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Introduction

This report is written from the position of the Chief Financial Officer of Hilton Worldwide Holdings Inc., one of the big hotel companies in the world, whose shares trade on the New York Stock Exchange as HLT. At the end of 2025 the group had just over 9,000 hotels and around 1.3 million rooms across 143 countries, operating 26 brands including Hampton by Hilton and Waldorf Astoria (Hilton, 2026a). All figures come from its published annual reports and earnings releases.

The Board has asked for four things which include a check on financial health over the past five years, a review of working capital, a plan for restructuring and an appraisal of three investment projects. Each is dealt with and the report closes with a reflection on the use of artificial intelligence.

The five years chosen are 2021 to 2025. They begin just after the worst of the pandemic and end with the company trading normally again, so they show both the damage and the repair. They also show a quieter story that is easy to sometimes overlook Hilton used to own a great many hotels, but today it mostly sells the right to use its brands and booking system to others, and that single change explains almost every unusual number on its balance sheet.

1. Financial Health Check

1.1 The business model behind the numbers

It is worth looking how Hilton earns its money, because the business model changes what a healthy ratio should look like (Gitman and Zutter, 2019). Hilton operates what the industry calls an asset-light model. Of the 9,044 hotels in its system at the end of 2025, only 46 were owned or leased, while 873 were managed for other owners and 8,125 were franchised (Hilton, 2026a). Somebody else pays for the building and Hilton provides the brand, the loyalty programme and the reservation system for a fee, which costs very little to supply to one more hotel.

One further point is needed before the income statement makes sense. A large part of reported revenue is not really Hilton's own money. When it manages a hotel for an owner it pays the wages and marketing bills and invoices the owner for the same amount. In 2025 these cost reimbursements came to \$7,085 million of revenue and

\$7,550 million of expense (Hilton, 2026a), so of total revenue of \$12,039 million only about \$4,954 million was money the company kept.

1.2 What the financial statements show

Revenue rose every year from \$5,788 million in 2021 to \$8,773 million, \$10,235 million, \$11,174 million and finally \$12,039 million in 2025 (StockAnalysis, 2026). That is growth of 108 per cent, although much of it is simply travel returning to normal rather than a new achievement by management.

The more revealing story is the slowdown. Growth was 16.7 per cent in 2023, then 9.2 per cent, then only 7.7 per cent. System-wide revenue per available room, the measure the industry relies on most, grew by just 0.4 per cent across 2025 (Hilton, 2026a). Growth now comes from opening hotels rather than charging guests more, and Hilton added 97,000 rooms during the year, lifting its room count by 6.7 per cent.

Operating profit went from \$1,010 million to \$2,693 million and net income attributable to shareholders from \$410 million to \$1,457 million. Net income did dip slightly in 2025 from \$1,535 million, which looks worrying until looked at closer the 2024 result was flattered by a one-off tax benefit that cut the effective rate to 13.7 per cent, whereas in 2025 it returned to a normal 29.5 per cent (StockAnalysis, 2026). Adjusted earnings per share rose from \$7.12 to \$8.11 (Hilton, 2026a).

1.3 Profitability ratios

The full workings are in Appendix 1 and the trend is graphed in Appendix 3. The operating profit margin improved from 17.4 per cent in 2021 to 22.4 per cent in 2025 and the net profit margin from 7.1 per cent to 12.1 per cent, both of which would look stronger still if the cost reimbursements were removed from revenue.

The most impressive measure is return on capital employed, which compares operating profit against the long-term money invested. It improved every single year, from 8.1 per cent to 17.2, 19.1, 20.0 and finally 22.0 per cent, which is what a franchising business should produce because each new hotel brings fee income without needing extra capital. Return on assets followed the same path, rising from 2.7 per cent to 8.7 per cent. Return on equity would normally sit alongside it, but negative book equity gives minus 27.0 per cent for 2025, for reasons given in section 1.6.

Gross margin is the one measure that did not improve, standing at 28.6 per cent in 2021 and 28.2 per cent in 2025. Atrill and McLaney (2023) note that a falling gross margin alongside a rising operating margin usually signals a change in sales mix rather than lost pricing power, which is what happened here.

1.4 Liquidity ratios

Liquidity is where Hilton looks weakest at face value. The current ratio declined steadily from 0.95 in 2021 to 0.85, 0.70, 0.70 and finally 0.66, while the quick ratio fell from 0.83 to 0.58, the two sitting close together because this kind of business carries virtually no stock. The cash ratio dropped from 0.47 to 0.20, and working capital was negative every year, the shortfall widening to \$1,512 million.

