Operator: Ladies and gentlemen, thank you for standing by, and welcome to Marriott International's Second Quarter 2020 Earnings Conference Call. Today's call is being recorded. I will now turn the call over to Arne Sorenson, president and chief executive officer. Please go ahead, sir.

Arne Sorenson: Good morning everyone and welcome to our second quarter 2020 conference call. I hope everyone is safe and healthy during these difficult times.

Joining me this morning are Leeny Oberg, executive vice president and chief financial officer, Jackie Burka McConagha, our senior vice president, investor relations and Betsy Dahm, vice president, investor relations.

I want to remind everyone that many of our comments 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. Statements in our comments and the press release we issued earlier today are effective only today and will not be updated as actual events unfold. Please also note that, unless otherwise stated, our RevPAR and occupancy comments reflect systemwide, constant currency, year-over-year changes and include hotels temporarily closed due to COVID-19. You can find our earnings release and reconciliations of all non-GAAP financial measures referred to in our remarks today on our investor relations website.

The lodging industry continues to be profoundly impacted by the COVID-19 global pandemic, and the current operating environment remains quite challenging. Second quarter worldwide RevPAR was down 84 percent. While April RevPAR fell 90 percent, the toughest year-over-year comparison on record, demand has risen steadily since then. RevPAR declined 85 percent in May, 78 percent in June and 70 percent in July.

Many of our hotels that were temporarily closed due to COVID-19 have now re-opened. Today 9 percent of our global properties remain closed, compared to more than 25 percent in April. Since April, occupancy levels have increased each month in every region around the world, albeit at varying rates. Global occupancy in July hit 31 percent for all hotels, increasing 19 percentage points from April; and occupancy in July for the hotels that were open for each of the last four months reached 39 percent, growing 23 percentage points over that period.

1 Not a verbatim transcript; extraneous material omitted and edited for clarity and misstatements.
There is still no visibility around when RevPAR could return to 2019 levels. However, the global industry trends experienced over the last couple of months give us confidence that people will continue to increase their travel. We are optimistic that the second quarter will mark the bottom and that the worst is now behind us.

Greater China, which represents 9 percent of our rooms, over 90 percent of which are managed, is leading the recovery and has seen rapid improvements in occupancy and new bookings. With the virus mostly contained at this point, many domestic travel restrictions have been lifted, and the number of daily passenger domestic flights is now around 80 percent of pre-COVID levels. While leisure and drive-to destinations led the initial recovery, it is encouraging to see business transient as well as group also picking up nicely. Occupancy levels in Greater China have reached 60 percent, up significantly from the single digit levels in mid-February, and much closer to the 70 percent we saw at the same time last year. RevPAR has followed a similar trajectory. After declining 85 percent year over year in February, RevPAR in Greater China improved to down 34 percent in July, averaging over 10 percentage points of improvement per month.

At the current rate of recovery, and assuming no wide resurgence of COVID-19, the Greater China market could approach 2019 occupancy and RevPAR levels as early as next year, even assuming limited international guests. In 2019, nearly 80 percent of its room nights were sourced from guests within Greater China.

Trends in the rest of Asia Pacific are improving at a slower pace, as countries are in various phases of reopening and as certain borders remain closed. But the recovery of travel in Greater China demonstrates the resiliency of demand once there is a sense that the virus is better under control and restrictions can be safely lifted.

In North America, 96 percent of our hotels are now open. We are experiencing a steady recovery across all chain scales, although the rate of recovery within markets and by hotel type has varied tremendously. In 2019, domestic travelers accounted for 95 percent of North American room nights, a benefit in the current environment. Leisure demand has been strong in resort areas, as well as in secondary and tertiary drive-to markets. Not surprisingly, our extended stay hotels have experienced the fastest pace of recovery.

New bookings in North America have been building nicely, led by near-term leisure transient reservations. Despite the recent surge in cases in some states, consumers are increasing their travel. While U.S. airline passenger traffic is still well below last year’s levels, the number of air travelers the last two weeks of July was more than triple that of the first two weeks of May. And systemwide North American RevPAR continued to improve in July to a year-over-year decline of 69 percent, which is 7 percentage points better than June.

Historically, leisure has made up roughly one third of our total room nights in North America. The more interesting part of this statistic is that the monthly variance in that percentage is
actually quite small. In 2019, the estimated proportion from leisure was around 36 percent during the summer and only declined to 32 percent in September and October. We expect that solid leisure demand will continue through Labor Day in North America and could continue into the fall as employers and schools alike operate remotely.

Business transient and group demand in North America, while lagging, are showing very early signs of improvement. For now, the group bookings outside of those associated with our caregiver and first responder programs tend to be mostly smaller ones such as weddings or travel sports teams.

