Note on Forward-Looking Statements: This document and its accompanying slide presentations contain "forward-looking statements" within the meaning of federal securities laws, including RevPAR, profit margin and earnings trends; the number of lodging properties the company may add or remove in future years; Marriott's potential investment spending and share repurchases; the amount of and timing for realizing anticipated synergies from the acquisition of Starwood, and similar statements concerning possible future events or expectations that are not historical facts. We caution you that these statements are not guarantees of future performance and are subject to a number of risks and uncertainties, including changes in market conditions; changes in global and regional economies; supply and demand changes for hotel rooms; competitive conditions in the lodging industry; relationships with clients and property owners; the availability of capital to finance hotel growth and refurbishment; and other risk factors that the company identifies in its most recent annual report on Form 10-K; any of which could cause actual results to differ materially from the expectations we express or imply here. We make these statements as of March 21, 2017 and we assume no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Marriott INTERNATIONAL

Marriott International, Inc.
2017 Security Analyst Meeting
Conference Transcript[1]
March 21, 2017

Laura Paugh – Senior Vice President, Investor Relations: Good morning everyone. It's 8:30 am. Welcome to the Marriott Marquis. I'm Laura Paugh, Senior Vice President, Investor Relations. It is nice to see so many friends in the audience today. Welcome also to everyone who's listening and watching on our webcast. For those on the webcast, anytime during the presentation, please send your questions using the e-mail link on the webcast and we'll be happy to answer your questions during the Q&A session. You can download the pdf of the slides today on marriott.com/investor.

For those of you here in the room, I hope you take the opportunity during the break or during today's reception to take a look inside our Igloo projection dome, which is in the back corner of the conference room, under the balcony on my right. This 360-degree projection room will give you a more detailed look at the public space, Food & Beverage, and communal room that we are developing for our Element brand, and also take a look at the public space that is under development for our Aloft brand. If you went to the ALIS Conference in January, you might have seen this. If you didn't get to the ALIS Conference this is your chance. Karim Khalifa, our SVP Global Design Strategy, and his team, Aliya Khan and Toni Stoeckl, will be available to answer your questions. The presentation in the Igloo takes about 10 minutes.

[1] Not a verbatim transcript; extraneous material omitted and edited for clarity and misstatements.

In the pre-function area, you can also see the latest innovation from our Marriott app. Todd Strickler, VP of Marriott's mobile apps & guest services, and his colleague, Mei Loo, will be available to tell you about the app's new ergonomic design and personalized user experience. So, don't miss that either.

So, let's quickly run down our plans for today. Arne Sorenson, Stephanie Linnartz and her team will talk to you this morning about the strength of our system, the implications of the Starwood acquisition and our long-term prospects. Formal presentations should run until about 10:30 am when we will take a break and you'll have a chance to reheat your coffee and check the market.

We'll resume at 11:00 am with Tony Capuano who will discuss our development strategy and competitive advantages.

Lunch is at noon at the Astor Ballroom on the 7th floor. Joining us at lunch will be Brad Nelson, our VP and Global Corporate Chef, who will talk about current trends in food. Believe me, no one is better versed on this topic than Brad.

During lunch, Marriott executives will be seated at assigned and numbered tables, but you, our guests, are welcome to sit wherever you wish. The seating chart is in your binder, so pick the table with the Marriott exec that you would most like to speak with during lunch, and feel free to grill them during the meal. Lunch seating is on a first come first serve basis. The tables are small. In fact, some are tables of six, and some are tables of twelve, so don't dawdle. We will not be webcasting Brad's presentation at lunch.

We will resume the meeting promptly at 1:30 pm here again in the Broadway Ballroom, at which time Leeny Oberg, our CFO, as a gift for all of you modelers, will present our three-year plan this afternoon, a simple way of demonstrating just how powerful this Marriott machine really is. Q&A should start at around 2:00 pm. Arne, Stephanie, Tony and Leeny, will be taking questions from both the room and the webcast.

And finally, we hope that you join us for the post-meeting reception in the Pre-function space just outside this ballroom.

Before we get started, make sure your telephone is on vibrate, so you don't miss any important disclosures.

Let me remind everyone that much of what we say today are not historical facts and are considered forward-looking statements under federal securities laws. These statements are subject to numerous risks and uncertainties as described in our SEC filings, which could cause future results to differ materially from those expressed in or implied by our comments. Forward-looking statements in our remarks today, and in our press release that we issued this morning, are effective only today, March 21, 2017, and will not be updated as actual events unfold. For those of you who are present with us, you can find a reconciliation of Non-GAAP financial measures referred to in our remarks, and in the press release, at the back of your handout book. For those listening in, you can find both the slides and the reconciliations at www.marriott.com/investor.

So, let's get started. It's my pleasure to introduce our first speaker, Arne Sorenson, President and Chief Executive Officer. Arne has worked at Marriott for 20 years. In a short time, he established a reputation for being an insightful, forthright, and strategic executive. In fact, he made such an impression that today he is recognizable at Marriott by only his first name, rather like, Elvis, Adele, Fabio, or Snooki. As CEO of the world's largest lodging company Arne is incredible busy, and I bet 2016 was his busiest year yet. I can hardly wait to see what he has in store for us this year. So, to get Arne started, here is a quick summary of 2016.

{VIDEO}

Arne Sorenson – President and Chief Executive Officer: Good morning, everyone. Laura, who is Snooki? It's one thing to be compared to Elvis; that you can hardly complain about, but Snooki, I'm not sure whether that's good or bad. Well, good morning and welcome. Welcome to Marriott's 2017 Security Analyst Meeting. We appreciate your time, as always, and your interest in Marriott.

I know you've all seen today's press release already so you have the headlines and the data. And we really appreciate your coming to see the live presentations and to see the team. We hope, after hearing our story today, you feel even better about the future of Marriott and share our enthusiasm for what lays ahead.

While ambitious goals are easy to set, they require a strong plan and a dedicated and solid management team. There are 50 Marriott executives here with me today. I am extraordinarily proud to be part of their team. They are the best in the industry, and I think the best, in many respects, in the market as a whole. I think you will be impressed by the depth of talent you see on the stage, and you get to interact with over the course of the day, at lunch and during the breaks.

The global view of travel is quite encouraging. The World Travel & Tourism Council estimates global travel spending will increase at a 7 percent compounded annual growth rate over the next 10 years. Already, global international tourism represents 7 percent of the world's exports in goods and services and represents 1 in 11 jobs around the globe.

Most governments around the world recognize that global travel is an export, and that travel benefits employment and GDP. At the same time, there has also emerged another view, seen in the Brexit vote and the recent election in the U.S., that is more focused on immigration and security. Obviously, we all need to work to provide both security and economic growth.

Thus far in the first quarter, we would characterize hotel demand in North America as more of the same – that is we are experiencing economic growth, but slow growth, consistent with our first quarter expectations. With regards to the U.S. Administration's policies, to date, our U.S. hotels haven't seen a measurable change in the trend of international stays. In fact, we are somewhat encouraged that, adjusted for last year's leap year, bookings from international markets for travel to the U.S. increased 3 percent in February. To be sure, February bookings from Mexico to the U.S. declined roughly 10 to 15 percent while bookings from the Middle East to the U.S. declined 25 to 30 percent. These markets represent only about 0.3 percent of our U.S. transient occupancy.

For group business, we are aware of a handful of group prospects that have chosen to hold their meetings outside the U.S. out of concern that some international attendees might experience difficulties or be reluctant to attend. Overall for our company, total international arrivals to our U.S. hotels represent about 6 percent of room nights across the country, with travelers largely coming from Canada and Europe.

Outside North America, RevPAR has been a bit stronger than expected in the first quarter, with particular strength in China, the U.K., Germany, and Canada. The U.S. is a great destination and most of the world wants to experience it. But travelers want to know they are welcomed here and are encouraged to come. While we will continue to watch the international arrival data carefully, we will also continue to work with industry groups to encourage a thorough understanding of travel issues and to promote the U.S. as a welcoming destination.

The UN World Tourism Organization reported that in 2015, a record 1.2 billion trips were taken across international borders. By 2030, that number is expected to total 1.8 billion. Rising GDP and a growing middle class has fueled this growth in international travel, particularly in Asia.

China is a great example of this. According to China's National Tourism Administration, the number of Chinese outbound travelers doubled from 2010 to 2016 and their spending abroad more than doubled. Popular destinations for outbound China travel are relatively nearby destinations like Thailand and Japan.

Lodging is an exciting industry with tremendous growth potential. Marriott thrives by following our proven strategy of focusing on guests, owners and hotel results. For guests, our 30 distinct brands offer a terrific variety for any trip occasion. We deliver great experiences and style -- from booking through check-out -- leveraging design, service, technology, amenities and creating brands that really speak to guests. Every day for every stay, we strive to exceed expectations. Just delivering a consistent, reliable product is no longer enough.

For hotel owners, we provide strong brands that yield RevPAR index premiums. That is, on average, our hotels outperform the competition. Combining that revenue outperformance with our significant focus on controlling costs, enables our brands to deliver strong financial results. As a result, we have longstanding relationships with our owners, who come back again and again to build new hotels or convert existing properties to our system. Hotel owners know that the proper branding of an asset can make a significant difference in its economic return.

For both guests and owners, we work to improve the value of our existing hotel system. Our loyalty programs and reservations systems get better every day, enhancing guest satisfaction and driving the top line. Product initiatives, such as new room and lobby designs, and service innovations, such as mobile-check-in, drive guest preference and hotel results. And innovations in revenue management and sales and marketing, including new systems and tools, drive owner returns.

The Starwood acquisition is a perfect fit with our business strategy. It represents both the largest acquisition and the most dramatic change in Marriott's history. Our decision to acquire Starwood was rooted in a simple idea…. that by acquiring a company with Starwood's depth and breadth, we can offer guests, and hotel owners, the broadest distribution, the strongest brands, the most powerful loyalty programs, and the most innovative services in the industry. By doing so, we can create extraordinary experiences, generate strong economic returns, and provide outstanding career opportunities for our associates, leading to meaningful shareholder value.

As you consider the economic model Leeny Oberg will discuss this afternoon, keep in mind we are in the early stages of integrating Starwood. We still have much to do over the next 2 years. Further, while the model runs to 2019, we also expect the benefits of the acquisition will drive results beyond 2019.

It's been 180 days since we closed the transaction and we have accomplished a great deal. We've linked our loyalty programs, integrated our development organizations, and rolled out Guest Voice, our unified guest feedback system. In the next few weeks, Legacy-Starwood hotels will begin to see lower prices from our procurement program, as well as lower commissions from our OTA contracts. On April 1, we expect to begin the transition of managed Legacy-Starwood hotels in the U.S. to our financial back office platform. On that date, we also expect to take the first step in integrating our sales effort by aligning sales execs for our largest 750 global corporate accounts.

Our financial reporting infrastructure should be integrated early in 2018 while the reservations and loyalty technology platforms should be complete late in 2018. While holding this meeting later in the year would have provided you with more concrete information, we wanted to share with you now our latest thinking on the integration and the value the combination will drive, as well as provide you with a framework for modeling our business over the next few years. We hope you will bear with us if we're not able to address every issue or quantify every opportunity today.

Looking ahead, we expect meaningful benefits from our Starwood acquisition. On average, the Legacy-Marriott portfolio of brands had a RevPAR index of 113 in 2016, meaning that the hotels' RevPAR, on average, ran at a 13 percent premium to their competitive sets in each market. On average, the Legacy-Starwood portfolio of brands had a 105 RevPAR index. The right side of this slide shows the significant individual brand RevPAR index opportunities. We believe we will improve Starwood RevPAR index, given the power of our loyalty programs, great scale in sales and marketing, and our operating expertise; and we don't expect that growth to come at the expense of our Legacy-Marriott brands. In fact, we believe there is also an opportunity for further Legacy-Marriott RevPAR index improvement, as our larger system drives higher share of wallet.

With higher RevPAR and greater scale, we expect hotel profits will improve, for both Marriott and Starwood brands. In fact, the economies of scale implicit in this transaction should increase our lead over the competition through greater innovation, more effective marketing, lower costs, greater productivity, and over time, stronger unit growth. It is still early days and we aren't prepared to provide a target for property revenue or cost forecasts, but we believe the opportunity is meaningful.

We also expect a greater contribution from our co-brand credit cards. J.P. Morgan Chase and American Express contributed a combined $1.3 billion to our loyalty programs in 2016 for the use of our brand names through purchases of our loyalty points at premium prices. Of this amount, Marriott and Starwood combined recognized over $170 million in branding fees with the balance of the $1.3 billion retained by the loyalty programs to benefit guests and hotel owners. We believe loyalty membership, number of card holders, and card spend will all increase in coming years, leading to an increase in these branding fees along with higher contributions to the programs.

We are also in discussions with our co-brand credit card partners about the opportunity to renegotiate our current credit card arrangements. Our current contracts expire in 2018 and 2020, but we are hopeful we can reach an agreement sooner that would reflect terms closer to today's market terms. We believe a successful renegotiation could increase contributions to the loyalty programs, which would benefit our owners and guests, as well as increase our branding fees. Such renegotiations might also reduce credit card processing costs at our hotels, further driving hotel margins. Credit card renegotiations are not reflected in the model we shared with you today.

With improvement in both the top and bottom line, we believe we will see accelerated unit growth from both Starwood and Marriott brands. Further, as hotel economics improve, we would expect to gain more valuable management and franchise agreement terms as well. Keep in mind that new deals signed in 2017 through 2019 largely will open after our 2019 model ends.

By the way, we've talked a lot over the last year about the G&A synergies since we first announced the deal. We are pleased with the progress we're making towards recognizing the $250 million of annual savings which we should realize by late-2018. Leeny will talk more about G&A this afternoon.

The Starwood acquisition is quite different from any transaction we've ever done. It's a "once in a generation" opportunity to remake the company and make a significant strategic leap forward in distribution and scale. I doubt you will see Marriott do another deal like it for a very long time.

Of course, we don't rely solely on M&A for our growth. We've successfully launched 11 lodging brands organically, beginning with the Marriott brand 60 years ago. In fact, we were the first to introduce multi-branding to the industry with our home-grown brand, Courtyard, and the first to aggressively pursue the collections opportunity with Autograph. To be sure, there is nothing like organic growth. It is nearly free, particularly in the context of select service and extended-stay franchising. For growth at the higher end of the market, in luxury and lifestyle, where brands drive true customer passion and construction costs are higher, organic growth can be a bit more expensive than at the lower quality tiers, but here too, the cost to us when expressed as a multiple of expected fees is a fraction of Marriott's valuation.

So, why not only expand organically? Well, sometimes M&A is just compelling. Adding a strong brand at a reasonable price to an already powerful portfolio can be far more valuable than starting from scratch, particularly for new brands at higher price points. M&A drives scale and scale encourages new development. In contrast, organic growth can take time, sometimes a lot of time, and that slow process means that scale advantages are either delayed or never achieved, owner returns are less attractive and new development is more challenging. Again, this is particularly the case in luxury and lifestyle.

While an M&A deal may require meaningful up-front capital, new construction isn't cheap, even if it isn't our money. In fact, we've seen that owners of hotels developing new organic brands frequently expect to get a meaningful discount on management or franchise fees if they are taking the capital risk for an unproven brand. In the end, we consider the choice between M&A and organic growth as not mutually exclusive. Both can, and have been, compelling.

Our M&A experience has been very good. Our acquisition of Residence Inn in 1987 put us in the extended-stay business. We learned the economics and direct sales requirements of extended-stay from the industry leader.

Ritz-Carlton was, and still is, the preeminent luxury lodging brand in the world. With the 1995 acquisition, we got both extraordinary talent and an unparalleled service culture, learnings that we have applied to our other brands.

The 1997 Renaissance transaction brought us a great brand, and meaningful distribution in Asia, where we had little presence and low name recognition. Before Renaissance, growing the Asia Pacific region one hotel at a time was challenging and operating only a handful of properties in the region was very inefficient.

In 2011, AC Hotels provided us substantial distribution in Spain, the 3rd largest tourist destination in the world and a market where we had just a few hotels, thus our brands were little known. We've not only added more hotels in Spain since then, but we've rolled out AC to the Americas and more broadly in Europe.

Our acquisition of Gaylord the following year added very valuable large hotels to our convention and resort hotel network, leveraging our sales organization, and increasing our lead as the foremost lodging company for business meetings.

Three years ago, Protea put us on the map in sub-Saharan Africa, a market with tremendous growth potential, while providing leading brands and a talented development organization.

Finally, our 2015 Delta deal not only dramatically increased our presence in Canada, making us the full-service leader in that country, but also provided an attractive brand platform for full-service hotel conversions in the U.S. and Europe.