A textbook would treat a current ratio below 1.0 as a warning sign, but that reading is too simple. Firstly, \$858 million of those liabilities is deferred revenue, money already collected for stays and loyalty points not yet used, which will mostly be settled by providing a service rather than paying cash. Secondly, a business holding no stock needs no cushion of current assets. Hilton generated \$2,129 million of operating cash flow in 2025 and had an undrawn credit facility of \$1,894 million available (Hilton, 2026a), so it is not short of liquidity in any practical sense.

1.5 Comparison of liquidity with industry benchmarks

The comparison appears at the foot of Appendix 1 with a bar chart in Appendix 3. Hilton finished 2025 with a current ratio of 0.66. Marriott International reported current assets of \$3,480 million against current liabilities of \$8,649 million, giving 0.40 (Marriott International, 2025), while InterContinental Hotels Group reported \$2,049 million against \$2,100 million, giving 0.98 (IHG, 2026). The average of the two is 0.69.

Hilton therefore sits almost exactly on the sector average. The useful finding is that every large listed hotel group here operates below 1.0, so such a ratio is normal for a branded hotel operator rather than a sign of distress. What deserves attention is the direction of travel, since it has now fallen four years running.

1.6 Efficiency, gearing and investment ratios

Total asset turnover shows how much revenue is generated from each pound of assets held, and Hilton's improved from 0.37 times in 2021 to 0.72 times in 2025. Fixed asset turnover, which compares revenue against property and equipment alone, tells the asset-light story even more clearly. It was 19.0 times in 2021, 31.3 times in 2022 and 17.6 times in 2025 after property and equipment grew to \$684 million (Macrotrends, 2026). A manufacturer would expect two to five times, so these figures show how little physical property Hilton relies upon.

Gearing is the most important issue in this report, and the standard measure does not work. Shareholders' equity is negative, falling from minus \$821 million in 2021 to minus \$5,388 million in 2025, so total liabilities of \$22,120 million now exceed total assets of \$16,774 million (StockAnalysis, 2026). Dividing debt by equity gives minus 2.43 times in 2025, and reporting that without comment would wrongly suggest the company is insolvent.

The explanation is share buybacks. Every share repurchased is recorded as treasury stock and deducted from equity, and by the end of 2025 that deduction had reached minus \$14,428 million. The negative equity therefore results from a deliberate decision to hand capital back rather than from trading losses, and retained earnings improved from minus \$6,322 million to minus \$1,508 million. Marriott and InterContinental show negative equity for the same reason, and as Damodaran (2012) observes, book equity becomes almost meaningless for companies with long histories of buybacks.

The measures that do work are cash-based. Net debt rose from \$8,209 million to \$12,175 million, while net debt to EBITDA stood at about 4.2 times on the basis used in Appendix 1, against the 3.1 times Hilton reports on its own adjusted measure (Hilton, 2026a). Interest cover should concern the Board most. It was 5.05 times in 2022, then 4.80, then 4.17, recovering only slightly to 4.34. Operating profit rose throughout, so the decline came entirely from borrowing costs, which grew from \$415 million to \$620 million, up 49 per cent in three years.

Two investment ratios complete the picture. Diluted earnings per share rose from \$1.46 in 2021 to \$6.12 in 2025, reflecting both higher profits and a shrinking share count. The dividend yield is by contrast very low, since Hilton pays \$0.60 a year, giving a yield of roughly 0.21 per cent during 2025 and a payout ratio under 10 per

cent of earnings (Nasdaq, 2026). This is deliberate policy, because cash is returned through buybacks rather than dividends.

1.7 Cash flow, trends, strengths and threats

Cash flow is the strongest part of the picture. Operating cash flow recovered from only \$109 million in 2021 to \$2,129 million in 2025, and free cash flow reached \$2,028 million. Cash conversion, measured as operating cash flow divided by net income, was 1.46 times and has been above 1.3 times every year since 2022, confirming that reported profits are backed by cash.

The strengths are profitability is high and improving, cash generation is excellent, and a record pipeline of 520,500 rooms gives good visibility over future fees (Hilton, 2026a). The threats are equally clear. Revenue per available room has stopped growing, debt is rising and interest costs faster still, and liquidity has declined four years running, all driven by a buyback programme funded partly by borrowing. Hilton is a highly profitable business sitting on a slowly weakening balance sheet.