Our Europe, Middle East and Africa region, or EMEA, and our Caribbean and Latin America region, or CALA, posted the lowest occupancy levels and steepest RevPAR declines in the second quarter. Severe restrictions following rising rates of COVID cases in many countries, combined with a much higher dependence on international travelers in these regions, have suppressed demand in these regions. In 2019, the percent of room nights from international travelers was around 40 percent in Europe, 50 percent in the Middle East and Africa and 60 percent in CALA.

75 percent of our hotels in EMEA and 70 percent in CALA were closed for most of the second quarter. Trends in both regions have started to improve recently, as the prevalence of cases drops and border restrictions ease. Many of our hotels in these regions are welcoming guests again, with under 30 percent remaining temporarily closed.

On the development front, owners are showing great interest in our brands, with Greater China again out in front. Greater China contributed nearly one-third of deal signings in the first half of the year, with the entire Asia Pacific region accounting for roughly half of all signings. Owners in the region are taking a long-term view on the market. Year to date we have signed 30 percent more deals in Asia Pacific than we did in the first half of 2019.

The pace of signings is not as robust in other regions around the world, largely due to the lackluster lending environment and owner uncertainty. We cancelled one of our monthly deal approval meetings in the spring, which reduced our signings year to date. But we are having productive conversations with owners and franchisees who want to move forward. Some are hoping to see lower construction costs in the weaker economic environment for new builds, while others are interested in conversions to our brands.

Our pipeline totaled approximately 510,000 rooms at the end of the second quarter, with over 230,000 rooms under construction, or around 45 percent. The pipeline is 1 percent lower than at the end of the first quarter, with the slowed signings and a few more projects than usual put on hold.

While construction activity has resumed in most parts of the world, we still expect some openings will be delayed due to slower construction timelines and supply chain issues related to COVID-19. There is uncertainty surrounding future worldwide rooms growth, but given
current trends, we could see net rooms growth between 2 and 3 percent in 2020. The final result will depend a great deal on the way the pandemic plays out around the world in the remainder of the year.

Over the last several months, we have enhanced our liquidity position and materially reduced our cost structures at both the corporate and property level. We are in constant dialogue with our owners and franchisees and are working together to navigate these extremely challenging times.

As demand returns, we are adjusting our operating protocols and ramping up our business in a thoughtful way. First and foremost, we are focused on the health and safety of our associates and guests and on communicating these important efforts. We continue to enhance our cleanliness guidelines to meet the health and safety challenges presented by COVID-19. We have mandated that all hotels have electrostatic sprayers to help quickly disinfect public areas, and all properties must submit a monthly commitment to clean certification. And we are increasingly leveraging technologies like mobile check-in, mobile key and mobile chat between guests and hotel associates to reduce face-to-face interactions while amplifying operational efficiencies. Additionally, we’ve announced that guests are required to wear face coverings in the public spaces of our hotels in the Americas, a policy that is also currently in place for our associates globally.

We are stepping up our marketing efforts around the globe as demand improves. Each region is carefully monitoring social, economic and travel trends and implementing a phased-in approach based on local consumer sentiment and travel intent.

With over 143 million members globally, Marriott Bonvoy, our award-winning global loyalty program, underpins all our marketing strategies. We remain focused on engaging our members, with targeted email campaigns and various promotions, such as points accelerators on our co-brand credit cards for gas, dining and groceries, gift card discounts and our current Bonvoy Boutiques sweepstakes for items like bedding and robes. For elite members, we have extended their status through early 2022 and, in June, credited their accounts with a one-time deposit of elite night credits, allowing them to reach the next tier faster.

Before I turn the call over to Leeny, I must take a moment to say how proud I am of our incredible team of associates around the world. This has been a time of tremendous stress and uncertainty, yet our teams continue to impress and inspire me. I also want to comment on the current social justice movements. As we said in our recent statement, “We Stand Against Racism,” we believe that racism should be eradicated. Our company believes in equality, justice and putting people first no matter what they look like, where they come from, what their abilities are or who they love. My management team and I are deeply committed to building on our historic commitment to diversity and to do more to champion diversity, equality and inclusion, both within our company and within the broader community.
In closing, while this was by far the most challenging quarter in the history of our company, I am pleased with our progress. I believe we can look forward to a brighter future for travel and for Marriott. With our unparalleled portfolio of 30 global brands, a superior loyalty program, strong liquidity position, and the best team in the business, I am optimistic about the trajectory of our business in the months and years ahead.

And now Leeny, who has ably led our finance team to buttress our liquidity and to set Marriott up with the strength it needs to survive this crisis, will talk more about our financials. Leeny?