Each of these acquisitions provided a platform that was profitable from the start, allowing us to jumpstart growth from a position of strength, with high brand recognition in new geographies or product segments. Further, these deals became the genesis of significant new unit development. Including open and pipeline rooms, Residence Inn is more than 10 times its original size; Ritz-Carlton is 4 times larger; Renaissance has more than doubled; while AC Hotels, in only six years, has quadrupled in size. In the case of Protea, their development organization gave us a leg up in developing our other brands. We have nearly 9,000 rooms in our pipeline in sub-Saharan Africa across 13 brands, something that would have taken years without the Protea acquisition.

We did not acquire any of these brands just to add rooms; rather, they each provided an immediate strategic fit that otherwise would have been difficult and time consuming to solve by using one of our existing brands or creating a new brand from scratch.

Each transaction was valued based on the then-current state of the businesses we were buying, and allowed Marriott to benefit from the enhanced growth potential of the brands. And the deals were done at meaningfully lower multiples than the company's, making these acquisitions more accretive to shareholder value than simply buying back our own stock. To state the obvious, we are confident that our acquisitions, including the Starwood transaction, will create value for our shareholders.

Our financial strategy hasn’t changed with the acquisition of Starwood. We're committed to driving hotel performance through higher RevPAR and margins, as well as driving organic rooms growth. And by tightly controlling our G&A, EPS and EBITDA should grow faster than the top line.

Our capital philosophy also remains very simple. Our priority is investing in opportunities that will create shareholder value. After such investment, we are committed to returning any excess cash to our shareholders through dividends and share repurchases.

Nearly 15 years ago, we hosted another analyst meeting right here in this hotel. At the time, we wanted to outline the possible shape of a recovery by offering a three-year model of results assuming different RevPAR scenarios. That kind of presentation was possible because of the stability of our long-term contracts, the long lead times for new development and the low volatility of our fee income. We've followed that same formula over the years and today we will again update that model, showing how we might grow over time. Our assumptions are simple. We assume scenarios of 1 and 3 percent global RevPAR growth compounded from 2016 to 2019. These RevPAR scenarios are not forecasts nor are they guidance but they are intended to provide a relevant range that we see as reasonable bookends to calculate how our business might look under different conditions.

We expect we will add 285,000 to 300,000 rooms over these three years, although the financial model only assumes the midpoint of that range. On a net basis, that is about 6.5 percent net compounded rooms growth.

Let's talk about the RevPAR assumption for a minute. While our business model is more predictable than many in the industry, we are nevertheless in a cyclical business that is impacted by unexpected events and economic trends. To prove this point – let me just talk about a couple of our prior analyst meetings. At our 2003 analyst day, we modeled 3 percent to 8 percent North American RevPAR growth by 2006; we actually achieved 9 percent. Not bad.

In 2006, we modeled 4 to 8 percent worldwide RevPAR growth by 2009; we achieved minus 4 percent. In 2014, we modeled 4 and 6 percent. If we achieve our RevPAR growth guidance for this year, RevPAR for those three years compounded will be roughly 3 percent. While actual results following the 2005 and 2010 meetings seem to be coming within range, we can't assure you that the model that we lay out for you today will be achieved. Obviously, RevPAR is dependent on the underlying economic climate.

While we have little confidence in any long-term RevPAR forecast given the macro risks, we are much more confident about our unit growth expectations. We anticipate that our system size in 2019 will be more than 1.4 million rooms, again implying a 6.5 percent compounded net rooms growth rate over the three years. This is an acceleration of the 5 percent net growth rate the combined company recognized over the last three years. Our unit growth is accelerating with little of our capital, largely due to a successful franchise development strategy in North America and meaningful management contract growth in international markets. Our confidence in our rooms growth forecast largely comes from our recent deal signings, our more than 420,000 room worldwide pipeline and continued strong demand for our brands. In fact, nearly 95 percent of the rooms in our three-year growth plan are already identified.

Marriott continues to be a growth machine. We expect our new room additions modeled for 2017 to 2019 will yield over $675 million in annual stabilized fees. We also expect our non-property related revenues will increase by $100 million over the 3 years. Like our lodging fees, these non-property related fees are largely recurring. While they may not be linked to an individual management or franchise agreement, these fees, nevertheless, reflect the tremendous value in our system, particularly our loyalty program, and this value tends to grow with our distribution.

The conclusion of our analysis is compelling. Given the 1 percent and 3 percent RevPAR assumptions, our model shows EPS growing 17 percent to 21 percent compounded through 2019 with adjusted EBITDA increasing by 7 to 10 percent compounded, excluding the impact of asset sales. Over the three years combined, the model also reveals we could return $8.3 billion to $9.3 billion to our shareholders. Assuming a 30 percent dividend payout, that would equate to roughly $6.9 to $7.8 billion in share repurchases by 2019. Keep in mind, we've already repurchased 6.2 million shares for $532 million so far in 2017.

And there is upside. Given where we are in the integration, the model we are presenting today does <u>not</u> include revenue synergies. We have <u>not</u> assumed improvement in our RevPAR index, marketing efficiencies or margin improvement. In addition, while today's model presents our outlook for 2019, the benefits of this transaction should drive growth long beyond that year. So, there is more to come.

It's an exciting story and we hope you share our enthusiasm for it as the day unfolds. But let's get started. Our first speaker today is Stephanie Linnartz. Stephanie is Executive Vice President and Global Chief Commercial Officer. She is responsible for Marriott's face to the consumer, including brand strategy, e-commerce, revenue management, sales, marketing and IT. She will talk about the competitive advantages of scale as it applies to our direct competitors and the disruption in our industry. Stephanie, take it away.

Stephanie Linnartz – Executive Vice President and Global Chief Commercial Officer: Well good morning everyone and thank you very much Arne. Arne is absolutely right. The Starwood acquisition is a perfect fit with our business strategy. Our newfound size and scale gives us more choices for our guests, for our owners, and for our franchisees. For the consumer-facing side of the company, which I lead, the merger with Starwood has been particularly powerful in what we can now offer to our guests—a whole new world of travel.

{VIDEO}

So "More" is the best word to describe our vision for the future as we seek to transform the world of hospitality. I've been with Marriott International for almost 20 years and it's never been more exciting to work here. The vision for what we can achieve is really incredible: 30 great brands, unparalleled loyalty offerings, world-class sales, distribution and digital channels, and even more ability to invest in customer-facing technology.

Our distribution, coupled with our robust pipeline, gives us an advantage, especially when you consider what the competitive market looks like now. Expedia has 350,000 hotels on its website. They've bought Home Away and VRBO, so they are now in the home sharing business. Priceline is only getting bigger. They now have Open Table and Booking Suite, which offers a variety of services for small hotels including a cloud-based property management system and marketing services. And they recently announced a new website that's focused on finding discounts for small business travelers. Airbnb now has 3 million listings in 190 countries. They are expanding their business by launching Trips, which will provide tours, tailored activities and other experiences. And Google is expanding its reach into travel.

So, today I will talk about how our increased size and scale positions us to win in today's ever changing competitive landscape. Then you'll hear from members of our Brand and Loyalty teams, a combination of incredible talent from both Legacy-Marriott and Legacy-Starwood, who will provide insight into how we think about our portfolio and the importance of loyalty.

Fast Company just named us one of the 50 most innovative companies of 2017, recognizing Marriott's priority on customer relationships and our formidable loyalty programs. No other hotel company made the list. In fact, the majority are tech companies -- there are just a few "brick and mortar" companies like Marriott, so we're very proud of this recognition.

Innovation is part of our competitive spirit and we're making big moves to stay ahead. We recently created a new Chief Customer Experience Officer role on my team. Under this leader, we will have a dedicated team that is discovering growth opportunities and accelerating innovations, to create a personalized experience for our guests, before, during and after the stay.

An example of how we're innovating while we're integrating is the news that we announced just this morning -- our investment in a strategic partner called PlacePass. This is a new platform which uniquely positions us to give our guests even more experiential travel opportunities. More than ever, consumers are seeking more memorable experiences whenever they travel and wherever they travel, that are personalized for them. Our strategic partnership with PlacePass will give us the ability to offer our guests more than 100,000 local activities and experiences at their fingertips. In addition to booking tours or day trips, guests can take part in unique activities -- things like visiting the filming locations for "Downton Abbey" on a VIP guided tour, or taking a desert tour with a Bedouin-guide on camelback, or perfecting their pasta-making skills alongside a local chef at a Tuscan farmhouse.

Together, Marriott Rewards and Starwood Preferred Guest bring a shared legacy of embracing personalized experiential travel for our members. With the addition of PlacePass, we hope to offer even more guests the broadest array of opportunities to personalize their travel experience, and drive even greater preference for our loyalty programs. And, combined with the Starwood transaction, it offers a meaningful and a scalable revenue opportunity.

So, here's what the Starwood acquisition means for our sales and marketing strategy. We estimate that property-level revenue at our hotels worldwide will total roughly $70 billion in 2017. To be clear, this is hotel revenue, including rooms, food and beverage and everything else. This includes both company-operated and franchised hotels. It is not our fee revenue.

With this enormous size, we have meaningful scale in our sales and marketing areas. All of our hotels contribute a percentage of revenue to fund the loyalty programs, reservations, and above-property sales and marketing. Our company-managed hotels and some franchised properties also contribute to the cost of our above-property sales force which drives group business in those hotels. Remember, our sales and marketing is largely funded by our hotels, not by Marriott International.

With 1.2 million rooms today, and each hotel contributing its share, as well as our strategic partners, we estimate that these funds will total roughly $4.5 billion in 2017 and will continue to grow over time with RevPAR and new unit growth. Of the estimated $4.5 billion, approximately $2.7 billion will fund our loyalty programs, the most powerful marketing programs in our arsenal, with much of that spent on points redemptions. We also expect to spend about $1.8 billion on our sales, marketing and reservations, including our websites and our mobile apps.

With the addition of Starwood, we believe there is a meaningful opportunity to eliminate duplication of effort and concentrate our substantial and growing funds on initiatives that are the most effective and the most innovative. We believe the leverage in sales, marketing and loyalty programs uniquely positions us ahead of the competition.

Certainly, the transaction has given us the opportunity to capitalize upon one of Starwood's most valuable assets: the Starwood Preferred Guest program. SPG is a beloved loyalty program, with a very passionate Elite member base. Gen Y frequent business travellers, in particular, love earning SPG points and redeeming them at very hip and high-end brands, like W Hotels, Westin, and Le Méridien.

We are so thrilled to have SPG alongside our award-winning Marriott Rewards program, which includes The Ritz-Carlton Rewards. We are currently running them as separate programs.

There is tremendous opportunity now to offer members our combined portfolio of brands and locations all around the world. We plan to give our guests the strongest, most valuable program with all the brand and location choices they could ever wish for. There really will be no need for them to join any other hotel loyalty program.

Obviously, there is a lot of work and a lot of dependencies that we need to work through to first harmonize, and ultimately integrate, the programs, such as systems work and partner negotiations. So right now, we can't provide you with an exact date for a combined program. We can tell you, however, that we plan to have a single behind-the-scenes loyalty technology platform by late 2018, which should enable cost savings and also give us the foundation for a unified program. So stay tuned, as we will have more to share with all of you in the year ahead.

In the meantime, the value of the loyalty programs is already quite evident. Combined we now have 100 million unique members in our programs, making us one of the largest loyalty programs in travel. We've seen a spike in enrollments since the acquisition, with roughly 1 million net new members joining each month, with the majority of them signing up through our websites and our mobile apps.

And here's what's even more exciting, only 11 percent of Marriott Rewards and SPG members were members of both programs. Of the total program, over 2 million loyalty members are Elites, which includes Marriott and Starwood Gold and Platinum members. These are our most frequent and valuable guests, traveling anywhere from 25 to 100 room nights at our hotels every year. The incredible part is less than 3 percent were Elite in both programs, prior to the merger. So we believe there is considerable upside as we offer more brands, locations and price-points to existing loyalty members and attract even more members by our compelling product offerings.

Getting loyalty right was a priority for us from the start. On Day One of the Starwood combination, we wanted to show that we value members, so we offered immediate benefits to Marriott Rewards and SPG members. Immediately, members could link accounts, get status match, transfer points and redeem them for a stay across our portfolio. In fact, the first account was linked, points transferred and a free stay booked, all in the first 15 minutes after Legal Close! For some context, it took the airlines months after merging to provide account linking. As a matter of fact, we were the first travel company to ever do this on Day One. And members were delighted. They praised our efforts on social media, with customer sentiment at nearly 10,000 mentions about Marriott Rewards and SPG on Day One alone. On a typical day, we're in the hundreds.

To date, 2 million members have linked their accounts—about one half of those are Elites. Marriott members who have linked accounts have transferred over 4 billion Marriott Rewards points while Starwood members have transferred over 11 billion points. This shows a lot of exploration across the two programs. Keep in mind, we're only 6 months into this merger.

Obviously, the travelers who jumped at the chance to link accounts are likely to be the most frequent of frequent travelers. While only 2 percent of our combined loyalty members have linked accounts, we estimate they contribute approximately 20 percent of revenue our hotels receive from combined loyalty customers.

We are continuing to market this very valuable benefit to our members through prioritized marketing placements within our programs -- our websites, direct email, social media and on property. And next month, we are launching a targeted media campaign on Facebook that reaches out to members who have not yet linked their accounts. We are very pleased with the progress that we've seen in bringing the benefits of scale to our most loyal guests.

We are bringing out the best of Marriott Rewards and SPG as we focus on harmonizing the programs. We absolutely loved how SPG pulled through Elite benefits on property for customers, such as late check-out and suite upgrades, so we launched similar benefits for Marriott Rewards Elite members. And we also introduced Marriott Rewards Ambassador Service to align with SPG Ambassador, which is a highly personalized service for members who stay more than 100 nights a year. It's basically a personalize concierge who has the knowledge and resources to provide personal touches to make each trip very special. And guests love it -- 98 percent of members who received the benefit said it was a positive experience.

At the same time, we are giving SPG members some of the most beloved benefits from Marriott Rewards, like Marriott Mobile. Later this year, we'll launch mobile check-in, check-out, and service requests to most Legacy-Starwood hotels using the SPG app.

Marriott Rewards guests really love these features. Our data shows at many of our brands, the mobile experience drives a nearly 4-point premium in our guest satisfaction surveys. Since we launched mobile check-in and check-out two years ago, Marriott has processed nearly 18 million requests, and the take rate has increased 44 percent in the last year.

Between Marriott and Starwood, we have hundreds of marketing partnerships designed to make our loyalty programs even more valuable. Through these marketing partnerships, members can redeem points for once-in-a-lifetime experiences. Along with our new PlacePass experiences marketplace, which I mentioned a few minutes ago, these exclusive events allow guests to enjoy experiences with us beyond the hotel stay. For example, having front row seats to a concert or throwing out the first pitch at the World Series. These "wow" experiences make members feel valued and motivated to share their stories, and they are often enabled by strategic partnerships, which have become increasingly important to driving value for our brands and for our portfolio.

These marketing partnerships cover a variety of different industries, including financial services, travel, technology, sports and entertainment. They help us build awareness and expand our reach, engaging both new and loyal guests.

Since the merger, two epic sporting events have happened and our members were there. At the history-making 2016 World Series, one lucky SPG member used points for a chance to throw out the opening pitch. And last month, 50 loyalty members cashed in points to witness one of the greatest Super Bowls ever played.

{VIDEO}

So as Arne mentioned, our co-brand credit cards are meaningful contributors to the success of our loyalty programs. In 2016, our credit card programs combined had more than 2.4 million card holders who spent nearly $60 billion on their Marriott, Ritz-Carlton and Starwood co-branded cards, with only $4 billion spent on Marriott lodging. J.P. Morgan Chase and American Express, as Arne mentioned, contributed more than $1.3 billion to the Marriott and Starwood systems, the vast majority of which went to fund our loyalty programs. Marriott and Starwood combined recognized $173 million of this amount as branding fees on our P&L in 2016.

Our current credit card agreements are nearing the end of their term: Chase in 2018 and Amex in mid-2020. We believe there will be upside at contract renewal since our existing agreements do not reflect current market economics. We also believe that our loyalty customer base is one of the most attractive customer groups in any industry for credit card products.

Based on this, and the enhanced scale of our loyalty programs, we expect a meaningful improvement in credit card funding for our loyalty program and higher branding fees to Marriott. By the way, as a part of this negotiation we might also be able to reduce credit card processing costs at our hotels to the benefit of our owners.

In addition to loyalty, we are strengthening our already robust sales, distribution, and digital channels, enhanced by our increased size and scale, across the combined company. One very popular topic in the industry concerns the online travel agencies. Like any travel agency, OTAs are valuable in that they can deliver infrequent travelers during need times or to hotels in markets where we are less well known.

