

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For quarterly period ended September 30, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

COMMISSION FILE NO. 1-38012

Playa Hotels & Resorts N.V.

(Exact name of registrant as specified in its charter)

The Netherlands

98-1346104

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification Number)

Prins Bernhardplein 200

1097 JB Amsterdam, the Netherlands

(Address of Principal Executive Offices)

Not Applicable

(Zip Code)

+31 20 521 49 62

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past ninety (90) days. YES NO

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES NO

As of November 5, 2018, there were 130,478,993 shares of the registrant's ordinary shares, €0.10 par value, outstanding.

Playa Hotels & Resorts N.V.
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Playa Hotels & Resorts N.V.
Condensed Consolidated Balance Sheets
(\$ in thousands, except share data)
(unaudited)

	As of September 30, 2018	As of December 31, 2017
ASSETS		
Cash and cash equivalents	\$ 137,692	\$ 117,229
Restricted cash	1,030	—
Trade and other receivables, net	36,734	51,527
Accounts receivable from related parties	6,321	1,495
Inventories	15,148	11,309
Prepayments and other assets	38,742	34,066
Property and equipment, net	1,794,494	1,466,326
Investments	936	990
Derivative financial instruments	1,817	—
Goodwill	74,787	51,731
Other intangible assets	5,002	2,087
Deferred tax assets	3,207	1,063
Total assets	\$ 2,115,910	\$ 1,737,823
LIABILITIES AND SHAREHOLDERS' EQUITY		
Trade and other payables	\$ 141,330	\$ 139,528
Payables to related parties	2,274	2,966
Income tax payable	1,175	1,090
Debt	991,564	898,215
Other liabilities	22,473	19,394
Deferred tax liabilities	103,938	77,081
Total liabilities	1,262,754	1,138,274
Commitments and contingencies		
Shareholders' equity		
Ordinary shares (par value €0.10; 500,000,000 shares authorized, 130,486,360 and 110,305,064 shares issued and 130,478,993 and 110,297,697 shares outstanding as of September 30, 2018 and December 31, 2017, respectively)	14,160	11,803
Treasury shares (at cost, 7,367 shares as of September 30, 2018 and December 31, 2017)	(80)	(80)
Paid-in capital	991,254	773,194
Accumulated other comprehensive loss	(3,852)	(3,826)
Accumulated deficit	(148,326)	(181,542)
Total shareholders' equity	853,156	599,549
Total liabilities and shareholders' equity	\$ 2,115,910	\$ 1,737,823

The accompanying Notes form an integral part of the Condensed Consolidated Financial Statements.

Playa Hotels & Resorts N.V.
Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income
(\$ in thousands)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenue:				
Package	\$ 123,633	\$ 102,093	\$ 402,627	\$ 373,502
Non-package	18,800	16,249	61,752	59,505
Management fees	152	—	503	—
Cost reimbursements	227	—	349	—
Total revenue	142,812	118,342	465,231	433,007
Direct and selling, general and administrative expenses:				
Direct	91,573	75,807	250,742	231,567
Selling, general and administrative	28,489	23,008	87,742	76,713
Pre-opening	87	—	87	—
Depreciation and amortization	20,138	13,808	51,709	40,093
Reimbursed costs	227	—	349	—
Gain on insurance proceeds	(686)	—	(2,207)	—
Direct and selling, general and administrative expenses	139,828	112,623	388,422	348,373
Operating income	2,984	5,719	76,809	84,634
Interest expense	(7,637)	(13,099)	(35,151)	(41,187)
Loss on extinguishment of debt	—	—	—	(12,526)
Other (expense) income	(390)	1,939	(1,836)	626
Net (loss) income before tax	(5,043)	(5,441)	39,822	31,547
Income tax provision	(379)	(226)	(6,606)	(20,105)
Net (loss) income	(5,422)	(5,667)	33,216	11,442
Other comprehensive income (loss), net of taxes:				
Benefit obligation gain (loss)	37	11	(26)	(31)
Other comprehensive income (loss)	37	11	(26)	(31)
Total comprehensive (loss) income	\$ (5,385)	\$ (5,656)	\$ 33,190	\$ 11,411
Dividends of cumulative redeemable preferred shares	—	—	—	(7,922)
Non-cash dividend to warrant holders	—	—	—	(879)
Net (loss) income available to ordinary shareholders	\$ (5,422)	\$ (5,667)	\$ 33,216	\$ 2,641
(Losses) earnings per share - Basic	\$ (0.04)	\$ (0.05)	\$ 0.28	\$ 0.03
(Losses) earnings per share - Diluted	\$ (0.04)	\$ (0.05)	\$ 0.28	\$ 0.03
Weighted average number of shares outstanding during the period - Basic	130,478,993	110,286,197	119,344,659	92,377,968
Weighted average number of shares outstanding during the period - Diluted	130,478,993	110,286,197	119,647,364	92,453,447

The accompanying Notes form an integral part of the Condensed Consolidated Financial Statements.

Playa Hotels & Resorts N.V.
Condensed Consolidated Statements of Cumulative Redeemable Preferred Shares, Shareholders'
Equity and Accumulated Other Comprehensive Loss for the nine months ended September 30, 2018 and 2017
(\$ in thousands, except share data)
(unaudited)

	Shareholders' Equity									
	Cumulative Redeemable Preferred Shares		Ordinary Shares		Treasury Shares		Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at December 31, 2017	—	\$ —	110,297,697	\$ 11,803	7,367	\$ (80)	\$ 773,194	\$ (3,826)	\$ (181,542)	\$ 599,549
Net income for the period									33,216	33,216
Benefit obligation loss, net of tax								(26)		(26)
Shares issued in business combination (see Note 4)			20,000,000	2,336			213,064			215,400
Share-based compensation			181,296	21			5,051			5,072
Repurchase of Earnout Warrants (see Note 10)							(55)			(55)
Balance at September 30, 2018	—	\$ —	130,478,993	\$ 14,160	7,367	\$ (80)	\$ 991,254	\$ (3,852)	\$ (148,326)	\$ 853,156

	Shareholders' Equity									
	Cumulative Redeemable Preferred Shares		Ordinary Shares		Treasury Shares		Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at December 31, 2016	28,510,994	\$ 345,951	60,249,330	\$ 656	5,373,884	\$(23,108)	\$ 377,196	\$ (3,719)	\$ (180,422)	\$ 170,603
Retroactive application of recapitalization			(9,767,508)	4,730	(5,373,884)	23,108	(27,838)			—
Adjusted balance at December 31, 2016	28,510,994	345,951	50,481,822	5,386	—	—	349,358	(3,719)	(180,422)	170,603
Net income for the period									11,442	11,442
Benefit obligation loss, net of tax								(31)		(31)
Recapitalization transaction			52,982,364	5,653			427,878			433,531
Dividends on cumulative redeemable preferred shares		7,922					(7,922)			(7,922)
Purchase of cumulative redeemable preferred shares	(28,510,994)	(239,492)								—
Settlement of accrued dividends of cumulative redeemable preferred shares		(114,381)								—
Issuance of ordinary shares in exchange for warrants			6,689,309	747			132		(879)	—
Share-based compensation			151,569	17			2,785			2,802
Balance at September 30, 2017	—	\$ —	110,305,064	\$ 11,803	—	\$ —	\$ 772,231	\$ (3,750)	\$ (169,859)	\$ 610,425

The accompanying Notes form an integral part of the Condensed Consolidated Financial Statements.

Playa Hotels & Resorts N.V.
Condensed Consolidated Statements of Cash Flows
(\$ in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income	\$ 33,216	\$ 11,442
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	51,709	40,093
Amortization of debt discount, premium and issuance costs	1,175	1,900
Share-based compensation	5,072	2,803
Gain on derivative financial instruments	(1,817)	—
Gain on property damage insurance proceeds	(203)	—
Loss on extinguishment of debt	—	12,526
Other	985	239
Changes in assets and liabilities:		
Trade and other receivables, net	14,522	14,238
Accounts receivable from related parties	(4,826)	48
Inventories	(214)	(784)
Prepayments and other assets	(3,845)	(26,564)
Trade and other payables	(4,815)	9,183
Accounts payable to related parties	(692)	(1,567)
Income tax payable	85	1,256
Deferred consideration	—	654
Other liabilities	704	299
Net cash provided by operating activities	91,056	65,766
INVESTING ACTIVITIES:		
Acquisition of Sagicor business, net of cash acquired	(93,128)	—
Purchase of property and equipment	(67,252)	(75,570)
Contract deposit	—	(2,700)
Purchase of intangibles	(1,505)	(438)
Property damage insurance proceeds	203	—
Proceeds from disposal of property and equipment	—	53
Net cash used in investing activities	(161,682)	(78,655)
FINANCING ACTIVITIES:		
Proceeds from debt issuance	99,499	528,675
Issuance costs of debt	—	(7,984)
Repayment of deferred consideration	—	(2,490)
Repayment of Term Loan	(7,325)	(364,138)
Repayment of Senior Notes due 2020	—	(121,597)
Recapitalization transaction	—	79,658
Repurchase of Earnout Warrants	(55)	—
Net cash provided by financing activities	92,119	112,124
INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	21,493	99,235
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF THE PERIOD	\$ 117,229	\$ 43,163
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF THE PERIOD	\$ 138,722	\$ 142,398

RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH			
Cash and cash equivalents		137,692	137,827
Restricted cash		1,030	4,571
TOTAL CASH, CASH EQUIVALENTS AND RESTRICTED CASH	\$	138,722	\$ 142,398
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid for interest, net of interest capitalized	\$	40,783	\$ 47,051
Cash paid for income taxes	\$	9,131	\$ 17,108
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES			
Non-cash issuance of shares in business combination (see Note 4)	\$	215,400	\$ —
Capital expenditures incurred but not yet paid	\$	439	\$ 11,075
Intangible assets capitalized but not yet paid	\$	674	\$ —
Interest capitalized but not yet paid	\$	43	\$ 134
Non-cash PIK dividends	\$	—	\$ 7,922
Purchase of cumulative redeemable preferred shares	\$	—	\$ (239,492)
Settlement of accrued dividends of cumulative redeemable preferred shares	\$	—	\$ (114,381)
Par value of ordinary shares issued in exchange for warrants	\$	—	\$ 747
Non-cash dividend to warrant holders	\$	—	\$ 879
Par value of vested restricted share awards	\$	21	\$ 17

The accompanying Notes form an integral part of the Condensed Consolidated Financial Statements.

Playa Hotels & Resorts N.V.
Notes to the Condensed Consolidated Financial Statements
(unaudited)

Note 1. Organization, operations and basis of presentation

Background

Playa Hotels & Resorts N.V. ("Playa" or the "Company") is a leading owner, operator and developer of all-inclusive resorts in prime beachfront locations in popular vacation destinations. We own and/or manage a portfolio of 20 resorts located in Mexico, the Dominican Republic and Jamaica. Unless otherwise indicated or the context requires otherwise, references in our condensed consolidated financial statements (our "Condensed Consolidated Financial Statements") to "we," "our," "us" and similar expressions refer to Playa and its subsidiaries.

Basis of preparation, presentation and measurement

On June 1, 2018, we completed a business combination with the Sagicor Parties (as defined in Note 4), which caused us to evaluate and modify the presentation of our reportable segments. See Note 4 and Note 19 for additional discussion regarding the business combination and our reportable segments, respectively.

Our Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information. Certain information and disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. Accordingly, these unaudited interim Condensed Consolidated Financial Statements should be read in conjunction with the Company's Consolidated Financial Statements as of and for the year ended December 31, 2017, included in our Annual Report on Form 10-K for the year ended December 31, 2017, filed with the Securities and Exchange Commission (the "SEC") on March 1, 2018 (the "Annual Report").

In our opinion, the unaudited interim Condensed Consolidated Financial Statements have been prepared on the same basis as the annual Consolidated Financial Statements and include all adjustments, consisting of only normal recurring adjustments, necessary for fair presentation. Results for all comparative prior periods have been reclassified to conform to the current period presentation.

The results of operations for the three and nine months ended September 30, 2018 are not necessarily indicative of the results of operations to be expected for the full year ended December 31, 2018. All dollar amounts (other than per share amounts) in the following disclosures are in thousands of United States dollars, unless otherwise indicated.

Note 2. Significant accounting policies

Derivative financial instruments

We may use derivative financial instruments, primarily interest rate swap contracts, to hedge our exposure to interest rate risk. Such derivative financial instruments are initially recorded at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value at period end. Any gains or losses arising from changes in fair value on derivative contracts not designated for hedge accounting are recorded in interest expense in our Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income.

Goodwill

For the reporting units included within our Jamaica reportable segment that recognized goodwill from the business combination with the Sagicor Parties (as defined in Note 4), we will review goodwill for impairment as of October 1st each year or more frequently if events or changes in circumstances indicate a potential impairment. There is no change to our approach over existing goodwill associated with the reporting units within our Yucatán Peninsula reportable segment.

Standards adopted

Standard	Description	Date of Adoption	Effect on the Financial Statements or Other Significant Matters
Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606), as clarified and amended by ASU 2016-08, ASU 2016-10, ASU 2016-12 and ASU 2016-20	This standard provides companies with a single model for use in accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance, including industry-specific revenue guidance. The core principle of the model is to recognize revenue when control of the goods or services transfers to the customer, as opposed to recognizing revenue when the risks and rewards transfer to the customer under the existing revenue guidance.	January 2018	We applied the modified retrospective transition method to all contracts upon the adoption of ASU 2014-09. We provided the additional required disclosures, but the cumulative adjustment from our comparative periods was zero in our Condensed Consolidated Financial Statements. See Note 3.
ASU No. 2016-01, Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities as clarified and amended by ASU 2018-03	This standard significantly revises the accounting related to the classification and measurement of investment in equity securities and the presentation of certain fair value changes of financial liabilities measured at fair value. It also amends certain disclosure requirements associated with the fair value of financial instruments.	January 2018	The adoption of ASU 2016-01 reduced our disclosure requirements, but did not impact our Condensed Consolidated Financial Statements. We are no longer required to disclose the method and significant assumptions used to estimate the fair value of our financial instruments measured at amortized cost on the Condensed Consolidated Balance Sheet.
ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the FASB Emerging Issues Task Force)	This standard amends Accounting Standards Codification ("ASC") 230 to add or clarify guidance on the classification of certain cash receipts and payments in the statement of cash flows. ASC 230 lacks consistent principles for evaluating the classification of cash payments and receipts in the statement of cash flows. This has led to diversity in practice and, in certain circumstances, financial statement restatements. Therefore, the FASB issued ASU 2016-15 with the intent of reducing diversity in practice with respect to eight types of cash flows.	January 2018	The adoption of ASU 2016-15 provided clarification to existing requirements and did not have a material effect on our Condensed Consolidated Financial Statements.
ASU No. 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other than Inventory	This standard requires that an entity recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. Prior to this ASU, an entity was prohibited from recognizing the income tax consequences of an intra-entity asset transfer until the asset had been sold to an outside party.	January 2018	The adoption of ASU 2016-16 did not have a material effect on our Condensed Consolidated Financial Statements. We have limited intra-entity asset transfers, or intercompany sales, other than inventory that would require income tax recognition.
ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business	This standard provides guidance that will enable more consistency in accounting for transactions when determining if they represent acquisitions or disposals of assets or of a business. Under the ASU, when determining whether an integrated set of assets and activities constitutes a business, entities must go through a "screen."	January 2018	The adoption of ASU 2017-01 simplified our decision making process of determining whether a purchase constitutes a business combination or an acquisition of assets. We applied this guidance to our acquisition of the Sagicor Assets (as defined in Note 4), which was accounted for as a business combination.
ASU No. 2017-05, Other Income—Gains and Losses from the Derecognition of Non-financial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Non-financial Assets	The standard clarifies the scope and accounting of a financial asset that meets the definition of an in substance non-financial asset and the definition of an in substance non-financial asset. The ASU also adds guidance for partial sales of non-financial assets.	January 2018	We utilized the modified retrospective transition method upon the adoption of ASU 2017-05 and the cumulative adjustment from our comparative periods was zero in our Condensed Consolidated Financial Statements, as we historically have not sold material non-financial assets in our normal course of business.

Standards not yet adopted

Standard	Description	Date of Adoption	Effect on the Financial Statements or Other Significant Matters
ASU No. 2016-02, Leases (Topic 842)	This standard introduces a lessee model that brings most leases on the balance sheet. This will increase a lessee's reported assets and liabilities—in some cases very significantly. Lessor accounting remains substantially similar to current U.S. GAAP.	January 2019	<p>We are currently evaluating ASU 2016-02 noting that we have not determined the full impact of adoption of ASU 2016-02 on our Condensed Consolidated Financial Statements. However, we expect to adopt this standard prospectively with a cumulative-effect adjustment to opening equity in accordance with the alternative transition method outlined in ASU 2018-11, Leases (Topic 842): Targeted Improvements.</p> <p>The potential impact on our Condensed Consolidated Financial Statements is largely based upon the population of long-term leases in effect at the date of adoption, but we expect the most significant leases to consist of our corporate offices. We expect to record a right of use asset and corresponding lease liability for our operating leases with an original term of greater than one year where we are the lessee. We do not expect material changes to the recognition of operating lease expense in our Condensed Consolidated Financial Statements.</p>
ASU No. 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement	The standard modifies the disclosure requirements of ASC 820 by eliminating and modifying certain disclosures related to the fair value hierarchy and adding new disclosures related to Level 3 fair value measurements.	January 2020	We do not expect the adoption of ASU 2018-13 to have a material impact our disclosures as we do not have any recurring or nonrecurring Level 3 fair value measurements.
ASU No. 2018-14, Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Requirements for Defined Benefit Plans	The standard adds requirements for an entity to disclose (i) the weighted-average interest crediting rates used in cash balance pension plans, (ii) a description of the reasons for significant gains and losses affecting the benefit obligation and (iii) an explanation of any other significant changes in the benefit obligation or plan assets. It also removes certain disclosures for defined benefit plans.	January 2020	We do not expect the adoption of ASU 2018-14 to have a material impact on our disclosures. We do not have a cash balance pension plan and do not expect gains or losses on our pension obligation to be material to the Condensed Consolidated Financial Statements.
ASU No. 2018-15, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract	The standard aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software.	January 2020	We do not expect the adoption of ASU 2018-15 to have a material impact on our Condensed Consolidated Financial Statements as implementation costs for our hosting arrangements that are service contracts are immaterial.

Note 3. Revenue

On January 1, 2018, we adopted ASC 606, *Revenue from Contracts with Customers*, as described in Note 2, using the modified retrospective approach to all contracts resulting in no cumulative adjustment to accumulated deficit. The adoption of this standard did not impact the timing of our revenue recognition based on the short-term, day-to-day nature of our operations.

The following tables present our revenues disaggregated by geographic segment (refer to discussion of our reportable segments in Note 19) (*\$ in thousands*):

Three Months Ended September 30, 2018

	Yucatán Peninsula	Pacific Coast	Dominican Republic	Jamaica	Other	Total
Package revenue	\$ 52,047	\$ 14,848	\$ 22,800	\$ 33,938	\$ —	\$ 123,633
Non-package revenue	6,681	2,169	4,780	5,170	—	18,800
Management fees	—	—	—	—	152	152
Cost reimbursements	—	—	—	—	227	227
Total revenue	\$ 58,728	\$ 17,017	\$ 27,580	\$ 39,108	\$ 379	\$ 142,812

Three Months Ended September 30, 2017

	Yucatán Peninsula	Pacific Coast	Dominican Republic	Jamaica	Other	Total
Package revenue	\$ 53,926	\$ 14,435	\$ 21,468	\$ 12,264	\$ —	\$ 102,093
Non-package revenue	7,697	2,457	4,670	1,413	12	16,249
Total revenue	\$ 61,623	\$ 16,892	\$ 26,138	\$ 13,677	\$ 12	\$ 118,342

Nine Months Ended September 30, 2018

	Yucatán Peninsula	Pacific Coast	Dominican Republic	Jamaica	Other	Total
Package revenue	\$ 182,913	\$ 57,057	\$ 83,849	\$ 78,466	\$ 342	\$ 402,627
Non-package revenue	22,775	10,338	15,644	12,994	1	61,752
Management fees	—	—	—	—	503	503
Cost reimbursements	—	—	—	—	349	349
Total revenue	\$ 205,688	\$ 67,395	\$ 99,493	\$ 91,460	\$ 1,195	\$ 465,231

Nine Months Ended September 30, 2017

	Yucatán Peninsula	Pacific Coast	Dominican Republic	Jamaica	Other	Total
Package revenue	\$ 189,531	\$ 58,365	\$ 81,813	\$ 43,793	\$ —	\$ 373,502
Non-package revenue	25,770	11,588	15,121	7,014	12	59,505
Total revenue	\$ 215,301	\$ 69,953	\$ 96,934	\$ 50,807	\$ 12	\$ 433,007

Performance obligations

We recognize revenues when the performance obligations are satisfied by transferring control of the product or service to our customers as described in the table below:

Revenue	Description	Timing of Revenue Recognition
Package	Sale of all-inclusive packages, which include room accommodations, food and beverage services and entertainment activities. All services offered as part of the all-inclusive experience are considered to be one performance obligation.	Revenue is recognized, net of discounts and rebates, based on the agreed upon price after each stay when our performance obligation of all-inclusive services is considered transferred to the customer.
Non-package	All other revenues earned from the operations of our resorts other than package revenue. This includes, but is not limited to, the sale of upgrades, premium services and amenities, such as premium rooms, dining experiences, wines and spirits and spa packages.	Revenue is recognized based on the agreed upon price after the completion of the sale when the product or service is transferred to the customer.
Management fees	Fees earned for managing hotels owned by third-parties. The fees earned are typically composed of a base fee, which is computed as a percentage of resort revenue, and an incentive fee, which is computed as a percentage of resort profitability.	Revenue is recognized over the term of the service period as the third-party owners benefit from our management services.
Cost reimbursements	Cash reimbursements for costs related to managing hotels owned by third-parties.	Revenue is recognized when agreed upon reimbursable costs are incurred from managing hotels owned by third-parties.

We do not disclose the value of unsatisfied performance obligations for contracts with an expected length of one year or less. Due to the nature of our business, our revenue is not significantly impacted by refunds. Cash payments received in advance of guests staying

at our resorts are refunded to hotel guests if the guest cancels within the specified time period, before any services are rendered. Refunds related to service are generally recognized as an adjustment to the transaction price at the time the hotel stay occurs or services are rendered.

Contract assets and liabilities

We do not have any material contract assets as of September 30, 2018 and December 31, 2017 other than trade and other receivables, net on our Condensed Consolidated Balance Sheet. Our receivables are primarily the result of contracts with customers, which are reduced by an allowance for doubtful accounts that reflects our estimate of amounts that will not be collected.

We record contract liabilities when cash payments are received or due in advance of guests staying at our resorts, which are presented within advance deposits (see Note 18) within trade and other payables on our Condensed Consolidated Balance Sheet. Contract liabilities decreased from \$40.9 million as of December 31, 2017 to \$39.4 million as of September 30, 2018. The decrease for the nine months ended September 30, 2018 was primarily driven by \$35.0 million of package revenue recognized that was included in the advanced deposits balance as of December 31, 2017, partially offset by additional cash payments received from guests prior to their stay and \$5.8 million in advance deposits acquired in the business combination with the Sagicor Parties (as defined in Note 4).

Contract costs

We consider sales commissions earned to be incremental costs of obtaining a contract with our customers. As a practical expedient, we expense these costs as incurred when the period to be benefited is less than one year.

Note 4. Business combinations

Business combination with the Sagicor Parties

On February 26, 2018, we entered into a Share Exchange Implementation Agreement with JCSD Trustee Services Limited, X Fund Properties Limited, Sagicor Pooled Investment Funds Limited, and Sagicor Real Estate X Fund Limited (collectively, the “Sagicor Parties”), as amended by that certain First Amendment to Share Exchange Implementation Agreement dated May 31, 2018 (as amended, the “Contribution Agreement”). Pursuant to the Contribution Agreement, the Sagicor Parties agreed to contribute a portfolio of the following assets (the “Sagicor Assets”) to a subsidiary of Playa in exchange for consideration consisting of a combination of our ordinary shares and cash:

- The Hilton Rose Hall Resort & Spa;
- The Jewel Runaway Bay Beach & Golf Resort;
- The Jewel Dunn’s River Beach Resort;
- The Jewel Paradise Cove Beach Resort & Spa;
- The 88 units comprising one of the towers in the multi-tower condominium and spa at the Jewel Grande Montego Bay;
- Developable land sites adjacent to the Jewel Grande Montego Bay and the Hilton Rose Hall Resort & Spa;
- The management contract for the units owned by the Sagicor Parties at the Jewel Grande Montego Bay; and
- All of the Sagicor Parties' rights to “The Jewel” hotel brand.

On June 1, 2018 (the “Acquisition Date”), we consummated our acquisition of the Sagicor Assets for total consideration, after preliminary prorations and working capital adjustments, of \$308.5 million. The Company accounted for the acquisition as a business combination in accordance with ASC 805, *Business Combinations*, and allocated the purchase price to the fair values of assets acquired and liabilities assumed. The business combination with the Sagicor Parties allows us to expand our portfolio of resorts in the all-inclusive segment of the lodging industry, capitalize on opportunities for growth and create significant operational synergies.