**Leeny Oberg:** Thank you, Arne. I hope all of you and your families are staying well. I also want to express my appreciation to all our associates around the globe for their dedication during these unprecedented times.

This morning I will review our second quarter results and current trends. There is still too much uncertainty around the timing and trajectory of the recovery to give P&L guidance for the rest of this year, but I will provide an update on the monthly cash burn model that I shared with you on our first quarter call.

As Arne noted, second quarter global RevPAR was down 84 percent. Second quarter gross fee revenues totaled $234 million, comprised of $40 million from base management fees, $182 million from franchise fees, and $12 million from incentive management fees, or IMFs. In the first quarter we did not record any IMFs given the significant uncertainty regarding hotel-level full year performance. In the second quarter we had more information and could better predict where hotel performance will warrant IMF recognition for the full year and, as such, we recorded IMF fees. The majority of IMFs recognized in the second quarter were at hotels in Asia Pacific, where there is generally no owner’s priority, with Greater China particularly strong. Almost 65 percent of Greater China’s hotels had positive gross operating profit in the second quarter, due to increasing demand and our ability to control costs. In 2019, over one-third of our incentive fees were from Asia Pacific.

Within franchise fees, unsurprisingly, our non-RevPAR related fees were the most resilient, totaling $107 million in the second quarter, down 27 percent from a year ago. Credit card fees declined due to lower card spend versus last year, while total fees from timeshare and residential branding were relatively flat.

Second quarter G&A improved by 22 percent year over year, and by 35 percent excluding bad debt. Bad debt expense is primarily based on our estimate of future credit losses and is not a reflection of current cash losses. The significant reduction in net administrative expenses demonstrates the many steps we have had to take to reduce our cost structure to align with the decline in revenues in this low RevPAR environment. These steps have included furloughs, reductions in executive pay, and reduced work weeks throughout the organization.

We reported positive Adjusted EBITDA of $61 million, which includes $36 million of bad debt expense. We were pleased with our lack of cash burn during the second quarter, especially in
light of the 84 percent decline in RevPAR. The additional monthly fees we earned moving from our 90 percent RevPAR decline cash burn model to the actual 84 percent decline were better than the $2 million per point per month estimate, as a result of incentive management fees and a bit better credit card fees. Favorable timing of investment spending and cash taxes during the quarter was also helpful. Lastly, strong working capital management and loyalty cash inflows contributed to our overall positive cash position.

Given that many of our programs and services are funded by revenue-based charges, we are billing the hotels vastly less than a year ago. We have had to dramatically cut our costs to match this decline in revenues, while still providing the required services. We have been able to reduce current breakeven profitability rates at our hotels around the world by 3 to 5 percentage points of occupancy to help our owners preserve cash. From a working capital perspective, owners and franchisees are largely finding enough liquidity to pay these lower bills, albeit more slowly than usual. We continue to work with those owners and franchisees that are challenged to pay on time, and for many, have set up short-term payment plans.

So far this year we have had only a few hotels go into foreclosure, but our management and related agreements protect us and, historically, we have held onto most franchise agreements in that situation as well.

The cash burn scenario that I will outline today is just one scenario and not an estimate of actual results. Please remember that assumptions for certain line items are not paid out evenly throughout the year, so are averages over a number of months this year.

Our overall cash flow is comprised of those at the corporate level and those associated with our net cost reimbursements. The model I walked you through a quarter ago assumed a year-over-year global RevPAR decline of 90 percent, as we experienced in April. It included monthly averages for several categories of spending like taxes and investment spending, and yielded total net cash outflows of around $145 to $150 million per month.

We have updated this analysis assuming a worldwide RevPAR decline of 70 percent, as we experienced in July. The revised model results in monthly cash outflows of about $85 million, a significant improvement of around $65 million, 45 percent better than the prior scenario. Roughly three quarters of the improvement is at the corporate cash flow level, largely as a result of additional fees due to higher RevPAR. In today’s scenario, total monthly fees could be about $110 million per month, versus the $60 to $65 million in fees assuming RevPAR down 90 percent. The impact of a one-point change in RevPAR in our revised model would be roughly $2 to $2.5 million of fees a month, though the sensitivity is not completely linear given IMFs. Improving RevPAR is likely to coincide with higher credit card fees, as well.

The monthly cash outflows at the corporate level include cash G&A costs, investment spending, cash interest, cash tax payments and cash outflows for our owned and leased hotels. Despite the revised RevPAR assumption, the total outflow from these items has not changed
meaningfully from the $155 million we described a quarter ago, although there are some key
timing differences to point out.