Marriott uses OTAs less often than the typical industry hotel company. In fact, in 2016, OTAs accounted for approximately 10 percent of Marriott and Starwood combined room nights sold worldwide. Marriott's OTA contracts tend to be at better terms than Starwood due to Starwood's smaller size before the transaction and Marriott's strategic focus on distribution. On average, the cost of Marriott's OTA contracts are 200 to 400 basis points better than Starwood's depending on the OTA partner and region. At the end of this month, Legacy-Starwood hotels in North America will begin capturing these savings as they move to Marriott's existing Expedia and Booking.com contract terms. Longer term, we believe there is additional opportunity for still better terms, benefiting the entire system, as we further leverage the size of our combined company in future contract negotiations.

In the meantime, we continue to drive direct booking through our channels: our websites, our mobile apps, sales teams and our contact centers. These direct booking channels are cost-effective and they help us drive loyalty.

In 2016, nearly a third of Marriott room nights were booked through Marriott digital channels, compared to about 20 percent of Starwood's room nights. We continue to focus on strengthening the offerings to entice our guests to book direct through Marriott such as Member benefits, Member Rates, free Wi-Fi, mobile check-in, and mobile check-out, with more benefits likely to be introduced over time.

Last year, Marriott and Starwood digital platforms generated roughly $17.5 billion in gross bookings, putting us in the same realm as Apple and Wal-Mart, to give you some context. We expect meaningful cost saving opportunities from combining our digital platforms, although we aren't likely to recognize improvement in costs until the systems work is completed in late 2018.

In the meantime, we continue to innovate while we are integrating. Even as we run separate websites, we're taking advantage of the opportunity for cross-selling across Marriott.com, SPG.com and the Starwood brand websites. Here's how it will work. Let's say that a customer is searching on Marriott.com for a hotel in the Maldives, where there are currently no properties in the Legacy-Marriott portfolio. Through cross linking, we will provide an option for the guest to search on SPG.com, where the guest can check availability at the Legacy-Starwood properties that we now have in the Maldives. Similarly, if a customer finds no availability within a selected location, we will provide the option to search on the complementary website, and vice-a-versa. This new feature showcases the breadth and the depth of our new portfolio, while also enabling customers to shop within our direct channels, and find the right hotel option they're looking for.

Just this past month, as Laura mentioned, we launched our new Marriott Mobile app, which incorporates some of the superb design and easy-to-use functionality that customers love about Starwood's digital presence. We have a display in the lobby that showcases the new app so that you can get a closer look. I encourage you all to check it out over the lunch break. For those of you using Android devices, you'll see the new app in the coming months.

Again, size and scale benefits us greatly, especially when we consider the revenue synergies and the potential cost savings in our combined Sales organizations. As we integrate sales, we seek to improve effectiveness and efficiency by providing a single sales point of contact. This should increase the number of accounts we cover and make it even easier for customers to do business with us.

We have built our sales organization with the customer in mind, ensuring that we can respond quickly to leads around the globe. And, if a customer's first choice hotel is not available, we immediately offer another option in the portfolio. For example, our U.S. Area Sales team alone booked over $600 million of property revenue in 2016 that was referred by one sales executive to another. We believe this sales model will drive results for both Marriott and Starwood hotels as we integrate the sales processes.

After Legal Close, we received access to the Legacy-Starwood accounts and customer information globally. While we are still mining the data, we've learned that on a combined basis, our global sales organization has over 750 global corporate accounts with meaningful overlap. On April 1, we will launch our new global sales organization, redeploying sales associates for those top 750 accounts. This streamlined sales force should position us to increase revenue across group, extended-stay, and business travel and we will be ready for the annual Special Corporate pricing season which begins in May.

While we are very excited about the launch of the new Global Sales Organization in North American, the Caribbean and Latin America, and the Asia Pacific region, there is still much to do. These types of large-scale sales transformation aren't new to us. We've done them before and will lean upon our past experience and learnings, as we continue to integrate these teams.

So, let's talk about Starwood brands. I know that everyone wants to know about our plans for Sheraton. Sheraton is our third largest brand in the Marriott portfolio and it is also our most geographically diverse, with nearly 160,000 rooms in 73 countries. It's our third largest brand in both rooms and fees with distribution in many global and emerging markets. The brand performs well in most international markets, thanks to newer product.

Here in North America, the brand suffers from poor consumer perception, which is evidenced in its market share performance, and can be attributed to both the physical product and service. There is a wide gap between the best and the worst hotels. In our view, Sheraton's primary problem has been a poor-quality assurance process and inadequate accountability. With our deep operational expertise coupled with clear accountability around renovation cycles, brand standards audits, and quality assurance delivery, we believe that we can significantly improve customer perception of the brand.

A practical example: We will have visited the bottom 25 Sheraton hotels by the end of March and have a plan of action for each hotel. Seventeen hotels are or will be under renovation this year and two are considering a brand change to either Four Points by Sheraton or Courtyard. Next steps are to focus our efforts around the next 25 hotels.

To turn Sheraton around, we are working with our owners and our franchisees and have already had our newly formed Sheraton Franchise Advisory Council gaining alignment on things like Brand Positioning, Operational Excellence, and Design Strategy. Their feedback has been very insightful, as they are highly motivated to improve the customer perception and profitability of the brand.

Our operating team is also evaluating Sheraton service standards, food service and quality assurance approach. As Arne mentioned, we've already rolled out our Guest Voice program, which is our quality assurance system, which is a critical tool for accountability of management and ownership around brands standards. We don't believe you can get accountability without robust measurement tools.

All that being said, turning a brand like Sheraton around will take some time. Once we have owner buy-in, it can take 3 to 6 months to finalize plans around a major renovation and sometimes due to the size and scope, renovations may need to be staged over a couple of years. In the meantime, like all the brands, we believe the Sheraton hotels will benefit from the scale associated with the acquisition, and Marriott's renowned operational excellence and rigor.

To the extent that the hotels require capital investments, owners will need to decide if they will invest to meet the Sheraton standards; if they will invest somewhat less to meet another of our brand's standards at a lower price point, so for example, Delta Hotels or Four Points; or, leave the system. To encourage investment, we are working to improve near-term Sheraton profitability and, longer term, demonstrate the stronger economic returns that owners should expect from an improved Sheraton brand. We ask for your patience. We've turned brands around before and we've been successful. But such turnarounds take time.

Beginning in 2003, we did a complete overhaul of the Fairfield Inn and Suites brand. With more than 500 open hotels, we were experiencing slow growth and low “intent to recommend” ratings from our guests. The brand wasn’t keeping pace with the competition in terms of product investment, innovation or distribution. We aggressively revitalized Fairfield, focusing on a new building prototype, new guest room packages, and brand repositioning. In a strategy that we called “prune and plant”, 50 aging hotels were removed from the system over 2 years and replaced by new product in the same markets. Today, there are 840 Fairfields open around the world and an impressive pipeline of 370 hotels, the largest of any brand in our system.

Nearly ten years ago, Courtyard also needed a turnaround. In 2007, Courtyard was a nearly 25-year old brand that hadn’t had a significant face lift since it was launched in 1983. Courtyard’s RevPAR index weakened when Hilton opened their new product, Hilton Garden Inn, next door to many of our older Courtyards.

We began the brand transformation of Courtyard when we introduced a package called Courtyard Refreshing Business, which included a new lobby design, a new guest room package, and a new restaurant concept called The Bistro. 2012 and 2013 data showed a 5 point RevPAR index lift for renovated hotels. Courtyard is only second to Fairfield in terms of current pipeline, with 280 hotels under development worldwide.

In more recent years, we have turned our attention to our flagship brand, Marriott Hotels. Like Courtyard and Fairfield, we were motivated by performance and guest feedback to take action. Our first step was to roll out the Marriott great room. This alone enhanced guest perceptions of the brand and increased food and beverage revenue, and it is now 95 percent deployed in our North America properties.

In 2015, we rolled out a significant room design change for the Marriott Hotel brand with the change to take place at each hotel’s next renovation. The new design includes new bathrooms with 75 percent walk-in showers, hard surface flooring in the guest rooms, wall mounted TVs, and barn doors for the small bathrooms. Our owners are convinced that this is a winning strategy and they are strongly supporting the rollout of the new guest room.

To further encourage renovations throughout our system, we require property improvement programs when owners ask for our approval to sell the hotel, and we’ve permitted some managed hotels to convert to franchise agreements to encourage such sales. We purchased and renovated the Charlotte Marriott City Center hotel to demonstrate the great economic returns inherent in new designs and in new service offerings.

Our early results for the new guestroom are fantastic. Properties with a year of run time with the new guest room design are experiencing a RevPAR Index lift of 6.3 percent. We’ve seen dramatic improvement in guest perceptions of the guest room with improvement among all generations. Gen Y had the most positive response across all categories, with overall improvements up 20 points. Given these results, we expect nearly half of our Marriott Hotels guest rooms open or under development in North America will be on strategy by the first half of 2018, with more to follow.

Sheraton is a turnaround story, one that we are absolutely determined to achieve. Aloft and Element are brands that just need a little help. At Marriott, we know about select-service and extended-stay and we like Aloft and Element. Both brands were built with cutting edge, smart design, and signature programming. But they can do better. We believe there is an opportunity to enhance their appeal to consumers and to make them more profitable for owners.

In January, we created the first ever pop-up innovation lab at the Americas Lodging Investment Summit (ALIS) in Los Angeles. There we asked developers, owners and consumers to weigh in on some of the early ideas that we had. The lab sparked a lot of great thinking and we plan to provide an update at the NYU Hospitality Conference in June.

The industry story for Element is compelling. In the U.S., about a third of all business travel room nights globally are part of an extended-stay trip, despite the fact that less than 10 percent of the supply in the U.S. is being purposely built for this tier. We have considerable experience in the extended-stay business, having acquired Residence Inn in 1987. And we've been successful in 2016. With its broad distribution Residence Inn's RevPAR index was in excess of 120.

To help lift the Element brand, we're creating new physical spaces within the hotel. Gen Y consumers love common areas and open space to socialize and to share their experiences. So, we're introducing the Communal Room -- which is similar to being in a home -- to appeal to this desire. For those in the room, you can check out the design in the igloo in the back of the room today.

We are also introducing extended-stay sales. A successful extended-stay product needs to maximize long term stay customers to minimize both marketing and housekeeping costs. And that means a direct sales effort. With these initiatives, collectively, we believe there is upside to Element's 102 Index.

Aloft just reached its 10-year anniversary, so we're giving this brand a refresh this year. The brand finished 2016 with a RevPAR Index of 103. With only 126 properties and 135 hotels in the pipeline, there's a long runway for growth. We are going back to the basics with Aloft, focusing on the actual design of the guest room, so it's more profitable for developers, and design-friendly for customers. And we're advancing Aloft's food and beverage program, so guests can grab and go with healthy options.

Starwood's had amazing success with powerhouse brands like W Hotels and Westin—and of course, the SPG program. We are so delighted to not only welcome Starwood's brands to the Marriott family, but also to welcome great Starwood talent who contributed to their success. Together, with talent from Marriott, we're working to create enriching, meaningful and world-class experiences for our guests, so they become raving brand fans.

Today we're so excited to share more about the amazing work that our teams are doing in brand and loyalty. So, I would now like to invite to the stage the Loyalty and Brand Panel.

PANEL DISCUSSION

Stephanie Linnartz: Well, good morning, everybody. Lovely to see you. So to get started, let me do some introductions of our team here. I'll start at the end. Tina Edmundson is Marriott International's Global Brand Officer. Tina has been with Marriott for just about -- or eight years, and previous to Marriott, Tina actually spent 18 years with Starwood. So she is a real expert on both companies. Next, we have David Flueck. David is our Senior Vice President of Loyalty. David joined us from Starwood where he spent 12 years with the organization. Next up we have Lisa Holladay. Lisa is our Vice President and Global Brand Leader for The Ritz-Carlton, Ritz-Carlton Reserve and St. Regis and Lisa has five years with Marriott and joined us from Mercedes-Benz. Next up, Anthony Ingham is the leader of the W brand and he has joined us from Starwood as well. He was with Starwood for six years and leader of the W brand for going on two years, right?

Anthony Ingham – Global Brand Leader, W Hotels Worldwide: That's right.

Stephanie Linnartz: Excellent. And then last, but certainly not least, Brian Povinelli, is our Senior Vice President and Global Brand Leader for Westin, Le Méridien, Renaissance, Autograph, Tribute and Design Hotels and I want to make sure I get your years right, 10 years, 10 years with Starwood before you joined Marriott International. So, welcome, everybody. we are going to get started with some of the questions that we know are top of mind for this audience and, Tina, I'm going to start with you. We get this question quite a bit, as you know. Are we really keeping all 30 brands?

Tina Edmundson – Global Brand Officer, Luxury and Lifestyle Brands: Yes, we do. So how many brands are really too many and we've given this a lot of thought over the last year and while we probably would not have planned for 30 brands in this way, the combination really does work. I must say that we have really considered every brand and the possibilities and I'd like to highlight a few critical considerations.

So, as you mentioned, Stephanie, in your remarks, size and scale and choice really does matter in the complicated distribution environment that we are in. And, as we think about the expansion of the OTAs and Airbnb and new threats like Google in the travel space, having more hotels, having more brands and more choices makes us more competitive. It makes our loyalty program were compelling, it makes our sales efforts more effective and, frankly, it makes us more attractive to guests so that they can book us directly and reduces costs for our owners and franchisees.

Secondly, frankly, the upfront costs for these brands has already been made. Right? We've already made the upfront investment. Most of the brands have large distribution and loyal followers and so we will continue to nurture and grow these brands.

Thirdly, in some segments we need new growth vehicles. So, as an example, Sheraton has 500 open or pipeline units today. Delta, as an additional growth vehicle, allows us to put a hotel in a market where we cannot plant another Sheraton flag. And then also important to note is there is a pretty significant consumer and development opportunity in the extended-stay lifestyle space and so, Element with only 23 hotels globally, has a long runway. And we have other brands in the new portfolio that are covering white space, frankly, that Marriott did not have covered before, like Westin or Tribute Portfolio or the Luxury Collection.

And, finally, positioned appropriately, all 30 brands provide diverse choices for our guests. From the smallest Design hotel to the largest Gaylord hotel, our brand portfolio now has the largest number of choices and hotels for our guests versus anyone else in the hospitality industry.

Stephanie Linnartz: Great, thank you. So, I agree. 30 brands is fantastic. It is more consumer choice, which is wonderful. But all of that being said, can you further explain how we are framing up the brands so that consumers can really distinguish between all of these options within our portfolio?

Tina Edmundson: Yes, so, in order to help consumers really understand the depth and the breadth of the experiences and price points that we can now offer in our portfolio, we've developed a new brand architecture for our 30 brands. And we plan to have this come to life visually on the website, giving the guests the ability to really understand the experience that they are going to get for each brand before they get there.

So, we have two broad categories, classic and distinctive, and then we further segment it based on price point with luxury, premium and select. So, classic brands would be about timeless travel. And included in this category would be some of our hallmark brands like The Ritz-Carlton or the St. Regis, Marriott Hotels, Sheraton and Courtyard. Now these brands tend to be our most widely distributed and our most profitable brands. So, as an example, combined, Marriott Hotels and Sheraton account for 30 percent of our rooms, 17 percent of our units and 29 percent of our total revenue.

So in the distinctive category, these include more of our lifestyle brands, so W Hotels, Renaissance, Westin, some of our collection brands like Autograph Collection and Tribute Portfolio, and then, of course, our new brands like Aloft and Moxy.

Stephanie Linnartz: Great, so I think that's very helpful, to understand there is two big buckets, right, distinctive and classic. Can we take it even a little bit deeper because this is such an important topic and understand how within one of those two buckets, classic or distinctive, the brands line up and maybe use an example to help us understand it.

Tina Edmundson: Sure. So, in this new portfolio, we have been quite focused on the swim lane question, on several sets of brands. And it's important to know that we've made the decision to keep similar brands together in order to keep them apart; let me give you a quick example. Ritz-Carlton and St. Regis, or Le Méridien and Renaissance are good examples. As an example, in the Marriott, Sheraton, and Delta swim lane, we will lead with Marriott, we will follow with Sheraton and then Delta, and this makes sense based on where the brands are today. With product, with service, guest and owner perception. Then in some segments we've actually furthered -- tiered, consciously, in order to further clarify for our owners, for consumers and for developers.

Stephanie Linnartz: Great, thank you. That's a perfect example, the Marriott, Sheraton, Delta example. So with that, Brian, I'm going to turn it to you to continue our brand conversation. You lead two of our Collection brands, Autograph and Tribute and we understand why owners and developers are very attracted to collection brands, they offer fewer standards and restrictions yet offer significant top line advantages. So with that being said, explain why or how full-service brands like Marriott and Le Méridien, as just two examples, are also able to grow.

Brian Povinelli – Senior Vice President and Global Brand Leader, Westin, Le Méridien, Renaissance, Autograph, Tribute and Design Hotels: Right, yes, and we've found that that really has been the case. Clearly, seven years ago, Marriott was the pioneer in the collection brands, launching Autograph Collection, and we've seen very good growth there; we are at 111 hotels today. And the appeal was really that they could plug into our systems, our reservation platform, the loyalty program and possibly do light touch on actually the investment in the hotel itself to match a design standard versus the full-serve brands that require us to follow very specific programming, whether it's the bed, the design aesthetic, the service standards, food and beverage. So it was a compelling proposition.