The following table summarizes the fair value of each class of consideration transferred to the Sagicor Parties on the Acquisition Date (*\$ in thousands, except share data*):

Cash consideration, net of cash acquired of \$0.1 million	\$	93,128
Ordinary shares (20,000,000 shares at the Acquisition Date closing price of \$10.77 per share, €0.10 par value)		215,400
Total purchase consideration	\$	308,528

Preliminary fair values of assets acquired and liabilities assumed

The following table presents our preliminary estimates of fair values of the assets that we acquired and the liabilities that we assumed on the Acquisition Date, as previously disclosed in our Quarterly Report on Form 10-Q for the three months ended June 30, 2018, filed with the SEC on August 6, 2018, and as of September 30, 2018. Our preliminary estimates are based on the information that was available as of the Acquisition Date, and we are continuing to evaluate the underlying inputs and assumptions used in our valuations. Accordingly, these preliminary estimates are subject to change during the measurement period, which can be up to one year from the Acquisition Date.

The acquisition of the ground lease, which previously gave rise to the favorable intangible ground lease asset, was contingent on certain terms and conditions disclosed in the Contribution Agreement. We chose not to assume the ground lease as these terms and conditions were not met. We also revised our estimate of deferred income taxes based on this election and the receipt of updated tax basis information of the net assets acquired. The impact of these adjustments is as follows (*\$ in thousands*):

	June 1, 2018 (as previously reported)	Adjustments	June 1, 2018 (as adjusted)
Total purchase consideration	\$ 308,528	\$ —	\$ 308,528
Net assets acquired			
Working capital	(1,665)	—	(1,665)
Property and equipment	309,452	2,847	312,299
Identifiable intangible assets and liabilities	2,197	(2,646)	(449)
Deferred income taxes	(28,753)	4,040	(24,713)
Goodwill	27,297	(4,241)	23,056
Total net assets acquired	<u>\$ 308,528</u>	<u>\$ —</u>	<u>\$ 308,528</u>

Property and equipment

We acquired property and equipment, which primarily consists of the all-inclusive resorts and adjacent developable land sites that we acquired. We provisionally estimated the value of the acquired property and equipment using a combination of the income and market approaches, which are primarily based on significant Level 2 and Level 3 assumptions (as described in Note 16), such as estimates of future income growth, capitalization rates, discount rates, and capital expenditure needs of the Sagicor Assets.

Identified intangible assets and liabilities

The following table presents our preliminary estimates of the fair values of the identified intangible assets and liabilities and their related estimated useful lives that we acquired on the Acquisition Date (*\$ in thousands*):

	Balance Sheet Classification	Estimated Fair Value	Weighted-Average Amortization Period (in years)
Management agreement	Other intangible assets	\$ 1,900	20
Unfavorable ground lease liability	Other liabilities	(2,349)	22
Total identifiable intangibles acquired		<u>\$ (449)</u>	

We provisionally estimated the value of the management agreement using the multi-period excess earnings valuation method, which is a variation of the income valuation approach. This method estimates an intangible asset's value based on the present value of the incremental after-tax cash flows attributable to the intangible asset. This valuation approach utilizes Level 3 inputs (as described in Note 16).

Deferred income taxes

Deferred income taxes primarily relate to the fair value of non-current assets and liabilities acquired from the Sagicor Parties, including property and equipment, intangible assets and liabilities and other. We have not finalized our analysis, but we have provisionally estimated deferred income taxes based on the statutory rate in the jurisdiction of the legal entities where the acquired non-current assets and liabilities are recorded. During the third quarter of 2018, we revised our estimate of deferred income taxes based on changes to our preliminary valuations of the related assets and liabilities, which resulted in us recording deferred tax assets of \$2.1 million and deferred tax liabilities of \$26.8 million as of September 30, 2018.

Goodwill

The excess of the purchase consideration over the aggregate estimated fair values of assets acquired and liabilities assumed was recorded as goodwill. The goodwill recognized is attributable primarily to expected synergies and future growth opportunities of our combined operations and is not deductible for income tax purposes. Goodwill related to the business combination was recognized at the Jamaica reportable segment (refer to discussion of our reportable segments in Note 19).

Pro forma results of operations

The following unaudited pro forma results of operations have been prepared as though the business combination was completed on January 1, 2017. This unaudited pro forma financial information does not necessarily reflect the results of operations of Playa that actually would have resulted had the acquisition of the Sagicor Assets occurred at the date indicated, nor does it project the results of operations of Playa for any future date or period (*\$ in thousands, except per share amounts*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Pro forma revenue	\$ 142,812	\$ 140,741	\$ 514,995	\$ 511,507
Pro forma net (loss) income	\$ (5,422)	\$ (3,467)	\$ 45,640	\$ 15,607
Pro forma (losses) earnings per share - Basic	\$ (0.04)	\$ (0.03)	\$ 0.35	\$ 0.06
Pro forma (losses) earnings per share - Diluted	\$ (0.04)	\$ (0.03)	\$ 0.35	\$ 0.06

The unaudited pro forma financial information for the three and nine months ended September 30, 2018 and 2017 includes adjustments for:

- Depreciation and amortization expense resulting from the estimated fair values of acquired property and equipment and identifiable definite-lived intangible assets and liabilities, respectively;
- Elimination of the Sagicor Assets' management fees and interest expense;
- Interest expense resulting from the issuance of an \$100.0 million term loan add-on (see Note 14);
- Related income tax effects; and
- Weighted average number of shares outstanding.

For the nine months ended September 30, 2018, we incurred approximately \$2.9 million in transaction costs related to the business combination and approximately \$1.3 million in transaction costs related to the issuance of the \$100.0 million term loan add-on. These costs are recorded within selling, general and administrative expenses in the Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income and are reflected in unaudited pro forma net income for the nine months ended September 30, 2017 in the table above.

Sagicor Assets' results of operations

The following table presents the results of the Sagicor Assets' operations, which are recorded within our Jamaica reportable segment, included in our Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income for the period from the Acquisition Date through September 30, 2018 (*\$ in thousands*):

	June 2, 2018 - September 30, 2018
Revenue	\$ 31,961
Net income	\$ 1,714

Recapitalization transaction

At 12:00 a.m. Central European Time on March 12, 2017, we consummated a business combination (the "Pace Business Combination") pursuant to that certain transaction agreement by and among us, Playa Hotels & Resorts B.V. (our "Predecessor"), Pace Holdings Corp. ("Pace") and New Pace Holdings Corp. ("New Pace"), the effects of which replicated the economics of a reverse merger between our Predecessor and Pace. In connection with the Pace Business Combination, Pace formed Porto Holdco B.V., a Dutch private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*), as a wholly-owned subsidiary to facilitate the reverse merger with our Predecessor. Prior to the consummation of the Pace Business Combination, Porto Holdco B.V.

was converted to a Dutch public limited liability company (*naamloze vennootschap*) and changed its name to Porto Holdco N.V. Upon the consummation of the Pace Business Combination, the Company's name was changed to Playa Hotels & Resorts N.V.

For accounting and financial reporting purposes, the Pace Business Combination was accounted for as a recapitalization of our Predecessor because Pace was incorporated as a special purpose acquisition company and considered a public shell company. Our Predecessor also maintained effective control of the combined entity because our Predecessor's operations comprise the ongoing operations of the combined entity, our Predecessor's senior management became the senior management of the combined entity and our Predecessor's directors were appointed to, and constitute the majority of, the combined entity's board of directors. Accordingly, no step-up in basis of assets or goodwill were recorded.

The Condensed Consolidated Financial Statements presented herein are those of our Predecessor for all periods prior to the completion of the Pace Business Combination and the recapitalization of the number of ordinary shares attributable to our Predecessor shareholders is reflected retroactively to the earliest period presented. Accordingly, the number of ordinary shares presented as outstanding as of December 31, 2016 totaled 50,481,822 and consisted of the number of ordinary shares issued to Predecessor shareholders. This number of shares was also used to calculate the Company's earnings per share for all periods prior to the Pace Business Combination.

The consideration received as a result of the Pace Business Combination is summarized as follows (*\$ in thousands*):

Purchase of all of our Predecessor's cumulative redeemable preferred shares ⁽¹⁾	\$	353,873
Net cash transferred from Pace		78,859
Playa Employee Offering ⁽²⁾		799
Total consideration transferred	\$	433,531

⁽¹⁾ Balance consisted of the face value of our Predecessor's cumulative redeemable preferred shares ("Preferred Shares") and their associated PIK dividends as of March 10, 2017, per the terms of the Pace Business Combination.

⁽²⁾ In connection with the Pace Business Combination, we entered into subscription agreements (the "Subscription Agreements") with Playa employees, their family members and persons with business relationships with Playa, pursuant to which those persons agreed to purchase 82,751 ordinary shares for an aggregate purchase price of \$0.8 million.

Note 5. Property and equipment

The balance of property and equipment, net is as follows (*\$ in thousands*):

	As of September 30,	As of December 31,
	2018	2017
Land, buildings and improvements	\$ 1,791,723	\$ 1,493,407
Fixtures and machinery	55,946	53,188
Furniture and other fixed assets	205,851	173,912
Construction in progress	71,707	29,220
Total property and equipment, gross	2,125,227	1,749,727
Accumulated depreciation	(330,733)	(283,401)
Total property and equipment, net	\$ 1,794,494	\$ 1,466,326

Depreciation expense for property and equipment was \$50.8 million and \$39.4 million for the nine months ended September 30, 2018 and 2017, respectively. Depreciation expense for property and equipment was \$19.8 million and \$13.6 million for the three months ended September 30, 2018 and 2017, respectively.

For the nine months ended September 30, 2018 and 2017, \$3.4 million and \$0.7 million of interest expense was capitalized on qualifying assets, respectively. For the three months ended September 30, 2018 and 2017, \$1.3 million and \$0.7 million of interest expense was capitalized on qualifying assets, respectively. Interest expense was capitalized using the weighted-average interest rate of our debt.

Cap Cana development

On July 12, 2017, we acquired the land for the new Hyatt Zilara Cap Cana and Hyatt Ziva Cap Cana in Punta Cana, Dominican Republic for total consideration of \$56.2 million. We paid \$45.6 million of the consideration in cash upon closing of the acquisition. The remaining \$10.6 million balance is due on the earlier of (i) two years from the beginning of construction of the resorts or (ii) the

opening of the resorts and is recorded in other liabilities within the Condensed Consolidated Balance Sheet as of September 30, 2018 and December 31, 2017.

Note 6. Income taxes

We are domiciled in The Netherlands and are taxed in The Netherlands with our other Dutch subsidiaries. Dutch companies are subject to Dutch corporate income tax at a general tax rate of 25%.

For the three months ended September 30, 2018, our income tax provision was \$0.4 million, compared to a \$0.2 million tax provision for the three months ended September 30, 2017. The increased income tax provision of \$0.2 million was driven primarily by the decreased tax benefit associated with future tax liabilities of certain Mexican entities. The increased discrete tax expense associated with foreign exchange rate fluctuations was almost fully offset by the decrease in tax expense from decreased pre-tax book income of our tax paying entities.

For the nine months ended September 30, 2018, our income tax provision was \$6.6 million, compared to a \$20.1 million tax provision for the nine months ended September 30, 2017. The decreased income tax provision of \$13.5 million was driven primarily by the decrease in tax expense from decreased pre-tax book income of our tax paying entities and the increased discrete tax benefit associated with foreign exchange rate fluctuations.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation, commonly referred to as U.S. Tax Reform. As noted in our Annual Report on Form 10-K for the year ended December 31, 2017, the Company completed its deferred tax accounting related to the reduction to the U.S. corporate income tax rate from 35% to 21%. We are not aware of any significant changes to this legislation for the nine months ended September 30, 2018. Since we are a company incorporated in the Netherlands and do not have any controlled foreign corporations under U.S. tax law, we concluded that the new legislation related to global intangible low-taxed income ("GILTI") and base erosion anti-abuse tax ("BEAT") does not apply and therefore no policy decision is required.

Note 7. Related party transactions

The following summarizes transactions and arrangements that we have entered into with related parties. The details of the balances between us and related parties as of September 30, 2018 and December 31, 2017 are as follows (*\$ in thousands*):

	As of September 30,		As of December 31,	
	2018		2017	
Accounts receivable	\$	6,321	\$	1,495
Accounts and other payables	\$	2,274	\$	2,966

Relationship with Hyatt

As described below, we pay Hyatt franchise fees for our resorts currently operating under the all-ages Hyatt Ziva and adults-only Hyatt Zilara brands. In addition, in connection with the Pace Business Combination, all outstanding Preferred Shares of our Predecessor owned by HI Holdings Playa were purchased at a purchase price of \$8.40 per share for \$196.0 million in face value and \$93.6 million of associated PIK dividends.

Relationship with Real Shareholder

In connection with the Pace Business Combination, all outstanding Preferred Shares of our Predecessor owned by the selling shareholder of Real Resorts ("Real Shareholder") were purchased at a purchase price of \$8.40 per share for \$43.5 million in face value and \$20.8 million of associated PIK dividends.

Upon the consummation of the Pace Business Combination, the Real Shareholder was no longer considered a related party because the Preferred Shares were extinguished in connection with the Pace Business Combination.

Transactions with related parties

Transactions between us and related parties during the three and nine months ended September 30, 2018 and 2017 were as follows (\$ in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Hyatt franchise fees ⁽¹⁾	\$ 3,248	\$ 2,980	\$ 12,293	\$ 10,754
Lease payments ⁽²⁾	258	270	730	848
Dividends on the Preferred Shares ⁽³⁾	—	—	—	7,922
Deferred consideration accretion ⁽⁴⁾	—	—	—	36
Interest expense on related party debt ⁽⁴⁾	—	—	—	372
Total transactions with related parties	\$ 3,506	\$ 3,250	\$ 13,023	\$ 19,932

⁽¹⁾ Included in direct expense in the Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income.

⁽²⁾ Included in selling, general, and administrative expense in the Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income.

⁽³⁾ Included in dividends of Preferred Shares in the Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income.

⁽⁴⁾ Included in interest expense in the Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income.

One of our offices is owned by our Chief Executive Officer, and we sublease the space at that location from a third party. Lease payments related to this space were \$0.7 million and \$0.8 million for the nine months ended September 30, 2018 and 2017, respectively. Lease payments related to this space were \$0.2 million and \$0.3 million for the three months ended September 30, 2018 and 2017, respectively.

One of our previous offices in Cancún, Mexico was owned by an affiliate of the Real Shareholder, and we subleased the space from a third party also affiliated with the Real Shareholder. We terminated this lease agreement effective July 1, 2017. Lease payments related to this space were less than \$0.1 million for the three and nine months ended September 30, 2017.

Note 8. Commitments and contingencies

Litigation, claims and assessments

We are involved in various claims and lawsuits arising in the normal course of business, including proceedings involving tort and other general liability claims, and workers' compensation and other employee claims. Most occurrences involving liability and claims of negligence are covered by insurance with solvent insurance carriers. We recognize a liability when we believe the loss is probable and reasonably estimable. We currently believe that the ultimate outcome of such lawsuits and proceedings will not, individually or in the aggregate, have a material effect on our Condensed Consolidated Financial Statements.

The Dutch corporate income tax act provides the option of a fiscal unity, which is a consolidated tax regime wherein the profits and losses of group companies can be offset against each other. Our Dutch companies file as a fiscal unity, with the exception of Playa Romana B.V., Playa Romana Mar B.V. and Playa Hotels & Resorts N.V. Playa Resorts Holding B.V. is the head of our Dutch fiscal unity and is jointly and severally liable for the tax liabilities of the fiscal unity as a whole.

During the third quarter of 2015, we identified and recorded a potential Dutch operating tax contingency resulting from allocations to be made of certain corporate expenses from 2014 and 2015. We have provided all requested documentation to the Dutch tax authorities for their review and expect to receive their final determination during the fourth quarter of 2018. We have an estimated amount of \$1.6 million as a tax contingency at September 30, 2018 that is recorded in other liabilities within the Condensed Consolidated Balance Sheet.

Electricity supply contract

One of our subsidiaries entered into an electricity supply contract wherein we committed to purchase electricity from a provider over a five-year period ending December 2019. In consideration for our commitment, we received certain rebates. Should this contract be terminated prior to the end of the five-year period, we will be obligated to refund to the supplier the undepreciated portion of (i) the capital investment it made to connect our facilities to the power grid (original amount approximately \$1.4 million) and (ii) the unearned rebates we received (total unearned rebates of \$0.5 million and \$0.8 million as of September 30, 2018 and December 31, 2017, respectively), in each case using a 20% straight-line depreciation per annum.

Leases and other commitments

We lease certain equipment for the operations of our hotels under various lease agreements. The leases extend for varying periods through 2021 and contain fixed components and utility payments. In addition, all of our administrative offices are subject to leases of building facilities from third parties, which extend for varying periods through 2023 and contain fixed and variable components.

Rental expense under non-cancelable operating leases, including contingent leases, consisted of \$1.8 million and \$1.5 million for the nine months ended September 30, 2018 and 2017, respectively. Rental expense under non-cancelable operating leases, including contingent leases, consisted of \$0.7 million and \$0.5 million for the three months ended September 30, 2018 and 2017, respectively.

Note 9. Ordinary shares

As of December 31, 2016, the number of ordinary shares presented as outstanding totaled 50,481,822, consisting of the number of ordinary shares issued to Predecessor shareholders after the retroactive application of the recapitalization. On March 12, 2017, 52,982,364 ordinary shares were issued as part of a recapitalization completed in the Pace Business Combination (see Note 4). On June 1, 2018, 20,000,000 ordinary shares were issued as part of the business combination with the Sagicor Parties (see Note 4).

On December 28, 2017, a member of our Board of Directors waived his previously granted share-based compensation for his services as a member of our Board, and transferred 7,367 ordinary shares back to us for no consideration. The shares are recorded as treasury shares on the Condensed Consolidated Balance Sheet as of September 30, 2018.

As of September 30, 2018, our ordinary share capital consisted of 130,478,993 ordinary shares outstanding, which have a par value of €0.10 per share. In addition, 2,099,127 restricted shares and 10,658 share units were outstanding under the 2017 Plan (as defined in Note 11). The holders of restricted shares are entitled to vote, but not dispose of, such shares until they vest. The holders of share units are neither entitled to vote nor dispose of such shares until they vest.

Note 10. Warrants

We issued 3,000,000 warrants to our Predecessor's former ordinary shareholders and TPG Pace Sponsor, LLC, a Cayman Islands limited liability company and an affiliate of TPG Global, LLC, as consideration in the Pace Business Combination (the "Earmout Warrants"). The Earmout Warrants entitle such warrant holders to acquire one ordinary share for each Earmout Warrant for an exercise price of €0.10 per ordinary share in the event that the price per share underlying the Earmout Warrants on the NASDAQ is greater than \$13.00 for a period of more than 20 days out of 30 consecutive trading days within the five years after the closing date of the Pace Business Combination. The Earmout Warrants expire five years after the completion of the Pace Business Combination or earlier upon redemption or liquidation in accordance with their term.

On August 8, 2018, we repurchased 12,230 of the outstanding Earmout Warrants for less than \$0.1 million. The Earmout Warrant repurchase resulted in a reduction to paid in capital and had no impact on our Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income for the three and nine months ended September 30, 2018.

As of September 30, 2018, there were 2,987,770 Earmout Warrants outstanding.

Note 11. Share-based compensation

The Company adopted the 2017 Omnibus Incentive Plan (the "2017 Plan") to attract and retain independent directors, executive officers and other key employees and service providers. The 2017 Plan was approved by the Board of Directors and shareholders of the Company on March 10, 2017. The 2017 Plan is administered by the Compensation Committee of our Board of Directors, who may grant awards covering a maximum of 4,000,000 of our ordinary shares under the 2017 Plan. The Compensation Committee may award share options, share appreciation rights, restricted shares, share units, unrestricted shares, dividend equivalent rights, performance shares and other performance-based awards, other equity-based awards, and cash bonus awards. As of September 30, 2018, there were 1,295,245 shares available for future grants under the 2017 Plan.

Restricted share awards

Restricted share awards consist of restricted shares and share units that are granted to eligible employees, executives, and board members and consist of ordinary shares subject to restrictions and to a risk of forfeiture. Restricted share awards issued to employees and executives of the Company generally vest either pro rata over a three year period or over a five year period with 25% of the underlying award vesting on the third anniversary of the grant date of the award, 25% vesting on the fourth anniversary of the grant

date of the award and 50% vesting on the fifth anniversary of the grant date of the award. Restricted share awards issued to directors of the Company for their services as directors generally vest immediately on the grant date of the award.

The vesting of restricted share awards is subject to the holder's continued employment through the applicable vesting date. Unvested restricted share awards will be forfeited if the employee's or the executive's employment terminates during the vesting period, provided that unvested restricted share awards will accelerate upon certain terminations of employment as set forth in the applicable award agreements.

The holders of restricted shares have the right to vote the restricted shares and receive all dividends declared and paid on such shares, provided that dividends paid on unvested restricted shares will be subject to the same conditions and restrictions applicable to the underlying restricted shares. The holders of share units have no right to vote and may be entitled to receive, upon payment of a cash dividend, a cash payment for each share unit which is equal to the per-share dividend paid on our ordinary shares.

Compensation expense for the restricted share awards is measured based upon the fair market value of our ordinary shares at the date of grant and is recognized on a straight-line basis over the vesting period.

A summary of our restricted share awards from January 1, 2018 to September 30, 2018 is as follows:

	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested balance at January 1, 2018	1,265,830	\$ 10.19
Granted	535,881	10.76
Vested	(181,296)	10.34
Forfeited	(49,581)	10.27
Unvested balance at September 30, 2018	1,570,834	\$ 10.37

The total fair value of vested restricted share awards during the nine months ended September 30, 2018 and 2017 was \$1.9 million and \$1.5 million, respectively. The total fair value of vested restricted share awards during the three months ended September 30, 2017 was \$1.0 million. No restricted share awards vested during the three months ended September 30, 2018.

As of September 30, 2018 and 2017, the unrecognized compensation cost related to restricted share awards was \$12.3 million and \$11.9 million, respectively, and is expected to be recognized over a weighted-average period of approximately 2.9 years and 4.0 years, respectively.

Compensation expense related to the restricted share awards was \$3.9 million and \$2.7 million for the nine months ended September 30, 2018 and 2017, respectively, and \$1.1 million and \$1.8 million for the three months ended September 30, 2018 and 2017, respectively. Compensation expense is recorded within selling, general and administrative expenses in the Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income.

Performance share awards

Performance share awards consist of ordinary shares that may become earned and vested based on the achievement of performance targets adopted by our Compensation Committee. The actual number of ordinary shares that ultimately vest will range from 0% to 150% of the target award and will be determined at the end of the three year performance period based on two performance criteria as defined in the applicable award agreements for the period of performance.

Any ordinary shares that ultimately vest based on the achievement of the applicable performance criteria will be deemed to be vested on the date on which our Compensation Committee certifies the level of achievement of such performance criteria. Except in connection with certain qualifying terminations of employment, as set forth in the applicable award agreements, the awards require continued service through the certification date. The holders of these awards have voting rights equivalent to the target level of ordinary shares granted to the holder and any dividends declared on such shares will be accumulated and paid within 30 days after and to the extent the target ordinary shares vest.

The grant date fair value of the portion of the award based on the compounded annual growth rate of the Company's total shareholder return was estimated using a Monte-Carlo model. The table below summarizes the key inputs used in the Monte-Carlo simulation (*\$ in thousands*):

Performance Award Grant Date	Percentage of Total Award	Grant Date Fair Value by Component	Volatility ⁽¹⁾	Interest Rate ⁽²⁾	Dividend Yield
May 26, 2017					
Total Shareholder Return	50%	\$ 770	27.02%	1.39%	—%
Adjusted EBITDA Comparison	50%	\$ 1,350	—%	—%	—%
January 2, 2018					
Total Shareholder Return	50%	\$ 860	26.13%	2.00%	—%
Adjusted EBITDA Comparison	50%	\$ 1,475	—%	—%	—%

⁽¹⁾ Expected volatility was determined based on the historical share prices in our industry.

⁽²⁾ The risk-free rate was based on U.S. Treasury zero coupon issues with a remaining term equal to the remaining term of the measurement period.

In the table above, the total shareholder return component is a market condition as defined by ASC 718, *Compensation—Stock Compensation*, and compensation expense related to this component is recognized on a straight-line basis over the vesting period. The grant date fair value of the portion of the awards based on the compounded annual growth rate of the Company's adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") was based on the closing stock price of our ordinary shares on such date. The Adjusted EBITDA component is a performance condition as defined by ASC 718, and, therefore, compensation expense related to this component will be reassessed at each reporting date based on the Company's estimate of the probable level of achievement, and the accrual of compensation expense will be adjusted as appropriate.

As of September 30, 2018 and 2017, the unrecognized compensation cost related to the performance share awards was \$2.5 million and \$2.0 million, respectively, and is expected to be recognized over a weighted-average period of 2.0 years and 2.3 years, respectively. Compensation expense related to the performance share awards was approximately \$1.2 million and \$0.1 million for the nine months ended September 30, 2018 and 2017, respectively, and \$0.1 million and \$0.1 million for the three months ended September 30, 2018 and 2017, respectively. Compensation expense is recorded within selling, general and administrative expenses in the Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income.