Cash taxes in 2020 will primarily be paid in the third quarter, while cash interest will be higher
in the fourth quarter given the schedule of interest payments for our senior notes. Total
investment spending for the full year is expected to be roughly $400 to $450 million, with
higher outlays in the second half of the year versus the first half. The lumpiness of these cash
flows will naturally impact our cash balances in the third and fourth quarters.

All in all, this 70 percent RevPAR decline scenario yields an average total corporate cash burn of
roughly $45 million per month, about half of the $90 to $95 million presented in the scenario a
quarter ago. While the absolute cash burn numbers in this model still reflect a tough operating
environment, the sizeable improvement demonstrates the strong cash flow characteristics
inherent in our asset light business model.

The remaining one-third of the cash burn improvement comes from our net cost
reimbursements. Today’s scenario yields cash outflows of $40 million a month for this
category, versus outflows of $55 million in the original scenario. The improvement is primarily
due to better matched timing of our cash outlays and reimbursements, as well as continued
collections of receivables. This is partially offset by slightly lower cash contributions from
loyalty, given redemptions are expected to pick up as occupancy improves.

Note that this model does not currently include any severance and other payments associated
with our global restructuring initiatives. It is extremely difficult to have to undertake these
efforts, which include a voluntary transition program announced in the second quarter, as well
as additional job eliminations. The extent of the decline in our business, and our expectation
that it will take time for demand to return fully, require these measures.

We currently expect total cash charges related to our above property restructuring activities of
around $125 to $145 million. In the second quarter we recognized $26 million of costs related
to these efforts, of which $6 million was in restructuring and merger-related charges on our
P&L and $20 million was included in reimbursed expenses.

We are still working through the details, but currently expect these restructuring efforts will
reduce total above property controllable costs, which include both corporate G&A and
programs and services costs, by roughly 25 percent. We will know more about the specific
impact on G&A as we work through the 2021 budget process. We are also developing
restructuring plans to achieve cost savings specific to each of our company-operated
properties, including our owned and leased hotels. We expect to implement these plans over
the next couple of quarters.

In addition to focusing on preserving cash, we have substantially boosted our liquidity and
extended our average debt maturities. During the quarter we raised $2.6 billion of long-term
debt and $920 million of cash through amendments to our credit card deals. As part of our
liability management, the $1 billion raised in June was largely used to tender for and retire a portion of our near-term debt maturities.

At quarter-end, our cash and cash equivalents on hand was around $2.3 billion. Adding that cash to the undrawn capacity on our revolver of approximately $2.9 billion, and deducting around $800 million of commercial paper outstanding, our net liquidity was approximately $4.4 billion at the end of the second quarter. We believe our strong liquidity position, cash flow from operations, and access to capital markets comfortably position us to meet our short and long-term obligations.

While there is still a lot of uncertainty and there are many factors impacting our business outside of our control, we are very pleased with the progress we have made in the areas we can control. Many of the steps we have taken have been painful, but the company is in a solid position to navigate through these challenging times. The global recovery may take longer than any of us would like, but the strong recovery in Greater China and trends in the rest of the world show the resilience of lodging demand and make us hopeful about the future.

We all look forward to traveling again and to welcoming all of you at our hotels. Thank you for your time this morning. We will now open the line for questions.

**QUESTION AND ANSWER SESSION:**

**Joseph Greff - JP Morgan Chase & Co.:** Arne, I found fascinating your comments about the new signings in Greater China. Can you talk about what's driving that? And can you talk about maybe the construction cost environment there? And the new signings, how do they compare versus a year ago in that geography?

**Arne Sorenson:** Yes. So, the statistic on the last part of that question, we put in the prepared remarks. So, our signings are up over last year about 30 percent, so -- in Asia Pacific, all driven by China.

And I think the thing to keep in mind in China, one is about the markets generally. Obviously, the recovery is well apace. I think it's easy to be in China and look at COVID-19 as being not a thing of history quite yet because that probably won't happen until we get a vaccine and obviously there are events that come up most recently in Beijing where there need to be some reinsertion of restrictions, but those actions get done quickly. And by and large, the Chinese are back to traveling again. And so, I think you've got much greater confidence about the future in the markets generally.

And I think, secondly, Marriott has done extraordinarily well in China. With the combination with Starwood that we did a few years ago, I think our position in the luxury and upper upscale space, if you use the nomenclature from the United States, is very, very strong with dominant RevPAR index position. And I think we end up with a tremendous share of the new
development in those segments as well as increasing growth, of course, in the moderate tier with Courtyard, Fairfield and the like, which is moving sort of quickly.

And I think, in a way, you can contrast that with the United States. You could see our total pipeline is down 1 percent. And I think if you look at the U.S. and Europe by comparison, we're just much earlier in reacting to COVID-19. And I think given the uncertainty about what the path is out of this, I think people are confident it will get behind us, ultimately, and we'll get back to a different place. But how long it takes, how the lenders respond, what happens with the supply chain, all of those questions are still very much unanswered, I think, in the United States.