Despite that, we have not seen any slowdown in growth in our full-service brands. And I think the reality is that there's two different types of owner-developers out there. Some want a turnkey solution. They want us to do the heavy lifting and really give them the playbook for how they operate those hotels and that's what the traditional full-service brands like a Marriott or a Westin do. We've done all the heavy lifting. We hand the playbook and they can plug in and go.

Other owners and developers are looking for that more hands-on approach. They want to create their own brand. They don't want to be confined by some of the standards that the full-service brands have, so that is a compelling proposition for them. I think what we've seen, though, is the customer expectation of an independent hotel is a little bit higher on the bar of expecting it to always be current and maybe change more frequently. So there is some heavier lifting on the owner to really continue to keep their individual brand alive and relevant and invest in those renovations.

So we are seeing, again, growth in both. There has been no slowdown in the full-service segment and I think it is proof to why 30 brands makes sense as there is kind of a solution for everybody, whether it is the owner-developer or the customer.

Stephanie Linnartz: So staying with Collection and soft brands for a minute, how do you differentiate them when by their very nature they are actually a bunch of individual properties? How do you solve that riddle?

Brian Povinelli: It's harder, right? There are less levers for us to pull because again we don't dictate the experience as much as we do with the full-serve brand. But we really see two opportunities which pull on our innovation and branding expertise.

So one is building on Tina's comment about tiering. In this space, we have Luxury Collection clearly sits at the top. It's a full luxury experience with luxury expectations and the investment needed for a luxury product, not only in the physical but in the services for our guests. Autograph we have put in -- really in the upper upscale space at the high end of that tier. We do believe about 10 percent of our portfolio of Autograph Collection Hotels will play in the Luxury segment, but it's a small percentage of the overall. And then we have put Tribute Portfolio underneath Autograph, still in the upper upscale space. So it's a tiering of the value proposition.

The second is really looking at how do we give these Collection brands a bit of a personality and really curate those portfolios to speak to a specific customer expectation and that's where I think there is real advantage that the rest of the industry really isn't doing. They are marketing these Collection brands as simply collections. You have a lot of choice against the independent hotels and they vary significantly. We have, I think, with Autograph Collection, really curated a portfolio that holds together through sophisticated, very immersive design experience that each hotel has to tell that story, and we'll do the same with the Tribute Portfolio of giving that brand a distinct personality that the properties can deliver on a specific expectation.

So those two ways are how we see separating the space. It is a little bit more challenging than the full-service tier.

Stephanie Linnartz: Great. Thank you, Brian.

Brian Povinelli: Sure.

Stephanie Linnartz: So, Lisa, over to you. Marriott international is now the largest luxury hotel operator worldwide, which is very exciting. So why should investors care? And what is the long-term opportunity for the luxury lodging market, kind of holistically speaking?

Lisa Holladay – Vice President and & Global Brand Leader, The Ritz-Carlton and St. Regis Hotels & Resorts: Sure, thanks, Stephanie. Well, it's a pretty great time to be in the luxury space. Over the last five years we've seen about 50 percent growth in the luxury space overall, really driven by two major factors. One being the rise in global wealth in general, and also, an ever more connected world thanks to technology which is really setting us up for different travel patterns, in general, and, of course, globalization. So we see luxury travelers really wanting to get out there and explore the world and very, very interesting destinations.

With our group of luxury hotels now, exciting to have so many luxury brands now within the portfolio, we really see an opportunity to capitalize on this desire for more luxury travel experiences. In our current pipeline for our seven luxury brands we have over 200 properties within the pipeline, and I think really exciting, 20 new countries for our Company. So places like Nepal, the Philippines, Cuba, Iceland, so a lot of interesting places to travel. And also, these luxury brands really inspire travel and so it's a lure for our Rewards program. So now if you are a Marriott Rewards member, if you are a Ritz-Carlton Rewards member, if you are a Starwood Preferred Guest member, you now have an opportunity to access more destinations than ever before.

So imagine being this global jet setter and you decide you want to go to Art Basel, you can stay at the W South Beach or if you want to experience Cherry Blossom Festival in Japan, you can stay at the amazing Ritz-Carlton Kyoto. If you want to check out the latest fashions in London, we've got the London EDITION, and of course, if you want to come back to the fabulous St. Regis in New York City for the United Nations General Assembly, you have a home to stay.

So it's really amazing the opportunities we now have in the luxury space, and also it's giving us a competitive advantage when you think about this diversity in this range of products. Currently we are in over 60 countries so it provides amazing opportunities for these luxury travelers, but it also provides a really important opportunity for us. We now have courtside seats, if you will, a call out to March Madness. We have courtside seats to really what's happening in the luxury space all over the world. We have information on the latest trends, what these customers, who are very demanding, want in their luxury experience and so we can react to that and make changes and really understand this customer, which is a huge advantage.

Stephanie Linnartz: Great, thank you. So both Tina and Brian talked about swim lanes, right?

Lisa Holladay: Yes.

Stephanie Linnartz: So speaking of swim lanes, The Ritz-Carlton and St. Regis brands are perceived to be very similar. Can you explain the differences and why we think there really is great potential for both of them at the top of the luxury tier?

Lisa Holladay: Sure. I have been asked this question before. So, both brands, as Tina mentioned, do sit very firmly in the classic luxury tier so we'll start with how the brands are alike. They sit in the same tier. They also share some other common characteristics. They both have a very rich and authentic heritage and for both brands, we really strive to bring that forward in a very modern and contemporary way.

But they are distinct brands and there's a lot of opportunity to really ensure that their stories are told, that they are celebrated and that they are experienced by luxury travelers. Just as all travelers aren't the same, all luxury travelers aren't the same. They have different desires when they travel and what kind of experience they want. The Ritz-Carlton is really an iconic luxury brand. It sets the standard in the luxury hospitality. Had a tremendous year, last year finished with RevPAR index just above 135. This is a brand built on a strong culture, a motto of ladies and gentlemen serving ladies and gentlemen and the luxury guests who choose this brand really are looking for that very, very personalized connection with our ladies and gentlemen. They are looking for that service. It's very attentive, even anticipatory and is really going to almost bring that luxury guest in and be part of the family, which is, and obviously resonates with luxury travelers.

The St. Regis, also a strong luxury performer, finished last year with RevPAR just at 122, so a lot of opportunity for this brand. It also has about a quarter of the room distribution of The Ritz-Carlton so we see a lot of opportunity for development with the brand. And this is a brand built on the legacy of the Astor family and their original property here at 55th & Fifth in New York, and it's about the best address, and the destination being that best address, and you see it come forward with properties today when you think of the Deer Valley location, the Bar Harbor, the Bora Bora, the property we just opened in the Maldives at the end of last year. So it's about these guests who want that sophistication and that glamour and that experience of the brand. There is still a lot of opportunity with both of these brands, both to lean into what already makes them different, to understand these luxury travelers even more, to differentiate even more, so we'll be looking to do that this year.

Stephanie Linnartz: Great. Thank you, Lisa. So let's stick in the luxury space for a few minutes here. So, Anthony, as I mentioned a few minutes ago, you've led the W brand for the past couple of years and many critics have said that W is at risk of being diluted or homogenized in such a large organization like Marriott International. What are you doing to keep its edge in the future?

Anthony Ingham – Global Brand Leader, W Hotels Worldwide: First, I am so confident that W is really going to thrive under the Marriott organization and there's some really strong fundamentals as to why that is. But to address your question, I think the organization is acutely aware of the danger of a giant corporation like this diluting the edginess, speed to market and creativity of a small brand like W. Which is why we have put in place a dedicated W leadership and brand organization based out of Manhattan, that is 100 percent dedicated to driving the bold and provocative approach that W really owns in the marketplace.

Then looking at the larger organization, I think that the resources of Marriott International are going to enable us to tackle a couple of really significant business challenges that we have. Firstly, the portfolio of W North America is a lot older than a lot of the International portfolio that's grown up over the last seven or eight years. And we have the ability now to, I think, really move the needle on getting the North American portfolio up to match the fabulous portfolio we have around the rest of the world. And I think the commitment to innovation of the broader organization is also very powerful. W is a perfect test ground for innovation in in-room technology or mobile application or new Web platforms and using W as that test ground for the broader organization means that we are going to push the brand even further in terms of meeting customer expectations and being at the forefront of what's next. Whilst incubating ideas that are going to benefit the whole organization further down the track.

The other area that I think is really important for us to focus on is, whilst technology is a key driver of decision-making for consumers and where they are going to spend their money, there is also a massive trend amongst the highly affluent jet setting Millennial consumer who is W's target to want to socialize, be in social spaces, co-work. It's almost like the reaction of always being on an app that you need to be with other people and W really owns this space within luxury hospitality. And so that's something we'll focus very much on building and should drive W's RevPAR premium.

And then finally, when it comes to development, I think we will be able to grow the brand faster certainly but also more strategically with the resources of the new organization. Currently we sit at 1.16 RevPAR premium and with the new distribution and loyalty power of the combined organization, we expect to see a pretty significant lift there. That will attract investors. The relationships that the Marriott International organization has with owners and investors around the world is going to bring investors to the table for W who probably haven't considered the brand in the past. And with 30 brands to choose from, we can be more selective actually in deciding what is the right brand, what is the right owner fit for each location so that every W deal that we do is really taking the brand to the next level and enhancing the overall performance of W and its impact as the halo over the whole organization. So I think that really the future for W is super bright in the new organization.

Stephanie Linnartz: Agreed, agreed. So speaking of development, Tony Capuano is going to be up after the break talking about development and in terms of W's positioning specifically, how important is location, whether selecting a city or the location within a city? Can you talk a little bit about that?

Anthony Ingham: Yes, I think -- so location is crucial. First we look for global and regional cities which have a kind of business and creative hub that is attracting the right kind of corporate travelers that fuel W. So that would be our first criteria. And unlike a more classic luxury brand, W can go into markets which are emerging within these cities. So often with the tech industries booming and the creative industries booming could be on the fringe of the traditional corporate center, so that could work really well for W.

We do avoid putting hotels in areas that are yet to see that social creative business sort of hub evolving yet and when you look more at leisure destinations or in W language, we call them W escapes, there are two models that are really working very, very well for us. So one is the established leisure destinations, and I've used W South Beach or W Bali as great examples, bigger hotels, higher room count, lots of bars and restaurants, active wet decks and outdoor spaces for events, and these hotels are the epicenter of that destination, high energy, exciting, fun places to be. The other model that is also very successful is very aspirational remote escapes where we apply W's modern design driven, forward thinking, edgy approach to a chilled out, remote aspirational destination and those are hotels like W Maldives or W Koh Samui in Thailand, a very distinct experience to the big energy center hotels, but both of these models are working really, really well.

Stephanie Linnartz: Great. Thank you, Anthony. So, David, we are going to turn to you and talk a little bit about loyalty. So I think we all recognize that one of the most exciting things about this deal is what it means on the loyalty front and the power of having Marriott Rewards, which includes The Ritz-Carlton Rewards, and SPG, all coming together in a harmonized way to start and eventually a unified program. It's really thrilling. And we also just announced 100 million members, which is also very exciting. One of the things that I know you're passionate about and we talk a lot about is customer data, particularly our members are willing to share a lot of information with us, a lot of data about themselves but they expect us to do something with it to enhance their guest experience. So can you give us your thoughts on the loyalty programs overall and then more specifically, your thoughts around how we can use the data that customers share with us to really enhance and enliven their guest experience?

David Flueck – Senior Vice President, Loyalty: Yes, so as you said, it's a pretty exciting time for us in loyalty as we think about bringing the two programs together. Our focus this year is on starting to harmonize some of the elements of the program that are not technology dependent. You talked a little bit about the timeline we have on building the technology infrastructure and for us it started, as you had mentioned in your remarks, it started on Day One when we allowed our members to link their accounts to match status, to be able to redeem across the entire portfolio. And that really led to the tremendous exploration we have of the full portfolio of our loyalty members and that's continuing in 2017.

Our focus this year is on harmonizing other aspects of our program, which are not technology dependent. So things like our experiences platform. We have within Marriott Rewards something called the Experiences Marketplace. We have Moments in SPG and you highlighted some of the amazing experiences, throwing out the first pitch at the World Series and things that our members get to redeem for, these once-in-a-lifetime experiences. So this year we are starting to share assets across the two portfolios as we harmonize a lot of these benefits. Upcoming I think the Final Four was a topic that came up earlier. We have VIP tickets to the NCAA championship series. We have backstage passes to Coachella, so this is where we are starting to harmonize a lot of the elements.

Next year in 2018 we're going to start harmonizing some of the technology dependent aspects of the program and you talked a bit about the timeline, we are expecting to have our technology platform ready in the second half of 2018 and thinking of unifying the programs, we can't do that until we get through the technology piece, so at the earliest that would be in the back half of 2018. It might be a bit longer, so we are still working through the timing on that.

To your question, then, around how we leverage the data, the data is a tremendous asset for us and it's really about helping to personalize our members' experiences. We do that in a variety of ways in terms of preferences on property, in terms of how we use the Ambassador but really it's around being able to allow our members to make each and every stay personalized and extraordinary.

Stephanie Linnartz: Great, thank you. You know, we've talked in terms of data that we'll do even more with this PlacePass deal that we announced this morning. It won't be just offering guests 100,000 opportunities to do cool stuff and saying go figure it out. We'll use data to curate and offer up experiences that really makes sense for them, for our customers, so that's exciting. So we talked about the tech piece of it, which we need to do to even be able to support and integrate and program and that won't happen until the end of 2018. Any other thoughts on the harmonization or you think we covered most of them?

David Flueck: Yes, I think we covered most of it. I think that when we hear from our members around what they are really most concerned about in the harmonization, a lot of it goes to being able to deliver on the elite benefits and the nice thing is we are starting to get a good window into how well we are doing on delivering on the elite benefits. We've seen from the airlines how long it can take and how complex it is to merge loyalty programs. But I think for us, we are already seeing the impact because we allowed linking on Day One. And so our elite members already can have experiences across the portfolio and to date we haven't seen any challenge in terms of meeting the high expectations of our elite members. In fact, we track our satisfaction of our elite members and it's actually up year-over-year, so we feel really good about the early harmonization efforts.

Stephanie Linnartz: So that was one of the fears, right, is that we'd have so many more elites coming, when you match status, hitting the properties we wouldn't be able to deliver, but that doesn't seem to be a challenge for us, right? We're able to do that. That's great, good. Excellent.

Well, think we covered the majority of our questions here. I want to thank the panel very much for your time this morning. And I believe, Laura, we're a little bit ahead of schedule, but we will go ahead and take a break and I'd like to ask everyone to be back in their seats by 11:00 am. Thank you. Thank you, panel.

{BREAK}

Laura Paugh: So welcome back. Our next speaker, Tony Capuano. Tony has led our development organization since 2009. In the last three years room signings from his team have been running double our room openings. Those numbers are just stunning. Tony is one of the most enthusiastic executives at Marriott and tends to describe his work in war analogies. So, in deference to his considerable skill I'd like to introduce General Capuano.

Tony Capuano – Executive Vice President and Global Development Officer: Well, good morning everyone. Laura did strip out all of my war references, so I will be much more tame this morning. As Laura mentioned I'm our Global Chief Development Officer. I just celebrated my 22nd anniversary with the Company last month. And I oversee a group of about 100 developers. They are located in 32 offices around the world and they are singularly focused on driving new rooms growth while delivering premium value.

2016 was an extraordinary year. We ended with the strongest year of room signings and openings in the Company's history. On a combined basis, we signed over 880 hotel deals representing nearly 136,000 rooms under long-term management and franchise agreements and we opened over 400 hotels with more than 68,000 rooms around the world.

As you've heard today, with our acquisition of Starwood we now have an unmatched portfolio of brands, outstanding talent and increased economies of scale. This translates to a meaningful advantage for our hotel owners and significantly enhances our industry-leading position in driving growth around the world.

As you will hear a little later from Leeny, new rooms are one of the most important drivers of Marriott's shareholder value. And because of the importance of new rooms I plan to discuss today, through a competitive lens, the nature of this race for global growth. As part of that competitive look I hope to demonstrate empirically what should be obvious to everyone in this room -- that all rooms are not created equal. I will start this morning by spending a few minutes setting a baseline for the competitive landscape in terms of scale but then focus the large majority of my remarks on quality and understanding the relative quality of that room's growth.

As you all well know, global brand companies seek scale for many of the important reasons you heard Stephanie discuss. They tend, however, to describe their room growth simply in terms of absolute rooms whether those be open, signed or under construction rooms. These are certainly important metrics. They represent valuable data in comparing the relative growth momentum of the respective companies.