Note 12. Preferred Shares

Prior to the consummation of the Pace Business Combination, all of our Predecessor's Preferred Shares were purchased at a purchase price of \$8.40 per share for an aggregate amount of \$353.9 million, which consisted of \$239.5 million in face value and \$114.4 million of associated PIK dividends. The Preferred Shares issued by our Predecessor were eliminated and extinguished as part of the reverse merger in the Pace Business Combination. The extinguishment is reflected as a non-cash financing activity in the Condensed Consolidated Statements of Cash Flows.

Note 13. Earnings per share

Prior to the consummation of the Pace Business Combination, our Preferred Shares and their related accumulated Non-cash PIK Dividends were participating securities. If a dividend was declared or paid on our Predecessor's ordinary shares, holders of our Predecessor's ordinary shares and Preferred Shares were entitled to proportionate shares of such dividend, with the holders of our Predecessor's Preferred Shares participating on an as-if converted basis.

Under the two-class method, basic (losses) earnings per share ("EPS") attributable to ordinary shareholders is computed by dividing the net (loss) income attributable to ordinary shareholders by the weighted-average number of ordinary shares outstanding during the period. Net (loss) income attributable to ordinary shareholders is determined by allocating undistributed earnings between ordinary and preferred shareholders. For periods in which there are undistributed losses, there is no allocation of undistributed earnings to preferred shareholders.

Diluted EPS attributable to ordinary shareholders is computed by using the more dilutive result of the two-class method, the if-converted method or the treasury stock method. The if-converted method uses the weighted-average number of ordinary shares outstanding during the period, including potentially dilutive ordinary shares assuming the conversion of the outstanding Preferred Shares of our Predecessor, as of the first day of the reporting period. The dilutive effect of awards under our equity compensation plan is reflected in diluted earnings per share by application of the treasury stock method.

Under the two-class method, the number of shares used in the computation of diluted earnings per share is the same as that used for the computation of basic earnings per share for participating securities, as the result would be anti-dilutive. The net income attributable to ordinary shareholders is not allocated to the Preferred Shares until all other reserves have been exhausted or such loss cannot be covered in any other way.

The calculations of basic and diluted EPS are as follows (*\$ in thousands, except share data*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Numerator:				
Net (loss) income	\$ (5,422)	\$ (5,667)	\$ 33,216	\$ 11,442
Non-cash dividend to warrant holders	—	—	—	(879)
Preferred Share dividends	—	—	—	(7,922)
Allocation of undistributed earnings to preferred shareholders	—	—	—	(277)
Numerator for basic EPS - (loss) income available to ordinary shareholders	(5,422)	(5,667)	33,216	2,364
Add back Preferred Share dividends ⁽¹⁾	—	—	—	—
Add back undistributed earnings to preferred shareholders ⁽¹⁾	—	—	—	—
Numerator for diluted EPS - (loss) income available to ordinary shareholders after assumed conversions	\$ (5,422)	\$ (5,667)	\$ 33,216	\$ 2,364
Denominator:				
Denominator for basic EPS - weighted-average shares	130,478,993	110,286,197	119,344,659	92,377,968
Effect of dilutive securities:				
Unvested restricted share awards	—	—	302,705	75,479
Preferred Shares	—	—	—	—
Denominator for diluted EPS - adjusted weighted-average shares	130,478,993	110,286,197	119,647,364	92,453,447
EPS - Basic	\$ (0.04)	\$ (0.05)	\$ 0.28	\$ 0.03
EPS - Diluted	\$ (0.04)	\$ (0.05)	\$ 0.28	\$ 0.03

⁽¹⁾ For the nine months ended September 30, 2017, Preferred Share dividends of our Predecessor of \$7.9 million and the preferred shareholders' allocation of undistributed earnings of our Predecessor of \$0.3 million were not added back for purposes of calculating diluted EPS because the effect of treating our Predecessor's Preferred Shares as if they had been converted to their 10,560,175 ordinary share equivalents as of January 1, 2017 was anti-dilutive.

For the three months ended September 30, 2018 and 2017, 538,951 and 265,222 of unvested performance-based equity awards, respectively, were not included in the computation of diluted EPS as the performance criteria were not met as of the end of the reporting period. For the three months ended September 30, 2018 and 2017, 1,570,834 and 1,278,051 of unvested restricted share awards, respectively, were not included in the computation of diluted EPS as their effect would have been anti-dilutive.

For the nine months ended September 30, 2018 and 2017, 538,951 and 265,222 shares of unvested performance-based equity awards, respectively, were not included in the computation of diluted EPS after assumed conversions as the performance criteria were not met as of the end of the reporting period. For the nine months ended September 30, 2018, 39,345 of unvested restricted share awards were not included in the computation of diluted EPS as their effect would have been anti-dilutive.

For the three and nine months ended September 30, 2018, outstanding Earnout Warrants to acquire a total of 2,987,770 ordinary shares were not included in the computation of diluted EPS after assumed conversions because the warrants were not exercisable as of September 30, 2018. For the three and nine months ended September 30, 2017 outstanding Earnout Warrants to acquire a total of 3,000,000 ordinary shares were not included in the computation of diluted EPS after assumed conversions because the warrants were not exercisable as of September 30, 2017.

Note 14. Debt

Debt consists of the following (*\$ in thousands*):

	As of September 30,	As of December 31,
	2018	2017
Debt obligations		
Term Loan ⁽¹⁾	\$ 999,073	\$ 906,398
Revolving Credit Facility	—	—
Total debt obligations	999,073	906,398
Unamortized discount		
Discount on Term Loan	(2,812)	(2,600)
Total unamortized discount	(2,812)	(2,600)
Unamortized debt issuance costs:		
Term Loan	(4,697)	(5,583)
Total unamortized debt issuance costs	(4,697)	(5,583)
Total debt	\$ 991,564	\$ 898,215

⁽¹⁾ Borrowings under the Term Loan bear interest at floating rates equal to one-month London Interbank Offered Rate (“LIBOR”) plus 2.75% (where the applicable LIBOR rate has a 1.0% floor). The interest rate was 4.99% and 4.62% as of September 30, 2018 and December 31, 2017, respectively. Effective March 29, 2018, we entered into two interest rate swaps to fix LIBOR at 2.85% on \$800.0 million of our Term Loan (See Note 15).

Second Amendment to Amended & Restated Credit Agreement

On June 7, 2018, we entered into the Second Amendment to Amended & Restated Credit Agreement (the “Amendment”), which amended the Amended & Restated Credit Agreement dated as of April 27, 2017 (the “Existing Credit Agreement”). The Amendment amended the Existing Credit Agreement to, among other things (i) effect an incremental term loan facility of \$100.0 million (the “Incremental Term Loan” and, together with the existing terms loans that were in effect prior to the Amendment, the “Term Loan”) pursuant to our option to request incremental loans under the Existing Credit Agreement and (ii) decrease the interest rate applicable to the Term Loan by 0.50% to, at our option, either a base rate plus a margin of 1.75% or LIBOR plus a margin of 2.75%. The other terms to the Existing Credit Agreement, including those disclosed in our Annual Report on Form 10-K filed with the SEC on March 1, 2018, were not effected by the Amendment.

Financial maintenance covenants

Our Existing Credit Agreement requires us to meet a springing leverage ratio financial maintenance covenant, but only if the aggregate amount outstanding on our Revolving Credit Facility exceeds 35% of the aggregate revolving credit commitments as defined in our Existing Credit Agreement. We were in compliance with all applicable covenants as of September 30, 2018.

Note 15. Derivative financial instruments

Interest rate swaps

Effective March 29, 2018, we entered into two interest rate swaps to mitigate the interest rate risk inherent to our floating rate debt, including the Revolving Credit Facility and Term Loan. The interest rate swaps have fixed notional values of \$200.0 million and \$600.0 million. The fixed rate paid by us is 2.85% and the variable rate received resets monthly to the one-month LIBOR rate, which results in us fixing LIBOR at 2.85% on \$800.0 million of our Term Loan. The interest rate swaps are not for trading purposes and we have not designated the interest rate swaps for hedge accounting treatment. As a result, changes in fair value of the interest rate swaps are recognized in earnings immediately as interest expense in the Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income. The interest rate swaps mature on March 31, 2023.

The following table presents the location and effects of the derivative instruments in the Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income for the three and nine months ended September 30, 2018 and 2017 (\$ in thousands):

Derivatives not Designated as Hedging Instruments	Financial Statement Classification	Three Months Ended September 30,		Nine Months Ended September 30,	
		2018	2017	2018	2017
Interest rate swaps	Interest expense ⁽¹⁾	\$ (3,985)	\$ —	\$ 1,642	\$ —

⁽¹⁾Negative amounts in the table above represent reductions to interest expense resulting from the change in fair value of the interest rate swaps.

The following table presents the location and fair value of the derivative instruments in the Condensed Consolidated Balance Sheet as of September 30, 2018 and December 31, 2017 (\$ in thousands):

Derivatives not Designated as Hedging Instruments	Balance Sheet Classification	As of September 30,		As of December 31,	
		2018	2017	2018	2017
Derivative assets:					
Interest rate swaps	Derivative financial instruments	\$ 1,817	\$ —	\$ —	\$ —

Derivative financial instruments expose the Company to credit risk in the event of non-performance by the counterparty under the terms of the interest rate swaps. The Company incorporates these counterparty credit risks in its fair value measurements (see Note 16). The Company believes it minimizes this credit risk by transacting with major creditworthy financial institutions.

Note 16. Fair value of financial instruments

Our financial instruments consist of cash and cash equivalents, trade and other receivables, accounts receivable from related parties, trade and other payables, accounts payable to related parties, derivatives and debt. We believe the carrying value of these assets and liabilities, excluding the Term Loan, approximate their fair values as of September 30, 2018 and December 31, 2017.

Fair value measurements

The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. U.S. GAAP establishes a hierarchical disclosure framework, which prioritizes and ranks the level of observability of inputs used in measuring fair value as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: Unadjusted quoted prices for similar assets or liabilities in active markets, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.
- Level 3: Inputs are unobservable and reflect our judgments about assumptions that market participants would use in pricing an asset or liability.

We did not have any movements in and out of Level 3 for our fair valued instruments during any of the above periods.

The following table presents our fair value hierarchy for our financial assets measured at fair value on a recurring basis as of September 30, 2018 (\$ in thousands):

	September 30, 2018		Level 1		Level 2		Level 3	
Fair value measurements on a recurring basis:								
Interest rate swap	\$	1,817	\$	—	\$	1,817	\$	—

As of December 31, 2017, there were no financial assets or liabilities measured at fair value on a recurring basis as our deferred consideration was settled during the third quarter of 2017.

The following table presents the changes in our Level 3 fair valued instruments for the three and nine months ended September 30, 2017 (\$ in thousands):

	Deferred Consideration
Balance as of December 31, 2016	\$ 1,836
Total gains included in earnings (or change in net assets) ⁽¹⁾	(26)
Settlements	(630)
Balance as of March 31, 2017	\$ 1,180
Total losses included in earnings (or change in net assets) ⁽¹⁾	675
Settlements	(735)
Balance as of June 30, 2017	\$ 1,120
Total losses included in earnings (or change in net assets) ⁽¹⁾	5
Settlements	(1,125)
Balance as of September 30, 2017	\$ —

⁽¹⁾ All losses and gains (other than changes in net assets) were included in interest expense in the Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income.

The following tables present our fair value hierarchy for our financial liabilities not measured at fair value as of September 30, 2018 and December 31, 2017 (\$ in thousands):

	Carrying Value	Fair Value		
	As of September 30, 2018	Level 1	Level 2	Level 3
Financial liabilities not recorded at fair value:				
Debt:				
Term Loan	\$ 991,564	\$ —	\$ —	\$ 990,835
Revolving Credit Facility	—	—	—	—
Total	\$ 991,564	\$ —	\$ —	\$ 990,835

	Carrying Value	Fair Value		
	As of December 31, 2017	Level 1	Level 2	Level 3
Financial liabilities not recorded at fair value:				
Debt:				
Term Loan	\$ 898,215	\$ —	\$ —	\$ 916,369
Revolving Credit Facility	—	—	—	—
Total	\$ 898,215	\$ —	\$ —	\$ 916,369

The following table summarizes the valuation techniques used to estimate the fair value of our financial instruments measured at fair value on a recurring basis and our financial instruments not measured at fair value:

	Valuation Technique
Financial instruments recorded at fair value:	
Interest rate swaps	The fair value of the interest rate swaps is estimated based on the expected future cash flows by incorporating the notional amount of the swaps, the contractual period to maturity, and observable market-based inputs, including interest rate curves. The fair value also incorporates credit valuation adjustments to appropriately reflect nonperformance risk.
Financial instruments not recorded at fair value:	
Term Loan	The fair value of our Term Loan is estimated using cash flow projections over the remaining contractual period by applying market forward rates and discounting back at the appropriate discount rate.
Revolving Credit Facility	The valuation technique of our Revolving Credit Facility is consistent with our Term Loan. The fair value of the Revolving Credit Facility generally approximates its carrying value as the expected term is significantly shorter in duration.

Note 17. Employee benefit plan

In accordance with labor law regulations in Mexico, certain employees are legally entitled to receive severance that is commensurate with the tenure they had with us at the time of termination without cause, which results in an unfunded benefit obligation. There were no plan assets as of September 30, 2018 or December 31, 2017 as contributions are made only to the extent benefits are paid.

The following table presents the components of net periodic pension cost for the three and nine months ended September 30, 2018 and 2017 (\$ in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Service cost	\$ 176	\$ 183	\$ 526	\$ 542
Interest cost	94	87	270	234
Amortization of prior service cost	77	—	25	—
Effect of foreign exchange rates	201	(78)	226	514
Amortization of gain	(4)	(7)	(14)	(22)
Compensation-non-retirement post employment benefits	(16)	(41)	2	(36)
Settlement gain	—	(84)	—	(91)
Curtailment gain	(17)	(34)	(17)	(34)
Net periodic pension cost	\$ 511	\$ 26	\$ 1,018	\$ 1,107

The service cost component of net periodic pension cost is recorded within direct expense in the Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income. The non-service cost components of net periodic pension cost are recorded within other (expense) income for all periods presented.

Note 18. Other balance sheet items

Trade and other receivables, net

The following summarizes the balances of trade and other receivables, net as of September 30, 2018 and December 31, 2017 (\$ in thousands):

	As of September 30, 2018	As of December 31, 2017
Gross trade and other receivables	\$ 37,426	\$ 52,312
Allowance for doubtful accounts	(692)	(785)
Total trade and other receivables, net	\$ 36,734	\$ 51,527

We have not experienced any significant write-offs to our accounts receivable.

Prepayments and other assets

The following summarizes the balances of prepayments and other assets as of September 30, 2018 and December 31, 2017 (\$ in thousands):

	As of September 30, 2018	As of December 31, 2017
Advances to suppliers	\$ 12,590	\$ 6,509
Prepaid income taxes	10,042	10,935
Prepaid other taxes ⁽¹⁾	11,552	10,737
Contract deposit ⁽²⁾	2,700	2,700
Other assets	1,858	3,185
Total prepayments and other assets	\$ 38,742	\$ 34,066

⁽¹⁾ Includes recoverable value-added tax and general consumption tax accumulated by our Mexico and Jamaica entities, respectively.

⁽²⁾ Represents a cash deposit related to the Sanctuary Cap Cana management contract. We are in the process of negotiating final terms for the purchase of a 30% interest in the resort in the second half of 2018, and the deposit will be used towards this purchase if we are able to agree on terms. If the purchase is not completed, this amount, together with an additional \$0.8 million due, will be treated as key money.

Goodwill

The gross carrying values and accumulated impairment losses of goodwill by reportable segment (refer to discussion of our reportable segments in Note 19) as of September 30, 2018 and December 31, 2017 are as follows (\$ in thousands):

	Yucatán Península	Pacific Coast	Dominican Republic	Jamaica	Total
Gross carrying value as of December 31, 2017	\$ 51,731	\$ —	\$ —	\$ —	\$ 51,731
Accumulated impairment losses	—	—	—	—	—
Net carrying value as of December 31, 2017	51,731	—	—	—	51,731
Additions (see Note 4)	—	—	—	23,056	23,056
Gross carrying value as of September 30, 2018	51,731	—	—	23,056	74,787
Accumulated impairment losses	—	—	—	—	—
Net carrying value as of September 30, 2018	\$ 51,731	\$ —	\$ —	\$ 23,056	\$ 74,787

Other intangible assets

Other intangible assets as of September 30, 2018 and December 31, 2017 consisted of the following (\$ in thousands):

	As of September 30,	As of December 31,
	2018	2017
Gross carrying value:		
Strategic alliance	\$ —	\$ 3,616
Enterprise resource planning system ⁽¹⁾	1,405	—
Management contract ⁽²⁾	1,900	—
Licenses ⁽³⁾	858	981
Other	2,568	3,298
Gross carrying value	<u>6,731</u>	<u>7,895</u>
Accumulated amortization:		
Strategic alliance	—	(3,616)
Enterprise resource planning system ⁽¹⁾	(27)	—
Management contract ⁽²⁾	(24)	—
Other	(1,678)	(2,192)
Accumulated amortization	<u>(1,729)</u>	<u>(5,808)</u>
Net carrying value:		
Strategic alliance	—	—
Enterprise resource planning system ⁽¹⁾	1,378	—
Management contract ⁽²⁾	1,876	—
Licenses ⁽³⁾	858	981
Other	890	1,106
Net carrying value	<u>\$ 5,002</u>	<u>\$ 2,087</u>

⁽¹⁾ Represents software development costs incurred to develop and implement SAP as our integrated enterprise resource planning (“ERP”) system. \$1.1 million of these costs were placed into service in July 2018 and are being amortized over a weighted-average amortization period of 7 years.

⁽²⁾ Represents the fair value of a management contract acquired in the business combination with the Sagicor Parties (see Note 4).

⁽³⁾ Our licenses have indefinite lives. Accordingly, there is no associated amortization expense or accumulated amortization. As of September 30, 2018 and December 31, 2017, such indefinite lived assets totaled \$0.9 million and \$1.0 million, respectively.

Amortization expense for intangible assets was \$0.9 million and \$0.7 million for the nine months ended September 30, 2018 and 2017, respectively. Amortization expense for intangible assets was \$0.3 million and \$0.2 million for the three months ended September 30, 2018 and 2017, respectively.

Trade and other payables

The following summarizes the balances of trade and other payables as of September 30, 2018 and December 31, 2017 (\$ in thousands):

	As of September 30,		As of December 31,	
	2018		2017	
Trade payables	\$	21,436	\$	18,160
Advance deposits		39,447		43,884
Withholding and other taxes payable		44,781		34,904
Interest payable		420		5,586
Payroll and related accruals		15,525		13,848
Accrued expenses and other payables		19,721		23,146
Total trade and other payables	\$	141,330	\$	139,528

Other liabilities

The following summarizes the balances of other liabilities as of September 30, 2018 and December 31, 2017 (\$ in thousands):

	As of September 30,		As of December 31,	
	2018		2017	
Tax contingencies	\$	2,347	\$	2,310
Pension obligations		5,368		4,456
Cap Cana land purchase obligation		10,625		10,625
Unfavorable ground lease liability ⁽¹⁾		2,322		—
Other		1,811		2,003
Total other liabilities	\$	22,473	\$	19,394

⁽¹⁾ Represents an unfavorable ground lease intangible acquired in the business combination with the Sagicor Parties (see Note 4). Amortization is recorded in non-package revenue in the Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income.

Note 19. Segment information

As a result of our business combination with the Sagicor Parties, we evaluated and modified the presentation of our reportable segments to reflect the management of our resorts after the incorporation of the Sagicor Assets. We divided our Caribbean Basin segment into separate Dominican Republic and Jamaica segments, which caused us to change from three to four reportable segments. The results for all comparative prior periods have been reclassified to conform to the current period presentation.

We consider each one of our resorts to be an operating segment, none of which meets the threshold for a reportable segment. We also allocate resources and assess operating performance based on individual resorts. Our operating segments meet the aggregation criteria and thus, we present four separate reportable segments by geography: (i) Yucatán Peninsula, (ii) Pacific Coast, (iii) Dominican Republic and (iv) Jamaica. For the three and nine months ended September 30, 2018 and 2017, we have excluded the immaterial amounts of management fees, cost reimbursements and other from our segment reporting.

Our operating segments are components of the business which are managed discretely and for which discrete financial information is reviewed regularly by our Chief Executive Officer, Chief Financial Officer and Chief Operating Officer, all of whom represent our chief operating decision maker ("CODM"). Financial information for each reportable segment is reviewed by the CODM to assess performance and make decisions regarding the allocation of resources. We did not provide a reconciliation of reportable segments' assets to our consolidated assets as this information is not regularly reviewed by the CODM to assess performance and make decisions regarding the allocation of resources.

The performance of our operating segments is evaluated primarily on adjusted earnings before interest expense, income tax provision, and depreciation and amortization expense ("Adjusted EBITDA"), which should not be considered an alternative to net (loss) income or other measures of financial performance or liquidity derived in accordance with U.S. GAAP. We define Adjusted EBITDA as net (loss) income, determined in accordance with U.S. GAAP, for the period presented, before interest expense, income tax provision, and

depreciation and amortization expense, further adjusted to exclude the following items: (a) other (expense) income, net; (b) share-based compensation; (c) loss on extinguishment of debt; (d) transaction expenses; (e) severance expense; (f) other tax expense; (g) Jamaica delayed opening accrual reversal; (h) pre-opening expenses; (i) property damage insurance proceeds; and (j) repairs from hurricanes and tropical storms.

There are limitations to using financial measures such as Adjusted EBITDA. For example, other companies in our industry may define Adjusted EBITDA differently than we do. As a result, it may be difficult to use Adjusted EBITDA or similarly named financial measures that other companies publish to compare the performance of those companies to our performance. Because of these limitations, Adjusted EBITDA should not be considered as a measure of the income or loss generated by our business or discretionary cash available for investment in our business and investors should carefully consider our U.S. GAAP results presented in our Condensed Consolidated Financial Statements.

The following tables present segment net revenue, a reconciliation to gross revenue and segment Adjusted EBITDA and a reconciliation to net (loss) income (\$ in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenue:				
Yucatàn Peninsula	\$ 57,087	\$ 59,630	\$ 200,025	\$ 209,305
Pacific Coast	16,211	15,872	65,081	67,377
Dominican Republic	27,580	26,139	99,493	96,935
Jamaica	36,651	13,144	87,141	49,091
Segment net revenue ⁽¹⁾	137,529	114,785	451,740	422,708
Other	—	10	343	12
Management fees	152	—	503	—
Cost reimbursements	227	—	349	—
Compulsory tips	4,904	3,547	12,296	10,287
Total gross revenue	\$ 142,812	\$ 118,342	\$ 465,231	\$ 433,007

⁽¹⁾ Segment net revenue represents total gross revenue less compulsory tips paid to employees, cost reimbursements and other miscellaneous revenue not derived from segment operations.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Adjusted EBITDA:				
Yucatán Peninsula	\$ 18,484	\$ 20,824	\$ 83,814	\$ 93,070
Pacific Coast	2,869	3,758	23,327	27,242
Dominican Republic	7,161	5,460	35,174	31,263
Jamaica	6,688	1,821	25,421	11,590
Segment Adjusted EBITDA	35,202	31,863	167,736	163,165
Other corporate - unallocated	(9,322)	(7,544)	(26,331)	(23,354)
Management fees	152	—	503	—
Total consolidated Adjusted EBITDA	26,032	24,319	141,908	139,811
<i>Less:</i>				
Other expense (income), net	390	(1,939)	1,836	(626)
Share-based compensation	1,182	1,843	5,072	2,803
Loss on extinguishment of debt	—	—	—	12,526
Transaction expenses	1,447	1,893	7,678	11,193
Severance expense	333	—	333	442
Other tax expense	399	175	1,257	598
Jamaica delayed opening accrual reversal	—	(41)	(342)	(152)
Pre-opening expenses	87	—	87	—
Property damage insurance proceeds	(203)	—	(203)	—
Repairs from hurricanes and tropical storms	—	765	—	765
<i>Add:</i>				
Non-service cost components of net periodic pension cost (benefit)	335	(157)	492	565
Interest expense	(7,637)	(13,099)	(35,151)	(41,187)
Depreciation and amortization	(20,138)	(13,808)	(51,709)	(40,093)
Net (loss) income before tax	(5,043)	(5,441)	39,822	31,547
Income tax provision	(379)	(226)	(6,606)	(20,105)
Net (loss) income	\$ (5,422)	\$ (5,667)	\$ 33,216	\$ 11,442

Note 20. Subsequent events

In preparing the interim Condensed Consolidated Financial Statements, we have evaluated subsequent events occurring after September 30, 2018. Based on this evaluation, there were no subsequent events from September 30, 2018 through the date the Condensed Consolidated Financial Statements were issued.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of Playa Hotels & Resorts N.V.'s ("Playa") financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements (our "Condensed Consolidated Financial Statements") and the notes related thereto which are included in "Item 1. Financial Statements" of this Quarterly Report on Form 10-Q. Unless the context otherwise requires, "we," "us," "our" and the "Company" refer to Playa and its subsidiaries.