2. Working Capital Management Analysis

2.1 Assessment of the cash operating cycle

The cash operating cycle measures how long a company's money is tied up between paying suppliers and collecting from customers. It is inventory days plus receivable days less payable days (Watson and Head, 2019) and the full calculation appears in Appendix 1 with a graph in Appendix 3.

Because Hilton holds no meaningful inventory, inventory days are zero. Receivable days in 2025 were 51.2, being receivables of \$1,690 million divided by revenue of \$12,039 million and multiplied by 365, while payable days were 91.2, being payables of \$2,336 million divided by operating expenses of \$9,346 million and multiplied by 365. The cycle was therefore minus 40.0 days, having been minus 52.4 in 2021, minus 42.6 in 2022, minus 37.1 in 2023 and minus 36.3 in 2024.

A negative cycle is a strong position. Hilton receives money from customers roughly forty days before it settles its own bills, so the business is effectively financed by its suppliers and by guests who pay in advance. This is precisely why the negative working capital that looked alarming in section 1 is a strength rather than a

weakness. Growth releases cash instead of absorbing it, because each new hotel brings deferred revenue and payables before it brings costs. The cycle weakened between 2021 and 2024, largely because Hilton stopped stretching suppliers as it had during the pandemic, then improved again. Minus 40 days should be treated as normal.

2.2 Recommended strategies to improve liquidity

Even with the cycle comfortably negative, four reforms would improve liquidity further. The first is to tighten collection of franchise and management fees. Receivables of \$1,690 million are the largest current asset held and cutting receivable days from 51 to 45 would release roughly \$198 million, which could be done by moving franchisees onto monthly direct debit and charging interest on late fees. The risk is that franchisees are long-term partners rather than ordinary customers, so collection should be tightened selectively.

The second is to grow deferred revenue deliberately. It has already risen from \$350 million in 2021 to \$858 million in 2025, much of it from selling Hilton Honors points to credit card partners in advance. Selling further blocks up front and encouraging guests to prepay through discounted advance purchase rates, brings cash in earlier at no cost, making it the cheapest finance the company has.

The third is to rebuild the cash balance. Cash fell from \$1,301 million to \$918 million during 2025 while short-term obligations grew and the resulting cash ratio of 0.20 is the lowest of the five years, so a target of around \$1.2 billion would be better. The fourth is to keep capital spending under control. Contract acquisition costs, the payments made to owners to win franchise contracts, more than doubled to \$231 million in 2025 (Hilton, 2026a), and these should be measured against the fees they generate.

Beneath all four lies the same trade-off. An aggressive policy holds as little cash as possible and stretches suppliers as far as they will tolerate, lifting returns but leaving nothing in reserve if trading turns down, while a conservative policy is safer but wastes earning power. Pike, Neale and Linsley (2018) describe this as a balance between profitability and risk. Hilton sits firmly at the aggressive end, and with leverage rising a modest step back would be sensible.

2.3 Short-term versus long-term financing

Short-term finance covers overdrafts, revolving facilities and trade credit, normally repayable within a year, while long-term finance covers bonds, term loans and equity. Short-term finance is usually cheaper and more flexible. Hilton can draw on its revolving facility and repay as soon as cash arrives, paying interest only for the days the money is used. The difficulty is refinancing risk, because such facilities must be renewed and, if credit markets tighten, may be renewed on worse terms or not at all. Using short-term money to fund long-term assets is a normal route to corporate failure.

Long-term finance costs more but removes that danger, and Hilton has managed this well, with no material debt maturing before April 2027 and nothing drawn on the revolver at the year end (Hilton, 2026a). The recommendation is to preserve this arrangement long-term fixed-rate bonds should fund the permanent capital base, while the revolving facility is kept in reserve for seasonal swings, which are pronounced in hotels because the first quarter is always weakest. What should be avoided is using short-term borrowing to fund buybacks, which combines a permanent use of money with a temporary source of it.

3. Strategic Financial Restructuring Plan

3.1 The problem that needs solving

Hilton is short of neither profit nor cash. What it is doing is steadily weakening its own balance sheet by borrowing to buy back shares. Net debt rose by \$1,590 million during 2025 while \$3.3 billion was returned to shareholders and book equity fell to minus \$5.4 billion. Jensen (1986) argued that companies generating large free cash flows should return them to investors rather than let them be wasted, and Hilton has clearly taken that view. The question is not whether cash should be returned, but whether it should be returned faster than the business generates it.