An analysis which stops at total rooms, however, ignores the quality of those rooms, quality in terms of sponsorship, quality in terms of location, quality in terms of product and quality in terms of value. Said differently, a growth analysis which is limited to rooms is predicated on a flawed assumption, that a luxury hotel here in Manhattan has the same fee and value potential as a select service hotel in Manhattan, Kansas.

After we talk a bit about that, I will next discuss the key drivers of Marriott's future rooms growth. That includes accelerating the growth of the Legacy-Starwood brands, continued growth of our established brands, international select service growth, conversion opportunities and, finally, just a minute on mergers and acquisitions. Finally, I will review our growth outlook for 2017 to 2019.

Now as I mentioned, there are two key factors to consider in global distribution and growth. The first is scale. You heard from Stephanie and her team about the wide-ranging benefits of scale that drive global brand companies to seek broader footprints.

The second less talked about factor is quality. From an economic perspective, the focus should be on driving premium fees, and the associated earnings, through deliberate and thoughtful growth strategies. As you know, all of the global brand companies love to make bold claims, not dissimilar to the consumer goods companies, when they say their products get the clothes the cleanest or the teeth of the whitest. Some lodging brand companies claim to be the leaders in luxury, some claim to be growing the fastest. Well, my intent this morning is to use a few simple metrics to evaluate the competitive landscape in terms of both scale and quality.

To offer an objective view, we have relied on just three sources of data: Smith Travel Research's year-end 2016 data, competitor data from their own most recent public filings and Marriott's own internal data. Now in this first slide we've plotted the 10 largest global lodging companies on a graph in which the horizontal axis represents scale and the vertical axis focuses on quality tiers.

The horizontal axis, as you can see, represents the total number of operating rooms at the end of 2016. The vertical axis shows the percentage of the operating portfolio based on rooms in the three top tiers: luxury, upper upscale and upscale. Distribution in these higher-quality tiers drives higher RevPAR and higher associated fees. The message of this graph is simple: to effectively lead on both the scale and quality fronts you need to reside in the upper right-hand corner of the graph. The merger with Starwood cemented our leadership on both the scale and quality fronts. In addition, it added 11 extraordinary growth platforms that should drive new unit growth for years to come.

So let's start with a deeper look at scale. As you all know, since the closing of the Starwood transaction Marriott now enjoys the largest footprint in the industry. And our scale is growing rapidly as we also benefit from the largest pipeline in the industry and the most rooms under construction.

So why do we care so deeply about scale? Stephanie talked about many of the advantages. Scale offers significant value for our guests as our broad distribution offers the right product in every location they want to visit around the world while our dramatically larger loyalty programs attract the most valuable guests to our system.

For our owners and franchisees, the incredible scale of our loyalty, sales and marketing engines reduce operating costs and allow for greater innovation, while our operating expertise and top-line drivers should meaningfully improve the performance of the Legacy-Starwood brands.

The impact of the acquisition on our scale also provides us with broad advantages from a development perspective. Our greater brand choice offers more alternatives for our partners. As you heard from Tina and her team, Starwood's brands filled some white space in our brand lineup. As scale improves the economics of both Marriott and Starwood brands, they become more desirable investment options. The acquisition, and I'll talk more about this later, also put us into new markets. We are now in 30 countries and territories where we formerly had no presence. And, finally, you all know the importance of relationships when it relates to development. The Starwood acquisition has added dozens of new owner relationships to our system.

This slide strips out the quality tier for now and simply provides some context and illustrates the relative scale of Marriott's existing system size at the end of last year versus its competitors. As we look at the five largest global hotel companies by existing footprint you can see that we enjoy a sizable lead in total operating rooms with nearly 1.2 million rooms or about 45 percent larger than our next scale competitor.

This next slide I think illustrates the transformative impact that the Starwood acquisition has had on our global footprint. While our international presence has been growing steadily over the last several years, the Starwood acquisition immediately broadened our geographic distribution. As you can see, we went from serving guests in 87 countries and territories at the end of 2015 to welcoming them in 122 countries and territories at the end of 2016. While we continue to enjoy a strong concentration in North America, the Starwood transaction has more than doubled our number of rooms in Asia Pacific, the Middle East and Africa while increasing our room count significantly across Europe, the Caribbean and Latin America.

So let's move to pipeline. At the end of the fourth quarter you heard Leeny and Arne talk about our global pipeline of more than 420,000 rooms. Given the differences in the way that various lodging companies define their pipeline, for the purposes of my discussion today I'm simply going to present signed new construction pipeline data, as provided by STR, so that we've got a consistent comparison among the global brand companies. Again, as you can see Marriott's signed new construction pipeline is the largest in the industry with about 27 percent more rooms than our next closest competitor. As mentioned earlier, we also enjoyed the largest under construction pipeline in the industry.

This next slide highlights Marriott's relative market share globally and by continent in comparison to its largest global brand competitors. This data includes both operating hotels and the signed new construction pipeline data I describe sourced from Smith Travel. The bifurcated blue bars on the chart show Marriott's market share before and after the Legal Close of the Starwood acquisition.

As you can see, the Starwood acquisition propelled us into a meaningful lead in global market share. As you look around the continents, you see that in North America prior to the closing of the transaction we were tied for lead in market share, now enjoy a commanding lead. In Europe, we've moved into a tie with IHG for the number two spot. In Asia, we lead both IHG and Accor with a 6 percent market share. In CALA we are now truly competitive with Accor and in the Middle East and Africa we jumped from the third spot to a leadership position.

From an awareness perspective, a guest choice perspective, and a loyalty perspective, leading market share is both a powerful and enviable position. Keep in mind, though, that our market share while stronger than our competitors is still relatively modest and it includes the footprint of 30 brands. In recent years, in many international markets, our biggest challenge has been brand recognition among guests, owners and franchisees. In fact, some of the regional bolt-on acquisitions that Arne described, like AC or Protea, were driven by the opportunity to gain that local awareness. The Starwood acquisition gives us a significant boost in many markets where we had little or no distribution or even pipeline.

Now this next chart illustrates our extraordinary signings space since 2010. The three colors reflect Legacy-Marriott signings, Legacy-Starwood signings and Marriott M&A transactions. For the Legacy-Marriott brands, this performance of our hotels, the power of our revenue engines, the strength of our loyalty programs and lender preference for our brands have driven record deal volumes. As you can see in the graph, 2016 signings were about triple our signings volumes in 2010.

This rapid growth was due in part to our growing portfolio of brands as our existing owners sometimes look for additional ways to develop with us in the same market. In fact, in 2016, 43 percent of the Legacy-Marriott signings will fly the flags of brands that were not even in our portfolio in 2010.

As you also see in the chart, Starwood deal signings grew over the period, albeit a bit more modestly. But as you've heard this morning and you will hear over the balance of the day, as we improve the fundamental economic model of the Starwood brands we believe we can further accelerate the growth of these platforms.

So I want to pivot from scale to quality. As you've seen in the last few slides, the data is pretty self-explanatory. Marriott enjoys an enviable leadership position in terms of scale, and as I said earlier, rooms is certainly an important metric in evaluating the growth among the global brand companies. However, rooms generate varying levels of fees and value.

You might ask how much they vary? We took a look at our 2016 signings. If you look at the average stabilized fees per room for a Ritz-Carlton deal last year, it was about seven times the average fees for the average Fairfield deal. And so, to truly evaluate the relative value of rooms growth let's look at quality concentration.

The first metric we considered is certainly simple to understand but tremendously revealing -- 2016 average fees per room. As you see on the graph Marriott's combined global fees per room averaged $2,700 in 2016, more than 20 percent ahead of our closest large-scale global competitor and about a third higher than the next closest competitor.

So you might rightly ask why is Marriott commanding such a significant premium in terms of fees per room? Our intuition has always led us to believe we were driving leading value in our new rooms growth, but we've looked at a few additional metrics to try and understand this meaningful premium. As you'll see in a moment, our hotels benefit significantly from their concentration in the highest quality tiers and the highest RevPAR markets where guests pay the highest room rates.

Furthermore, our brands merit very attractive management and franchise royalty rates. In fact, if you just look at the North American market, terms of our current franchise offering documents average 6 percent of gross rooms revenue.

Finally, before I leave this slide, about $200 per room of the fees shown here are branding fees derived largely from the value of our overall system including the meaningful value of our loyalty programs and are included in the total fee calculation. While this amount is not specific to room count, we expect it to grow as the overall system continues to grow.

Now Marriott and its global scale competitors are again plotted on this graph. Here we have plotted them based on the percentage of their existing footprint that is positioned in the top three Smith Travel quality tiers: luxury, upper upscale and upscale. As illustrated among its large-scale global competitors, Marriott enjoys the highest concentration within these valuable top tiers.

The variation in value potential is very significant. To provide context to that point I would ask you to look at the box on the left side of the slide. We compiled 2016 global RevPAR data from Smith Travel for each of the quality tiers and as you see on the slide, the average global 2016 RevPAR for the luxury tier is over $180. For the upper upscale tier, it's $114 and for the upscale tier it's about $86. For the blended three tiers below upscale the average RevPAR is only $53.

As we look at the relative potential value of each Company's global footprint you'll note that Marriott has a powerful 88 percent concentration in these upper quality tiers for a blend of our operating portfolio and our signed new construction pipeline. That is 20 points higher than our next largest global competitor. This underscores an obvious fact, that our development efforts focus on driving value not just rooms.

And I think this slide illustrates that point further. Here we asked Smith to compile for us the top 100 global RevPAR markets. Those markets last year achieved an average rate of over $231. We then said compare that to the next 100 RevPAR markets. The top 100 RevPAR markets had 103 percent RevPAR premium over the next group of 100 markets.

Despite our meaningful share in these markets you see we are double our next closest global competitor with an 11 percent share. While that may seem significant, we continue to grow in these markets, leveraging our scale and our brand recognition.

I will give you one quick example. In Shanghai, one of the highest RevPAR markets in China, we enjoyed a combine footprint of 31 hotels at the end of 2015. Despite that significant presence, we continue to grow in this critically important market, signing an additional eight deals in Shanghai just last year.

So as you've seen, our rooms have higher average fees, the premium is driven certainly by the fact that we are more concentrated in the upper quality tiers and that we are more concentrated in the highest RevPAR markets. But we believe that premium in average fees is also driven by our thoughtful and disciplined approach to deal making. For example, we aggressively negotiate stable long-term contracts. If you look at the 881 deals we signed last year, the average initial contract term was 19.7 years.

While we sometimes consider limited pre-stabilization fee ramps, we endeavor to reach a stabilized level of fees by the third year of operations. Again, looking at the landscape of deals we signed last year, more than 80 percent of those deals achieved this goal.

We also try to be very thoughtful when we put territorial restrictions into our contracts. They tend to encompass small geographic areas; they tend to be limited to a single brand and they are relatively short-term. To state the obvious, broader territorial restrictions limit future development opportunities. Last year 98 percent of the deals that we signed were limited to a single brand territorial restriction.

We also work hard to avoid owner termination rights: termination on sale provisions, certainly termination at will provisions. As you know well, the absence of these provisions ensures stable, long-term fee streams.

From time to time, and Leeny will touch on this during her remarks, we will invest prudently in deals that drive superior value or offer a unique strategic advantage. As we look at the deals we forecast to open over the next three years, we see a nearly 40 percent stabilized fee premium for those deals in which we invest, versus those deals with no Marriott financial participation. Here in North America that premium rises to about 50 percent.

Now I talked earlier about royalty rates. With the strength of our brands in North America we've increased our royalty rates in recent years. Now, of course, that new rate schedule applies only to new deals or contract renewals. In 2016 our effective North American franchise fee rate was 5.2 percent of total room revenue. If each of those contracts were to renew today our franchise fees would total 6 percent and we believe our franchise terms lead the industry.

Lenders also continue to recognize the strength of the brands in our combined portfolio as evidenced by the fact that our market share of under construction rooms is significantly larger than our share of open rooms. Lenders, as you know, are cautious by nature and gravitate towards the strongest brands with proven economic strength, particularly in the later stages of a lodging cycle. I think this lender confidence is best illustrated by the fact that Marriott brands represent nearly one in four hotels under construction around the world and one in three hotels under construction here in North America.

Now similar to our guests, our owners are quite loyal to Marriott, as well. While we continue to grow our pool of owners, our most efficient method of growth is to leverage our broad group of multi-unit partners. In fact, if you look at our open and pipeline inventory of hotels, 72 percent are owned by multi-unit partners. And a great example of that loyalty is a partner of ours called JHM Hotels. JHM has been doing business with Marriott for 20 years. Today their portfolio includes 22 open hotels and another seven in the pipeline. And maybe most interestingly, they are now growing with Marriott across borders. They recently signed both a Courtyard and a Marriott hotel in their hometown of Surat, the eighth largest city in India.

So I'd like to pivot here a bit and talk to you about why we're so optimistic about our future rooms growth. And I think there are five principal sources I want to focus on today: our expectations around accelerating the growth of Starwood brands; the continued strong growth of our established brand portfolio; the really meaningful momentum we are seeing in the growth of select service brands outside of North America; the increasing opportunities we see for conversions, enabled greatly by our conversion-focused platforms; and to a lesser extent, given the amount of heavy lifting we still have in front of us related to Starwood, strategic bolt-on M&A opportunities.

So let's start with accelerating the Starwood brands. The combination of the Starwood and Marriott brand portfolios allows us to better serve our customers around the world based on their travel needs. It also means we have more options for owners as they explore their real estate investment options.

Today I want to talk about just five of the Starwood brands that we believe have particularly meaningful growth potential over the next several years. So, you heard Tina's team talk a little bit about the collections. Today we offer independent hoteliers three brands to leverage Marriott's powerful loyalty and distribution systems: the Autograph Collection, the Tribute Portfolio and the Luxury Collection.

With fewer absolute standards and greater design flexibility these collections allow hotels to express their personality and bring their local destination to life. As you well know, Autograph has been one of our fastest-growing platforms and we expect to have about 180 open hotels by 2019. As we have worked to drive that growth, we have identified a significant number of conversion opportunities positioned both above and below Autograph and we believe these opportunities are ideal for the Tribute and Luxury Collection portfolios. We believe these opportunities will meaningfully accelerate growth for both brands and anticipate opening more than 50 hotels over the next three years for these two Legacy-Starwood collections.

Now if we shift to luxury, you heard our team talk about their enthusiasm about Ritz-Carlton and St. Regis. We've had tremendous success from a growth perspective with Ritz-Carlton and are deeply excited about the opportunity to leverage that success with a globally recognized brand like St. Regis, which has long been a benchmark in the luxury tier. As you can see on the chart, Ritz-Carlton is a leader in luxury hotel development. Ritz-Carlton has 93 open hotels today and 41 in the signed pipeline.

By comparison, St. Regis is underrepresented with only 38 open hotels and 22 in the signed pipeline. We believe that by leveraging our established relationships with luxury owners around the world, with solid global demand for quality luxury product and with a leading luxury branded residential offering, we think we can see a significant increase in St. Regis signings in the range of about 10 deals a year.

Shifting to select service, you heard quite a bit about Aloft this morning. Aloft represents a significant and exciting growth opportunity for Marriott. There are 115 hotels open and another 150 in the pipeline today. This tech savvy lifestyle select service brand appeals to the next generation of travelers and with its own style and market position it aspires to Courtyard's nearly 1,100 hotel distribution success.

Now to achieve this goal we are evolving the product to be more scalable, identifying opportunities to leverage our established select service platform and infrastructure, and driving efficiencies and cost savings to make Aloft more profitable for our partners. We are evolving guestroom and public space design and the F&B offering to enhance the guest experience.

As you heard from Stephanie, we shared this work in progress with our owners at ALIS and the feedback was overwhelmingly positive. I hope a number of you walked into the Igloo in the back of the room. If you have not had a chance, please take advantage later this afternoon. It will really give you a flavor for some of the modifications we are making.

Before I leave Aloft, let me remind you of a really important point. We are not trying to grow Aloft from a dead stop. Quite the contrary, this is a great brand that's already experiencing really strong growth momentum. The development team signed 121 Aloft deals over the last two years. That represents a very significant acceleration over the 108 projects they signed in the prior four years. We think Aloft has a very bright future on a global basis.

Let's shift to Element. Element is, as you heard, a terrific lifestyle focused extended-stay product. It has modest distribution today, which is both a bit of a challenge in terms of brand recognition but a tremendous opportunity for growth. We believe we can leverage our development, sales and operating expertise with Residence Inn to rapidly grow this brand.

As you know, Residence Inn continues to lead the extended-stay segment with outstanding performance and global distribution that really underscores the global demand for extended-stay. The breadth of Residence Inn's distribution serves as a compelling indicator of the growth potential of Element.

And we think Element is a complementary platform to Residence Inn. We think it has enormous potential to fill the void in lifestyle focused extended-stay product. And we are focused as you heard from Stephanie on the fundamentals of Element: room product, shared common spaces, F&B enhancements, better public space activation and a reduced cost to build. All of this should dramatically enhance the brand's attractiveness to the owner community.