Cautionary Note Regarding Forward-Looking Statements

This quarterly report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. Forward-looking statements reflect our current views with respect to, among other things, our capital resources, portfolio performance and results of operations. Likewise, all of our statements regarding anticipated growth in our operations, anticipated market conditions, demographics and results of operations are forward-looking statements. In some cases, you can identify these forward-looking statements by the use of terminology such as

“outlook,” “believes,” “expects,” “potential,” “continues,” “may,” “will,” “should,” “could,” “seeks,” “approximately,” “predicts,” “intends,” “plans,” “estimates,” “anticipates” or the negative version of these words or other comparable words or phrases.

The forward-looking statements contained in this quarterly report reflect our current views about future events and are subject to numerous known and unknown risks, uncertainties, assumptions and changes in circumstances that may cause our actual results to differ significantly from those expressed in any forward-looking statement. The factors discussed in our filings with the United States Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC March 1, 2018, together with the following factors, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

- general economic uncertainty and the effect of general economic conditions on the lodging industry in particular;*
- the popularity of the all-inclusive resort model, particularly in the luxury segment of the resort market;*
- the success and continuation of our relationships with Hyatt and Hilton;*
- the volatility of currency exchange rates;*
- the success of our branding or rebranding initiatives with our current portfolio and resorts that may be acquired in the future, including the rebranding of two of our resorts under the all-inclusive “Panama Jack” brand and rebranding of certain resorts recently acquired from Sagicor (as defined below) in Jamaica;*
- our failure to successfully complete acquisition, expansion, repair and renovation projects in the timeframes and at the costs and returns anticipated;*
- changes we may make in timing and scope of our development and renovation projects;*
- significant increases in construction and development costs;*
- our ability to obtain and maintain financing arrangements on attractive terms;*
- the impact of and changes in governmental regulations or the enforcement thereof, tax laws and rates, accounting guidance and similar matters in regions in which we operate;*
- the effectiveness of our internal controls and our corporate policies and procedures and the success and timing of the remediation efforts for the material weakness that we identified in our internal control over financial reporting;*
- changes in personnel and availability of qualified personnel;*
- environmental uncertainties and risks related to adverse weather conditions and natural disasters;*
- dependence on third parties to provide Internet, telecommunications and network connectivity to our data centers;*
- the volatility of the market price and liquidity of our ordinary shares and other of our securities; and*
- the increasingly competitive environment in which we operate.*

While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. The Company disclaims any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, new information, data or methods, future events or other changes after the date of this quarterly report, except as required by applicable law. You should not place undue reliance on any forward-looking statements, which are based only on information currently available to us (or to third parties making the forward-looking statements).

Explanatory Note

At 12:00 a.m. Central European Time on March 12, 2017 (the “Closing Time”), we consummated a business combination (the “Pace Business Combination”) pursuant to a transaction agreement by and among us, Playa Hotels & Resorts B.V. (our “Predecessor”) and Pace Holdings Corp. (“Pace”), an entity that was formed as a special purpose acquisition company, for the purpose of effecting a merger or other similar business combination with one or more target businesses, and New Pace Holdings Corp. In connection with

the Pace Business Combination, which is described in detail in our Current Report on Form 8-K filed with the Securities and Exchange Commission (“SEC”) on March 14, 2017, we changed our name from Porto Holdco N.V. to Playa Hotels & Resorts N.V. In addition, in connection with the Pace Business Combination, (i) prior to the consummation of the Pace Business Combination, all of our Predecessor’s cumulative redeemable preferred shares were purchased and were subsequently extinguished upon the reverse merger of our Predecessor with and into us, and (ii) Pace’s former shareholders and our Predecessor’s former shareholders received a combination of our ordinary shares and warrants as consideration in the Pace Business Combination. Our Predecessor was the accounting acquirer in the Pace Business Combination, and the business, properties, and management team of our Predecessor prior to the Pace Business Combination are the business, properties, and management team of the Company following the Pace Business Combination.

Our financial statements, other financial information and operating statistics presented in this Quarterly Report on Form 10-Q reflect the results of our Predecessor for all periods prior to the Closing Time. Our financial statements and other financial information also include the consolidation of Pace from the Closing Time of the Pace Business Combination to September 30, 2018.

On June 1, 2018, we completed a business combination with certain companies affiliated with Sagicor Group Jamaica Limited (collectively “Sagicor”) whereby Sagicor contributed to us a portfolio of all-inclusive resorts, two adjacent oceanfront developable land sites located on the North Coast of Jamaica, a management contract for the management of one of the resorts and all of Sagicor’s rights to “The Jewel” hotel brand. The portfolio included four existing resorts including the 495-room Hilton Rose Hall Resort & Spa, the 268-room Jewel Runaway Bay Beach & Golf Resort, the 250-room Jewel Dunn’s River Beach Resort and the 225-room Jewel Paradise Cove Beach Resort & Spa (collectively the “Sagicor Assets”). It also included an 88-unit hotel tower and spa, two developable land sites with a potential density of up to 700 rooms and a hotel management contract for the Jewel Grande Montego Bay. The existing Sagicor Assets were previously managed by an external third-party operator but we assumed management of the Sagicor Assets upon the closing of the transaction. Consideration for such assets was comprised of 20,000,000 of our ordinary shares of Playa’s common stock and \$93.1 million in net cash, pursuant to certain post-closing adjustments. In addition, two individuals nominated by Sagicor joined Playa’s Board of Directors upon the consummation of the transaction.

Our financial statements and other financial information also include the consolidation of the Sagicor Assets from June 2, 2018 to September 30, 2018.

Overview

Playa is a leading owner, operator and developer of all-inclusive resorts in prime beachfront locations in popular vacation destinations in Mexico and the Caribbean. Playa owns and/or manages a total portfolio consisting of 20 resorts (7,769 rooms) located in Mexico, Jamaica, and the Dominican Republic. In Mexico, Playa owns and manages Hyatt Zilara Cancun, Hyatt Ziva Cancun, Panama Jack Resorts Cancun, Panama Jack Resorts Playa del Carmen, Hilton Playa del Carmen All-Inclusive Resort, Hyatt Ziva Puerto Vallarta and Hyatt Ziva Los Cabos. In Jamaica, Playa owns and manages Hyatt Zilara Rose Hall, Hyatt Ziva Rose Hall, Hilton Rose Hall Resort & Spa, Jewel Dunn’s River Beach Resort, Jewel Grande Montego Bay Resort & Spa, Jewel Runaway Bay Beach & Golf Resort and Jewel Paradise Cove Beach Resort & Spa. Playa also owns five resorts in Mexico and the Dominican Republic that are managed by a third party and Playa manages the Sanctuary Cap Cana, in the Dominican Republic. We believe that the resorts we own and manage are among the finest all-inclusive resorts in the markets they serve. All of our resorts offer guests luxury accommodations, noteworthy architecture, extensive on-site activities and multiple food and beverage options. Our guests also have the opportunity to purchase upgrades from us such as premium rooms, dining experiences, wines and spirits and spa packages.

For the three months ended September 30, 2018, we generated a net loss of \$5.4 million, total revenue of \$142.8 million, Net Package RevPAR of approximately \$175.27 and Adjusted EBITDA of \$26.0 million. For the three months ended September 30, 2017, we generated a net loss of \$5.7 million, total revenue of \$118.3 million, Net Package RevPAR of approximately \$174.97 and Adjusted EBITDA of \$24.3 million.

For the nine months ended September 30, 2018, we generated net income of \$33.2 million, total revenue of \$465.2 million, Net Package RevPAR of approximately \$214.10 and Adjusted EBITDA of \$141.9 million. For the nine months ended September 30, 2017, we generated net income of \$11.4 million, total revenue of \$433.0 million, Net Package RevPAR of approximately \$217.24 and Adjusted EBITDA of \$139.8 million.

Our Portfolio of Resorts

As the date hereof, the following table presents an overview of our resorts. None of the resorts we own individually contributed more than 12.8% of our Total Net Revenue or 18.7% of our consolidated Adjusted EBITDA for the nine months ended September 30, 2018. The table below is organized by our four geographic business segments: the Yucatán Peninsula, the Pacific Coast, the Dominican Republic and Jamaica.

Name of Resort	Location	Brand and Type	Operator	Year Built; Significant Renovations	Rooms
Owned Resorts					
Yucatán Peninsula					
Hyatt Ziva Cancún	Cancún, Mexico	Hyatt Ziva (all ages)	Playa	1975; 1980; 1986; 2002; 2015	547
Hyatt Zilara Cancún	Cancún, Mexico	Hyatt Zilara (adults-only)	Playa	2006; 2009; 2013; 2017	307
Panama Jack Resorts Cancún	Cancún, Mexico	Panama Jack (all ages) ⁽¹⁾	Playa	2002; 2009; 2017	458
Hilton Playa del Carmen All-Inclusive Resort ⁽²⁾	Playa del Carmen, Mexico	Hilton (adults-only)	Playa	1985; 2009	513
Panama Jack Resorts Playa del Carmen	Playa del Carmen, Mexico	Panama Jack (all ages) ⁽¹⁾	Playa	1996; 2006; 2012; 2017	287
Secrets Capri	Riviera Maya, Mexico	Secrets (adults-only)	AMResorts	2003	291
Dreams Puerto Aventuras	Riviera Maya, Mexico	Dreams (all ages)	AMResorts	1991; 2009	305
Pacific Coast					
Hyatt Ziva Los Cabos	Cabo San Lucas, Mexico	Hyatt Ziva (all ages)	Playa	2007; 2009; 2015	591
Hyatt Ziva Puerto Vallarta	Puerto Vallarta, Mexico	Hyatt Ziva (all ages)	Playa	1969; 1990; 2002; 2009; 2014; 2017	335
Dominican Republic					
Dreams La Romana	La Romana, Dominican Republic	Dreams (all ages)	AMResorts ⁽³⁾	1997; 2008	756
Dreams Palm Beach	Punta Cana, Dominican Republic	Dreams (all ages)	AMResorts	1994; 2008	500
Dreams Punta Cana	Punta Cana, Dominican Republic	Dreams (all ages)	AMResorts	2004	620
Jamaica					
Hyatt Ziva Rose Hall	Montego Bay, Jamaica	Hyatt Ziva (all ages)	Playa	2000; 2014; 2017	276
Hyatt Zilara Rose Hall	Montego Bay, Jamaica	Hyatt Zilara (adults-only)	Playa	2000; 2014; 2017	344
Hilton Rose Hall Resort & Spa	Montego Bay, Jamaica	Hilton (all ages)	Playa	1974; 2008	495
Jewel Runaway Bay Beach & Golf Resort	Runaway Bay, Jamaica	Jewel (all ages)	Playa	1960; 1961; 1965; 2007; 2012	268
Jewel Dunn's River Beach Resort	Ocho Rios, Jamaica	Curio by Hilton (adults only)	Playa	1957; 1970; 1980; 2010	250
Jewel Paradise Cove Beach Resort & Spa	Runaway Bay, Jamaica	Curio by Hilton (adults only)	Playa	2013	225
Jewel Grande Montego Bay ⁽⁵⁾	Montego Bay, Jamaica	Jewel (all ages)	Playa	2016; 2017	88
Total Rooms Owned					7,456
Managed Resorts					
Sanctuary Cap Cana ⁽⁴⁾	Punta Cana, Dominican Republic	Sanctuary (adults-only)	Playa	2008; 2015; 2018	184
Jewel Grande Montego Bay ⁽⁵⁾	Montego Bay, Jamaica	Sagicor (condo-hotel)	Playa	2016; 2017	129
Total Rooms Operated					313
Total Rooms Owned and Operated					7,769

⁽¹⁾ Pursuant to an agreement with Panama Jack, we have rebranded these resorts under the Panama Jack brand. The rebranding was completed in 2017.

⁽²⁾ Pursuant to an agreement with Hilton, this resort was rebranded as a Hilton all-inclusive resort on November 1, 2018. The resort is still owned and operated by Playa.

⁽³⁾ Effective November 20, 2018, this resort will be operated by Playa and will be rebranded as a Hilton all-inclusive resort.

⁽⁴⁾ Owned by a third party.

⁽⁵⁾ Playa acquired an 88-unit tower as part of our acquisition of the Sagicor Assets. The 88-room tower is currently closed but once re-opened will operate as part of the Jewel Grande. Playa manages the majority of the units within the remaining two condo-hotel towers that comprise the Jewel Grande, as these two towers are owned by Sagicor.

Results of Operations

Three Months Ended September 30, 2018 and 2017

The following table summarizes our results of operations on a consolidated basis for the three months ended September 30, 2018 and 2017 (\$ in thousands):

	Three Months Ended September 30,		Increase / Decrease	
	2018	2017	Change	% Change
Revenue:				
Package	\$ 123,633	\$ 102,093	\$ 21,540	21.1 %
Non-package	18,800	16,249	2,551	15.7 %
Management fees	152	—	152	100.0 %
Cost reimbursements	227	—	227	100.0 %
Total revenue	142,812	118,342	24,470	20.7 %
Direct and selling, general and administrative expenses:				
Direct	91,573	75,807	15,766	20.8 %
Selling, general and administrative	28,489	23,008	5,481	23.8 %
Pre-opening	87	—	87	100.0 %
Depreciation and amortization	20,138	13,808	6,330	45.8 %
Gain on insurance proceeds	(686)	—	(686)	100.0 %
Reimbursed costs	227	—	227	100.0 %
Direct and selling, general and administrative expenses	139,828	112,623	27,205	24.2 %
Operating income	2,984	5,719	(2,735)	(47.8)%
Interest expense	(7,637)	(13,099)	5,462	(41.7)%
Other (expense) income, net	(390)	1,939	(2,329)	(120.1)%
Net loss before tax	(5,043)	(5,441)	398	(7.3)%
Income tax provision	(379)	(226)	(153)	67.7 %
Net loss	\$ (5,422)	\$ (5,667)	\$ 245	(4.3)%

For a description of the operating metrics discussed in this section and non-U.S. GAAP measures, see “Key Indicators of Financial and Operating Performance,” below. For discussions of Adjusted EBITDA and a reconciliation to the most comparable U.S. GAAP financial measures, see “Key Indicators of Financial and Operating Performance” and “Non-U.S. GAAP Financial Measures,” below.

The following tables set forth information with respect to our Occupancy, Net Package ADR, Net Package RevPAR, Net Package Revenue, Net Non-package Revenue, Management Fee Revenue, Total Net Revenue, Adjusted EBITDA and Adjusted EBITDA Margin (as defined below) for the three months ended September 30, 2018 and 2017:

Total Portfolio

	Three Months Ended September 30,		Increase / Decrease	
	2018	2017	Change	% Change
Occupancy	79.2%	78.5%	0.7 pts	0.9 %
Net Package ADR	\$ 221.40	\$ 222.80	\$ (1.40)	(0.6)%
Net Package RevPAR	175.27	174.97	0.30	0.2 %
(\$ in thousands)				
Net Package Revenue	\$ 118,810	\$ 98,674	\$ 20,136	20.4 %
Net Non-package Revenue	18,719	16,121	2,598	16.1 %
Management Fee Revenue	152	—	152	100.0 %
Total Net Revenue	137,681	114,795	22,886	19.9 %
Adjusted EBITDA	\$ 26,032	\$ 24,319	\$ 1,713	7.0 %
Adjusted EBITDA Margin	18.9%	21.2%	(2.3)pts	(10.8)%

Comparable Portfolio

	Three Months Ended September 30,		Increase / Decrease	
	2018	2017	Change	% Change
Occupancy	79.9%	78.5%	1.4 pts	1.8 %
Net Package ADR	\$ 222.54	\$ 222.80	\$ (0.26)	(0.1)%
Net Package RevPAR	177.87	174.97	2.90	1.7 %
(\$ in thousands)				
Net Package Revenue	\$ 100,313	\$ 98,674	\$ 1,639	1.7 %
Net Non-package Revenue	15,933	16,121	(188)	(1.2)%
Management Fee Revenue	152	—	152	100.0 %
Total Net Revenue	116,398	114,795	1,603	1.4 %
Adjusted EBITDA	\$ 21,458	\$ 24,319	\$ (2,861)	(11.8)%
Adjusted EBITDA Margin	18.4%	21.2%	(2.8)pts	(13.2)%

Total Revenue and Total Net Revenue

Our total revenue for the three months ended September 30, 2018 increased \$24.5 million, or 20.7%, compared to the three months ended September 30, 2017. Our Total Net Revenue for the three months ended September 30, 2018 increased \$22.9 million, or 19.9%, compared to the three months ended September 30, 2017. This increase was driven by an increase in Net Package Revenue of \$20.1 million, or 20.4%, and an increase in Net Non-package Revenue of \$2.6 million, or 16.1%. This increase in Total Net Revenue was due to a \$21.3 million increase attributable to the acquisition of the Sagicor Assets and an increase of \$1.6 million at our comparable portfolio.

Our comparable resorts for the three months ended September 30, 2018 exclude the following: Hilton Rose Hall Resort & Spa, Jewel Runaway Bay Beach & Golf Resort, Jewel Dunn's River Beach Resort, and Jewel Paradise Cove Beach Resort & Spa, which we purchased on June 1, 2018.

The following table shows a reconciliation of Net Package Revenue, Net Non-package Revenue and Management Fee Revenue to total revenue for the three months ended September 30, 2018 and 2017 (\$ in thousands):

	Three Months Ended September 30,		Increase/Decrease	
	2018	2017	Change	% Change
Net Package Revenue				
Comparable Net Package Revenue	\$ 100,313	\$ 98,674	\$ 1,639	1.7 %
Non-comparable Net Package Revenue	18,497	—	18,497	100.0 %
Net Package Revenue	118,810	98,674	20,136	20.4 %
Net Non-package Revenue				
Comparable Net Non-package Revenue	15,933	16,121	(188)	(1.2)%
Non-comparable Net Non-package Revenue	2,786	—	2,786	100.0 %
Net Non-package Revenue	18,719	16,121	2,598	16.1 %
Management Fee Revenue				
Comparable Management Fee Revenue	152	—	152	100.0 %
Non-comparable Management Fee Revenue	—	—	—	0.0 %
Management Fee Revenue	152	—	152	100.0 %
Net Revenue:				
Comparable Net Revenue	116,398	114,795	1,603	1.4 %
Non-comparable Net Revenue	21,283	—	21,283	100.0 %
Total Net Revenue	137,681	114,795	22,886	19.9 %
Plus: compulsory tips	4,904	3,547	1,357	38.3 %
Cost reimbursements	227	—	227	100.0 %
Total revenue	\$ 142,812	\$ 118,342	\$ 24,470	20.7 %

Direct Expenses

The following table shows a reconciliation of our direct expenses to net direct expenses for the three months ended September 30, 2018 and 2017 (\$ in thousands):

	Three Months Ended September 30,		Increase/Decrease	
	2018	2017	Change	% Change
Direct expenses	\$ 91,573	\$ 75,807	\$ 15,766	20.8%
Less: compulsory tips	4,904	3,547	1,357	38.3%
Net direct expenses	\$ 86,669	\$ 72,260	\$ 14,409	19.9%

Our direct expenses include resort expenses, such as food and beverage, salaries and wages, utilities and other ongoing operational expenses. Our net direct expenses for the three months ended September 30, 2018 were \$86.7 million, or 62.9% of Total Net Revenue and \$72.3 million, or 62.9%, of Total Net Revenue for the three months ended September 30, 2017.

Net direct expenses for the three months ended September 30, 2018 increased \$14.4 million, or 19.9%, compared to the three months ended September 30, 2017. Net direct expenses increased due to the acquisition of the Sagicor Assets, which accounted for \$14.4 million of the change. Direct operating expenses fluctuate based on various factors, including changes in occupancy, labor costs, utilities, repair and maintenance costs and license and property taxes. Management fees and franchise fees, which are computed as a percentage of revenue, increase as a result of higher revenues.

Direct expenses consists of the following (\$ in thousands):

	Three Months Ended September 30,		Increase/Decrease	
	2018	2017	Change	% Change
Direct expenses:				
Food and beverages	\$ 22,906	\$ 18,032	\$ 4,874	27.0 %
Guest costs	1,391	919	472	51.4 %
Resort salary and wages	30,744	26,062	4,682	18.0 %
Repairs and maintenance	4,450	4,266	184	4.3 %
Utility expenses	9,421	7,524	1,897	25.2 %
Licenses and property taxes	805	548	257	46.9 %
Incentive and management fees	2,151	2,055	96	4.7 %
Hyatt fees	3,248	2,980	268	9.0 %
Panama Jack fees	183	—	183	100.0 %
Hilton fees	862	—	862	100.0 %
Other supplies and expense amortization	1,583	896	687	76.7 %
Transportation and travel expenses	1,220	1,083	137	12.7 %
Laundry and cleaning expenses	1,269	613	656	107.0 %
Property and equipment rental expense	370	728	(358)	(49.2)%
Entertainment expenses	1,370	826	544	65.9 %
Office supplies	241	1,012	(771)	(76.2)%
Other operational expenses	4,455	4,716	(261)	(5.5)%
Total net direct expenses	\$ 86,669	\$ 72,260	\$ 14,409	19.9 %

Selling, General and Administrative Expenses

Our selling, general and administrative expenses for the three months ended September 30, 2018 increased \$5.5 million, or 23.8%, compared to the three months ended September 30, 2017. Included in these results are increases in transaction expense, share based compensation expense and increased insurance expenses due to increased insurance premiums over prior year.

Depreciation and Amortization Expense

Our depreciation and amortization expense for the three months ended September 30, 2018 increased \$6.3 million, or 45.8%, compared to the three months ended September 30, 2017. This increase is due primarily to the acquisition of the Sagicor Assets and asset additions as part of the property renovations at Panama Jack Resorts Cancun, Panama Jack Resorts Playa del Carmen and Hyatt Ziva & Zilara Rose Hall in the prior year that have a full quarter of depreciation in the current year.

Gain on Insurance Proceeds

We received \$0.5 million of net business interruption insurance proceeds during the three months ended September 30, 2018, which related to the impact of Hurricane Maria at the Dreams Palm Beach and Hurricane Maria and Hurricane Irma at Dreams La Romana during the third quarter of 2017. We also received an additional \$0.2 million of property damage insurance proceeds at Dreams Palm Beach during the three months ended September 30, 2018. During the three months ended September 30, 2017, we had no such gain.

Interest Expense

Our interest expense for the three months ended September 30, 2018 decreased \$5.5 million, or 41.7%, as compared to the three months ended September 30, 2017. This decrease was primarily attributable to the change in fair value of our interest rate swaps of \$4.0 million and the non-cash impact of capitalized interest of \$0.6 million.

Income Tax Provision

The income tax provision for the three months ended September 30, 2018 was \$0.4 million, an increase of \$0.2 million compared to the three months ended September 30, 2017, during which quarter we reported an income tax provision of \$0.2 million.

The increased income tax expense was driven primarily by a decrease in the tax benefit associated with future tax liabilities of some Mexican entities. The \$4.2 million increased discrete tax expense associated with foreign exchange rate fluctuations was almost fully offset by the \$4.2 million decrease in tax expense from decreased pre-tax book income in our tax paying entities.

Adjusted EBITDA

Our Adjusted EBITDA for the three months ended September 30, 2018 increased \$1.7 million, or 7.0%, compared to the three months ended September 30, 2017. For discussions of Adjusted EBITDA and reconciliation to the most comparable U.S. GAAP financial measures, see “Key Indicators of Financial and Operating Performance” and “Non-U.S. GAAP Financial Measures,” below.

Nine Months Ended September 30, 2018 and 2017

The following table summarizes our results of operations on a consolidated basis for the nine months ended September 30, 2018 and 2017 (*\$ in thousands*):

	Nine Months Ended September 30,		Increase / Decrease	
	2018	2017	Change	% Change
Revenue:				
Package	\$ 402,627	\$ 373,502	\$ 29,125	7.8 %
Non-package	61,752	59,505	2,247	3.8 %
Management fees	503	—	503	100.0 %
Cost reimbursements	349	—	349	100.0 %
Total revenue	465,231	433,007	32,224	7.4 %
Direct and selling, general and administrative expenses:				
Direct	250,742	231,567	19,175	8.3 %
Selling, general and administrative	87,742	76,713	11,029	14.4 %
Pre-opening	87	—	87	100.0 %
Depreciation and amortization	51,709	40,093	11,616	29.0 %
Reimbursed costs	349	—	349	100.0 %
Gain on insurance proceeds	(2,207)	—	(2,207)	100.0 %
Direct and selling, general and administrative expenses	388,422	348,373	40,049	11.5 %
Operating income	76,809	84,634	(7,825)	(9.2)%
Interest expense	(35,151)	(41,187)	6,036	(14.7)%
Loss on extinguishment of debt	—	(12,526)	12,526	100.0 %
Other (expense) income, net	(1,836)	626	(2,462)	(393.3)%
Net income before tax	39,822	31,547	8,275	26.2 %
Income tax provision	(6,606)	(20,105)	13,499	(67.1)%
Net income	\$ 33,216	\$ 11,442	\$ 21,774	190.3 %

For a description of the operating metrics used in this section and non-U.S. GAAP measures and a reconciliation of Net Package Revenue, Net Non-package Revenue, Management Fee Revenue and Total Net Revenue to total revenue as computed under U.S. GAAP, see “Key Indicators of Financial and Operating Performance,” below. For discussions of Adjusted EBITDA and reconciliation to the most comparable U.S. GAAP financial measures, see “Key Indicators of Financial and Operating Performance” and “Non-U.S. GAAP Financial Measures,” below.