3.2 Options considered

The first option is diversify. Hilton still owns or leases 46 hotels containing 15,287 rooms, which tie up genuine capital and earn far lower margins than fees. Selling them while signing long-term management contracts over the same buildings, an

approach known as sale and manage-back, would raise between \$800 million and \$1,200 million while keeping the fee stream. The drawback is that owned hotels in prime cities show prospective franchisees what the brand should look like, so a few flagships ought to be kept.

The second option is a merger or acquisition, which is not recommended. The company already grows its room count by 6.7 per cent a year unaided, and any acquisition would need further debt at a time when leverage is climbing. The third option is an equity injection. Issuing shares would repair the balance sheet fastest but is the option shareholders would like least, since it dilutes earnings per share. Myers (1984) observed that managers prefer internal funds first, then debt, turning to new equity only as a last resort, and there is no reason to depart from that here.

3.3 The recommended plan

The recommended plan has four parts, to be delivered over two years. The first is to reduce the buyback from the planned \$3.5 billion to about \$2.2 billion a year while leaving the dividend unchanged, using the saving of roughly \$1.3 billion to repay debt. The second is to sell most of the owned portfolio through sale and manage-back agreements, with proceeds of around \$1 billion applied to debt reduction. The third is to publish a leverage target of net debt to adjusted EBITDA of no more than 3.0 times. The fourth is to refinance carefully, extending maturities and keeping rates fixed.

3.4 Impact on shareholder value, debt structure and flexibility

The effect on shareholder value is mixed in the short term and positive later. Fewer buybacks mean the share count falls more slowly, so earnings per share grow more slowly and some investors will be unhappy. Against that, lower leverage reduces the risk premium applied to the shares and protects the investment grade credit rating. Modigliani and Miller (1958) showed that in a perfect market capital structure does not alter the value of a firm, but they also accepted that taxes, distress costs and credit ratings matter in the real world, and it is those costs the plan is designed to control.

The effect on the debt structure is straightforward. Around \$2.3 billion of repayment over two years would reduce net debt to below \$10 billion and bring net debt to

adjusted EBITDA to about 2.5 times, while at the average rate of 4.76 per cent annual interest would fall by roughly \$110 million, lifting interest cover back above 5.0 times. The effect on flexibility is clearly positive, because lower fixed interest leaves more of every dollar of operating profit discretionary. This matters in hotels, where demand can collapse quickly, as 2020 showed, and a company with strong cover can keep signing franchise contracts through a downturn while a more indebted competitor cannot.

3.5 International and ethical considerations

Because Hilton operates in 143 countries the plan must work internationally. On taxation, the effective rate jumped from 13.7 per cent to 29.5 per cent (StockAnalysis, 2026), the low earlier figure arising from a one-off claim on brand assets transferred between group companies. Such arrangements are legal but attract attention and OECD rules now require large groups to pay at least 15 per cent in every country of operation (OECD, 2023). Hilton should therefore plan its tax affairs around where value is genuinely created. On currency, it earns fees in local currencies while reporting and borrowing in dollars, so a stronger dollar reduces reported earnings and the exposure should be hedged with rolling forward contracts.

On inflation, hotels enjoy natural protection because room rates change daily and franchise fees are a percentage of room revenue. The genuine risk sits with owners, who pay wages and utility bills, and if their costs rise faster than room rates they will build fewer hotels, eventually slowing Hilton's room growth. On corporate social responsibility, the plan must not be achieved by cutting the Travel with Purpose programme (Hilton, 2026b), and because new owners inherit the staff, employment protections should be written into every sale agreement even if that reduces the sale price slightly.

4. Investment Appraisal and Capital Budgeting

4.1 The three projects

The Board is considering three projects. Each requires an initial outlay of £50 million, runs for five years, and is depreciated straight-line to zero, giving an annual charge of £10 million. The discount rate is 8 per cent. Project A produces net cash inflows of £10 million, £12 million, £14 million, £11 million and £8 million, a total of £55 million.

Project B produces £11 million each year, also £55 million. Project C produces £5 million, £10 million, £20 million, £25 million and £5 million, a total of £65 million. All workings are in Appendix 2 and the net present value comparison is graphed in Appendix 3.

4.2 Payback period

The payback period measures how long it takes to recover the initial investment from the cash a project generates, and the shortest is preferred.

Project A has recovered £47 million by the end of Year 4 and needs £3 million from the Year 5 inflow of £8 million, so payback is $4 + 3/8$, or 4.38 years. Project B has recovered £44 million by the end of Year 4 and needs £6 million from the Year 5 inflow of £11 million, giving $4 + 6/11$, or 4.55 years. Project C has recovered £35 million by the end of Year 3 and needs £15 million from the Year 4 inflow of £25 million, giving $3 + 15/25$, or 3.60 years.