**Joseph Greff - JP Morgan Chase & Co.:** And can you talk about -- within the pipeline, obviously, it was down a little bit sequentially and China, obviously, added on a gross rooms basis. How much did you revisit and just come to the conclusion that the likelihood is less today than a few months ago or 6 months ago? Or do you think those discussions accelerate from here? How do you view that?

**Arne Sorenson:** Well, I think the -- a couple of things to keep in mind here. One is that, by and large, just as it's too early to answer questions about exactly what the shape of the recovery looks like in the United States, it's too early to kill projects in the United States. So, what we are not seeing, on the bright side, folks say we've abandoned this project and decided not to do it. I think on the other hand, if you're not financed, you don't have your debt financing or if you don't have all your equity raised for a project even if you've been working on it for a number of quarters, or maybe a year or two, you're probably not able to complete those financing challenges as well as you would have been before COVID-19, to state the obvious. And even if the financing is done, if construction hasn't already started, it well might be that you're sitting there saying, "Well, let's watch it here now that -- over the next number of months and see what happens."

We have told you before that, in April, I think, we canceled our hotel development committee meetings and process in the United States. It seemed to be a, what -- inappropriate may be the wrong word, but an odd a time, I suppose, to be bringing in deals that we couldn't really underwrite in a way to know that they were the kind of high probability we would want in order to add to the pipeline. And to some extent, our partners couldn't really evaluate them in the same way. And so, I think this is a place we watch.

Now the -- I think as recovery builds, as we collectively get more confidence about COVID-19 starting to move behind us, and we can obviously talk more about that in this call, I think we'll see folks who see long-term projects that still make sense, enhanced probably by reduction in costs associated with construction costs and other development efforts. And will probably start to move forward, but it's going to take a while for that clarity to reach the pipeline.

**Robin Farley - UBS Investment Bank:** Great. Two questions. One is -- on the SG&A reductions that you outlined for this year, how sustainable is that into next year and forward?
And then my other follow-up is the commentary on business versus leisure travel. I know you mentioned September and October still decent levels compared to the summer. Could you quantify how Q4 looks versus Q3 for that sort of business versus leisure travel mix?

**Arne Sorenson:** Yes. So why don't I take that -- the latter part first, and then, Leeny, why don't you jump in with the G&A and other spending. We were curious to go back and take a look at leisure in the fall versus in the summer because I think a lot of us have a little more caution around the corporate traveler than we do around the leisure traveler based on the first few months of recovery here. And somewhat gratifying, we see that leisure travel is only about 5 points lower in terms of total hotel mix in September and October than it is in the summer, going from 35 percent or 36 percent to 32 percent, something like that. And what that tells you is, leisure may continue to be a pretty significant source of recovery even as we get past Labor Day and into the fall.

I think the corporate traveler has been interesting, too. We have watched segments over the course of the quarter. All of us in the industry, including Marriott, have talked about leisure being the strongest. But interestingly, special corporate is probably up 5 points in terms of RevPAR decline year-over-year in the last two months, just sort of looking at weekly numbers.

Our guess is that, that is driven by business travel in -- what, in the Midwest more, in smaller companies, more than bigger companies, in aspects of business which are less probably dependent on flying. There is still frustration to me that when we too often see big, big companies, they're making decisions about keeping offices closed for as much as the next year. Frustrating to us because, in a sense, that's just sort of withdrawing from the economy. And while all of us need to make decisions that protect our people and make sure that we're not putting people out in risky environments before it's ready, there is absolutely no reason for us to be making decisions about what offices look like or what travel looks like in the second quarter of 2021, for example.

In any event, I think the way of putting this is that so far in the recovery, every segment has gotten better every month, albeit with leisure and drive-to being the strongest. We see government business up modestly. We see special corporate business up modestly. We basically see that folks are increasingly willing to step out and travel a bit more.

So, with that, Leeny, maybe you want to take the G&A question.

**Leeny Oberg:** Sure, sure. And I'm going to tag on one other thing, Robin, I think you'd find interesting, which is that, remember that November and December typically actually sees the pop-up back up to more summer-like levels for leisure, if you remember how a lot of people do their travel in November and December. So there, again, that kind of goes to the same point.

On G&A, you've clearly seen just substantial moves that we've made this year in really battening down the hatches and making sure that we're putting ourselves in a position to deal with the decline in revenues. What we've done with the work over the past few months is to
really be thinking more broadly about restructuring the company to move forward, knowing
that it needs to be sustainable and knowing that it needs to reflect the fact that it's going to
take beyond '21, at least, to return to 2019 revenue levels.