Now this next slide might surprise you a bit. As I talk about our future growth prospects you might say why are you showing these well distributed, established brands? But these globally recognized brands continue to lead their segments, offer premium performance and resonate with our guests, owners and franchisees. They represent more than 70 percent of our global distribution and more than 50 percent of our pipeline. And despite their tremendous distribution, we are actually seeing a dramatic acceleration in our deal volume with these brands, and they are growing in established markets like Paris and Shanghai, and emerging markets like Poland where we signed four deals just last year. In fact, when you look at these nine brands, which on average have been around for about 35 years, nearly 50 percent of our signings last year will fly one of these nine flags. Furthermore, when you look at the three-year period between 2014 and 2016 we saw an increase of 76 percent in deal volume versus the prior three years.

Moving on to international select service, this might be one of the most compelling opportunities for the Company in terms of future rooms growth. We think we can rapidly accelerate the growth of our select service brands outside of North America.

You know from a consumer perspective we see sharp increases in demand for these products. They appeal to today's global traveler, especially in urban markets where they don't always require all of the full-service amenities, yet they want a quality experience from a brand they trust.

From an owner and franchisee perspective, the more modest development costs, attractive operating margins and growing institutional appetite for assets in this tier are driving strong developer interest around the globe.

Today we have a broad, compelling suite of select service brands. This is made up of both mature brands like Courtyard, Residence Inn, Four Points and Fairfield as well as new lifestyle-focused brands like Moxy, Aloft and Element.

We have also taken a number of proactive steps to accelerate our growth outside of North America. Mirroring our North American organizational structure, we've recently deployed dedicated select service development teams across all of Europe and mainland China. And these efforts are paying significant dividends. As shown on the slide, our inventory of international select service hotels has grown from just 140 properties in 2010 to 476 at the end of last year. And when you look at our current pipeline you see we are on pace to double that distribution.

You've heard a little discussion earlier about conversions, and our experience has certainly shown that as we get into the back half of a given cycle we tend to see moderation in newbuild activity in certain markets and parallel acceleration in conversion activity. Over the past decade Marriott has converted more than 300 hotels to our system using a wide range of our brands.

Our conversion activity is accelerating even in Asia Pacific, a market that's been dominated in recent years by newbuild activity. Just last year we signed 25 conversion deals in Asia, more than double our conversion pace over the prior three years. 12 of those hotels have already opened and the remaining 13 will open later this year.

We are more optimistic than we've ever been about our ability to capture a disproportionate share of these opportunities, partially because we have such a diverse stack of brands to help owners reposition assets and maximize asset value. And while we will continue to evaluate conversions across the entirety of our brand family, we are particularly enthused about the five brands shown here which are all specifically tailored to conversion activity.

Now Arne talked in detail during his remarks about the great success we've had and the impact of some of our recent bolt-on M&A deals. What you also likely heard was a few common characteristics of those deals. They have filled key gaps in our distribution, they have allowed us to import significant local talent and they've provided valuable new growth platforms, often with global applications. Now, as I said, we have our hands full with the Starwood integration, but we will continue to evaluate these types of opportunities whether it be to fill geographic gaps or product gaps.

So let's move on to our outlook. Before I do, I want to try to give you some data that I hope will give you confidence in our ability to deliver on this record forecast. Let's start with the pipeline. As you heard during the fourth-quarter call, or pipeline stood at over 420,000 rooms, an all-time record for the Company. As you can see on the slide, about 55 percent of those rooms are franchised and about 45 percent managed. 70 percent of the rooms were Legacy-Marriott brands and 30 percent Legacy-Starwood. But most relevant to our openings forecast is the fact that 42 percent of those rooms or about 180,000 were either already under construction or pending conversion.

To also give you some measure of comfort, I like this slide better than Arne's slide because there's no negative numbers on here, but we have a strong track record in delivering on our forecasts. If you look at the chart here you can see that we met our openings forecast from our 2006, 2010 and 2012 meetings and we are well on our way to meeting or hopefully exceeding our 2014 openings forecast.

If you go to the next slide this summarizes our combined Company openings since 2010. Again, we have broken out Legacy-Marriott, Legacy-Starwood and Marriott M&A deals. As illustrated, organic rooms openings have grown steadily since 2012.

Now as you've heard today, we are pursuing changes in the operations, design and development approach for some of the Legacy-Starwood brands. These changes should start to show an impact to our openings in the later stages of this plan with still greater impact after 2019.

Our expectations for an acceleration in gross global openings is reflected on the far-right side of the slide. As you see we expect to open between 285,000 and 300,000 gross rooms between 2017 and 2019. Given that 2014, 2015 and 2016 were the three highest years of rooms signings in the history of the combined Company, this acceleration in openings should come as no surprise. What makes us even more confident is the fact that 180,000 of these rooms are already under construction or ramping towards conversion.

Now I started this conversation describing a race for global growth being pursued on two fronts: scale and quality. As I hope I've demonstrated, Marriott has chosen to compete for both the myriad of advantages related to leading scale and the compelling financial benefits driven by high quality growth.

We are winning on both fronts. We see it in the headlines. Our record deal-signing volume has driven our industry-leading pipeline to over 420,000 rooms with 42 percent of those rooms already under construction or pending conversion. We expect to open between 285,000 and 300,000 rooms over the next three years. Assuming 40,000 rooms of deletions over that same period, that is a 6.5 percent compound net rooms growth.

The estimated pretax fees from these new rooms are expected to total roughly $400 million in 2019, growing to an estimated $675 million when those hotels stabilize. And maybe most encouraging, we expect our unmatched portfolio of brands, our leading loyalty programs and our powerful revenue engines, greatly enhanced by the broad benefits of the Starwood acquisition, to continue to drive rapid, high-quality unit growth into the future.

So thank you very much for your time. I look forward to answering your questions at lunch, during the Q&A and at the reception later this afternoon. I have the pleasure of sending you to lunch, so when we leave here we are all go to take the escalators at the back of this floor to the seventh floor. Lunch is going to be served in the Astor ballroom. As Laura mentioned, the Marriott team will be at assigned tables. For you, our guests, you can choose the table of your choice. And we'd like to have you back here promptly by 1:30 for Leeny's presentation this afternoon. Thank you.

{BREAK}

Laura Paugh: Good afternoon. Let's get started. The presentation you have all been waiting for, Leeny Oberg, our CFO, is here to talk about how our business strategy and strong brands drive an enormous amount of cash flow to shareholders.

I've known Leeny longer than most people at Marriott and I have to say she's the most energetic person I know. She has accomplished a lot during her tenure at Marriott from running corporate and development finance group during the lean years for the hotel business, to monetizing assets as part of our international project finance group, to CFO of our Ritz-Carlton business. Now in her role as CFO of Marriott, you will get to know her better, too. She's a fantastic CFO and a great friend. Leeny?

Leeny Oberg – Executive Vice President and Chief Financial Officer: Thank you, Laura. Good afternoon. It's great to see all of you.

There's a lot going on at Marriott these days, particularly as we integrate Starwood. It's an exciting time with tremendous opportunity for innovation and value creation. While we are transforming the Company with this acquisition, much is still the same at Marriott.

Our inclusive culture has welcomed and embraced the very talented people at Starwood. As always, we sweat the details, paying as much attention to the right way to clean a hotel room as to the terms of our newest management agreement. And we remain committed to driving value by focusing on guests, owners and associates. I'm going to talk about how this commitment translates into strong returns for our other important constituency, our shareholders.

Ever since Marriott pioneered the managed and franchised asset-light business model in lodging, we've delivered sustained rooms growth, strong cash flow and return of significant capital to our shareholders. With the Starwood acquisition, we are taking that same attractive pure play lodging business model to a new level by adding terrific brands, significant distribution and opportunities for additional growth and efficiencies.

We remain focused on growing our superior brand portfolio through signing long-term high quality contracts with minimal investment. We are confident our successful track record integrating acquisitions will extend to Starwood.

As we continue to grow market share we expect to deliver strong free cash flow and meaningful sustained earnings growth. We have a clear capital allocation strategy that allows us to invest in the business for growth yet still return a substantial portion to shareholders. We've proven this over time and continue to believe that this strategy will create considerable and growing shareholder value.

As we've done in previous investor conferences, we are presenting what our business could look like in 2019 assuming two comparable worldwide, systemwide RevPAR growth scenarios. Given current global economic growth conditions we've chosen RevPAR growth of 1 percent or 3 percent for each year 2017 through 2019. With these basic assumptions, we are not suggesting a change to our 2017 RevPAR guidance. Please remember that our RevPAR assumptions are just that: assumptions, not forecasts or guidance.

The purpose of our model is to provide insight into how a change in one's RevPAR growth assumption could impact our results. Our model assumes foreign exchange rates remain unchanged beyond the strengthening dollar that we estimated in our 2017 guidance.

While we've modeled global RevPAR at 1 percent and 3 percent, our underlying assumptions vary slightly in different regions around the world. Given high absolute occupancy levels today, our model also assumes that most of the RevPAR improvement globally will come from higher room rates.

As Tony said, we expect to add 285,000 to 300,000 rooms over the three-year period. For modeling purposes, we have used the midpoint of this rooms opening estimate in both RevPAR scenarios. Assuming 1 percent room deletions annually, this would be a net compound growth rate of 6.5 percent through 2019. Also, we target leverage at 3.0x to 3.25x, adjusted debt to adjusted EBITDAR and for modeling purposes have assumed a 3.15x consistent with the BBB investment grade credit rating.

We have modeled total investment levels of roughly $550 million a year or $1.5 billion to $1.7 billion over the three-year horizon, including maintenance capital expenditures.

We also assume that we will recycle $2.3 billion to $2.5 billion of capital, including sales of roughly $1.6 billion of owned assets and the use of excess cash balances.

The income tax rate used in this model is approximately 31 percent, or 33 percent excluding the impact of the windfall tax accounting change.

In this presentation, 2015 and 2016 reflect combined Company results which assume that Marriott's acquisition of Starwood and Starwood's sale of its timeshare business were completed on January 1, 2015. Combined results for 2015 and 2016 also exclude merger-related costs. We do this so you can compare the combined companies for all periods presented. Please see the Form 8-K that we filed on February 15 for more information and adjustments used in this presentation.

Stephanie and Arne today outlined the property revenue and cost synergies that we expect from integrating Starwood. We expect property revenue improvements from greater share of wallet from our loyalty program, higher rooms growth, more effective sales and marketing and an increase in RevPAR index.

In addition to revenue improvement, owners of Marriott and Starwood hotels should also see meaningful improvement in hotel profitability. Owners are already seeing modestly lower loyalty program costs. We have reduced OTA and procurement costs for Starwood hotels while Marriott hotels are benefiting from the greater procurement scale. By the way, procurement saving should also help new development as lower prices for equipment and fixtures reduce the costs of new hotels.

Marriott hotels in North America adopted a shared service approach to the finance and accounting areas some time ago. We are transitioning North American company-operated

Starwood hotels to this system during 2017, and we expect to expand this approach to both legacy Company portfolios internationally, as well.

While Starwood hotel owners should see significant savings from the move, Marriott owners should also benefit from the greater scale. From just these early benefits alone, we expect a roughly 50 basis point improvement in North America company-operated Starwood hotels house profit margin by 2019, all things being equal.

Our operations team is reviewing revenue management and operating synergies at individual hotels, benchmarking to other hotels in the same markets. Further, they are identifying opportunities for collaboration among our managed hotels from negotiating more favorable service contract for hotels located in proximity to each other to jointly chasing group leads. Combining reservation system should enhance margins, as well.

We are still working through the details of these opportunities, so they are not factored into this model. And we have not included the likely meaningful benefit of renegotiating our credit card agreements with our co-brand card partners. While the model is a useful tool in understanding how we make money in 2019, as Arne said, there is more yet to come.

So let's start with some basics on how we generate fees. We earn base management fees on the hotels that we manage. Base fees are calculated as a percent of a hotel's total revenues including revenue from rooms, food and beverage and ancillary revenues such as meeting space, spa and other amenities.

Given our RevPAR and unit growth assumptions, we believe total base fees could grow 5 percent to 7 percent compounded annually from 2016 to 2019. The compound growth rate for base fees reflects about a 50-basis point headwind for the expected impact of the strong dollar in 2017. As I mentioned we have assumed flat exchange rates for 2018 and 2019. The chart also shows that nearly 10 percent of the 2019 fees are expected to come from hotels opening in 2017 to 2019.

Franchise fees are typically calculated as a percent of hotel room revenue with some brands also earning fees on food and beverage sales. Given the heavy weighting of U.S. dollar denominated franchise fees, there is not measurable FX impact.

The bottom section of the bar represents license or royalty fees from a variety of other hotel related areas totaling roughly $350 million in 2016. About half of the total is royalties from our co-brand credit cards and about $100 million comes from license fees from our timeshare partners, Marriott Vacations Worldwide and Interval Leisure Group. The remaining roughly 20 percent includes application fees tied to new franchise units, relicensing fees associated with owner asset sales and branding fees from residential sales.

As Stephanie mentioned, American Express and J.P. Morgan Chase Visa paid roughly $1.3 billion to us in 2016 with that amount related to the number of cardholders, their credit card spend and the credit cards companies' purchase of loyalty points. Of this amount, we recognized $173 million on our P&L while the vast majority supported our loyalty programs. It's important to note that we don't take credit risk with these co-brand credit cards and these fees grow with little volatility from year to year.

All in all, we expect 8 percent to 10 percent growth in franchise fees resulting from new room additions, RevPAR growth, a growing residential business, higher timeshare sales and higher credit card branding fees. The relatively higher growth of franchise fees reflects the continued growth in our limited-service and collection brands as well as the expansion of our limited-service brands internationally. Again, we are not assuming in this model any likely upside from credit card renegotiations.

Base and franchise fees make up the bulk of our fees and have low levels of volatility given nearly all are calculated on top-line revenues. Based on our two RevPAR assumptions, we estimate such fees will increase 7 percent to 9 percent compounded annually to reach about $3.1 billion to $3.2 billion on a worldwide basis in 2019. Franchise fees make up roughly 60 percent of base management and franchise fees in 2019 and the total of all of these top-line driven fees should make up over 80 percent of total fees in 2019.

Incentive management fees represent our share of our managed hotels' bottom-line profits. We expect meaningful managed unit growth outside North America over the next three years which should drive incentive fee compound annual growth of 6 percent to 8 percent. This includes about an 80-basis point headwind in the compound annual growth rate for the expected impact of the strong dollar in 2017. Roughly $60 million to $65 million in incentive fees in 2019 will come from new hotels opened over the three-year period.

On average, annual RevPAR group of roughly 2 percent to 3 percent is required to maintain incentive fee levels. Therefore, if RevPAR growth accelerates from the relatively modest growth levels in our model, we would expect incentive fees to benefit from additional operating leverage and grow at a faster rate. Of course, variations in individual market performance will also impact the results.

As I mentioned for managed hotels, base fees are calculated as a percentage of hotel revenue. Incentive fees for managed hotels are calculated as a percentage of the hotel's earnings and in some regions, are subject to the owner receiving a priority return first. Such a priority usually approximates a specific return on the original cost to buy or build the hotel.

Incentive fees from hotels with owner priorities may drop to zero in difficult economic times if hotel profits drop below the owner priority level. However, hotels in the Asia Pacific region and the Middle East and Africa region typically have no owner priorities. In this case, the incentive fees are based on a straight percentage of hotel profits.

In these markets, in difficult economic times, while both hotel profits and incentive fees may decline, incentive fees are not likely to drop to zero. As our managed room growth favors the

Asia Pacific, Middle East and Africa markets we expect this share of our incentive fees in these regions will increase from 40 percent in 2012 to 50 percent in 2019. The shift in IMF geography combined with the strong growth in our franchise business implies less earnings volatility in our business over time.

So, on a worldwide basis total fees could reach about $3.7 billion to $3.9 billion by 2019, a 7 percent to 8 percent compounded growth rate from 2016 levels and impacted about 50 basis points by the strong dollar in 2017. This strong total fee growth reflects the combined impact of modest RevPAR growth scenarios and the strong 6.5 percent compound average rooms growth over the three-year period.

For those of you with different RevPAR assumptions we estimate that 1 point of RevPAR in either direction, and consistent across the portfolio, is worth approximately $35 million in total fees per year. Of course, over time unit growth and varying market performance will change this sensitivity. In this model, only roughly 10 percent of total fees are subject to an owner's priority return feature.

By 2019 we expect about one-third of our total fee revenue will come from outside North America with 14 percent from the Asia Pacific region alone. Given our expected unit growth in the region, the Asia Pacific region could see an 11 percent compound increase in fee revenue over the three years.