The following tables set forth information with respect to our Occupancy, Net Package ADR, Net Package RevPAR, Net Package Revenue, Net Non-package Revenue, Management Fee Revenue, Total Net Revenue, Adjusted EBITDA and Adjusted EBITDA Margin (as defined below) for the nine months ended September 30, 2018 and 2017:

Total Portfolio

	Nine Months Ended September 30,		Increase / Decrease	
	2018	2017	Change	% Change
Occupancy	83.2%	82.6%	0.6 pts	0.7 %
Net Package ADR	\$ 257.25	\$ 263.00	\$ (5.75)	(2.2)%
Net Package RevPAR	214.10	217.24	(3.14)	(1.4)%
(\$ in thousands)				
Net Package Revenue	\$ 390,365	\$ 363,766	\$ 26,599	7.3 %
Net Non-package Revenue	61,718	58,954	2,764	4.7 %
Management Fee Revenue	503	—	503	100.0 %
Total Net Revenue	452,586	422,720	29,866	7.1 %
Adjusted EBITDA	\$ 141,908	\$ 139,811	\$ 2,097	1.5 %
Adjusted EBITDA Margin	31.4%	33.1%	(1.7)pts	(5.1)%

Comparable Portfolio

	Nine Months Ended September 30,		Increase / Decrease	
	2018	2017	Change	% Change
Occupancy	83.6%	82.6%	1.0 pts	1.2 %
Net Package ADR	\$ 260.87	\$ 263.00	\$ (2.13)	(0.8)%
Net Package RevPAR	218.06	217.24	0.82	0.4 %
(\$ in thousands)				
Net Package Revenue	\$ 364,924	\$ 363,766	\$ 1,158	0.3 %
Net Non-package Revenue	57,940	58,954	(1,014)	(1.7)%
Management Fee Revenue	503	—	503	100.0 %
Total Net Revenue	423,367	422,720	647	0.2 %
Adjusted EBITDA	\$ 134,549	\$ 139,811	\$ (5,262)	(3.8)%
Adjusted EBITDA Margin	31.8%	33.1%	(1.3)pts	(3.9)%

Total Revenue and Total Net Revenue

Our total revenue for the nine months ended September 30, 2018 increased \$32.2 million, or 7.4%, compared to the nine months ended September 30, 2017. Our Total Net Revenue for the nine months ended September 30, 2018 increased \$29.9 million, or 7.1%, compared to the nine months ended September 30, 2017. This increase was driven by an increase in Net Package Revenue of \$26.6 million, or 7.3%, and an increase in Net Non-package Revenue of \$2.8 million, or 4.7%. This increase in Total Net Revenue was due to a \$29.2 million increase attributable to the acquisition of the Sagicor Assets and by an increase of \$0.7 million at our comparable portfolio.

Our comparable resorts for the nine months ended September 30, 2018 exclude the following: Hilton Rose Hall Resort & Spa, Jewel Runaway Bay Beach & Golf Resort, Jewel Dunn’s River Beach Resort, and Jewel Paradise Cove Beach Resort & Spa, which we purchased on June 1, 2018.

The following table shows a reconciliation of comparable Net Package Revenue, Net Non-package Revenue and Management Fee Revenue to total revenue for the nine months ended September 30, 2018 and 2017 (\$ in thousands):

	Nine Months Ended September 30,		Increase/Decrease	
	2018	2017	Change	% Change
Net Package Revenue				
Comparable Net Package Revenue	\$ 364,924	\$ 363,766	\$ 1,158	0.3 %
Non-comparable Net Package Revenue	25,441	—	25,441	100.0 %
Net Package Revenue	390,365	363,766	26,599	7.3 %
Net Non-package Revenue				
Comparable Net Non-package Revenue	57,940	58,954	(1,014)	(1.7)%
Non-comparable Net Non-package Revenue	3,778	—	3,778	100.0 %
Net Non-package Revenue	61,718	58,954	2,764	4.7 %
Management Fee Revenue				
Comparable Management Fee Revenue	503	—	503	100.0 %
Non-comparable Management Fee Revenue	—	—	—	0.0 %
Management Fee Revenue	503	—	503	100.0 %
Net Revenue:				
Comparable Net Revenue	423,367	422,720	647	0.2 %
Non-comparable Net Revenue	29,219	—	29,219	100.0 %
Total Net Revenue	452,586	422,720	29,866	7.1 %
Plus: compulsory tips	12,296	10,287	2,009	19.5 %
Cost reimbursements	349	—	349	100.0 %
Total revenue	\$ 465,231	\$ 433,007	\$ 32,224	7.4 %

Direct Expenses

The following table shows a reconciliation of our direct expenses to net direct expenses for the nine months ended September 30, 2018 and 2017 (\$ in thousands):

	Nine Months Ended September 30,		Increase/Decrease	
	2018	2017	Change	% Change
Direct expenses	\$ 250,742	\$ 231,567	\$ 19,175	8.3%
Less: tips	12,296	10,287	2,009	19.5%
Net direct expenses	\$ 238,446	\$ 221,280	\$ 17,166	7.8%

Our direct expenses include resort expenses, such as food and beverage, salaries and wages, utilities and other ongoing operational expenses. Our net direct expenses for the nine months ended September 30, 2018 were \$238.4 million, or 52.7%, of Total Net Revenue and \$221.3 million, or 52.3%, of Total Net Revenue for the nine months ended September 30, 2017.

Net direct expenses for the nine months ended September 30, 2018 increased \$17.2 million, or 7.8%, compared to the nine months ended September 30, 2017. Net direct expenses increased primarily due to the acquisition of the Sagicor Assets, which accounted for \$19.2 million of the change. Direct operating expenses fluctuate based on various factors, including changes in occupancy, labor costs, utilities, repair and maintenance costs and license and property taxes. Management fees and franchise fees, which are computed as a percentage of revenue, increase as a result of higher revenues.

Direct expenses consists of the following (*\$ in thousands*):

	Nine Months Ended September 30,		Increase/Decrease	
	2018	2017	Change	% Change
Direct expenses:				
Food and beverages	\$ 61,298	\$ 55,396	\$ 5,902	10.7 %
Guest costs	3,595	2,890	705	24.4 %
Salaries and wages	85,607	77,189	8,418	10.9 %
Repairs and maintenance	10,782	11,292	(510)	(4.5)%
Utilities	21,733	22,149	(416)	(1.9)%
Licenses and property taxes	2,299	1,779	520	29.2 %
Incentive and management fees	9,038	9,035	3	0.0 %
Hyatt fees	12,293	10,754	1,539	14.3 %
Panama Jack fees	538	—	538	100.0 %
Hilton fees	1,110	—	1,110	100.0 %
Other supplies and expense amortization	4,196	2,884	1,312	45.5 %
Transportation and travel expenses	3,244	3,220	24	0.7 %
Laundry and cleaning expenses	3,106	1,906	1,200	63.0 %
Property and equipment rental expense	2,882	3,239	(357)	(11.0)%
Entertainment expenses	4,018	2,650	1,368	51.6 %
Office supplies	1,383	3,161	(1,778)	(56.2)%
Other operational expenses	11,324	13,736	(2,412)	(17.6)%
Total net direct expenses	\$ 238,446	\$ 221,280	\$ 17,166	7.8 %

Selling, General and Administrative Expenses

Our selling, general and administrative expenses for the nine months ended September 30, 2018 increased \$11.0 million, or 14.4%, compared to the nine months ended September 30, 2017. This increase was primarily driven by an increase in share-based compensation expense of \$2.3 million and the acquisition of the Sagicor Assets, which accounted for an additional \$3.3 million of expenses.

Depreciation and Amortization Expense

Our depreciation and amortization expense for the nine months ended September 30, 2018 increased \$11.6 million, or 29.0%, compared to the nine months ended September 30, 2017. This increase is primarily due to the acquisition of the Sagicor Assets and to asset additions as part of the property renovations at Panama Jack Resorts Cancun, Panama Jack Resorts Playa del Carmen and Hyatt Ziva & Zilara Rose Hall in the prior year that have a full nine months of depreciation in the current year.

Gain on Insurance Proceeds

We received \$2.0 million of net business interruption insurance proceeds during the nine months ended September 30, 2018, which related to the impact of Hurricane Maria at the Dreams Punta Cana and Dreams Palm Beach and the impact of Hurricane Maria and Hurricane Irma at Dreams La Romana during the third quarter of 2017. We also received an additional \$0.2 million of property damage insurance proceeds at Dreams Palm Beach during the nine months ended September 30, 2018. During the nine months ended September 30, 2017, we had no such gain.

Interest Expense

Our interest expense for the nine months ended September 30, 2018 decreased \$6.0 million, or 14.7%, as compared to the nine months ended September 30, 2017. This decrease was primarily attributable to the net decrease of \$3.6 million due to the pay down in April and December 2017 of the senior unsecured notes issued by our Predecessor (the "Senior Notes due 2020") offset by the add-on to our Term Loan, the non-cash impact of capitalized interest of \$2.7 million and a decrease in the non-cash amortization of the discount and deferred financing costs of \$0.7 million. This was partially offset by the change in fair value of our interest rate swaps of \$1.6 million.

Income Tax Provision

The income tax provision for the nine months ended September 30, 2018 was \$6.6 million, a decrease of \$13.5 million compared to the nine months ended September 30, 2017, during which period we reported an income tax provision of \$20.1 million. The decreased income tax expense was driven primarily by the \$5.1 million decrease in tax expense from decreased pre-tax book income in our tax paying entities, and an increased discrete tax benefit of \$8.3 million associated with foreign exchange rate fluctuations.

Adjusted EBITDA

Our Adjusted EBITDA for the nine months ended September 30, 2018 increased \$2.1 million, or 1.5%, compared to the nine months ended September 30, 2017. For discussions of Adjusted EBITDA and reconciliation to the most comparable U.S. GAAP financial measures, see “Key Indicators of Financial and Operating Performance” and “Non-U.S. GAAP Financial Measures,” below.

Key Indicators of Financial and Operating Performance

We use a variety of financial and other information to monitor the financial and operating performance of our business. Some of this is financial information prepared in accordance with U.S. GAAP, while other information, though financial in nature, is not prepared in accordance with U.S. GAAP. For reconciliations of non-U.S. GAAP financial measures to the most comparable U.S. GAAP financial measure, see “Non-U.S. GAAP Financial Measures.” Our management also uses other information that is not financial in nature, including statistical information and comparative data that are commonly used within the lodging industry to evaluate the financial and operating performance of our portfolio. Our management uses this information to measure the performance of our segments and consolidated portfolio. We use this information for planning and monitoring our business, as well as in determining management and employee compensation. These key indicators include:

- Net Package Revenue
- Net Non-package Revenue
- Net Revenue
- Management Fee Revenue
- Cost Reimbursements
- Total Net Revenue
- Occupancy
- Net Package ADR
- Net Package RevPAR
- Adjusted EBITDA
- Adjusted EBITDA Margin
- Comparable Non-U.S. GAAP Measures

Net Package Revenue, Net Non-package Revenue, Net Revenue, Management Fee Revenue, Cost Reimbursements and Total Net Revenue

“Net Package Revenue” is derived from the sale of all-inclusive packages, which include room accommodations, food and beverage services and entertainment activities, net of compulsory tips paid to employees in Mexico and Jamaica. Government mandated compulsory tips in the Dominican Republic are not included in this adjustment, as they are already excluded from revenue. Revenue is recognized, net of discounts and rebates, when the rooms are occupied and/or the relevant services have been rendered. Advance deposits received from guests are deferred and included in trade and other payables until the rooms are occupied and/or the relevant services have been rendered, at which point the revenue is recognized.

“Net Non-package Revenue” represents all other revenues earned from the operations of our resorts, other than Net Package Revenue, net of compulsory tips paid to employees in Mexico and Jamaica. Government mandated compulsory tips in the Dominican Republic are not included in this adjustment, as they are already excluded from revenue. Net Non-package Revenue includes revenue associated with guests' purchases of upgrades, premium services and amenities, such as premium rooms, dining experiences, wines and spirits and spa packages, which are not included in the all-inclusive package. Revenue not included in a guest's all-inclusive package is recognized when the goods are consumed.

“Net Revenue” represents Net Package Revenue and Net Non-Package Revenue. Net Revenue represents a key indicator to assess the overall performance of our business and analyze trends, such as consumer demand, brand preference and competition. In analyzing our Net Revenues, our management differentiates between Net Package Revenue and Net Non-package Revenue. Guests at our resorts purchase packages at stated rates, which include room accommodations, food and beverage services and entertainment activities, in contrast to other lodging business models, which typically only include the room accommodations in the stated rate. The amenities at all-inclusive resorts typically include a variety of buffet and à la carte restaurants, bars, activities, and shows and entertainment throughout the day.

“Management Fee Revenue” is derived from fees earned for managing hotels owned by third-parties. The fees earned are typically composed of a base fee, which is computed as a percentage of revenue, and an incentive fee, which is computed as a percentage of profitability. Management Fee Revenue was immaterial to our operations for the nine months ended September 30, 2018, but we expect Management Fee Revenue to be a more relevant indicator to assess the overall performance of our business in the future as we enter into more management contracts.

“Total Net Revenue” represents Net Package Revenue, Net Non-package Revenue and Management Fee Revenue for the nine months ended September 30, 2018 and Net Package Revenue and Net Non-package Revenue for the nine months ended September 30, 2017. “Cost Reimbursements” is excluded from Total Net Revenue as it is not considered a key indicator of financial and operating performance. Cost reimbursements is derived from the reimbursement of certain costs incurred by Playa on behalf of resorts managed by Playa and owned by third parties. This revenue is fully offset by reimbursable costs and has no net impact on Operating income or Net (loss) income.

Occupancy

“Occupancy” represents the total number of rooms sold for a period divided by the total number of rooms available during such period. Occupancy is a useful measure of the utilization of a resort’s total available capacity and can be used to gauge demand at a specific resort or group of properties during a given period. Occupancy levels also enable us to optimize Net Package ADR by increasing or decreasing the stated rate for our all-inclusive packages as demand for a resort increases or decreases.

Net Package ADR

“Net Package ADR” represents total Net Package Revenue for a period divided by the total number of rooms sold during such period. Net Package ADR trends and patterns provide useful information concerning the pricing environment and the nature of the guest base of our portfolio or comparable portfolio, as applicable. Net Package ADR is a commonly used performance measure in the all-inclusive segment of the lodging industry, and is commonly used to assess the stated rates that guests are willing to pay through various distribution channels.

Net Package RevPAR

“Net Package RevPAR” is the product of Net Package ADR and the average daily occupancy percentage. Net Package RevPAR does not reflect the impact of non-package revenue. Although Net Package RevPAR does not include this additional revenue, it generally is considered the key performance measure in the all-inclusive segment of the lodging industry to identify trend information with respect to net room revenue produced by our portfolio or comparable portfolio, as applicable, and to evaluate operating performance on a consolidated basis or a regional basis, as applicable.

Adjusted EBITDA and Adjusted EBITDA Margin

We define EBITDA, a non-U.S. GAAP financial measure, as net income or loss, determined in accordance with U.S. GAAP, for the period presented, before interest expense, income tax and depreciation and amortization expense. We define Adjusted EBITDA, a non-U.S. GAAP financial measure, as EBITDA further adjusted to exclude the following items:

- Other expense, net
- Impairment loss
- Pre-opening expense
- Transaction expenses
- Severance expense
- Other tax expense
- Gain on property damage insurance proceeds

- Share-based compensation
- Loss on extinguishment of debt
- Non-service cost components of net periodic pension cost (benefit)
- Other items which may include, but are not limited to the following: management contract termination fees; gains or losses from legal settlements; repairs from hurricanes and tropical storms; and Jamaica delayed opening accrual reversals.

We believe that Adjusted EBITDA is useful to investors for two principal reasons. First, we believe Adjusted EBITDA assists investors in comparing our performance over various reporting periods on a consistent basis by removing from our operating results the impact of items that do not reflect our core operating performance. For example, changes in foreign exchange rates (which are the principal driver of changes in other expense, net), and expenses related to capital raising, strategic initiatives and other corporate initiatives, such as expansion into new markets (which are the principal drivers of changes in transaction expenses), are not indicative of the operating performance of our resorts. The other adjustments included in our definition of Adjusted EBITDA relate to items that occur infrequently and therefore would obstruct the comparability of our operating results over reporting periods. For example, revenue from insurance policies, other than business interruption insurance policies, is infrequent in nature, and we believe excluding these expense and revenue items permits investors to better evaluate the core operating performance of our resorts over time.

The second principal reason that we believe Adjusted EBITDA is useful to investors is that it is considered a key performance indicator by our board of directors (our “Board”) and management. In addition, the compensation committee of our Board determines the annual variable compensation for certain members of our management based, in part, on consolidated Adjusted EBITDA. We believe that Adjusted EBITDA is useful to investors because it provides investors with information utilized by our Board and management to assess our performance and may (subject to the limitations described below) enable investors to compare the performance of our portfolio to our competitors.

We define Owned Resort EBITDA as Adjusted EBITDA before corporate expenses and management fee income. EBITDA, Adjusted EBITDA and Owned Resort EBITDA are not a substitute for net (loss) income or any other measure determined in accordance with U.S. GAAP. There are limitations to the utility of non-U.S. GAAP financial measures, such as Adjusted EBITDA. For example, other companies in our industry may define Adjusted EBITDA differently than we do. As a result, it may be difficult to use Adjusted EBITDA or similarly named non-U.S. GAAP financial measures that other companies publish to compare the performance of those companies to our performance. Because of these limitations, EBITDA, Adjusted EBITDA, and Owned Resort EBITDA should not be considered as a measure of the income or loss generated by our business or discretionary cash available for investment in our business, and investors should carefully consider our U.S. GAAP results presented.

For a reconciliation of EBITDA, Adjusted EBITDA and Owned Resort EBITDA to net income as computed under U.S. GAAP, see “Non-U.S. GAAP Financial Measures.”

“Adjusted EBITDA Margin” represents Adjusted EBITDA as a percentage of Total Net Revenue. We believe Adjusted EBITDA Margin provides our investors a useful measurement of operating profitability for the same reasons we find Adjusted EBITDA useful.

Comparable Non-U.S. GAAP Measures

We believe that presenting Adjusted EBITDA, Total Net Revenue, Net Package Revenue and Net Non-package Revenue on a comparable basis is useful to investors because these measures include only the results of resorts owned and in operation for the entirety of the periods presented and thereby eliminate disparities in results due to the acquisition or disposition of resorts or the impact of resort closures or re-openings in connection with redevelopment or renovation projects. As a result, we believe these measures provide more consistent metrics for comparing the performance of our operating resorts. We calculate Comparable Adjusted EBITDA, comparable Total Net Revenue, comparable Net Package Revenue and comparable Net Non-package Revenue as the total amount of each respective measure less amounts attributable to non-comparable resorts, by which we mean resorts that were not owned or in operation during some or all of the relevant reporting period. For the three and nine months ended September 30, 2018, our non-comparable resorts were: Hilton Rose Hall Resort & Spa, Jewel Runaway Bay Beach & Golf Resort, Jewel Dunn’s River Beach Resort, and Jewel Paradise Cove Beach Resort & Spa, which were acquired on June 1, 2018.

For a reconciliation of net income to Comparable Adjusted EBITDA as computed under U.S. GAAP, see “Non-U.S. GAAP Financial Measures.” For a reconciliation of comparable net package revenue, comparable net non-package revenue, comparable management fee revenue and comparable total net revenue to total revenue as computed under U.S. GAAP, see “Net Package Revenue, Net Non-package Revenue, Net Revenue, Management Fee Revenue, Cost Reimbursements and Total Net Revenue” in this section.

Segment Results

Three Months Ended September 30, 2018 and 2017

We evaluate our business segment operating performance using segment Net Revenue and segment Adjusted EBITDA. The following tables summarize segment Net Revenue and segment Adjusted EBITDA for the three months ended September 30, 2018 and 2017 (\$ in thousands):

	Three Months Ended September 30,		Increase / Decrease	
	2018	2017	Change	% Change
Net Revenue:				
Yucatan Peninsula	\$ 57,087	\$ 59,630	\$ (2,543)	(4.3)%
Pacific Coast	16,211	15,872	339	2.1 %
Dominican Republic	27,580	26,139	1,441	5.5 %
Jamaica	36,651	13,144	23,507	178.8 %
Segment Net Revenue	137,529	114,785	22,744	19.8 %
Other	—	10	(10)	(100.0)%
Management fees	152	—	152	100.0 %
Total Net Revenue	\$ 137,681	\$ 114,795	\$ 22,886	19.9 %

	Three Months Ended September 30,		Increase / Decrease	
	2018	2017	Change	% Change
Adjusted EBITDA:				
Yucatan Peninsula	\$ 18,484	\$ 20,824	\$ (2,340)	(11.2)%
Pacific Coast	2,869	3,758	(889)	(23.7)%
Dominican Republic	7,161	5,460	1,701	31.2 %
Jamaica	6,688	1,821	4,867	267.3 %
Segment Adjusted EBITDA	35,202	31,863	3,339	10.5 %
Other corporate - unallocated	(9,322)	(7,544)	(1,778)	23.6 %
Management fees	152	—	152	100.0 %
Total Adjusted EBITDA	\$ 26,032	\$ 24,319	\$ 1,713	7.0 %

For a reconciliation of segment Net Revenue and segment Adjusted EBITDA to total revenue and net income, respectively, each as computed under U.S. GAAP, see Note 19 to our Condensed Consolidated Financial Statements.

Yucatán Peninsula

The following tables set forth information with respect to our Occupancy, Net Package ADR, Net Package RevPAR, Net Package Revenue, Net Non-package Revenue, Net Revenue, Adjusted Resort EBITDA and Adjusted Resort EBITDA Margin for our Yucatán Peninsula segment for the three months ended September 30, 2018 and 2017:

	Three Months Ended September 30,		Increase / Decrease	
	2018	2017	Change	% Change
Occupancy	84.4%	86.2%	(1.8)pts	(2.1)%
Net Package ADR	\$ 239.94	\$ 242.21	\$ (2.27)	(0.9)%
Net Package RevPAR	202.62	208.80	(6.18)	(3.0)%
(\$ in thousands)				
Net Package Revenue	\$ 50,482	\$ 52,019	\$ (1,537)	(3.0)%
Net Non-package Revenue	6,605	7,611	(1,006)	(13.2)%
Net Revenue	57,087	59,630	(2,543)	(4.3)%
Adjusted Resort EBITDA	\$ 18,484	\$ 20,824	\$ (2,340)	(11.2)%
Adjusted Resort EBITDA Margin	32.4%	34.9%	(2.5)pts	(7.2)%

Segment Net Revenue. Our Net Revenue for the three months ended September 30, 2018 decreased \$2.5 million, or 4.3%, compared to the three months ended September 30, 2017. Net Revenue at all properties in this segment except Hyatt Ziva Cancun decreased \$3.9 million compared to the three months ended September 30, 2017. The strong performance of Hyatt Ziva Cancun, which accounted for a \$1.4 million increase, offset these decreases.

Segment Adjusted EBITDA. Our Adjusted EBITDA for the three months ended September 30, 2018 decreased \$2.3 million, or 11.2%, compared to the three months ended September 30, 2017. Adjusted EBITDA at all properties in this segment except Hyatt Ziva Cancun decreased \$2.8 million compared to the three months ended September 30, 2017. This was offset by strong performance of Hyatt Ziva Cancun, which accounted for a \$0.5 million increase. All properties within this segment have been affected by increased insurance premiums and increased energy costs year over year which have contributed to a \$1.1 million decrease in Adjusted EBITDA compared to the three months ended September 30, 2017.

Pacific Coast

The following tables set forth information with respect to our Occupancy, Net Package ADR, Net Package RevPAR, Net Package Revenue, Net Non-Package Revenue, Net Revenue, Adjusted Resort EBITDA and Adjusted Resort EBITDA Margin for our Pacific Coast segment for the three months ended September 30, 2018 and 2017 for the total segment portfolio (*\$ in thousands*):

	Three Months Ended September 30,		Increase / Decrease	
	2018	2017	Change	% Change
Occupancy	72.5%	68.0%	4.5 pts	6.6 %
Net Package ADR	\$ 227.42	\$ 231.95	\$ (4.53)	(2.0)%
Net Package RevPAR	164.86	157.71	7.15	4.5 %
(\$ in thousands)				
Net Package Revenue	\$ 14,045	\$ 13,435	\$ 610	4.5 %
Net Non-package Revenue	2,166	2,437	(271)	(11.1)%
Net Revenue	16,211	15,872	339	2.1 %
Adjusted Resort EBITDA	\$ 2,869	\$ 3,758	\$ (889)	(23.7)%
Adjusted Resort EBITDA Margin	17.7%	23.7%	(6.0)pts	(25.3)%

Segment Net Revenue. Our Net Revenue for the three months ended September 30, 2018 increased \$0.3 million, or 2.1%, compared to the three months ended September 30, 2017. This increase was due to the performance of Hyatt Ziva Puerto Vallarta, which accounted for a \$0.3 million increase in Net Revenue compared to the three months ended September 30, 2017.

Segment Adjusted EBITDA. Our Adjusted EBITDA for the three months ended September 30, 2018 decreased \$0.9 million, or 23.7%, compared to the three months ended September 30, 2017. This decrease was due to the performance of Hyatt Ziva Los Cabos, which accounted for a \$1.3 million decrease in Adjusted EBITDA compared to the three months ended September 30, 2017.