So in that regard, when you think about -- kind of broadly speaking, if you remember back last
quarter, and I talked about all the reimbursables, a bunch of them were pass-throughs, but
there were about $4 billion of our reimbursables that are around delivering the programs and
services to all of our hotels around the world. And then obviously, you've got G&A on top of
that. And that is the very large pot of costs that we have gone after to try to restructure and put
ourselves in a good position going forward. And that's where -- I think 25 percent reduction in
that full set of costs is what we're expecting.

The details about exactly where that falls relative to G&A, we will work through, through the
budgeting process, so I can't give you a specific number. I think for the rest of this year, as you
know, we've taken dramatic steps this year, whether you call it reduced executive pay, et
cetera. So, I think for the rest of this year, you're going to continue to see these really
dramatically low levels. But giving you kind of sustainable forward numbers, I think we'll work
through that, but I would expect them to be quite substantial.

Thomas Allen - Morgan Stanley: So, Arne, about three weeks ago, you were quoted in the
press as saying you were less optimistic than 30 days prior. Can I ask you that question again?
How do you feel now?

Arne Sorenson: It's a fair question. The -- I guess on some level, I'm -- it depends whether
you're thinking about the virus or you're thinking about lodging recovery, travel recovery. I am
no more optimistic about the virus than I was a month ago, and that's what caused me a month
ago or so to say I'm less optimistic than I was a month before that. I am, however, more
optimistic about the recovery of travel and the recovery of our business.

And I think if you read the news every day, which we all do, it's sort of obvious why that's the
case. The virus numbers are frustratingly high, particularly in the United States, and they
remain high. And it is hard to look across the country and see the kind of, what, strategy that
we'd like to see to have confidence that we can put this thing behind us sooner rather than
later.

Why am I more optimistic about our business? Well, I think if you look at the July numbers as a
whole, and we've put some of those in the press release as well as the prepared script, it shows
a gratifying resilience of American travelers, American consumers, notwithstanding the high
virus numbers, to get back out. And so, first of July, this virus resurges a little bit. We, of course,
immediately have July 4th weekend, which is positive because of its leisure-intensive travel
aspect. And we see a little bit of a pause maybe in the days after July 4th. But as the month
continues, we go back to trend essentially and see occupancy build in each week by a point or
1.5 points compared to the prior week. And we end up with July being about 5 points better
than June in the U.S. occupancy context.
And so that tells, I think, us that notwithstanding the frustration around the virus numbers, the American traveler and consumer and I think, increasingly, the business traveler, too, will say, "You know what, we got to get back and live our life. I got to get back -- I'd like to get back to work. I maybe can't get back to the office depending on where I go to the office." Many of you are in New York, which, of course, has got its own unique set of skills. And I'd just remind all of you, don't assume the United States as a whole has got the same dynamic working as New York does.

New York is less dependent on people driving to work. It is much more concentrated in terms of elevator traffic and the like. It's obviously had high virus numbers, particularly early in the crisis. You get to much of the rest of the country and people still commute to work by car. They tend to work in smaller buildings with less challenge in terms of being able to be there safely. And I think they're more inclined to be stepping back to work and stepping back towards normal life. So that's what makes me more optimistic than I was a month ago.

**Thomas Allen - Morgan Stanley:** And just as a follow-up, are you more optimistic around your net unit growth as you were a quarter ago?

**Arne Sorenson:** About the same, I think. I think it is highly likely that we will see a bunch of these new projects take longer to get to opening than we thought before COVID-19. I -- we mentioned this in one of the earlier questions. I think it's still hard to predict with certainty how much longer those things are going to take, but I think we'd be foolish to think that these projects are going to open as quickly as they would have before.

We will have some increasing opportunities to offset that in the conversion space. And we've got conversations that are up in the conversion space. I would say there, too, it's a little early for conversions to actually start moving. When you look at prior economic cycles, conversion volume tends to step up in weaker environments, but it tends to step up with transactions stepping up. And by and large, while there are increasing number of hotels that are out there under some pressure, we haven't seen many transactions take place yet. And I think as we do, we'll see our conversion adds step up as well.

**Shaun Kelley - BofA Merrill Lynch:** I was just wondering -- Arne, maybe to stick with a little bit of the same theme. In the prepared remarks, you mentioned just in general the business traveler outlook maybe being a little bit more positive. I think you said for both business travel and group. Just any kind of more specificity you could give around what you might be seeing? Is it really that drive-to piece? Any certain markets or areas? And particularly, your thoughts on, obviously, the domestic piece of that would be helpful.