Today, we own 22 hotels and lease 48 properties. Among the leased hotels, the most significant from a profit perspective are full-service and luxury properties in Barcelona, Tokyo and London. Consistent with past practice, we do not intend to permanently own significant amounts of real estate. Over time we may buy or develop hotels, own them for a short time and then sell them subject to a management agreement. For instance, we purchased the Charlotte Marriott and invested in the rooms and public space to prove new product innovations before deploying system wide. In the near future, we intend to sell this spectacular reinvented hotel and retain a long-term management agreement.

Of these owned and leased hotels, today we operate 14 owned and seven leased properties under Legacy-Starwood brands. We are actively engaged in selling those owned hotels and expect to retain valuable management agreements. Given the unpredictability of the timing of asset sales our earnings guidance for 2017 does not assume such sales. However, we continue to be confident in our ability to recycle Starwood assets this year.

The top orange and gold bars reflect earnings from assets that are either already sold or we have modeled as sold over the three-year period. Owned and leased profits related to the assets assumed sold between 2017 and 2019 total $147 million in 2016. We would anticipate earning fees of roughly $25 million in 2019 from those sold hotels.

The bottom blue bar includes income from the owned and leased hotels that we expect will remain in our system throughout the three-year time horizon. We expect that the modest

RevPAR growth in this model will slightly improve profits from these hotels. For this portfolio of owned and leased hotels, we estimate that 1 point of RevPAR improvement would change our profits by approximately $5 million in 2019.

Other revenue, net of expenses, shown in gray represents other corporate, property and brand revenues net of associated expenses. These include profits from ancillary businesses and contract termination fees. Contract termination fees in 2016 totaled $20 million, but we have not assumed any of these fees in 2019. Looking ahead, our scenarios imply owned, leased and other revenue net of expenses could be $240 million to $270 million by 2019.

General, Administrative and Other expenses include classic corporate overhead for areas like finance, accounting, legal and IT. G&A also incorporates continental overhead costs required to grow and oversee our company-operated and franchised hotels as well as costs associated with brand development and new hotel development. Less than 10 percent of G&A relates to other less predictable costs like bad debt and litigation expense.

Recall that our 2016 combined G&A was somewhat reduced because both Starwood and Marriott had a meaningful number of open positions leading up to the acquisition's close date. The normalized combined Company 2016 amount shown here simply assumes a 3 percent growth rate from the actuals of the two legacy companies in the prior year.

Looking ahead, we are well on our way to achieving the Starwood synergies we've discussed. We expect to achieve $274 million in these synergies in 2019 or $250 million in 2016 dollars. And we expect G&A will total roughly $895 million in that year.

Depreciation and Amortization includes $62 million associated with assets assumed to be sold during the planning period. Keep in mind that some of the owned assets that we expect to sell are accounted for as “assets held for sale” and thus are not being depreciated currently. Similarly, as we have discussed in our earnings calls, refinements to our initial purchase price accounting allocations could occur until the end of the third quarter this year, which could also impact our D&A going forward.

Here we show that given these assumptions, operating income could increase 8 percent to 11 percent compounded from 2016 levels. This slide also shows meaningful improvement in calculated operating income margins, excluding cost reimbursements in each year.

Our operating margins in 2019 reflect growth in fee revenue, lower G&A expense and the impact of meaningful asset sales. This represents an 11 to 12-point margin improvement from 2016.

Interest income should rise modestly as we make loans to support new unit growth. Interest expense should increase with higher interest rates and modestly higher amounts of forecasted debt supported by higher profits.

Joint venture earnings performance should improve with RevPAR growth and we assume our book tax rate is approximately 31 percent. We have included the full P&L in the appendix to our presentation materials.

So all in all, as you see here on the bottom line, net income could range between $1.8 billion to $1.9 billion depending on the strength of the RevPAR environment. This implies an 11 percent to 14 percent compounded growth rate over the three-year time horizon.

Under these RevPAR scenarios, adjusted EBITDA could total $3.5 billion to $3.7 billion, a 5 percent to 8 percent compound growth rate from a combined 2016 levels, or 7 percent to 10 percent excluding the impact of the assumed asset sales.

This model demonstrates the steadiness of our business model. We believe that even with a material slowdown in RevPAR, say a 2 percent worldwide RevPAR decline in 2018, we would still see some growth in adjusted EBITDA in that year due to the strong rooms growth already underway.

Our capital allocation strategy is built around our commitment to maintain a solid investment grade credit rating. We have targeted this rating in recognition of the value of financial flexibility in a cyclical business. We also strive to maintain the right balance between minimizing our cost of debt, with having sufficient leverage to enhance returns. An investment grade credit rating also helps in our relationships with owners and franchisees who look for financially strong partners over the long haul.

Our substantial investment capacity gives us the flexibility to invest in organic growth or pursue strategic investments. It also allows us to return considerable amounts of cash to shareholders through dividends and share repurchases. Similarly, if the global economy weakens we have the flexibility to pull back on our investment spending and share repurchases to protect our credit rating.

A good rule of thumb is that a 0.1x change in our leverage ratio is equivalent to roughly $300 million of debt or $100 million of EBITDAR. Given that we expect cash flow from operations in 2019 will total roughly $2.5 billion, even in the 1 percent RevPAR growth scenario we would expect to be able to improve our leverage ratio very quickly if economic conditions changed abruptly.

While the credit rating agencies use numerous credit statistics to determine a credit rating, probably the most common measure is adjusted debt to adjusted EBITDAR. The agencies adjust debt for operating leases and impute a reserve for potential future guarantee fundings.

We are managing to a 3.0x to 3.25x coverage level consistent with a BBB rating. For the purposes of this presentation, we have modeled all years at a 3.15x coverage level. Given this coverage target, we believe we are appropriately levered today and total debt could reach $9.6 billion to $10.3 billion in 2019.

So that all of you can accurately calculate our leverage if some of your assumptions differ from ours, we show our 2016 leverage calculation here. It's a hybrid of the calculations the various credit rating agencies use. And while not the only measurement we use, it is a good proxy for our debt level management.

While Marriott's strong earnings are certainly compelling, cash from operations should be even more impressive. For this slide, net income reflects roughly $100 million total of after-tax merger-related costs in 2017 and 2018. Such costs include expenses required to merge or switch systems, change management, program management and the integration of our many associate benefit programs.

These costs also include relocation, stock and retention costs for some Legacy-Starwood Associates during the integration. We include these costs in this slide so that they are reflected in our capital structure for 2019 even though they will likely be expensed by the end of 2018. For the three years combined, net income could total $4.7 billion to $5.0 billion.

Share-based compensation ads back roughly $600 million of cash during the three-year time frame. Given our expected capital investment and expected asset sales depreciation and amortization could total $800 million for the three years.

We estimate our cash tax rate will total approximately 31 percent in the three years, excluding the impact of asset sales. Of course, while the amount of taxes we pay on the sale of an asset will vary depending on its tax basis and jurisdiction, we are assuming an average of roughly 20 percent tax rate on sale proceeds. That results in a net negative $200 million adjustment for cash taxes.

We estimate $100 million to $200 million for both favorable operating profit adjustments and working capital changes from 2017 to 2019. We expect our loyalty programs will generate roughly $700 million in cash over the three-year period as members accrue points faster than they redeem them. In total, net cash from operations could reach $6.8 billion to $7.1 billion for the three-year period.

As we consider investments we, of course, focus on value. All investments go through a very rigorous financial review. We invest where we expect returns will exceed our cost of capital and apply higher discount rates to cash flows as the risk of recovery or recyclability increases. We do not make investments to meet rooms growth targets. We make investments to drive shareholder value.

When the opportunity is attractive, we may buy an existing hotel or develop a new property for strategic purposes. Our motivation behind these real estate purchases is to ultimately recycle the capital and obtain a long-term high quality management agreement. Often these investments enable us to enter a strategic market and enhance growth prospects for a brand.

On those occasions when we do buy or develop a hotel we always consider the prospects for the sale of the property.

Given our strong cash flow over these three years, we expect to be able to invest in our business while maintaining a strong investment grade credit rating. This should keep our cost of capital low, a key competitive advantage.

Finally, we expect to return excess cash to shareholders through both dividends and share repurchases.

We assume that we are going to invest roughly $1.5 billion to $1.7 billion over the next three years with 57 percent allocated to new unit development. This includes key money also known as contract acquisition costs, joint venture investments and mezzanine loans.

While we do not assume we will build or acquire any strategic properties during these three years we may do so from time to time. We expect 27 percent of our investments through 2019 will benefit existing units, largely renovations and upgrades to owned and leased properties. We've estimated we will spend 16 percent on corporate and internal systems. We estimate maintenance capital expenditures across the system will require roughly $450 million over the three-year period.

The pie chart on the right models the form these investments might take. We expect the largest amount, or 45 percent of our investments, will take the form of contract acquisition costs. CapEx accounts for about one-third and note advances makes up about 19 percent and is recyclable. And a small portion will be associated with joint venture investments.

One note of caution on this slide, it's very difficult to forecast investment spending three years into the future. These decisions are guided by our thinking at the time of the investment. As of today, nearly a quarter of the investment spending is a placeholder for as yet unidentified projects. Obviously, both the amount and nature of specific investments will depend on the opportunities presented. If we spend less, which we have historically, we have the flexibility to return more to our shareholders through share repurchases or dividends.

We remain committed to recycling capital and expect to recycle $2.3 billion to $2.5 billion over the three years. This includes the sale of Marriott and Starwood assets for roughly $1.6 billion as well as note repayments.

Also, we expect to reduce our cash balances by $600 million from nearly $900 million at year-end 2016. If we maintain a 3.15x adjusted debt to adjusted EBITDAR ratio we expect to have the capacity to borrow another $700 million to $1.4 billion.

Combining our cash from operations, capital recycling, excess cash balances, net debt and other, we estimate $9.8 billion to $11 billion of cash would be available for investment. From that $9.8 billion to $11 billion, we deduct investment spending. That gives us between $8.3

billion to $9.3 billion of cash during the period 2017 to 2019 to either use for opportunistic investment or return to shareholders.

For purposes of this model we assume about $1.5 billion will be paid out in dividends over the three years. This is consistent with our historical payout ratio of about 30 percent. This would leave $6.9 billion to $7.8 billion for share repurchases.

Assuming this level of share repurchases our diluted weighted average share count could drop from about 394 million diluted shares in 2016 to a range of 330 million to 338 million shares in 2019 depending on the RevPAR scenario, a 14 percent to 16 percent reduction.

Given these assumptions, 2019 diluted EPS could range between $5.25 to $5.80 depending on the RevPAR assumption. This translates to a compound annual EPS growth rate of 17 percent to 21 percent.

Two and a half years ago, we gathered in Washington, D.C. and presented a model for 2017 that showed strong EPS and EBITDA growth based on the same asset-light business model. Today, we look to 2019 and continue to see significant growth opportunities and meaningful cash flow in the model we presented today. Our model works well and our business is just not very volatile.

We also believe there are meaningful additional synergies that we've outlined today but not yet included in the model. We are very bullish about our prospects following our recent Starwood acquisition and are excited about the value we see ahead.

All in all, the underlying strategy of bringing these two great companies together remains sound and we are excited about the increasing benefits of the transaction for guests, owners, franchisees, associates and, of course, our shareholders.

Now before I ask Arne, Stephanie and Tony to join the stage to address any questions you have, I'd like to just take a moment to recognize the team that really made today happen. I'm sure you can imagine the work that goes into producing a day like today, and Laura Paugh who is down there, if you could raise your hand, who is the clear icon in our business in Investor Relations, and Betsy Dahm and Laura Pearce who are the stellar team behind Laura, if I can ask you to raise your hand.

You know in addition to putting this day together and making sure that we all got our act together, you think about what's gone on over the past six months in terms, or actually I should say past year and a half, but for sure over the past six months, in terms of putting out twice the combined Company's earnings quickly, shortly after close, as well as explaining $13 billion in purchase price allocation adjustments to the balance sheet, and putting together combined Company results for the last eight quarters, so that you've got information to really be able to measure the Company's performance against. And it really is just absolutely dramatic pieces of work. And I really thank you.

With that if I could ask my colleagues to join me and we will take your questions. Thanks.

QUESTION AND ANSWER SESSION

Laura Paugh: Thank you, Leeny. I have to say at Marriott it takes a village, and there's a lot of us that go into putting all this together.

So, we want to take your questions from the audience. I think we have got some microphones in the aisle ways. Please wait for a microphone before you ask your question so that all your family and friends on the webcast can hear it. And I will start, let's see, got any hands? There's some down front.

Robin Farley – UBS: Thanks, Robin Farley with UBS. My question is outside of this three-year set of goals you've put out, what would you say is the three biggest things? You mentioned potential synergies, what pieces and potential upside are you not including in that?

Laura Paugh: Arne, do you want to take that one?

Arne Sorenson: Well, it certainly starts with a top line for existing hotels. So you saw the slide about the difference in RevPAR index between the Legacy-Starwood brands and comparable Legacy-Marriott brands. We have, obviously, tremendous focus on the loyalty program and how the loyalty program should drive larger share of wallet for Marriott going forward than the two companies had in the past.

Similarly, I think we will put together the global sales force which should be largely accomplished by April 1 of this year, which will allow us both more efficiently but also to call on more large customers around the world. And I think beyond that, you get to questions like old-fashioned res offices, reservations offices, we have a dozen or so…

Stephanie Linnartz: 24.

Arne Sorenson: …24, we are going to have a dozen.

Stephanie Linnartz. Right. 24 right now…

Arne Sorenson: I shouldn't have announced that, I don't know what we are going to have, we have 24 today. But we will get better through those offices, too, and being able to cross-sell the entire portfolio to customers who call or who we have relationships with.

And we haven't held out today a target for how we expect to drive RevPAR index going forward. We anticipate that there are many in this room who would love for us to have done that. We have not in part because we want to be cautious and deliberate about holding out expectations that make sense for us. And that's a harder thing to predict than margins, because it depends on the strength of that loyalty program.

Beyond that then you'll get to questions about margins. Leeny's presentation talked about even the first very preliminary moves we've made to drive about a 50-basis point improvement for owned hotel returns margin, improvement on the existing hotels. There are many more things that we have yet to identify and implement that should further drive margins. And I think those are the things that we could be most specifically questioned about not having provided better or more aggressive numbers on yet. But stay tuned for that, we will keep you posted on that.

I think beyond that then you get to things like how do those improvements drive unit growth. I think you will appreciate that 285,000 to 300,000 rooms in the next three years is already a pretty sizable growth number. And I think to some extent where this should lead to greater growth would be in 2020 and beyond. Maybe a little bit in 2019, but more of what are the deals that we are going to be signing now in the next year or two or three after hopefully we prove that we are even better.

And the last thing I guess would be to call out again this credit card power. And, obviously, we are making a significant amount of money off that program today. We expect to be able to make more, including within this time frame, but we need to get through those negotiations before we can quantify it.

Joe Greff – J.P. Morgan: Thank you all for hosting this. This is Joe Greff from J.P. Morgan. You said outside of the three-year forecast, is any potential benefit related to renegotiating the two co-branded credit card deals. Earlier in your comments, Arne you mentioned that what was contemplated in last year's results are terms that are below the current market terms. So maybe you can help us to try to understand the opportunity outside you renegotiating better economics, which is, were quantified at low market terms under the co-branded credit card fee generation of $173 million market at today's terms, is that another 15 percent, another 20 percent just to get some sort of mathematic sense of where you are?

Arne Sorenson: It's more. It's more.

Joe Greff – J.P. Morgan: Could you clarify…

Arne Sorenson: I love, Joe, that you are asking this from J.P. Morgan.

{LAUGHTER}

Joe Greff – J.P. Morgan: Maybe a different area…

Arne Sorenson: No, I understand. We have, obviously, a tremendous relationship with J.P. Morgan Chase on the Visa card through Marriott Rewards and through Amex on the SPG American Express card. And we are in discussions with both of those partners now. And we are going to hold back until we start to quantify the upside here because we want to go through the process in a way that is respectful to our partners. And we've got some more ground to hoe before we can do that. But we think there is upside that will be worth talking about.

Joe Greff – JP Morgan: So you have $100 million of cumulative growth in that line item in your presentation. Does that take you to market terms?

Arne Sorenson: No.

Leeny Oberg: No, that's just normal growth in the normal business. That's existing agreements today as if they kept going with the normal growth in the business.

Thomas Allen – Morgan Stanley: Hi, Thomas Allen with Morgan Stanley. When you bought Starwood and there were some concerns that there was a lot of investment spending to turn around the Sheraton brand and maybe improve some of the other brands, with your new three-year plan attrition levels will be still around 1 percent. It doesn't seem like it will be any significant increase in CapEx. How do you feel confident in that?

Laura Paugh: Tony, do you want to try that one?

Tony Capuano: I only add rooms, I don't delete rooms, but I can try. I think if you look over the last number of years, the Legacy-Marriott deletions have been closer to half a point. And so you do see an uptick in the deletions in the model, which I think is reflective of some of the factors you described whether it be Sheraton or some of the other Legacy-Starwood brands. Leeny, I don't know if you want to take the investment spending piece.