Project C is clearly best on this measure, recovering the money almost a full year sooner. The weakness of payback is that it takes no account of what happens once the money has been recovered and ignores the time value of money entirely (Drury, 2021). It is a useful rough guide to risk but should never be relied upon by itself.

4.3 Accounting rate of return

The accounting rate of return compares average annual accounting profit against the investment. Accounting profit is the cash inflow less the £10 million depreciation charge, and average investment is cost plus residual value divided by two, giving £25 million.

Projects A and B both generate average inflows of £11 million, so average profit is £1 million and the accounting rate of return is 4.0 per cent for each. Project C generates average inflows of £13 million, average profit of £3 million and a return of 12.0 per cent. Measured against the initial investment the figures become 2.0 per cent for A and B and 6.0 per cent for C, so on either basis Project C is three times better.

Projects A and B give identical returns despite completely different cash flow patterns, which neatly exposes the method's main weakness. It relies on accounting

profit rather than cash, ignores when money actually arrives and offers no guidance on whether the return justifies the risk.

4.4 Net present value

Net present value discounts every future cash flow back to what it is worth today and subtracts the initial investment. Any project with a positive figure should be accepted, because it means the project earns more than the money used to finance it costs (Arnold and Lewis, 2019). The discount factors at 8 per cent are 0.9259, 0.8573, 0.7938, 0.7350 and 0.6806.

Project A has a present value of inflows of £44.19 million, giving a net present value of minus £5.81 million. Project B has £43.92 million and minus £6.08 million. Project C has £50.86 million and positive £0.86 million.

This is decisive. Projects A and B both destroy value, because returning £55 million on an outlay of £50 million sounds acceptable until it is remembered that the money arrives slowly over five years, nowhere near enough to cover a cost of capital of 8 per cent. Project C is the only one that adds value and even then only a little. Net present value is the most reliable method because it uses cash, accounts fully for timing and expresses the answer in absolute money (Watson and Head, 2019).

4.5 Profitability index

The profitability index divides the present value of inflows by the initial investment, showing how much value is created for each pound put in, and anything above 1.00 should be accepted. Project A gives 44.19 divided by 50, which is 0.88, Project B gives 43.92 divided by 50, also 0.88, and Project C gives 50.86 divided by 50, which is 1.02. Only Project C passes for every £1 invested it returns £1.02 in present value terms, whereas A and B return about 88 pence, meaning twelve pence in every pound is lost.

4.6 Internal rate of return

The internal rate of return is the discount rate at which net present value comes out at exactly zero, and can be understood as the effective annual return a project earns. It should exceed the 8 per cent cost of capital.

Project A returns 3.4 per cent, Project B 3.3 per cent and Project C 8.6 per cent, which confirms the net present value result. A and B earn considerably less than 8 per cent, so financing them at 8 per cent would lose money every year they ran. Project C clears the hurdle by only 0.6 percentage points, an extremely thin margin, and if the cost of capital rose to 9 per cent, or if cash flows came in about 2 per cent below forecast, Project C would destroy value as well.

4.7 Recommendation

Every one of the five methods points the same way. Project C has the shortest payback at 3.60 years, the highest accounting rate of return at 12.0 per cent, the only positive net present value, the only profitability index above 1.00 and the only internal rate of return above the cost of capital. The recommendation is to accept Project C and reject Projects A and B.

This should be read alongside section 1. Hilton's return on capital employed in 2025 was 22.0 per cent, whereas Project C earns 8.6 per cent, so a company already earning 22 per cent ought to think carefully before committing £50 million to something earning nearly a third of that. With leverage rising and interest cover falling, the honest conclusion is that Project C is acceptable but unattractive, and the money would create more value reducing debt or funding contract acquisition costs, which win franchise agreements at much higher returns.

Non-financial risks also deserve weight. Political risk is significant, because the fastest growth in 2025 came from the Middle East and Africa, where revenue per available room grew 11.5 per cent but instability is greater. Customer loyalty risk matters because anything damaging the guest experience threatens Hilton Honors and its 243 million members, arguably the company's most valuable single asset. There is execution risk too, since Project C only produces serious cash from Year 3, so any delay would hurt it far more than Project B.

4.8 Capital rationing with £100 million available

The final question is which combination should be chosen if £100 million is available. Since each project costs £50 million, two can be funded. Projects A and B together produce a combined net present value of minus £11.89 million, A and C produce

minus £4.95 million and B and C produce minus £5.22 million, while Project C alone produces positive £0.86 million.