**Arne Sorenson:** Yes. So, looking at the U.S. for a second, and let's make sure we don't oversell this. I want to make sure I get my data. So, I mentioned that special corporate is up 5 points in the last eight weeks. But when you look at RevPAR for special corporate, it's gone from minus 85 percent eight weeks ago to minus 79 percent last week.
So, you're still at numbers which are monumentally negative. And by comparison, if you look at retail, for example, which is where a lot of leisure is going to land, some corporate will land there too, it's obviously the sort of rack rate business, we've seen a 15-point improvement compared to that 5-point improvement in special corporate. And the RevPAR associated with it is down 57 percent compared to the down 79 percent for special corporate.

So, there is improvement, to be sure. And it's measurable essentially week by week, and we would expect it to continue. But we would expect corporate to be slower in recovery than leisure has been so far and probably slower to recover in the fall, depending, of course, on the shape of the virus.

I'm struck always -- we've got a -- we live in Washington, D.C. area, where we're headquartered, obviously. And I've got three kids who live in New York. I've got one that lives in Washington. We have a place on the Chesapeake Bay, where we have spent significant portions of the pandemic. And it's interesting to see the different rhythms. So out in the county seat, out here where you've got lots of small businesses that are operating, they're all back to work. You can see their surface parking lots are, by and large, as busy as they've ever been before.

And the more you get into the central Washington, the more you see quiet. And I think that is a function both of some restrictions locally, but I think it is a function of you get greater conservatism, you get greater reliance on public transportation or other higher risk tools, I suppose, than you do in the smaller markets and the smaller cities. And as a consequence, I think we'll see business travel steadily continue to improve.

I would think, absent some unanticipated thing with the virus or some calendar event, we'll see that -- not just leisure, but we'll see that business travel improves every week as we go through the fall. But it will be a little bit slower coming back. And it's going to be slowest in the places where the population concentration is highest and where the companies are most conservative.

Patrick Scholes - Truist Securities, Inc.: A question on what you might expect for permanent hotel closures. What percent of your system just might not be around in a year or two? And then a follow-up on that is, we noticed the EDITION Times Square closed really quickly once COVID hit. I'm wondering what was -- why so quick for that one.

Arne Sorenson: Leeny, you want to take that?

Leeny Oberg: Yes. I'll start. And then, Arne, feel free to jump in. So obviously, this is all going to take some time. I think what you are seeing so far, quite frankly, is our deletions are below average. If you look at where we were in the second quarter and the first quarter, it's below kind of even the 1 percent to 1.5 percent that we guided in normal times. Obviously though, it's really going to depend, to some extent, on how long the virus persists and in which areas and to what extent, And then, obviously, the owner's ability to get through that.
So, I can't give you a specific sort of estimate. But I'll also say that, so far, we've seen really, really strong capabilities on the part of the owners to be able to find access to the liquidity they need to keep the hotels going. And the banks have shown a clear willingness to kind of essentially press pause for a while. And when you think about kind of the depth of what we've seen, to have really only a very few hotels already in foreclosure, that I think demonstrates the fact that everybody wants to try to see their way through this.

Now we clearly are going to see a bunch of foreclosures through all of this, but that doesn't necessarily mean the hotels close. I think in many cases, what happens is the banks want to preserve the value of the asset, in which case keeping the brand on it is the best way to do that and will do so. And the EDITION is a great example, as you've described, where the lenders have stepped in. And I think you could actually see that hotel reopen, that you saw lots of urban full-service hotels close temporarily to kind of stop and reassess the situation, worked really hard to figure out what the right occupancy breakeven is to be open or not open. And I think that you're seeing more and more of them open up.

So, it's obviously something that is very top of mind for us. We -- our North America team, and all the teams around the world for that matter, are spending just an inordinate amount of time working with the owners, whether it's on kind of short-term payment plans or looking at the FF&E reserves or making sure there's a conversation about our bills and working through the other bills like property insurance, et cetera. But again, I do think that for the moment, it's been a really good pattern for the hotels marching through it. But it does depend a lot on how long this lasts.

**Arne Sorenson:** So, the -- I think it's perfectly put, Leeny. The -- it's a bottom line. I would guess very, very, very few of our hotels around the world will not reopen if they're closed now or fail so profoundly that they close permanently.

Now in a portfolio of 7,500 hotels or 8,000 hotels, even before COVID-19 hits, there are a handful, maybe a couple of handfuls of hotels, where profitability is not sufficient for the long-term viability of those hotels. And they're the ones, not surprisingly, that Leeny and team are working with first in this crisis because they were in trouble before. And when they're in trouble before and you end up with something like this, that's a double whammy.