This decrease was offset by the strong performance of Hyatt Ziva Puerto Vallarta, which accounted for a \$0.4 million increase in Adjusted EBITDA compared to the three months ended September 30, 2017. As noted above, all properties within this segment have been affected by increased insurance premiums and energy costs year over year which contributed to a \$0.6 million decrease in Adjusted EBITDA compared to the three months ended September 30, 2017.

Dominican Republic

The following table sets forth information with respect to our Occupancy, Net Package ADR, Net Package RevPAR, Net Package Revenue, Net Non-package Revenue, Net Revenue, Adjusted Resort EBITDA and Adjusted Resort EBITDA Margin for our Dominican Republic segment for the three months ended September 30, 2018 and 2017 for the total segment portfolio:

	Three Months Ended September 30,		Increase / Decrease	
	2018	2017	Change	% Change
Occupancy	79.6%	77.0%	2.6pts	3.4%
Net Package ADR	\$ 165.90	\$ 161.54	\$ 4.36	2.7%
Net Package RevPAR	132.10	124.38	7.72	6.2%
(\$ in thousands)				
Net Package Revenue	\$ 22,800	\$ 21,468	\$ 1,332	6.2%
Net Non-package Revenue	4,780	4,671	109	2.3%
Net Revenue	27,580	26,139	1,441	5.5%
Adjusted Resort EBITDA	\$ 7,161	\$ 5,460	\$ 1,701	31.2%
Adjusted Resort EBITDA Margin	26.0%	20.9%	5.1pts	24.4%

Segment Net Revenue. Our Net Revenue for the three months ended September 30, 2018 increased \$1.4 million, or 5.5%, compared to the three months ended September 30, 2017. This increase was due to the performance of Dreams La Romana and Dreams Punta Cana, which accounted for a \$1.6 million increase in Net Revenue compared to the three months ended September 30, 2017. This was partially offset by Dreams Palm Beach which accounted for a \$0.2 million decrease in Net Revenue compared to the three months ended September 30, 2017.

Segment Adjusted EBITDA. Our Adjusted EBITDA for the three months ended September 30, 2018 increased \$1.7 million, or 31.2%, compared to the three months ended September 30, 2017. This increase was due to the performance of all hotels in the region. All properties within this segment have been affected by increased insurance premiums year over year which contributed to a \$0.1 million offset to the increase in Adjusted EBITDA compared to the three months ended September 30, 2017.

Jamaica

The following table sets forth information with respect to our Occupancy, Net Package ADR, Net Package RevPAR, Net Package Revenue, Net Non-package Revenue, Net Revenue, Adjusted Resort EBITDA and Adjusted Resort EBITDA Margin for our Jamaica segment for the three months ended September 30, 2018 and 2017 for the total segment portfolio:

Total Portfolio

	Three Months Ended September 30,		Increase / Decrease	
	2018	2017	Change	% Change
Occupancy	74.3%	65.4%	8.9pts	13.6%
Net Package ADR	\$ 247.82	\$ 315.03	\$ (67.21)	(21.3)%
Net Package RevPAR	184.18	206.05	(21.87)	(10.6)%
(\$ in thousands)				
Net Package Revenue	\$ 31,483	\$ 11,753	\$ 19,730	167.9%
Net Non-Package Revenue	5,168	1,391	3,777	271.5%
Net Revenue	36,651	13,144	23,507	178.8%
Adjusted Resort EBITDA	\$ 6,688	\$ 1,821	\$ 4,867	267.3%
Adjusted Resort EBITDA Margin	18.2%	13.9%	4.3pts	30.9%

Comparable Portfolio

	Three Months Ended September 30,		Increase / Decrease	
	2018	2017	Change	% Change
Occupancy	72.2%	65.4%	6.8 pts	10.4 %
Net Package ADR	\$ 315.31	\$ 315.03	\$ 0.28	0.1 %
Net Package RevPAR	227.67	206.05	21.62	10.5 %
(\$ in thousands)				
Net Package Revenue	\$ 12,986	\$ 11,753	\$ 1,233	10.5 %
Net Non-Package Revenue	2,382	1,391	991	71.2 %
Net Revenue	15,368	13,144	2,224	16.9 %
Adjusted Resort EBITDA	\$ 2,114	\$ 1,821	\$ 293	16.1 %
Adjusted Resort EBITDA Margin	13.8%	13.9%	(0.1)pts	(0.7)%

Segment Net Revenue. Our Net Revenue for the three months ended September 30, 2018 increased \$23.5 million, or 178.8%, compared to the three months ended September 30, 2017. This increase was due to the performance of Hyatt Ziva and Zilara Jamaica which accounted for a \$2.2 million increase and the acquisition of the Sagicor Assets, which accounted for a \$21.3 million increase in Net Revenue compared to the three months ended September 30, 2017.

Segment Adjusted EBITDA. Our Adjusted EBITDA for the three months ended September 30, 2018 increased \$4.9 million, or 267.3%, compared to the three months ended September 30, 2017. This increase was due to the performance of Hyatt Ziva and Zilara Rose Hall which accounted for a \$0.3 million increase compared to three months ended September 30, 2017 and the acquisition of the Sagicor Assets, which accounted for the remaining \$4.6 million increase. Hyatt Ziva and Zilara Rose Hall continues to show positive results after completion of renovations in 2017. Comparable properties within this segment have been affected by increased insurance premiums and energy costs year over year which were a \$0.5 million offset to the increase in Adjusted EBITDA compared to the three months ended September 30, 2017.

Nine Months Ended September 30, 2018 and 2017

We evaluate our business segment operating performance using segment Net Revenue and segment Adjusted EBITDA. The following tables summarize segment Net Revenue and segment Adjusted EBITDA for the nine months ended September 30, 2018 and 2017 (\$ in thousands):

	Nine Months Ended September 30,		Increase / Decrease	
	2018	2017	Change	% Change
Net Revenue:				
Yucatan Peninsula	\$ 200,025	\$ 209,305	\$ (9,280)	(4.4)%
Pacific Coast	65,081	67,377	(2,296)	(3.4)%
Dominican Republic	99,493	96,935	2,558	2.6 %
Jamaica	87,141	49,091	38,050	77.5 %
Segment Net Revenue	451,740	422,708	29,032	6.9 %
Other ⁽¹⁾	343	12	331	2,758.3 %
Management fees	503	—	503	100.0 %
Total Net Revenue	\$ 452,586	\$ 422,720	\$ 29,866	7.1 %

	Nine Months Ended September 30,		Increase / Decrease	
	2018	2017	Change	% Change
Adjusted EBITDA:				
Yucatan Peninsula	\$ 83,814	\$ 93,070	\$ (9,256)	(9.9)%
Pacific Coast	23,327	27,242	(3,915)	(14.4)%
Dominican Republic	35,174	31,263	3,911	12.5 %
Jamaica	25,421	11,590	13,831	119.3 %
Segment Adjusted EBITDA	167,736	163,165	4,571	2.8 %
Other corporate - unallocated	(26,331)	(23,354)	(2,977)	12.7 %
Management fees	503	—	503	100.0 %
Total Adjusted EBITDA	\$ 141,908	\$ 139,811	\$ 2,097	1.5 %

(1) Primarily includes a reversal on an expense accrual recorded in 2014 related to our future stay obligations provided to guests affected by the delayed opening of Hyatt Ziva and Hyatt Zilara Rose Hall. This reversal concluded in the first quarter of 2018.

For a reconciliation of segment Net Revenue and segment Adjusted EBITDA to gross revenue and net income, respectively, each as computed under U.S. GAAP, see Note 19 to our Condensed Consolidated Financial Statements.

Yucatán Peninsula

The following tables set forth information with respect to our Occupancy, Net Package ADR, Net Package RevPAR, Net Package Revenue, Net Non-package Revenue, Net Revenue, Adjusted Resort EBITDA and Adjusted Resort EBITDA Margin for our Yucatán Peninsula segment for the nine months ended September 30, 2018 and 2017 for the total segment portfolio:

	Nine Months Ended September 30,		Increase / Decrease	
	2018	2017	Change	% Change
Occupancy	87.0%	88.5%	(1.5)pts	(1.7)%
Net Package ADR	\$ 276.11	\$ 280.56	\$ (4.45)	(1.6)%
Net Package RevPAR	240.17	248.30	(8.13)	(3.3)%
	(\$ in thousands)			
Net Package Revenue	\$ 177,553	\$ 183,804	\$ (6,251)	(3.4)%
Net Non-Package Revenue	22,472	25,501	(3,029)	(11.9)%
Net Revenue	200,025	209,305	(9,280)	(4.4)%
Adjusted Resort EBITDA	\$ 83,814	\$ 93,070	\$ (9,256)	(9.9)%
Adjusted Resort EBITDA Margin	41.9%	44.5%	(2.6)pts	(5.8)%

Segment Net Revenue. Our Net Revenue for the nine months ended September 30, 2018 decreased \$9.3 million, or 4.4%, compared to the nine months ended September 30, 2017. Net Revenue at all properties in this segment except Hyatt Ziva Cancun decreased \$14.5 million compared to the nine months ended September 30, 2017 due to their decrease in both Net Package ADR and Occupancy compared to the prior year. The strong performance of Hyatt Ziva Cancun, which accounted for a \$5.2 million increase, offset these decreases.

Segment Adjusted EBITDA. Our Adjusted EBITDA for the nine months ended September 30, 2018 decreased \$9.3 million, or 9.9%, compared to the nine months ended September 30, 2017. Adjusted EBITDA at all properties in this segment except Hyatt Ziva Cancun decreased \$10.8 million compared to the nine months ended September 30, 2017. This was offset by the performance of Hyatt Ziva Cancun, which accounted for a \$1.5 million increase in Adjusted EBITDA compared to the nine months ended September 30, 2017. All properties within this segment have been affected by increased insurance premiums and energy costs year over year which contributed to a \$1.4 million decrease in Adjusted EBITDA compared to the nine months ended September 30, 2017.

Pacific Coast

The following tables set forth information with respect to our Occupancy, Net Package ADR, Net Package RevPAR, Net Package Revenue, Net Non-Package Revenue, Net Revenue, Adjusted Resort EBITDA and Adjusted Resort EBITDA Margin for our Pacific Coast segment for the nine months ended September 30, 2018 and 2017 for the total segment portfolio:

	Nine Months Ended September 30,		Increase / Decrease	
	2018	2017	Change	% Change
Occupancy	76.7%	73.0%	3.7 pts	5.1 %
Net Package ADR	\$ 282.56	\$ 303.31	\$ (20.75)	(6.8)%
Net Package RevPAR	216.77	221.36	(4.59)	(2.1)%
(\$ in thousands)				
Net Package Revenue	\$ 54,800	\$ 55,959	\$ (1,159)	(2.1)%
Net Non-Package Revenue	10,281	11,418	(1,137)	(10.0)%
Net Revenue	65,081	67,377	(2,296)	(3.4)%
Adjusted Resort EBITDA	\$ 23,327	\$ 27,242	\$ (3,915)	(14.4)%
Adjusted Resort EBITDA Margin	35.8%	40.4%	(4.6)pts	(11.4)%

Segment Net Revenue. Our Net Revenue for the nine months ended September 30, 2018 decreased \$2.3 million, or 3.4%, compared to the nine months ended September 30, 2017. The decrease was due to the performance of Hyatt Ziva Los Cabos, which accounted for a \$3.1 million decrease in Net Revenue compared to the nine months ended September 30, 2017. These results were partially offset by Hyatt Ziva Puerto Vallarta, which accounted for a \$0.8 million increase in Net Revenue. Hyatt Ziva Los Cabos has had less group business due to cancellations versus the prior year, whereas results from Hyatt Ziva Puerto Vallarta have remained strong. As groups generally pay increased rates, a decrease in group business contributed to the decrease in Net Revenue compared to the nine months ended September 30, 2017.

Segment Adjusted EBITDA. Our Adjusted EBITDA for the nine months ended September 30, 2018 decreased \$3.9 million, or 14.4%, compared to the nine months ended September 30, 2017. This decrease was due to decreased Adjusted EBITDA by both hotels in this region compared to the nine months ended September 30, 2017. All properties within this segment have been affected by increased insurance premiums and energy costs year over year which contributed to a \$0.6 million decrease in Adjusted EBITDA compared to the nine months ended September 30, 2017.

Dominican Republic

The following tables set forth information with respect to our Occupancy, Net Package ADR, Net Package RevPAR, Net Package Revenue, Net Non-Package Revenue, Net Revenue, Adjusted Resort EBITDA and Adjusted Resort EBITDA Margin for our Dominican Republic segment for the nine months ended September 30, 2018 and 2017 for the total segment portfolio:

	Nine Months Ended September 30,		Increase / Decrease	
	2018	2017	Change	% Change
Occupancy	84.8%	82.9%	1.9pts	2.3%
Net Package ADR	\$ 193.11	\$ 192.60	\$ 0.51	0.3%
Net Package RevPAR	163.72	159.74	3.98	2.5%
(\$ in thousands)				
Net Package Revenue	\$ 83,849	\$ 81,813	\$ 2,036	2.5%
Net Non-Package Revenue	15,644	15,122	522	3.5%
Net Revenue	99,493	96,935	2,558	2.6%
Adjusted Resort EBITDA	\$ 35,174	\$ 31,263	\$ 3,911	12.5%
Adjusted Resort EBITDA Margin	35.4%	32.3%	3.1pts	9.6%

Segment Net Revenue. Our Net Revenue for the nine months ended September 30, 2018 increased \$2.6 million, or 2.6%, compared to the nine months ended September 30, 2017. This increase was due to increased Net Revenue by Dreams La Romana, which accounted for \$3.1 million compared to the nine months ended September 30, 2017. This was partially offset by the performance of Dreams Punta Cana and Dreams Palm Beach, which accounted for a decrease of \$0.5 million in Net Revenue compared to the nine months ended September 30, 2017.

Segment Adjusted EBITDA. Our Adjusted EBITDA for the nine months ended September 30, 2018 increased \$3.9 million, or 12.5%, compared to the nine months ended September 30, 2017. This increase was due to increased Adjusted EBITDA by all properties in this region. All properties within this segment have been affected by increased insurance premiums year over year which were a \$0.1 million offset to the increase in Adjusted EBITDA compared to the nine months ended September 30, 2017.

Jamaica

The following table sets forth information with respect to our Occupancy, Net Package ADR, Net Package RevPAR, Net Package Revenue, Net Non-package Revenue, Net Revenue, Adjusted Resort EBITDA and Adjusted Resort EBITDA Margin for our Jamaica segment for the nine months ended September 30, 2018 and 2017 for the total segment portfolio.

Total Portfolio

	Nine Months Ended September 30,		Increase / Decrease	
	2018	2017	Change	% Change
Occupancy	77.2%	70.1%	7.1pts	10.1 %
Net Package ADR	\$ 301.13	\$ 355.39	\$ (54.26)	(15.3)%
Net Package RevPAR	232.44	249.26	(16.82)	(6.7)%
(\$ in thousands)				
Net Package Revenue	\$ 74,163	\$ 42,190	\$ 31,973	75.8 %
Net Non-Package Revenue	12,978	6,901	6,077	88.1 %
Net Revenue	87,141	49,091	38,050	77.5 %
Adjusted Resort EBITDA	\$ 25,421	\$ 11,590	\$ 13,831	119.3 %
Adjusted Resort EBITDA Margin	29.2%	23.6%	5.6pts	23.7 %

Comparable Portfolio

	Nine Months Ended September 30,		Increase / Decrease	
	2018	2017	Change	% Change
Occupancy	75.5%	70.1%	5.4pts	7.7%
Net Package ADR	\$ 381.51	\$ 355.39	\$ 26.12	7.3%
Net Package RevPAR	287.85	249.26	38.59	15.5%
(\$ in thousands)				
Net Package Revenue	\$ 48,722	\$ 42,190	\$ 6,532	15.5%
Net Non-Package Revenue	9,200	6,901	2,299	33.3%
Net Revenue	57,922	49,091	8,831	18.0%
Adjusted Resort EBITDA	18,061	11,590	6,471	55.8%
Adjusted Resort EBITDA Margin	31.2%	23.6%	7.6pts	32.2%

Segment Net Revenue. Our Net Revenue for the nine months ended September 30, 2018 increased \$38.1 million, or 77.5%, compared to the nine months ended September 30, 2017. This increase was due in part to the strong performance by Hyatt Ziva and Zilara Rose Hall, which accounted for an increase in Net Revenue of \$8.9 million compared to the nine months ended September 30, 2017. The remaining increase can be attributed to the acquisition of the Sagicor Assets which accounted for a \$29.2 million increase compared to the nine months ended September 30, 2017.

Segment Adjusted EBITDA. Our Adjusted EBITDA for the nine months ended September 30, 2018 increased \$13.8 million, or 119.3%, compared to the nine months ended September 30, 2017. This increase was due in part to the strong performance by Hyatt Ziva and Zilara Rose Hall, which accounted for an increase in Adjusted EBITDA of \$6.5 million compared to the nine months ended September 30, 2017 and to the acquisition of the Sagicor Assets, which accounted for the remaining \$7.3 million increase. The Hyatt Ziva and Zilara Rose Hall continues to show positive results after completion of renovations in 2017. Comparable properties within this segment have been affected by increased insurance premiums and energy costs year over year which were a \$0.7 million offset to Adjusted EBITDA compared to the nine months ended September 30, 2017.

Non-U.S. GAAP Financial Measures

Reconciliation of Net (Loss) Income to Adjusted EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)

The following is a reconciliation of our U.S. GAAP net (loss) income to EBITDA, Adjusted EBITDA, Owned Resort EBITDA and Comparable Adjusted Resort EBITDA for the three and nine months ended September 30, 2018 and 2017 (\$ in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net (loss) income	\$ (5,422)	\$ (5,667)	\$ 33,216	\$ 11,442
Interest expense	7,637	13,099	35,151	41,187
Income tax provision	379	226	6,606	20,105
Depreciation and amortization	20,138	13,808	51,709	40,093
EBITDA	22,732	21,466	126,682	112,827
Other expense (income) ^(a)	390	(1,939)	1,836	(626)
Share-based compensation	1,182	1,843	5,072	2,803
Loss on extinguishment of debt	—	—	—	12,526
Pre-opening expense	87	—	87	—
Transaction expense ^(b)	1,447	1,893	7,678	11,193
Severance expense	333	—	333	442
Other tax expense ^(c)	399	175	1,257	598
Jamaica delayed opening accrual reversal ^(d)	—	(41)	(342)	(152)
Gain on property damage insurance proceeds ^(e)	(203)	—	(203)	—
Repairs from hurricanes and tropical storms ^(f)	—	765	—	765
Non-service cost components of net periodic pension (cost) benefit ^(g)	(335)	157	(492)	(565)
Adjusted EBITDA	26,032	24,319	141,908	139,811
Corporate expenses	9,322	7,544	26,331	23,354
Management fee income	(152)	—	(503)	—
Owned Resort EBITDA	35,202	31,863	167,736	163,165
Less: Non-comparable Adjusted Resort EBITDA ^(h)	4,574	—	7,360	—
Comparable Adjusted Resort EBITDA	\$ 30,628	\$ 31,863	\$ 160,376	\$ 163,165

(a) Represents changes in foreign exchange and other miscellaneous expenses or income.

(b) Represents expenses incurred in connection with corporate initiatives, such as: debt refinancing costs; other capital raising efforts including the business combination with Pace in 2017; the redesign and build-out of our internal controls and strategic initiatives, such as possible expansion into new markets.

(c) Relates primarily to a Dominican Republic asset/revenue tax, which is an alternative tax to income tax in the Dominican Republic. We eliminate this expense from Adjusted EBITDA because it is substantially similar to the income tax provision we eliminate from our calculation of EBITDA.

(d) Represents a reversal on an expense accrual recorded in 2014 related to our future stay obligations provided to guests affected by the delayed opening of Hyatt Ziva and Hyatt Zilara Rose Hall. This reversal concluded in the first quarter of 2018.

(e) Represents a portion of the insurance proceeds related to property insurance and not business interruption proceeds.

(f) Represents repair and maintenance expenses at Hyatt Ziva Los Cabos due to Tropical Storm Lidia and Dreams Punta Cana due to Hurricane Maria for \$0.4 million and \$0.3 million, respectively. These are expenses incurred that are not covered by insurance claims or offset by insurance proceeds.

(g) Represents the non-service cost components of net periodic pension (cost) benefit recorded within other (expense) income in the Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income. Previously, these expenses were presented within direct expense. We include these (costs) benefits for the purposes of calculating Adjusted EBITDA as they are considered part of our ongoing resort operations.

(h) Adjusted EBITDA for Sagicor Resorts.

Seasonality

The seasonality of the lodging industry and the location of our resorts in Mexico and the Caribbean generally result in the greatest demand for our resorts between mid-December and April of each year, yielding higher occupancy levels and package rates during this period. This seasonality in demand has resulted in predictable fluctuations in revenue, results of operations, and liquidity, which are consistently higher during the first quarter of each year than in successive quarters.

Inflation

Operators of lodging properties, in general, possess the ability to adjust room rates to reflect the effects of inflation. However, competitive pressures may limit our ability to raise room rates to fully offset inflationary cost increases.

Liquidity and Capital Resources

Our primary short-term cash needs are paying operating expenses, maintaining our resorts, servicing of our outstanding indebtedness, and funding any ongoing development, expansion, renovation, repositioning and rebranding projects. As of September 30, 2018, we had \$17.1 million of scheduled contractual obligations remaining in 2018.

We expect to meet our short-term liquidity requirements generally through net cash provided by operations, existing cash balances and, if necessary, short-term borrowings under our Revolving Credit Facility which permits borrowings of up to \$100.0 million and which matures on April 27, 2022. We had cash and cash equivalents of \$137.7 million as of September 30, 2018, compared to \$137.8 million as of September 30, 2017 (excluding \$1.0 million and \$4.6 million of restricted cash, respectively). We plan to fund our Hyatt Ziva and Zilara Cap Cana development project over the next 12 to 15 months with the cash we have on hand, as well as our cash generated from operations. As of September 30, 2018, there was \$0 outstanding under our Revolving Credit Facility. When assessing liquidity, we also consider the availability of cash resources held within local business units to meet our strategic needs.

Long-term liquidity needs may include existing and future property developments, expansions, renovations, repositioning and rebranding projects, potential acquisitions and the repayment of indebtedness. As of September 30, 2018, our total debt obligations were \$999.1 million (which represents the principal amounts outstanding under our Revolving Credit Facility and Term Loan, excluding a \$2.8 million issuance discount on our Term Loan and \$4.7 million of unamortized debt issuance costs). We expect to meet our long-term liquidity requirements generally through the sources available for short-term needs, as well as equity or debt issuances or proceeds from the potential disposal of assets.

In an effort to maintain sufficient liquidity, our cash flow projections and available funds are discussed with our Board and we consider various ways of developing our capital structure and seeking additional sources of liquidity if needed. The availability of additional liquidity options will depend on the economic and financial environment, our credit, our historical and projected financial and operating performance and continued compliance with financial covenants. As a result of possible future economic, financial and operating declines, possible declines in our creditworthiness and potential non-compliance with financial covenants, we may have less liquidity than anticipated, fewer sources of liquidity than anticipated, less attractive financing terms and less flexibility in determining when and how to use the liquidity that is available.

Financing Strategy

In addition to our Revolving Credit Facility, we intend to use other financing sources that may be available to us from time to time, including financing from banks, institutional investors or other lenders, such as bridge loans, letters of credit, joint ventures and other arrangements. Future financings may be unsecured or may be secured by mortgages or other interests in our assets. In addition, we may issue publicly or privately placed debt or equity securities. When possible and desirable, we will seek to replace short-term financing with long-term financing. We may use the proceeds from any financings to refinance existing indebtedness, to finance resort projects or acquisitions or for general working capital or other purposes.

Our indebtedness may be recourse, non-recourse or cross-collateralized and may be fixed rate or variable rate. If the indebtedness is non-recourse, the obligation to repay such indebtedness will generally be limited to the particular resort or resorts pledged to secure such indebtedness. In addition, we may invest in resorts subject to existing loans secured by mortgages or similar liens on the resorts, or may refinance resorts acquired on a leveraged basis.

Cash Flows

The following table summarizes our net cash provided by or used in operating activities, investing activities and financing activities for the periods indicated and should be read in conjunction with our Condensed Consolidated Statements of Cash Flows and accompanying notes thereto included in the Condensed Consolidated Financial Statements (*\$ in thousands*):

	Nine Months Ended September 30,	
	2018	2017
Net cash provided by operating activities	\$ 91,056	\$ 65,766
Net cash used in investing activities	\$ (161,682)	\$ (78,655)
Net cash provided by financing activities	\$ 92,119	\$ 112,124

Net Cash Provided by Operating Activities

Our net cash provided by operating activities is generated primarily from operating income from our resorts. For the nine months ended September 30, 2018 and 2017, our net cash provided by operating activities totaled \$91.1 million and \$65.8 million, respectively. Net income of \$33.2 million for the nine months ended September 30, 2018 included significant non-cash expenses, including \$51.7 million of depreciation and amortization, \$5.1 million of share-based compensation and a \$1.8 million gain on the fair value of our interest rate swaps, offset by changes in our assets and liabilities through the normal course of operations. Net income of \$11.4 million for the nine months ended September 30, 2017 included significant non-cash expenses, including \$40.1 million of depreciation and amortization and \$12.5 million of loss on extinguishment of debt, \$11.2 million of transaction expenses, offset by changes in our assets and liabilities through the normal course of operations.