The correct answer is to invest £50 million in Project C alone and leave the remaining £50 million out of these projects, because adding either A or B alongside C would turn a value-creating decision into a value-destroying one. Having money available is not in itself a reason to spend it. The purpose of capital rationing is to rank competing projects and select the best use of limited funds, and the profitability index is the right ranking tool because it measures value created per pound invested (Ross, Westerfield and Jordan, 2021). Ranked that way, only Project C clears 1.00.

The remaining £50 million would be better used reducing debt, since repaying it at the average rate of 4.76 per cent saves £2.38 million of interest every year with no risk at all or £11.9 million over five years, against the uncertain £0.86 million available from the best rejected alternative.

5. Critical Reflection on the Use of Artificial Intelligence

5.1 Tool disclosure

AI was used for some background research on the company, to help find Hilton's published financial information from its annual reports, earnings releases and financial data websites. The second was to check the grammar, spelling and punctuation of the written work once it had been drafted.

5.2 Critical evaluation of the output

Neither type of output was accepted without checking. Every figure it helped to locate was traced back to the original source, which in practice meant Hilton's earnings release of 11 February 2026 or the relevant Annual Report on Form 10-K. Where a financial data website and the company's own filing disagreed, the filing was always preferred, because standardised data services treat items such as finance lease interest differently from the company itself.

5.3 Contribution analysis

AI contributed help locating published data and a check on the written English. All of the ratios were calculated by me in a spreadsheet from the raw figures. Treating a

current ratio below 1.0 as normal for this sector, supported by a peer comparison I chose to build, is my judgement. Recognising that the negative equity results from buybacks rather than losses was my decision, as was identifying falling interest cover as the central problem when the more obvious story was rising revenue.

5.4 Ethical and professional reflection

Transparency comes first, because a finance professional using such a tool to help prepare board papers without disclosing it would be misleading the board about how the advice was produced. Data privacy is the second concern, everything used here is public, but in a real finance role entering unpublished results or draft board papers into an external system could breach data protection law and, for a listed company could amount to releasing inside information. The third and largest issue is over-reliance, because these tools are fluent and fluency is easily mistaken for accuracy. Both errors described above were plausible and would have survived a quick reading by someone who did not already understand the figures. Under the ethical codes of bodies such as CIMA and ACCA, members remain personally responsible for the quality of their work whatever tools they use (CIMA, 2023; ACCA, 2024), and blaming the software would be no defence.

Conclusion

Hilton Worldwide Holdings is a highly profitable and exceptionally cash-generative business. Between 2021 and 2025 revenue more than doubled, the operating margin improved from 17.4 per cent to 22.4 per cent, return on capital employed rose every year to 22.0 per cent, and earnings per share climbed from \$1.46 to \$6.12, all on capital expenditure of only \$101 million.

The weaknesses lie on the balance sheet rather than in trading. Liquidity has fallen for four consecutive years, although at 0.66 the current ratio is in line with a sector where every major operator sits below 1.0, and the cash operating cycle of minus 40 days shows negative working capital to be a genuine strength. The real concern is leverage: net debt has grown to \$12,175 million and interest cover has slipped from 5.05 times to 4.34 times, driven by a buyback programme funded partly through borrowing.

The restructuring plan therefore recommends reducing buybacks to about \$2.2 billion a year, selling most of the owned portfolio through sale and manage-back agreements, and publishing a leverage target of 3.0 times, which together would bring net debt below \$10 billion and restore interest cover above 5.0 times. On the investment decision, all five methods agree that Project C should be accepted and A and B rejected, and under capital rationing only Project C should be funded.

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Appendices

The tables, calculations and graphs that support this report follow on the pages below. They were prepared in Microsoft Excel, where every ratio and appraisal figure is a live formula linked to the underlying data rather than a typed-in answer. There are three appendices.

Appendix 1 - Ratio Analysis. The five-year financial data for Hilton from 2021 to 2025, followed by the profitability, liquidity, efficiency and working capital, gearing and cash ratios calculated from it, and the comparison of liquidity with Marriott International and InterContinental Hotels Group. Every ratio is a live formula linked to the data above it.

Appendix 2 - Investment Appraisal. Full workings for the payback period, accounting rate of return, net present value, profitability index and internal rate of return for Projects A, B and C, together with the summary table and the capital rationing analysis.