Leeny Oberg: So a couple more things. When you think about the 40,000 rooms that we've got in the deletions, the 1 percent deletions that we've got in the model, for what it's worth, we have weighted them a bit more towards Legacy-Starwood assets, assuming that we would need to go through the process to some extent and that it may be that there's a little bit higher rate of deletions relative to the weighting of the two portfolios.

The other comment I would make is that I can't say that we really have seen that there are disproportionate investment spending plans that were halfway in place when we took over. And I think it is the work that we are doing now by going hotel by hotel and visiting them to have the discussions with the owner and understand the situations of each hotel will be critical. But a lot of what we are doing here is coming up with synergies, both on the top and the bottom line of the hotels, that we think will help encourage owners to reinvest in their properties.

Similarly, the good news is with 30 brand is we've got some choices. And to the extent that for whatever reason it may not work to be at a certain level RevPAR in a market, perhaps it's a Delta hotel that that hotel needs to turn into. So, we think we see lots of opportunities, lots of work to be fair but lots of opportunities there.

Thomas Allen – Morgan Stanley: And recognizing that you don't want to give the exact number around potential RevPAR index gains, you've, obviously, done a number of acquisitions over the past few years between Protea, AC, Gaylord, any metrics from those acquisitions we can use to think about the opportunity?

Arne Sorenson: I think this is very different from those deals. Obviously, we went through a number of deals that we have done recently. This is bigger by a lot. It is multibrand. None of those others were multibrand and Starwood had a tremendous loyalty program. And by and large in those other deals we were acquiring companies that had maybe a customer recognition program but not the loyalty program with the kind of strength that Starwood's does, which makes those deals I think not terribly instructive about what we can expect here.

We do think, though, that for this deal to be viewed by us as being successful, let alone by folks like you in this room or by our hotel owners and franchisees, we are going to have to deliver measurable material increases in RevPAR index and in margin performance over the course of the next few years. So we are not talking about a few tens of basis points, we are talking about something better than that. But, again, you will have to stay tuned with us as we go through this.

Harry Curtis – Instinet: Hi, it's Harry Curtis at Nomura Instinet. I wanted to drill down a little bit further on the Sheraton refurbishment and put it in context with the refurbishment of Courtyard a number of years ago. Three questions. What are your expectations for how long it will take to bring Sheraton to the same level that you brought Courtyard? Secondly, who pays for it? And third are we going to see the same kind of impact on incentive management fees that you had when you renovated the Courtyard hotels?

Laura Paugh: Leeny, do you want to try that one?

Leeny Oberg: So a couple of things. Let's start with your first, and that is that this will take some time. This is a process where, and again, frankly, it is a bit more complicated than the Courtyard because these are in many cases hotels that are much bigger, much more complex, much more unique situations, so from that perspective we would expect that it would take several years to work through it.

And, again, as I was saying earlier, I think we believe strongly that there will be very real demonstrable returns for the owners to make the investments in these properties to get the brand up to where we think it should be. Now that is, obviously, an ongoing dialogue and there will be discussions with the owners as we work through it. Could it be the instance where here or there Marriott participates in some way, shape or form? It's certainly possible but I wouldn't expect that it has a meaningful impact on our CapEx, on our investing.

Arne Sorenson: Incentive fees?

Leeny Oberg: Incentive fees. It depends on really whether you are talking about North America or outside North America, and in North America there are clearly owner priorities. The Starwood portfolio of managed hotels have a meaningfully lower percentage of hotels earning IMF. Part of this is because we've got a bunch of limited-services hotels in the Legacy-Marriott portfolio that, frankly, Starwood doesn't have because they didn't have as big a limited-service portfolio. But even apart from that, there is clearly a difference in the percentage of hotels earning IMFs, Starwood versus Marriott in the legacy portfolios.

So I'm not sure from that perspective that [in giving up some IMF] we necessarily would be giving up that much. Of course, we would only be working at these through in a way that we would be looking at contracts where there are extra things like additional term to make investments such that it's something we believe that is additive to shareholder value. So I would not necessarily expect that there would be a meaningful impact to incentive fees.

Arne Sorenson: I would jump in here, there are two things that I think you should be encouraged by. One you heard from Stephanie's presentation this morning when she talked about of the 25 bottom hotels that were looked at, nearly 20 we feel almost immediately good about getting renovated and repositioned on brand standard or landing in brands where they have an easier fit and not losing any of them. And I think generally, I can't say that there were no anticipated Marriott investment dollars in there, but essentially no material investment by Marriott. This is sort of natural course.

The second thing, and I've mentioned this to a couple of people in formal conversations around today and in prior conversations, Starwood did really great work around Starwood standards but they did not pull the trigger. We heard after the transaction was fully negotiated that there were instances in which the operating team came in and said, okay, we've got a Sheraton Hotel that doesn't meet standard. We need to get it out of the system and essentially the caution back from the leadership was “we can't afford to lose the units”. And so the public executions never happened.

And we intend to be collaborative with our owners and franchisees in making sure we definitize the brand standards, communicate them, make sure that there's a reasonable period of time out there for them to meet those brand standards. But we will have some public executions for those that don't step up and meet those brand standards. And there is nothing like a public execution to send a message across the system that these are standards that are meant to be met. And, again, if we can deliver index growth and margin growth and good performance we have every reason to believe that over time that capital will be invested to get those hotels up to snuff.

Rich Hightower – Evercore ISI: Good afternoon, everybody. Rich Hightower, Evercore ISI. So this is a question for Tony on the development side. I guess of the portion of the global pipeline that is not currently under construction, I would assume that the portion that's under construction is more or less fully funded, so lending would not be an issue for those hotels. But of the portion that is not under construction, are you seeing an uptick in the availability of commercial lending capacity among the banks whether in the U.S. or globally or have you seen any changes in the last few months given what's happened in this country? Just generally speaking what you are seeing on that side of the environment.

Tony Capuano: Yes, I think even beyond the impact of the election, over the last six to 12 months we've seen a continued modest tightening in the availability of debt for new construction. With that said, the lenders that continue to lend are focused on sponsorship, brand affiliation and real cash equity going into these deals. And I think that's why you continue to see at least as strong a pace of construction starts in North America for Marriott branded hotels as we've seen over the last year or two.

Laura Paugh: We have a question from the web, one for Stephanie. Stephanie, 100 million loyalty members. How big can it get and how important is it to driving RevPAR index?

Stephanie Linnartz: Good question. You know, I think that the loyalty program can get quite large. It has grown remarkably over the past several years, notwithstanding the Starwood deal which gave us a big bump in terms of the number of members.

So it also can grow quite quickly as we think about the partnership deals we do with players. We did something big with Alibaba, for example, in China to really target a subset of their guests that travel a lot and got them engaged in our loyalty program. We were able to really increase the number of members in our program, valuable members who travel very quickly.

So I think as we explore opportunities to partner with players of that nature we can grow the program at a rapid pace with valuable people who travel, profitable members. In addition to, of course, signing people up through our own channels, through our hotels, through our website and through our apps.

Arne has talked about this many times that the loyalty platform, and I use the word platform besides just the program word, is incredibly important to driving the top line and what we are trying to do is to make the program stickier and more engaging continually. So I think the thing we announced this morning with PlacePass is an example where we want to be able to provide more value to customers so that they are more engaged with us not just when they are traveling for a hotel stay but when they are planning and dreaming about travel, when they are actually booking, when they are on property and afterwards. So we will continue to think about the loyalty platform beyond just the stay at the hotel in a way to get consumers to engage with us. And at the end of the day it's all about, as Arne mentioned, getting more share of wallet. It's shifting business away from the competition into our program.

The last point I will make is to reiterate what I said during my remarks, with 30 brands and 6,000 hotels in 122 different countries, so much diversity of choice in terms of price points and brands, we want to make it such of the there's no reason to join another hotel loyalty program because we have really everything you can possibly want.

Ryan Meliker – Canaccord Genuity: Thanks, Ryan Meliker with Canaccord Genuity. I just wanted to ask over the past few weeks we've gotten a lot of articles in the press surrounding inbound international travel challenges tied to either the travel ban, FX headwinds or even just broader nationalist sentiment in the U.S. and abroad. Can you just give us any color on whether these are major concerns for you, whether you are seeing anything across your business and if you are able to delineate the impact from those three factors, whether the global travel ban is really an issue here in the U.S., whether it's just nationalist sentiment or just FX headwinds? Thanks.

Arne Sorenson: So we had a few statistics in my presentation early this morning. Not surprisingly, decline in international visitation from the Middle East and decline from Mexico we've already seen. We have not seen, when you look at all sources of international arrivals to the United States, a decline that is worrisome. We are watching it like a hawk. To state the obvious, the language around these issues and the sentiment around these issues is not a positive thing. We wouldn't expect that it's going to by itself increase inbound travel to the United States.

But we also think that it's really important to get good hard data before we really engage in a public conversation about the policy, if you will. I think to some extent the data may be encouraging at the moment because by and large it's international leisure arrivals to the United States which are going to be most impacted, not business travel. Leisure travel tends to have a longer lead time, so a number of the stories that we have all seen in the press over the last few weeks are focused not on bookings but are focused on searches being done in various markets around the world for searches that appear to be related to desired travel to the United States. And there a number of folks have reported that the searches have come down.

We are going to have to watch it over the course of the next number of months. I would guess that the summertime will be a particularly important time to make an assessment of. And we will have to see then whether or not we can identify what the impact is of policy and what the impact is from currency. And, obviously, both logically could well have some impact, but we will be out there as the data become clearer for us to talk about.

Jared Shojaian – Wolfe Research: Hi, it's Jared Shojaian from Wolfe Research. Arne, last quarter you talked about how there were signs that the macro-environment was improving but really haven't seen it show up in RevPAR just yet. Now that it's about another month since you've reported earnings, just curious if you can give us an update on what you are seeing and I guess why haven't we really seen RevPAR materialize and re-accelerate with a lot of the business optimism that we've seen since the election? Thank you.

Arne Sorenson: Our view is about the same as what we described in our earnings call at the end of February. When was it exactly? Something, about a month, not even a month ago maybe.

We do still pick up some anecdotes here and there which are encouraging, but they are anecdotes. And when you look at the data, Smith Travel came out yesterday or the day before with February industry RevPAR numbers, and you can see there, too, they are not numbers to write home about. They show a business which continues to bump along at very low but positive RevPAR growth. Why? I think the optimistic answer to that is it takes a quarter or two before that optimism shows up in a business like ours. It is the improving sentiment which ultimately leads to increased investment, increased travel, particularly from business customers that will at some point in time show up in our business.

The less optimistic answer to that is optimism by itself doesn't necessarily mean anything. It depends whether that optimism is motivating behavior that will then lead to greater corporate profits or greater GDP growth or something else which will show up in our business. And the inability to really answer the -- pick one of those two -- with tremendous clarity is why we continue to be fairly cautious about 2017 expectations.

But also, as you look at the RevPAR numbers that we've used in the three-year model we talked about today of plus 1 to plus 3, those are the lowest RevPAR numbers we've used in any one of these three-year analyst models that we've done over the last 15 years. So that is reflecting a continued non-recessionary but fairly anemic GDP growth environment in the United States. Probably a little bit different conditions in different places of the world.

Felicia Hendrix – Barclays Capital: Hi, Felicia Hendrix from Barclays. Kind of a two-parter. First, on the asset sales it seems that you are assuming -- you mentioned $1.6 billion in proceeds and then about $147 million in lost EBITDA. So the implied multiple seems a bit low relative to where market comps have been lately. So I was wondering if you could address that? And then just separately maybe Tony you could talk about how you are reducing the cost to build the Aloft and Element for the developers. Thanks.

Leeny Oberg: Sure. I will start on the asset sales. As we've talked about before, we look at it fairly holistically in terms of thinking about the asset sales. So remember in many cases what we are trying to do is not only make sure that we are recycling the capital in a way that is the, frankly, highest and best use of that capital but also thinking about the actual property. In many cases the property actually needs real renovation. And I can use several examples that when we have actually sold a hotel that comes along with a property improvement plan that, frankly, can be as much as 20 percent of the purchase price of the hotel so that the implied cap rate is actually much better when you take into consideration the capital that's going to be invested upon the purchase of the hotel.

The other thing I will say is the $147 million is really a mix. It's not all Starwood hotels. We have assumed a real mixture of what we think we will recycle over the next few years. And from that standpoint it could include several hotels that are truly in markets where, believe it or not, that sort of cap rate would not be unrealistic. But overall I would think within the context of additional capital that could be going into the properties. Then the other question.

Tony Capuano: Sure. So broadly probably the lowest hanging fruit is simply to leverage the economies of scale from a procurement perspective, which we think can carry some real value. On a more granular basis, Karim Khalifa, who you may have met in the back of the room by the Igloo, has literally been deconstructing and reconstructing the prototypes for both brands, taking all of our learnings and all of our expertise from Courtyard and Residence Inn. He can give you tons of examples. One easy example, we looked at the wiring, electrical wiring requirements in Element and without really changing the specs but looking at some of the efficiencies we've identified through hundreds of Residence Inns we found about $750,000 of cost savings. And so we are going through every element of that prototype and trying to find ways for our owners to build more efficiently.

Laura Paugh: We have time for one more question. And then we have plenty of time for questions, by the way, during our reception.

Stuart Gordon – Berenberg Bank: Good afternoon, Stuart Gordon from Berenberg. I think you spoke in one of the presentations that the 2016 franchise fee is 5.2 percent versus new contracts at 6 percent. Now just a back-of-the-envelope calculation on the numbers you gave suggest there is no change to that franchise fee through 2019. First, can you confirm that? And, second, what would be your aspirations towards closing that gap?

Tony Capuano: Do you want to take the first half and I will take the second half?

Leeny Oberg: So when you think about the fees that we've got, we have been able to increase the royalty fees on several of our brands over time. And what we've put in the model is, basically reflects, frankly, a straight-out calculation of the new rooms that we are adding and what we would expect that to be by the time we get to 2019. So some of it is a shift, an actual just fundamental shift in what you are seeing of the makeup of the portfolio. But as we see what we have been able to do on the franchise fee royalty rates, we've actually been quite pleased at, over the past number of years, that we have been able to take several of the brands and increase the royalty rate.

Tony Capuano: And I think aspirationally I would refer a little bit to the slide that Arne had in his presentation that showed the relative RevPAR index of some of the Legacy-Marriott brands versus some of the corollary Legacy-Starwood brands. And as we continue to grow index for those brands I think it's a reasonable expectation that our owners will look at those improved performance and come to expect some moderate increases in our royalty fees as they have seen in the improvement of some of the Legacy-Marriott brand index numbers.

Laura Paugh: Arne, do you have any final remarks for the day?

Arne Sorenson: Thank you all. Let me start by adding to Leeny's thanks to Laura and Laura and Betsy. You all do extraordinary work for us from an Investor Relations perspective and we hear it from this crew all the time. You all should know that Laura is particularly fearless internally as well in giving us good counsel and advice, sometimes in simply saying, “what are you talking about, that doesn't make any sense". And always it is in an effort to make sure that we are providing as much transparency and predictability as we can for you.

I remember when we did the first of these conferences not quite 20 years ago we had some debate about giving a three-year model. And at that time as well as today folks said why are you even providing guidance for this year? How could you go out and provide something which we say is not guidance but it is a relevant model that is three years in length? We do that because you own our Company and we want to make sure that you understand it as well as you can. Not necessarily that you see all the sausage being made, so we have got, obviously, internal conversations which continue with some volume around index growth and margin growth and the other things that we are doing. But once we start to get to places where we have some set of targets and goals we want to make sure that we share those with you so that we can make sure you understand the direction we are going, help you evaluate the investment and help you evaluate us.

I think in the same boat our philosophy has been for a long, long time that because you own the money you own the capital that this business produces. And if we have got uses for that capital, which we think we can seize that create shareholder value, we will do it. And where we don't have enough of those uses that capital will be returned to our shareholders either through dividends or through share repurchases.

We think that we've got an extraordinarily exciting time ahead of us. We deliberately started this morning by talking a little bit about global travel trends because we think both based on global wealth demographics and based on increasingly people's desire to have more experiences than stuff, maybe partly that's because they want to share it on social media, maybe that's partly because they believe it's more essential to collect experiences than things. But we think those things give us tremendous tailwind. And then with the platform we've got with the ability to we think drive improvements across our brand portfolio, across the operating structure and across the loyalty program, we end up with a future which is extraordinarily exciting.

We are as a group the 50 or so of us from Marriott that are here today and part of this I think without exception turned on with enthusiasm about what the next few years bring. And we as always appreciate your interest in that story. We appreciate any feedback you have for us. Any advice is always appreciated, but we will do our best for you in the years ahead. So thank you for coming.

Laura Paugh: Thanks for coming.

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