Net Cash Used in Investing Activities

For the nine months ended September 30, 2018 and 2017, our net cash used in investing activities was \$161.7 million and \$78.7 million, respectively.

Activity for the nine months ended September 30, 2018:

- Acquisition of the Sagicor Assets for \$93.1 million
- Purchases of property and equipment of \$67.3 million
- Purchase of intangibles of \$1.5 million

Activity for the nine months ended September 30, 2017:

- Purchases of property and equipment of \$75.6 million consisting of \$45.7 million used for the acquisition of land in Cap Cana, Dominican Republic and \$29.9 million in capital expenditures
- Purchase of intangibles of \$0.4 million
- Contract deposit of \$2.7 million

Capital Expenditures

We maintain each of our properties in good repair and condition and in conformity with applicable laws and regulations, franchise and license agreements and management agreements. Capital expenditures made to extend the service life or increase the capacity of our assets, including expenditures for the replacement, improvement or expansion of existing capital assets ("Maintenance Capital Expenditures"), differ from ongoing repair and maintenance expense items which do not in our judgment extend the service life or increase the capacity of assets and are charged to expense as incurred. We have approval rights over capital expenditures made by our third-party manager as part of the annual budget process for each property they manage. From time to time, certain of our resorts may be undergoing renovations as a result of our decision to upgrade portions of the resorts, such as guestrooms, public space, meeting space, gyms, spas and/or restaurants, in order to better compete with other hotels in our markets ("Development Capital Expenditures").

The following table summarizes our capital expenditures for the nine months ended September 30, 2018 and 2017 (\$ in thousands):

	Nine Months Ended September 30,	
	2018	2017
Development Capital Expenditures		
Hyatt Ziva and Zilara Rose Hall	\$ 1,160	\$ 8,613
Panama Jack Resorts Cancun	3,380	4,224
Hyatt Zilara Cancun	1,221	1,551
Hyatt Ziva Puerto Vallarta	626	1,551
Panama Jack Resorts Playa del Carmen	1,007	447
Hyatt Ziva and Zilara Cap Cana	49,798	4,725
Total Development Capital Expenditures	57,192	21,111
Maintenance Capital Expenditures ⁽¹⁾	10,060	8,834
Total Capital Expenditures	\$ 67,252	\$ 29,945

⁽¹⁾ Typically, maintenance capital expenditures equate to approximately 3% to 4% of Total Net Revenue.

Net Cash Provided by Financing Activities

Our net cash provided by financing activities was \$92.1 million for the nine months ended September 30, 2018, compared to \$112.1 million provided by financing activities for the nine months ended September 30, 2017.

Activity for the nine months ended September 30, 2018:

- Principal payments on our Term Loan of \$7.3 million
- Proceeds from debt issuance of \$99.5 million

Activity for the nine months ended September 30, 2017:

- Principal payments on our existing term loan of \$364.1 million and our Senior Notes due 2020 of \$121.6 million
- Proceeds from our term loan of \$528.7 million, net of a \$1.3 million discount
- Issuance costs of debt of \$8.0 million
- Payments of our deferred consideration to the Real Shareholder of \$2.5 million
- Recapitalization as part of the Pace Business Combination of \$79.7 million

Senior Secured Credit Facility

Playa Resorts Holding B.V., a subsidiary of ours, holds a senior secured credit facility (“Senior Secured Credit Facility”), which consists of a term loan facility which matures on April 27, 2024 and our Revolving Credit Facility which matures on April 27, 2022. We borrowed \$530.0 million under our initial term loan facility on April 27, 2017 (our “First Term Loan”). We received net proceeds of approximately \$32.5 million from our First Term Loan after prepaying our existing Senior Secured Credit Facility and a portion of our Senior Notes due 2020 and deducting a debt issuance discount of \$1.3 million and unamortized debt issuance costs of \$2.6 million.

We borrowed an additional \$380.0 million under an incremental term loan facility (our “Second Term Loan” and together with the First Term Loan, the “Term Loan”) on December 6, 2017. We received no proceeds from the Second Term Loan after full repayment of our Senior Notes due 2020 and deducting a debt issuance discount of \$1.0 million and unamortized debt issuance costs of \$0.2 million.

Our Term Loan bears interest at a rate per annum equal to LIBOR plus 2.75% (where the applicable LIBOR rate has a 1.0% floor), and interest continues to be payable in cash in arrears on the last day of the applicable interest period (unless we elect to use the ABR rate in which case, interest is payable on the last business day of each of March, June, September and December). Effective March 29, 2018, we entered into two interest rate swaps to mitigate the long term interest rate risk inherent in our variable rate Term Loan. The interest rate swaps have an aggregate fixed notional value of \$800.0 million. The fixed rate paid by us is 2.85% and the variable rate received resets monthly to the one-month LIBOR rate.

On June 7, 2018, we entered into the Second Amendment to Amended & Restated Credit Agreement (the “Amendment”), which amended the Amended & Restated Credit Agreement, dated as of April 27, 2017 (the “Existing Credit Agreement”). The Amendment amended the Existing Credit Agreement to, among other things (i) effect an incremental term loan facility of \$100.0 million (the “Incremental Term Loan” and, together with the existing term loans that were in effect prior to the Amendment, the “Term Loan”) that was incurred pursuant to the exercise of our option to request incremental loans under the Existing Credit Agreement and (ii) decrease the interest rate applicable to the Term Loan by 0.50% to, at our option, either a base rate plus a margin of 1.75% or LIBOR plus a margin of 2.75%. The other terms to the Existing Credit Agreement, including those disclosed in our Annual Report on Form 10-K filed with the SEC on March 1, 2018, were not effected by the Amendment.

Our Term Loan requires quarterly payments of principal equal to 0.25% of the original principal amount of the Term Loan on the last business day of each March, June, September and December. The remaining unpaid amount of our Term Loan is due and payable at maturity on April 27, 2024 (subject to the Springing Maturity Date). We may voluntarily prepay borrowings at any time without premium or penalty, subject to customary breakage costs in the case of LIBOR-based loans, as well as a premium of 1% applicable in the case of a repayment of the Term Loan in the first six months following the closing date of the Term Loan in connection with certain transactions that have the effect of refinancing the Term Loan at a lower interest rate

Our Revolving Credit Facility bears interest at variable interest rates that are, at the Borrower's option, either based on LIBOR or based on an alternate base rate derived from the greatest of the federal funds rate plus a spread, prime rate, or a one-month euro-currency rate plus a spread. We are required to pay a commitment fee ranging from 0.25% to 0.5% per annum (depending on the level of our consolidated secured leverage ratio in effect from time to time) on the average daily undrawn balance.

The Senior Secured Facility requires that most of our subsidiaries, and in some limited cases the Company, comply with covenants relating to customary matters, including with respect to incurring indebtedness and liens, paying dividends or making certain other distributions or redeeming equity interests, making acquisitions and investments, effecting mergers and asset sales, prepaying junior indebtedness, and engaging in transactions with affiliates.

Pace Business Combination

At the Closing Time, we consummated the Pace Business Combination resulting in Playa Hotels & Resorts N.V. having 103,464,186 shares outstanding with a par value of €0.10 per share. As a result, we received an additional \$79.7 million in cash and all outstanding preferred shares of our Predecessor were purchased as well as all associated paid-in-kind dividends (\$353.9 million in total), which were subsequently extinguished as part of the reverse merger in the Pace Business Combination. The additional capital was used for general corporate purposes.

Contractual Obligations

The following table sets forth our obligations and commitments to make future payments under contracts and contingent commitments as of September 30, 2018 (*\$ in thousands*):

	Less than 1 Year ⁽¹⁾	Due in 1 to 3 years	Due in 3 to 5 years	Due in Over 5 years	Total
Revolving Credit Facility ⁽²⁾	\$ 132	\$ 1,015	\$ 668	\$ —	\$ 1,815
Term Loan principal payments	2,525	20,200	20,200	956,148	999,073
Term Loan interest payments ⁽³⁾	14,035	112,443	110,261	73,446	310,185
Cap Cana land purchase obligation ⁽⁴⁾	—	10,625	—	—	10,625
Operating lease obligations	369	1,885	1,147	157	3,558
Total contractual obligations	\$ 17,061	\$ 146,168	\$ 132,276	\$ 1,029,751	\$ 1,325,256

⁽¹⁾ The period less than 1 year represents remaining obligations in 2018.

⁽²⁾ The interest commitment on our Revolving Credit Facility is calculated based on the contractual commitment fee of 0.5% applied to the undrawn balance of \$100.0 million as we had no outstanding balance on our Revolving Credit Facility as of September 30, 2018.

⁽³⁾ The interest commitment on our Term Loan is calculated based on LIBOR plus 275 basis points with a 1% LIBOR floor and the estimated net settlement of the related interest rate swaps. Projected interest rates range from 5.01% to 5.78%. Payments were calculated using the average forecasted one-month forward-looking LIBOR curve.

⁽⁴⁾ The remaining \$10.6 million of the purchase price is due on the earlier of (i) two years from the beginning of construction or (ii) the opening of the Hyatt Zilara Cap Cana and Hyatt Ziva Cap Cana resorts.

⁽⁵⁾ We are unable to reasonably estimate the timing of future cash flows of our pension obligation of \$5.4 million and have excluded this from the table above.

Off Balance Sheet Arrangements

We had no off balance sheet arrangements for the three and nine months ended September 30, 2018 and 2017.

Critical Accounting Policies and Estimates

Our Condensed Consolidated Financial Statements included herein have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts and related disclosures. A number of our significant accounting policies are critical due to the fact that they require us to exercise a higher degree of judgment and estimation based on assumptions that are inherently uncertain. While we believe our estimates, assumptions and judgments are reasonable, they are based upon information presently available. Actual results may differ significantly from these estimates under different assumptions, judgments or conditions, which could have a material effect on our financial position, results of operations and related disclosures.

We have discussed those estimates that we believe are critical and require the use of complex judgment in their application in our 2017 Consolidated Financial Statements included within our Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC on March 1, 2018. There have been no material changes to our critical accounting policies or the methodologies or assumptions we apply under them except for those disclosed in Note 2 to our Condensed Consolidated Financial Statements.

Fair Value of Financial Instruments

Our financial instruments consist of cash and cash equivalents, trade and other receivables, accounts receivable from related parties, trade and other payables, accounts payable to related parties, derivatives and debt. See Note 16, "Fair value of financial instruments," to our Condensed Consolidated Financial Statements for more information.

Related Party Transactions

See Note 7, "Related party transactions," to our Condensed Consolidated Financial Statements for information on these transactions.

Recent Accounting Pronouncements

See the recent accounting pronouncements in the "Standards not yet adopted" section of Note 2 to our Condensed Consolidated Financial Statements.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk.*

In the normal course of operations, we are exposed to interest rate risk and foreign currency risk which may impact future income and cash flows.

Interest Rate Risk

The risk from market interest rate fluctuations mainly affects long-term debt bearing interest at a variable interest rate. We currently use an interest rate swap (see Note 15 of our Condensed Consolidated Financial Statements) to manage exposure to this risk. As of September 30, 2018, approximately 20% of our outstanding indebtedness bore interest at floating rates and approximately 80% bore interest at fixed rates. If market rates of interest on our floating rate debt were to increase by 1.0%, the increase in interest expense on our floating rate debt would decrease our future earnings and cash flows by approximately \$2.0 million annually, assuming the balance outstanding under our Revolving Credit Facility remained at \$0. If market rates of interest on our floating rate debt were to decrease by 1.0%, the decrease in interest expense on our floating rate debt would increase our future earnings and cash flows by approximately \$2.0 million annually, assuming the balance outstanding under our Revolving Credit Facility remained at \$0.

Foreign Currency Risk

We are exposed to exchange rate fluctuations because all of our resort investments are based in locations where the local currency is not the U.S. dollar, which is our reporting currency. For the nine months ended September 30, 2018 approximately 7.3% of our revenues were denominated in currencies other than the U.S. dollar. As a result, our revenues reported on our Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income are affected by movements in exchange rates.

Approximately 80.1% of our operating expenses for the nine months ended September 30, 2018 were denominated in the local currencies in the countries in which we operate. As a result, our operating expenses reported on our Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income are affected by movements in exchange rates.

The foreign currencies in which our expenses are primarily denominated are the Mexican Peso, Dominican Peso and the Jamaican Dollar. The effect of an immediate 5% adverse change in foreign exchange rates on Mexican Peso-denominated expenses at September 30, 2018 would have impacted our net income before tax by approximately \$6.6 million on a year-to-date basis. The effect of an immediate 5% adverse change in foreign exchange rates on Dominican Peso-denominated expenses at September 30, 2018 would have impacted our net income before tax by approximately \$2.5 million on a year-to-date basis. The effect of an immediate 5% adverse change in foreign exchange rates on Jamaican Dollar-denominated expenses at September 30, 2018 would have impacted our net income before tax by approximately \$2.7 million on a year-to-date basis.

At this time, we do not have any outstanding derivatives or other financial instruments designed to hedge our foreign currency exchange risk.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures. We maintain a set of disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) designed to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. In accordance with Rule 13a-15(b) of the Exchange Act, as of the end of the period covered by this quarterly report, an evaluation was carried out under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Financial Officer, of the effectiveness of our disclosure controls and procedures. Based on that ongoing evaluation, and considering the continuing review of controls and procedures that is being conducted by our Chief Executive Officer and Chief Financial Officer, including the remedial actions and the material weakness in internal control over financial reporting disclosed below, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were not effective as of September 30, 2018.

Changes in Internal Control Over Financial Reporting. There has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. As previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC on March 1, 2018 ("Form 10-K"), we have identified, and Deloitte & Touche, LLP, the independent registered public accounting firm that audited our Consolidated Financial Statements as of December 31, 2017 and 2016, and for each of the three years in the period ended December 31, 2017, included in our Form 10-K and the related Condensed Financial Information of Registrant included in this quarterly report, has communicated, a material weakness in our internal control over financial reporting that existed as December 31, 2017. A "material weakness" is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement in our annual or interim financial statements will not be prevented or detected on a timely basis. We previously reported the following material weakness in our internal control over financial reporting that existed as of December 31, 2017, which has not been remediated as of September 30, 2018:

- Our information technology controls, including system access, change management, and segregation of duties are not sufficiently designed and implemented to address certain information technology risks and, as a result, could expose our systems and data to unauthorized use or alteration.

We continue to take steps to remediate the identified material weakness. The Company has engaged a third party consulting firm to assist the Company with the implementation of SAP, which is a global information technology solution designed to address the elements which give rise to our material weakness. As of September 30, 2018, SAP was successfully implemented in our corporate entities. We expect to implement SAP in our remaining operational entities, in phases, throughout 2019. However, effectiveness will need to be successfully tested over several quarters before we can conclude that the material weakness has been remediated. There can be no assurance that we will be successful in making these improvements and in remediating our current material weakness in a timely manner, or at all, and we may not prevent future material weaknesses from occurring.

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings.*

We are involved in various claims and lawsuits arising in the normal course of business, including proceedings involving tort and other general liability claims and workers' compensation and other employee claims. Most occurrences involving liability and claims of negligence are covered by insurance with solvent insurance carriers. We recognize a liability when we believe the loss is probable and reasonably estimable. We currently believe that the ultimate outcome of such lawsuits and proceedings will not, individually or in the aggregate, have a material effect on our consolidated financial position, results of operations or liquidity.

Item 1A. *Risk Factors.*

At September 30, 2018, there have been no material changes from the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2017, filed with the Securities and Exchange Commission ("SEC") on March 1, 2018, which is accessible on the SEC's website at www.sec.gov.

Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds.*

None.

Item 3. *Defaults Upon Senior Securities.*

None.

Item 4. *Mine Safety Disclosures.*

Not applicable.

Item 5. *Other Information.*

None.

Item 6. Exhibits.

The following exhibits are filed as part of this Form 10-Q:

Exhibit Number	Exhibit Description
10.1	Separation agreement between David Camhi and Playa Management USA, LLC, dated September 14, 2018
31.1	Certification of the Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following materials from Playa Hotels & Resorts N.V.'s Quarterly Report on Form 10-Q for the period ended September 30, 2018, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets , (ii) Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income , (iii) Condensed Consolidated Statements of Cumulative Redeemable Preferred Shares, Shareholders' Equity and Accumulated Other Comprehensive Loss , (iv) Condensed Consolidated Statements of Cash Flows , and (v) the Notes to the Condensed Consolidated Financial Statements

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Playa Hotels & Resorts N.V.

Date: November 6, 2018

By: /s/ Bruce D. Wardinski
Bruce D. Wardinski
Chairman and Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the undersigned, in his capacity as the principal financial officer of the registrant.

Playa Hotels & Resorts N.V.

Date: November 6, 2018

By: /s/ Ryan Hymel
Ryan Hymel
Chief Financial Officer
(Principal Financial Officer)

Separation Agreement

This Separation Agreement ("**Agreement**") is entered as of September 14, 2018, between David Camhi (hereinafter referred to as "**Executive**") and Playa Management USA, LLC, a Delaware limited liability company (hereinafter referred to as the "**Company**"). Executive and the Company collectively are referred to as the "**Parties**," and individually are referred to as a "**Party**."

RECITALS

WHEREAS, Executive was employed by the Company pursuant to the terms of an offer letter dated December 13, 2010 (the "**Offer Letter**"); and

WHEREAS, on September 12, 2018, Executive was notified that the Company was terminating his employment without cause; and

WHEREAS, in lieu of immediate termination, the Company offered the Executive a sixty (60)-day transition period ("**Transition Period**") from September 12, 2018 to November 11, 2018 ("**Termination Date**"); and

WHEREAS, in exchange for a further release upon his Termination Date as provided herein, the Company is willing to provide Executive with certain severance benefits as described herein; and

WHEREAS, for purposes of avoiding any disputes, the Parties desire to compromise, fully and finally settle, and fully release any and all actual or potential claims, known and unknown, that Executive may have against the Company; and

NOW, THEREFORE, in consideration of the promises, the performance of the covenants and agreements hereinafter contained, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. **Adoption of Recitals.** The Parties hereto adopt the above recitals as being true and correct, and they are incorporated herein as material parts of this Agreement.

2. **Severance Benefits.**

a. **Transition Period.** Provided that Executive signs and returns this Agreement to the Company without revoking it, and complies with the material terms of this Agreement, the Company will forgo terminating Executive's at-will employment in September 2018 and extend Executive's employment until the Termination Date.

i. If Executive executes this Agreement and does not revoke the First General Release (described below in Section 3) and otherwise complies with the covenants set forth in this Agreement, the Company will compensate Executive at his regular pay rate, minus applicable withholdings, throughout the Transition Period until the Termination Date. During the Transition Period, Executive will continue to participate in and receive all regular benefits that he is currently receiving including, but not limited to, medical benefits, except that he will cease accruing vacation leave as of September 12, 2018.

ii. During the Transition Period, Executive shall not be required to report to work or otherwise provide services to the Company, except that the Company may call upon Executive to facilitate the transition of his duties.

b. **Severance Payments.** Provided that Executive signs and returns the Second General Release in accordance with Section 2.c below, and complies with the material terms of this Agreement, including

the covenants set forth herein, the Company will provide the following payments to Executive (collectively, the “**Severance Benefits**”):

i. **Salary Continuation.** The Company agrees to pay Executive severance in the gross amount of twelve (12) months’ salary at his current regular pay rate of \$315,000 per year (hereinafter “**Salary Continuation Payments**”). The Salary Continuation Payments shall be paid in twelve (12) equal monthly installments commencing after the Termination Date. The twelve (12)-month period during which Salary Continuation Payments shall be made is the “**Severance Payment Period.**” The first installment of the Severance Payment will be processed at the time of the Company’s next regular payroll that occurs on or after the eighth (8th) day following the Executive’s execution of the Second General Release.

ii. **Additional Amount.** To help defray Executive’s costs of procuring health insurance coverage (including COBRA), the Company shall pay Executive an additional monthly amount of One Thousand Five Hundred Dollars (\$1,500.00) (the “**Additional Amount**”) with each Salary Continuation Payment during the Severance Payment Period; provided, however, that Executive shall promptly notify the Company if he becomes eligible to obtain insurance coverage under another group insurance plan at which time payment of the Additional Amount to Executive shall cease. In no event shall payment of the Additional Amount to Executive extend beyond the Severance Payment Period.

iii. **Prorated Discretionary Bonus.** The Company shall pay Executive a pro-rata share of any Discretionary Annual Bonus which Executive otherwise would have been entitled for 2018 in amount determined by the Board of Directors of Playa Hotels & Resorts, N.V. (the “**Playa Board**”) in good faith and prorated based on the number of days Executive is employed in the year of termination. This amount is presently estimated to be approximately \$181,205 based on current estimated performance results, but will remain subject to actual performance results for 2018. Such pro-rated bonus shall be paid to Executive within sixty (60) days following the later of (i) the end of 2018 and (ii) the date the financial results for 2018 are accepted by the Playa Board (but in all events within 2019), and in no event shall any discretionary amount be determined in a manner different than such amounts are determined for still-employed senior executives of the Company.

c. Second General Release. The Parties agree that, on or about the Termination Date, the Company will present the Executive with, and the Executive will, within twenty-one (21) days thereafter, enter into the Second General Release, a copy of which is attached as **Exhibit A** to this Agreement. Executive shall not execute the Second General Release prior to the conclusion of the Transition Period. Executive will not be entitled to the Severance Benefits described above in Subsection 2.b unless he executes the Second General Release within the required time and does not otherwise revoke it.

d. Tax Withholding. All payments under this Agreement, including the Severance Payments and Additional Amounts, shall be subject to all applicable federal, state, and local tax withholding.

e. Equity Awards. Executive has been granted various outstanding equity awards under the Playa Hotels & Resorts N.V. 2017 Omnibus Incentive Plan (the “**Equity Plan**”), comprised of time-vesting and performance-vesting awards granted in 2017 and 2018, and those awards will be treated in accordance with the terms of the Equity Plan and applicable award agreements, as summarized on Exhibit B to this Agreement (assuming the Termination Date at the end of the Transition Period as set forth in Section 2.a above).

f. Section 409A Compliance. This Agreement is intended to comply, to the extent applicable, with the provisions of Section 409A of the Internal Revenue Code of 1986, as amended (“**Section 409A**”) and shall, to the extent practicable, be construed in accordance with such section. For purposes of this Agreement, each amount to be paid or benefit to be provided will be construed as a separate identified payment for purposes of Section 409A, and any payments that are due within the “short term deferral period” as defined in Section 409A

will not be treated as deferred compensation unless applicable law requires otherwise. The Company makes no representations or warranties that the payments provided under the Agreement or any other agreement comply with, or are exempt from, Section 409A, and in no event shall the Company be liable for any portion of any taxes, penalties, interest, or other expenses that may be incurred by Executive on account of Section 409A.

3. **First General Release.** In consideration of the Transition Period, Executive hereby fully, forever, irrevocably and unconditionally releases, remises and discharges Playa Management USA, LLC, Playa Hotel & Resorts, N.V., Playa Resorts Management, LLC, and their related affiliates, subsidiaries, parents, predecessors, and successors, and all of their respective past and present officers, directors, stockholders, partners, members, executives, agents, representatives, plan administrators, attorneys, insurers and fiduciaries (each in their individual and corporate capacities) (collectively, the “**Released Parties**”) from any and all claims, charges, complaints, demands, actions, causes of action, suits, rights, debts, sums of money, costs, accounts, reckonings, covenants, contracts, agreements, promises, doings, omissions, damages, executions, obligations, liabilities, and expenses (including attorneys’ fees and costs), of every kind and nature that Executive ever had or now has against any or all of the Released Parties, including, but not limited to, any and all claims arising out of or relating to Executive’s employment with and/or separation from the Company, including, but not limited to, all claims under Title VII of the Civil Rights Act of 1964, the Americans With Disabilities Act of 1990, the Age Discrimination in Employment Act, the Genetic Information Nondiscrimination Act of 2008, the Family and Medical Leave Act, the Worker Adjustment and Retraining Notification Act, Section 806 of the Corporate and Criminal Fraud Accountability Act of 2002, the Rehabilitation Act of 1973, Executive Order 11246, Executive Order 11141, the Fair Credit Reporting Act, Sections 1981 and 1983 of the Civil Rights Act of 1866, Sections 1981 through 1988 of Title 42 of the United States Code, as amended, the Immigration Reform and Control Act, the Equal Pay Act, any local, state, federal or foreign whistleblower statute, regulation, ordinance or law, including the Florida Whistleblower Act of 1986 and 1991, the Fair Labor Standards Act, the Consolidated Omnibus Reconciliation Act, the Occupational Safety and Health Act, the Fair Credit Reporting Act, the Older Workers’ Benefits Protection Act, and the Executive Retirement Income Security Act of 1974, the Florida Civil Rights Act, the Virginia Human Rights Act, the Virginians with Disabilities Act, the Virginia Equal Pay Act, the Virginia Genetic Testing Law, the Virginia Occupational Safety and Health Act, the Virginia Minimum Wage Act, the Virginia Payment of Wage Law, the Virginia Right to Work Law, all as amended; any foreign, federal, state and/or local law, statute, regulation or ordinance prohibiting discrimination, retaliation and/or harassment or governing wage or commission payment claims; all common law claims including, but not limited to, actions in defamation, intentional infliction of emotional distress, misrepresentation, fraud, wrongful discharge, and breach of contract; all claims to any non-vested ownership interest in the Company, contractual or otherwise, and any claim or damage arising out of Executive’s employment with and/or separation from the Company (including a claim for retaliation) under any common law theory or any federal, state or local statute or ordinance not expressly referenced above. Executive understands that, by releasing all of Executive’s legally waivable claims, known or unknown, against the Released Parties, Executive is releasing all of Executive’s rights to bring any claims against any of them based on any actions, decisions or events occurring through the date Executive signs this Agreement including the terms and conditions of Executive’s employment and the termination of Executive’s employment.