Appendix 3 - Charts. Revenue and net income; profit margins; liquidity ratios; net debt; the cash operating cycle; net present value by project; and Hilton's current ratio against its peers.

APPENDIX 1: HILTON WORLDWIDE HOLDINGS INC. - FINANCIAL DATA AND RATIO ANALYSIS 2021-2025

All figures in US\$ millions. Blue text = figure typed in from a published source. Black text = live formula.

Item	2021	2022	2023	2024	2025
FINANCIAL DATA					
Total revenue	\$5,788	\$8,773	\$10,235	\$11,174	\$12,039
Gross profit	\$1,655	\$2,698	\$2,930	\$3,063	\$3,395
Operating profit (EBIT)	\$1,010	\$2,094	\$2,225	\$2,370	\$2,693
Depreciation and amortisation	\$220	\$200	\$190	\$196	\$234
EBITDA	\$1,230	\$2,294	\$2,415	\$2,566	\$2,927
Interest expense	\$397	\$415	\$464	\$569	\$620
Net income	\$410	\$1,255	\$1,141	\$1,535	\$1,457
Diluted earnings per share (\$)	1.46	4.53	4.33	6.14	6.12
Total operating expenses	\$4,778	\$6,679	\$8,010	\$8,804	\$9,346
Cash and cash equivalents	\$1,427	\$1,209	\$800	\$1,301	\$918
Trade receivables	\$1,068	\$1,327	\$1,487	\$1,583	\$1,690
Total current assets	\$2,871	\$2,870	\$2,614	\$3,272	\$2,996
Total assets	\$15,441	\$15,512	\$15,401	\$16,522	\$16,774
Trade payables	\$1,568	\$1,790	\$1,979	\$2,124	\$2,336
Total current liabilities	\$3,019	\$3,372	\$3,722	\$4,700	\$4,508
Total debt	\$9,636	\$9,579	\$10,004	\$11,886	\$13,093
Shareholders' equity	(\$821)	(\$1,102)	(\$2,360)	(\$3,727)	(\$5,388)
Operating cash flow	\$109	\$1,681	\$1,946	\$2,013	\$2,129
Capital expenditure	\$35	\$39	\$151	\$96	\$101
PROFITABILITY RATIOS					
Gross profit margin	28.6%	30.8%	28.6%	27.4%	28.2%
Operating profit margin	17.4%	23.9%	21.7%	21.2%	22.4%
Net profit margin	7.1%	14.3%	11.1%	13.7%	12.1%
Return on capital employed (ROCE)	8.1%	17.2%	19.1%	20.0%	22.0%
Return on total assets (ROA)	2.7%	8.1%	7.4%	9.3%	8.7%
LIQUIDITY RATIOS					
Current ratio	0.95x	0.85x	0.70x	0.70x	0.66x
Quick (acid test) ratio	0.83x	0.75x	0.61x	0.61x	0.58x
Cash ratio	0.47x	0.36x	0.21x	0.28x	0.20x
Working capital	(\$148)	(\$502)	(\$1,108)	(\$1,428)	(\$1,512)
EFFICIENCY AND WORKING CAPITAL					
Receivable days	67.3	55.2	53.0	51.7	51.2
Payable days	119.8	97.8	90.2	88.1	91.2
Cash operating cycle (days)	-52.4	-42.6	-37.1	-36.3	-40.0
Total asset turnover	0.37x	0.57x	0.66x	0.68x	0.72x
GEARING AND SOLVENCY					
Total debt to total assets	62.4%	61.8%	65.0%	71.9%	78.1%
Interest cover	2.54x	5.05x	4.80x	4.17x	4.34x
Net debt	\$8,209	\$8,370	\$9,204	\$10,585	\$12,175
Net debt to EBITDA	6.67x	3.65x	3.81x	4.13x	4.16x
Debt to equity (see note 3)	-11.74x	-8.69x	-4.24x	-3.19x	-2.43x
CASH AND INVESTMENT					
Free cash flow	\$74	\$1,642	\$1,795	\$1,917	\$2,028
Cash conversion (op. cash flow / net income)	0.27x	1.34x	1.71x	1.31x	1.46x

LIQUIDITY COMPARED WITH THE SECTOR (latest full year for each company)

Company	Current assets	Current liabilities	Current ratio
Hilton Worldwide Holdings (FY2025)	\$2,996	\$4,508	0.66x
Marriott International (FY2024)	\$3,480	\$8,649	0.40x
InterContinental Hotels Group (FY2025)	\$2,049	\$2,100	0.98x
Peer average (Marriott and IHG)			0.69x

Note 1 - Sources: Hilton Worldwide Holdings Inc. Q4 and Full Year 2025 Earnings Release (11 February 2026) and Annual Reports on Form 10-K for 2021-2025 (SEC, CIK 0001585689); StockAnalysis.com (data from Fiscal.ai); Marriott International Form 10-K 2024; IHG Annual Report and Form 20-F 2025.

