotel zone in Cancun there was a big conversion. And so we'll do both. And I think, as Chris said, that space is important to us and important to our network effect, but you're also getting some pretty good concentration out there in that space, which should yield some conversion opportunities over time. .

Operator

Ladies and gentlemen, this concludes our question-and-answer session. I would now like to turn the call back to Chris Nassetta for any additional or closing remarks. .

Christopher J. Nassetta
President, CEO & Director

Thanks, everybody. As always, we appreciate you spending an hour of your life with us to talk about it. As you can see in the dialogue today, obviously, coming out of liberation day and other things, there's been a decent amount of noise in the system. But I and we are very optimistic. I mean even in the middle of all that noise, we were able to give guidance sort of plus or minus media or beat it. even with declining modestly declining RevPAR is able to sort of deliver great bottom line results. I think it's a testament to the strength and resiliency of our model. Development side, we're hitting on all cylinders. We are feeling incrementally better on the development, not worse, about delivering what we've said we're going to deliver in the 6% to 7% range. The biggest pipeline, great brand performance, more brands coming.

And I do believe that we have a reasonably very good setup coming from a fundamentals point of view in our largest market here in the U.S. over the next 2 or 3 years. So notwithstanding a lot of noise, we feel very good about where we are. We will look forward to catching up with you after our third quarter. and give you a little bit more insight as to what we see at that time. Thanks again, and enjoy the rest of the summer.

Operator
Thank you for attending today's presentation. This now concludes our 2025 second quarter investor conference call. You may now disconnect.