Nothing in this Agreement shall be construed to prohibit Executive from contacting, filing a charge or participating in any proceeding or investigation by the Securities and Exchange Commission (“SEC”), U.S. Equal Employment Opportunity Commission (the “EEOC”), the Department of Labor (the “DOL”), the National Labor Relations Board (the “NLRB”), or any other federal state or local governmental agency or commission (“Governmental Agency”); provided, however, this Agreement waives Executive’s right to receive any monetary damages associated with any such charge, complaint, investigation or other action, with the exception of any award by the SEC.

Further, this release does not extend to, and has no effect upon: (i) any benefits that have accrued, and to which the Executive has become vested, under any employee benefit plan; (ii) the Executive’s right to enforce the terms and conditions of this Agreement; or (iii) any claims which cannot be waived as a matter of law, such as claims for unemployment benefit rights and workers’ compensation.

4. **Restrictive Covenants.**

a. Definitions. The following definitions shall apply for the purpose of this Section 4:

- i. **“Competing Business”** shall mean (a) acting as an owner or a lessee of hotels, convention facilities, conference centers or similar facilities; (b) asset or operational management for hotels, convention facilities, conference centers or similar facilities, or (c) any other business that the Company or its affiliates conducts or contemplates under such business plans as of the Termination Date. Notwithstanding any provision to the contrary in this Agreement, Competing Business shall exclude: Executive’s ownership of five percent (5%) or less of the outstanding stock of any publicly traded corporation or other entity; or of an equity interest in any other entity.
- ii. **“Company”** shall include Playa Management USA, LLC, Playa Hotel & Resorts, N.V., Playa Resorts Management, LLC, and their related affiliates, subsidiaries, parents, predecessors, and successors.
- iii. **“Customer”** shall mean any hotel, conference center, lodging business, or real estate investment trust with which the Playa Resorts or the Company has an existing lease, sublease, or management contract.
- iv. **“Prospective Customer”** shall mean any person or entity to whom Executive or the Company or any of its Affiliates sent or delivered a written sales or servicing proposal, quote or contract, or with whom Executive or the Company or any of its affiliates had business contact for the purpose of developing that person or entity into a customer of the Playa Resorts or the Company.
- v. **“Restricted Area”** shall mean within Mexico, Jamaica, the Dominican Republic and any other geographic area included in the Company’s and its affiliates’ business plans during the Executive’s employment with the Company.
- vi. **“Restricted Period”** shall mean the Transition Period and the Severance Payment Period.
- vii. **“Solicit”** shall mean to knowingly solicit, call upon, or initiate communications or contacts with a person or entity for the purpose of developing or continuing a business relationship.

b. Continuing Obligations. Executive acknowledges and reaffirms Executive’s obligation to keep confidential and not to disclose any and all non-public information concerning the Company that Executive acquired during the course of Executive’s employment with the Company, including, but not limited to, any non-public information concerning the Company’s business affairs, business prospects, and financial condition. Executive also is obligated to immediately return any Confidential Information and/or trade secret information including, but not limited to, records, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, materials, equipment, documents, property, or reproductions of any aforementioned items belonging to the Company. Executive is also to immediately return all Company property that has been provided to Executive or that is in his possession to include, but not be limited to, his employee identification badge, office keys, smart phone, tablet, and corporate credit card. Nothing in this Agreement releases Executive from these obligations to the Company. The Company will avail itself of its full legal remedies if Executive violates his on-going obligations to the Company. Nothing in this Section 4 limits Executive’s ability to truthfully communicate with any Government Agency whether such communication is initiated by Executive or in response to the Government.

c. Notice of Immunity under the Economic Espionage Act of 1996, as amended by the Defend Trade Secrets Act of 2016 (“DTSA”). Notwithstanding any other provision of this Agreement, Executive shall not be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that is made: (1) in confidence to a federal, state, or local government official, either directly or indirectly, or to an

attorney; and (2) solely for the purpose of reporting or investigating a suspected violation of law; or (3) in a complaint or other document that is filed under seal in a lawsuit or other proceeding. Notwithstanding any other provision of this Agreement, if Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Executive may disclose the Company's trade secrets to Executive's attorney and use the trade secret information in the court proceeding if Executive: (i) files any document containing the trade secret under seal; and (ii) does not disclose the trade secret, except pursuant to court order.

d. Restriction on Competition. As consideration for entering into this Agreement, and during the Restricted Period, Executive shall not engage, directly or indirectly, either individually or through another person or entity, whether as an owner, employee, consultant, partner, principal, agent, representative, stockholder or otherwise, of, in, to or for any Competing Business in the Restricted Area; provided, however, that Executive may own less than five percent (5%) of the outstanding stock of any publicly traded corporation that engages in a Competing Business. **While stated below, the Parties acknowledge that as to Subsection 4(d) especially, as it relates to the practice of law, this provision shall be interpreted consistent with and limited by the Florida Rule of Professional Conduct (or similar rules in other jurisdictions), including Rule 5.6.**

e. Non-Solicitation of Customers. As consideration for entering into this Agreement, and during the Restricted Period, Executive shall not Solicit, directly or indirectly, on his own behalf or on behalf of any other person(s), any Customer or Prospective Customer of Playa Resorts or any of the Company for any line of business that Playa Resorts or the Company conducts or plans to conduct as of the date of Executive's termination of employment for the purpose of conducting, marketing or providing for a Competing Business.

f. Non-Solicitation of Employees. As consideration for entering into this Agreement, and during the Restricted Period, Executive shall not, directly or indirectly, Solicit or employ or cause any business to Solicit or employ any person who is then or was at any time during the two (2)-year period prior to Executive's termination an employee of the Company or its affiliates and who is at the time of such employee's separation from the Company and its affiliates, a director, vice president, senior vice president, executive vice president or similar position of the Company and its affiliates, except to the extent that such action is undertaken in the ordinary course of hiring practices (e.g., an employment solicitation that is transmitted generally to the public or in the industry, rather than one that is targeted directly to any such employee of the Company or its affiliates).

g. Acknowledgement. Executive acknowledges that he acquired proprietary information concerning the past, present and future business of the Company and its affiliates as the result of his employment with the Company, as well as access to the relationships between the Company and its affiliates and their respective clients and employees. Executive further acknowledges that the business of the Company and its affiliates is very competitive and that competition by him in that business during the Restricted Period would severely injure the Company and its affiliates, as the case may. Executive understands that the restrictions contained in this Section 4 are reasonable and are required for the Company's and its affiliates' legitimate protection, and do not unduly limit his ability to earn a livelihood.

h. Severability. If any court determines that any provision of this Section 4 is invalid or unenforceable, the remainder of this Section 4 shall not thereby be affected and shall be given full effect, without regard to the invalid portion. In addition, if any court or arbitrator construes any portion of this Section 4 to be unenforceable because of the duration of such provision or the area covered thereby, such court shall have the power to reduce the duration or area of such provision and, in its reduced form, such provision shall then be enforceable and shall be enforced. This Section 4, as so amended, shall be valid and binding as though any invalid or unenforceable provision had not been included herein.

i. Consideration. Executive acknowledges that the Company relied on the representations and promises in this Section 4 in agreeing to the Severance Benefits (described above in Section 2). Likewise, Executive relied upon the receipt of the Settlement Benefits (described above in Section 2) in agreeing to the restrictions contained in Section 4.

j. Breach of Restrictive Covenants. Notwithstanding any arbitration provisions contained in this Agreement, the Company shall have the right and remedy to have the provisions of this Section 4 specifically enforced by a court of competent jurisdiction without any requirement to first seek a remedy through arbitration, including by temporary or permanent injunction, it being acknowledged and agreed that any such violation may cause irreparable injury to the Company and that money damages will not provide an adequate remedy to the Company. The Company shall also have the right to seek damages for any breach of this Section 4. Further, the Parties also agree that if Executive breaches this Section 4, any Severance Benefits paid to him under this Agreement are subject to disgorgement and/or the Company may suspend payment of Severance Benefits due and owing to him under this Agreement.

k. Successors and Assigns. The Company and its successors and assigns may enforce the provisions of Section 4 of this Agreement.

l. Limitation. **As it relates to the practice of law, Section 4 of this Agreement shall be interpreted consistent with and be limited by the Florida Rule of Professional Conduct (or similar rules in other jurisdictions), including Rule 5.6.**

5. Confidentiality.

a. In consideration of the obligations under this Agreement, Executive agrees that this Agreement and the terms and conditions hereof are strictly, and shall forever remain, confidential, and that Executive (or his heirs, agents, executors, administrators, attorneys, legal representatives and assigns) shall disclose or disseminate any information concerning any such terms to any third person(s), including, but not limited to, representatives of the media or other present or former executives, employees, and staff of the Company, under any circumstances, except Executive may disclose the terms of this Agreement to his attorney, accountant, tax advisor, other similar professional or the Internal Revenue Service or other appropriate federal agencies ("**Third Parties**"). All Third Parties to whom such disclosure is made shall agree in advance to be bound by the terms of this Section 5.

b. If Executive is required to disclose this Agreement, its terms or underlying facts pursuant to court order and/or subpoena, Executive shall so notify Company in writing via email or overnight mail, within 24 hours of his receipt of such court order or subpoena, and shall simultaneously provide the Company with a copy of such court order or subpoena. Executive agrees to waive any objection to the Company's request that the document production or testimony be done in camera and under seal.

c. Executive agrees that the terms of this Section 5 are a material inducement for the execution of this Agreement. Any disclosure or dissemination, other than as described above in Subsections 5.a or 5.b, will be regarded as a breach of this Agreement and a cause of action shall immediately accrue for damages and injunctive relief. Executive acknowledges that a violation of Subsections 5.a or 5.b would cause immeasurable and irreparable damage to the Company. Accordingly, Executive agrees that the Company shall be entitled to injunctive relief in any court of competent jurisdiction for any actual or threatened violation of Subsections 5.a or 5.b, in addition to any other available remedies. Further, Executive also agrees that if Executive breaches this Section 5, he shall pay the Company the damages he causes Company, through disgorgement of any compensation paid to him under this Agreement and/or the forfeiture of any compensation due and owing to him under this Agreement.

d. Communications with Government Agencies. Nothing in this Section 5 or this Agreement:

- (i) prohibits Executive from communicating with any Government Agency about a potential violation of the law;
- (ii) limits Executive's ability, without notice to or approval from the Company:
 - (A) to file a charge or complaint with a Government Agency;

(B) to participate in an investigation or proceeding conducted by a Government Agency; or

(C) to provide information or documents to a Government Agency in connection with an investigation or proceeding; or

(iii) restricts Executive's right to receive a reward or incentive for information provided to a Government Agency.

6. **Cooperation.** Following Executive's termination, Executive shall assist and cooperate with the Company in the orderly transition of work to others if so requested by the Company. Executive shall cooperate with the Company and be responsive to requests for information relating to business matters about which Executive may have information or knowledge and reasonably assist the Company, as the case may be, with any litigation, threatened litigation or arbitration proceeding relating to the Company's business as to which business Executive had relevant knowledge, and the Company shall reimburse Executive for reasonable costs, including attorneys' fees and expenses, actually incurred by Executive in connection with such assistance.

7. **Non-disparagement.** Executive understands and agrees that as a condition for the consideration herein described, Executive shall not make any false, disparaging or derogatory statements to any person or entity, including any media outlet, regarding the Company or any of its affiliates, subsidiaries, directors, officers, Executives, agents or representatives or about the Company's or its subsidiaries' business affairs and/or financial condition. Executive understands and agrees that Executive's commitment not to defame, disparage, or impugn Company's reputation constitutes a willing and voluntary waiver of Executive's rights under the First Amendment of the United States Constitution and other laws. However, these non-disparagement obligations, do not limit Executive's ability to truthfully communicate with any Government Agency whether such communication is initiated by Executive or in response to the Government.

8. **Amendment and Waiver.** This Agreement shall be binding upon the Parties and may not be modified in any manner, except by an instrument in writing of concurrent or subsequent date signed by duly-authorized representatives of the Parties hereto. This Agreement is binding upon and shall inure to the benefit of the Parties and their respective agents, assigns, heirs, executors, successors and administrators. No delay or omission by the Company or Executive in exercising any right under this Agreement shall operate as a waiver of that or any other right. A waiver or consent given by the Company on any one occasion shall be effective only in that instance and shall not be construed as a bar to or waiver of any right on any other occasion.

9. **Validity.** Should any provision of this Agreement be declared or be determined by any court of competent jurisdiction to be illegal or invalid, the validity of the remaining parts, terms or provisions shall not be affected thereby and said illegal or invalid part, term or provision shall be deemed not to be a part of this Agreement.

10. **Nature of Agreement.** Executive understands and agrees that this Agreement is a separation agreement and does not constitute an admission of liability or wrongdoing on the part of the Company.

11. **Acknowledgments.** Executive acknowledges that Executive has been given at least twenty-one (21) days to consider this Agreement, and that the Company advised Executive to consult with an attorney of Executive's own choosing prior to signing this Agreement. Executive understands that Executive may revoke this Agreement for a period of seven (7) days after Executive signs this Agreement by notifying Dayna Blank, the Company's Vice President of Human Resources, in writing, and the Agreement shall not be effective or enforceable until the expiration of the Revocation Period. Executive understands and agrees that by entering into this Agreement, Executive is waiving any and all rights or claims Executive might have under the Age Discrimination in Employment Act, as amended by the Older Workers Benefit Protection Act, and that Executive has received consideration beyond that to which Executive was previously entitled.

12. **Tax Provision.** In connection with the separation benefits to be provided to Executive, the Company shall withhold and remit to the tax authorities the amounts required under applicable law, and Executive shall be responsible for any and all applicable taxes with respect to such payments under applicable law. Executive acknowledges that Executive is not relying upon the advice or representation of the Company with respect to the tax treatment of any of the payments set forth herein.

13. **Voluntary Assent.** Executive affirms that no other promises or agreements of any kind have been made to or with Executive by any person or entity whatsoever to cause Executive to sign this Agreement, and that Executive fully understands the meaning and intent of this Agreement. Executive states and represents that Executive had an opportunity to fully discuss and review the terms of this Agreement with an attorney. Executive further states and represents that Executive has carefully read this Agreement, understands the contents herein, freely and voluntarily assents to all of the terms and conditions hereof and signs Executive's name of Executive's own free act.

14. **Entire Agreement.** This Agreement and the Confidentiality and Return of Property Agreements set forth in the Offer Letter which survive termination of Executive's employment with the Company, contain and constitute the entire understanding and agreement between Executive and the Company and supersede and cancel any other previous oral and written negotiations, agreements, and commitments between the Parties. As noted in Section 2.a.iv, this Agreement does not modify the terms of the Equity Plan or applicable award agreements thereunder, as summarized on Exhibit B.

15. **Arbitration.**

a. Any disputes or claims between the Company and Executive in any way concerning Executive's employment, the termination of his employment under the Offer Letter, a breach of this Agreement and the Second General Release, their enforcement or any other matter relating thereto shall be submitted at the initiative of either Party to mandatory arbitration in the Commonwealth of Virginia before a single arbitrator under the Federal Arbitration Act and pursuant to the Commercial Arbitration Rules of the American Arbitration Association, or its successor, then in effect. The decision of the arbitrator shall be rendered in writing, shall be final, and may be entered as a judgment in any court in the Commonwealth of Virginia or elsewhere. The Parties irrevocably consent to the jurisdiction of the federal and state courts located in Virginia for this purpose. Each Party shall be responsible for its or his own costs incurred in such arbitration and in enforcing any arbitration award, including attorneys' fees and expenses.

b. Notwithstanding the foregoing, the Company in its sole and absolute discretion, may bring an action in any court of competent jurisdiction to seek injunctive relief, for damages and such other relief as the Company shall elect to enjoin, enforce, or seek recovery for the breach of Executive's covenants under the Offer Letter. Such covenants shall be construed as agreements independent of any other provisions of the Offer Letter and the existence of any claim or cause of action Executive may have against the Company, whether based on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of such covenants.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Agreement Date.

EXECUTIVE **PLAYA RESORTS USA, LLC**

/s/ David Camhi

By: /s/ Bruce Wardinski

Print Name: Bruce Wardinski

Title: Chairman & CEO

Exhibit A

SECOND RELEASE

In consideration for the Severance Benefits described in the attached agreement, I, Executive hereby fully, forever, irrevocably and unconditionally release, remise and discharge Playa Management USA, LLC, Playa Hotel & Resorts, N.V., Playa Resorts Management, LLC,, and their related affiliates, subsidiaries, parents, predecessors, and successors, and all of their respective past and present officers, directors, stockholders, partners, members, executives, agents, representatives, plan administrators, attorneys, insurers and fiduciaries (each in their individual and corporate capacities) (collectively, the “**Released Parties**”) from any and all claims, charges, complaints, demands, actions, causes of action, suits, rights, debts, sums of money, costs, accounts, reckonings, covenants, contracts, agreements, promises, doings, omissions, damages, executions, obligations, liabilities, and expenses (including attorneys’ fees and costs), of every kind and nature that Executive ever had or now has against any or all of the Released Parties, including, but not limited to, any and all claims arising out of or relating to Executive’s employment with and/or separation from the Company, including, but not limited to, all claims under Title VII of the Civil Rights Act of 1964, the Americans With Disabilities Act of 1990, the Age Discrimination in Employment Act, the Genetic Information Nondiscrimination Act of 2008, the Family and Medical Leave Act, the Worker Adjustment and Retraining Notification Act, Section 806 of the Corporate and Criminal Fraud Accountability Act of 2002, the Rehabilitation Act of 1973, Executive Order 11246, Executive Order 11141, the Fair Credit Reporting Act, Sections 1981 and 1983 of the Civil Rights Act of 1866, Sections 1981 through 1988 of Title 42 of the United States Code, as amended, the Immigration Reform and Control Act, the Equal Pay Act, any local, state, federal or foreign whistleblower statute, regulation, ordinance or law, including the Florida Whistleblower Act of 1986 and 1991, the Fair Labor Standards Act, the Consolidated Omnibus Reconciliation Act, the Occupational Safety and Health Act, the Fair Credit Reporting Act, the Older Workers’ Benefits Protection Act, and the Executive Retirement Income Security Act of 1974, the Florida Civil Rights Act, the Virginia Human Rights Act, the Virginians with Disabilities Act, the Virginia Equal Pay Act, the Virginia Genetic Testing Law, the Virginia Occupational Safety and Health Act, the Virginia Minimum Wage Act, the Virginia Payment of Wage Law, the Virginia Right to Work Law, all as amended; any foreign, federal, state and/or local law, statute, regulation or ordinance prohibiting discrimination, retaliation and/or harassment or governing wage or commission payment claims; all common law claims including, but not limited to, actions in defamation, intentional infliction of emotional distress, misrepresentation, fraud, wrongful discharge, and breach of contract; all claims to any non-vested ownership interest in the Company, contractual or otherwise, and any claim or damage arising out of Executive’s employment with and/or separation from the Company (including a claim for retaliation) under any common law theory or any federal, state or local statute or ordinance not expressly referenced above. Executive understands that, by releasing all of Executive’s legally waivable claims, known or unknown, against the Released Parties, Executive is releasing all of Executive’s rights to bring any claims against any of them based on any actions, decisions or events occurring through the date Executive signs this Agreement including the terms and conditions of Executive’s employment and the termination of Executive’s employment.

Further, this release does not extend to, and has no effect upon: (i) any benefits that have accrued, and to which the Executive has become vested, under any employee benefit plan; (ii) the Executive’s right to enforce the terms and conditions of this Agreement; or (iii) any claims which cannot be waived as a matter of law, such as claims for unemployment benefit rights and workers’ compensation.

By signing below, Executive acknowledges and agrees that Executive has been paid for all salary, wages, and compensation earned through his last day worked, and that Executive is not entitled to receive, and shall not claim from the Company, any compensation, payments or benefits except for those payments and benefits that are expressly set forth in the attached Agreement.

As a part of this Second General Release, Executive expressly agrees to the release of any rights or claims arising out of the Age Discrimination in Employment Act (“**ADEA**,” 29 U.S.C. § 621, et seq.), and in connection with such waiver: (a) Executive is hereby advised to consult with an attorney prior to signing this Second Release; (b) Executive shall have a period of twenty-one (21) days from the date of receipt of this Agreement and Second Release in which to consider the terms of this Agreement and Second Release; and (c) Executive may revoke

this Second Release at any time during the first seven (7) days following his execution of the Second Release (the "**Revocation Period**") by notifying Dayna Blank, the Company's Vice President of Human Resources, in writing, and the waiver and release shall not be effective or enforceable until the seven (7) day period has expired. As between Executive and the Released Parties, this Agreement does not constitute a waiver of any claim under the ADEA that may arise after the date of the execution of this Agreement.

Executive understands that, by releasing all of his legally waiveable claims, known or unknown, against the Released Parties, Executive is releasing all of his rights to bring any claims against any of them based on any actions, decisions or events occurring through the date of he signs this Release including the terms and conditions of his employment and the termination of his employment.

Nothing in this Agreement shall be construed to prohibit Executive from contacting, filing a charge or participating in any proceeding or investigation by the Securities and Exchange Commission ("SEC"), U.S. Equal Employment Opportunity Commission (the "EEOC"), the Department of Labor (the "DOL"), the National Labor Relations Board (the "NLRB"), or any other federal state or local governmental agency or commission; provided, however, this Agreement waives Executive's right to receive any monetary damages associated with any such charge, complaint, investigation or other action, with the exception of any award by the SEC.

Executive further understands and agrees that he may be waiving significant legal rights by signing this Release, and represents that he has entered into this Release voluntarily, with a full understanding of and in agreement with all of its terms. Executive further acknowledges that he has read and fully understands this Release. Executive also acknowledges that this Release does not waive any claims that may arise after this Release is signed. Executive has been advised to, and has had an opportunity to, consult with an attorney before signing it.

Any disputes or claims between the Company and Executive in any way concerning this Second General Release, its enforcement or any other matter relating thereto shall be submitted at the initiative of either Party to mandatory arbitration in the Commonwealth of Virginia before a single arbitrator under the Federal Arbitration Act and pursuant to the Commercial Arbitration Rules of the American Arbitration Association, or its successor, then in effect. The decision of the arbitrator shall be rendered in writing, shall be final, and may be entered as a judgment in any court in the Commonwealth of Virginia or elsewhere. The Parties irrevocably consent to the jurisdiction of the federal and state courts located in Virginia for this purpose. Each Party shall be responsible for its or his own costs incurred in such arbitration and in enforcing any arbitration award, including attorneys' fees and expenses.

Notwithstanding the foregoing, the Company in its sole and absolute discretion, may bring an action in any court of competent jurisdiction to seek injunctive relief, for damages and such other relief as the Company shall elect to enjoin, enforce, or seek recovery for the breach of Executive's covenants under Section 4 of the Agreement or the Offer Letter. Such covenants shall be construed as agreements independent of any other provisions of the Offer Letter and the existence of any claim or cause of action Executive may have against the Company, whether based on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of such covenants.

Executive understands that this document is a complete release of any and all existing claims, known or unknown, which he may have against the Released Parties.

EXECUTIVE:

WITNESS:

Print Name: _____ Print Name: _____

Dated: _____

Exhibit B

Summary of Treatment of Outstanding Equity Awards

Grant Date	Award Type	# of Original Shares	Treatment upon Termination Date per Award Agreement
May 16, 2017	Transaction shares	32,500	Forfeit
May 26, 2017	Time-vesting shares	14,734	Pro rata vesting per award agreement formula 7,198 shares vesting at Nov. 11, 2018
May 26, 2017	Performance-vesting shares	14,734	Pro rata vesting per award agreement formula, subject to 2017-2019 performance results 14,600 shares remain outstanding and will be adjusted for 2017-2019 EBITDA and TSR performance, to be vested in early 2020
January 2, 2018	Time-vesting shares	15,272	Forfeit
January 2, 2018	Performance-vesting shares	15,272	Forfeit

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Bruce D. Wardinski, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Playa Hotels & Resorts N.V.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)):
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2018

/s/ Bruce D. Wardinski

Bruce D. Wardinski
Chairman and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Ryan Hymel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Playa Hotels & Resorts N.V.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)):
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2018

/s/ Ryan Hymel

Ryan Hymel
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Playa Hotels & Resorts N.V. (the "Company") on Form 10-Q for the period ended September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 6, 2018

/s/ Bruce D. Wardinski

Bruce D. Wardinski
Chairman and Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as a part of this report or on a separate disclosure document.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Playa Hotels & Resorts N.V. (the "Company") on Form 10-Q for the period ended September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 6, 2018

/s/ Ryan Hymel

Ryan Hymel
Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as a part of this report or on a separate disclosure document.