Note 2 - Hilton holds no material inventory because it is an asset-light franchise business, so inventory days are zero and the quick ratio is close to the current ratio. Payable days use total operating expenses because Hilton does not report a separate cost of sales line.

Note 3 - Debt to equity is negative and therefore meaningless, because Hilton's book equity is negative after \$14.4bn of accumulated share buybacks. Net debt to EBITDA and interest cover are the correct gearing measures here.

APPENDIX 2: INVESTMENT APPRAISAL - PROJECTS A, B AND C

All amounts in GBP millions, as given in the task brief. Yellow cells are the assumptions and can be changed.

ASSUMPTIONS

Initial investment per project	50
Discount rate (cost of capital)	8.0%
Project life (years)	5
Residual value	0
Total capital available	100
Annual depreciation (straight line to zero)	10.0

STEP 1 - NET CASH FLOWS

Year	Project A	Project B	Project C
Year 0 (investment)	-50.00	-50.00	-50.00
Year 1	10.00	11.00	5.00
Year 2	12.00	11.00	10.00
Year 3	14.00	11.00	20.00
Year 4	11.00	11.00	25.00
Year 5	8.00	11.00	5.00
Total inflows	55.00	55.00	65.00

STEP 2 - PAYBACK PERIOD

Year	Project A	Project B	Project C
Cumulative to end of year 1	10.00	11.00	5.00
Cumulative to end of year 2	22.00	22.00	15.00
Cumulative to end of year 3	36.00	33.00	35.00
Cumulative to end of year 4	47.00	44.00	60.00
Cumulative to end of year 5	55.00	55.00	65.00
Full years before payback	4	4	3
Shortfall still to recover	3.00	6.00	15.00
PAYBACK PERIOD (years)	4.38	4.55	3.60

STEP 3 - ACCOUNTING RATE OF RETURN

Item	Project A	Project B	Project C
Average annual cash inflow	11.00	11.00	13.00
Less annual depreciation	-10.00	-10.00	-10.00
Average annual accounting profit	1.00	1.00	3.00
Average investment ((cost + residual)/2)	25.00	25.00	25.00
ARR on average investment	4.0%	4.0%	12.0%
ARR on initial investment	2.0%	2.0%	6.0%

STEP 4 - NET PRESENT VALUE, PROFITABILITY INDEX AND IRR AT 8%

Year	Discount factor at 8%	Project A PV	Project B PV	Project C PV
Year 1	0.9259	9.259	10.185	4.630
Year 2	0.8573	10.288	9.431	8.573
Year 3	0.7938	11.114	8.732	15.877
Year 4	0.7350	8.085	8.085	18.376
Year 5	0.6806	5.445	7.486	3.403
Present value of inflows		44.191	43.920	50.858
Less initial investment		-50.000	-50.000	-50.000
NET PRESENT VALUE		-5.809	-6.080	0.858
PROFITABILITY INDEX		0.884	0.878	1.017
INTERNAL RATE OF RETURN		3.4%	3.3%	8.6%

STEP 5 - SUMMARY

Method	Project A	Project B	Project C	Decision rule
Payback period (years)	4.38	4.55	3.60	Shortest is best
ARR on average investment	4.0%	4.0%	12.0%	Highest is best
Net present value	-5.809	-6.080	0.858	Accept if above zero
Profitability index	0.884	0.878	1.017	Accept if above 1.00
Internal rate of return	3.4%	3.3%	8.6%	Accept if above 8%

STEP 6 - CAPITAL RATIONING WITH GBP 100 MILLION AVAILABLE

Combination	Capital used	Combined NPV	Accept?
Projects A and B	100	-11.889	NO - destroys value
Projects A and C	100	-4.951	NO - destroys value
Projects B and C	100	-5.222	NO - destroys value
Project C only	50	0.858	YES - adds value

Only Project C has a positive net present value and a profitability index above 1.00. Under capital rationing the correct decision is to invest GBP 50 million in Project C and use the remaining GBP 50 million to reduce debt, because adding Project A or B would pull the combined net present value below zero.

APPENDIX 3: GRAPHS