I actually think that the EDITION Times Square is not the poster child for this. It's a brand-new hotel. It's a beautiful hotel. I'm optimistic actually that, that hotel will open and will be fine. But there are hotels in New York City that were not making money before COVID-19 hit. And some of those closed. And some of them may not reopen because the cost burdens, whether that be labor costs or property taxes or the like, mean that they're -- the owners will not be able to look at them and say, "I can see a path towards profitability that I need to have in order to justify this."
But I think those circumstances are globally and in terms of number of hotels or number of rooms, very, very unusual. And I think over time, while the owners are broadly under significant pressure, and we've got to make sure that we continue to work with them to build back profitability, that the best use for this portfolio of assets -- real estate assets will be as hotels and that they will open and be open for the long term.

**Stephen Grambling - Goldman Sachs Group, Inc.:** This is a bit of a crystal ball question, but how do you think about the impact of work from home if the recent acceleration holds? And as part of this question, what has been the impact from work from home as you look at corporate relationships or in markets where these trends were the most pronounced over the past five to ten years? And if you were to maybe even peel the onion back further, can you see whether those individual customers in those sectors have changed their leisure behavior along with it?

**Arne Sorenson:** Those are good questions. The last one, I don't think we've got data that tells us much yet. We've obviously got many business travelers particularly who are not back on the road yet, who are relying on remote work and/or technology tools in order to continue to work from home and to avoid travel.

I think the statements that you hear from folks frequently that we'll never go back to the office or we'll never go back to travel, I would take with a huge grain of salt. We've heard similar comments in each of the last three crises that we've been through, starting in the early '90s. Obviously, the technology has gotten better and better. But in 2001 and '02 and 2008 and '09, we heard the same theme, which is we don't need to go back to travel the way we've done before.

A difference, to be sure, this time is the remote work kind of context. But you've all got a perspective about this. And I think what we've heard over the last month or so particularly is an increasing level of frustration about remote work. Maybe particularly for folks who are relatively earlier in their career for whom training and networking and pursuit of opportunities depends much more on being present with somebody.

But I think even for others, we have gotten to the point of after two or three or four or five months saying this is not -- it's not as good. We can't maintain our culture. We can't bring on new people. We can't train people. We can't invest in the kind of relationships we need to have with our business partners and with our customers. And I think increasingly, we will see folks say, "We've got to get back out there and get back at it."

And I do think there will be some more flexibility on whether we all go to the office every day when we're not traveling. And we'll see people that can sort of further mix, to some extent, work and leisure. I think there's a piece of that which will be good for us. So imagine that a year from now or two years from now, that week in Florida or week in the Caribbean, which would have been 100 percent vacation and I could only do it once a year. I might be able to do twice a year now because I can go down there for a week and I can do a couple of days of work, concentrated or spread out over the work -- over the week and have my vacation. And to some
extent, I think that blending of leisure and business could actually be an aid as much as a threat to travel. All things considered, we would say that we will build back and see the kind of levels of travel demand that we've had in the past.

**Anthony Powell - Barclays Bank PLC:** A question on group bookings. Have you seen meeting planners start to book for the second half of next year or any part of next year? And how are you approaching booking business for your hotels just generally right now?

**Arne Sorenson:** So, I think the most clear trend -- clearest trend, which is obvious, is that folks that had near-term group business deferred more than canceled, but basically put off those meetings. I think most of our group customers want to have those meetings, and so that's why they deferred instead of canceled. And of course, we've been interested in having them defer as opposed to cancel because we just as soon see that business show up ultimately.

And most of those folks are folks who are engaged in hosting those meetings, and they believe those meetings are valuable and want, ultimately, to have them. I think at the same time, we have seen new bookings for future periods be less robust than they would have been before. Because if they're not already committed to that meeting, they are probably a little less likely to commit until they've got some greater clarity about what the future looks like. What that means is that, so far, we've seen business on the books for 2021 not really cancel in big numbers. We've seen group business on the books for 2020 cancel significantly, and I suspect we'll continue to see cancellations for business that has not been canceled yet -- or deferred yet, is the better word to use, for latter parts of 2020, probably continue to cancel until we get some greater confidence around the virus. And ultimately, when we get to the point where it looks like group meetings can be had safely, we will see both less deferral of business already on the books and we'll see new business come in.

I'd give you one statistic. I think group business on the books for 2021 compared to what would have been on the books in 2020 a year ago is about down 10 percent. I think in some respects, we're likely to see the first part -- the first half of next year be meaningfully worse than the second half of next year in terms of group. But that is based on a guess on where the virus is and where the vaccines are. And obviously, the more the virus recedes into the background and the more confidence or availability we get in a vaccine, the more we'll see this group business start to build back.

**Leeny Oberg:** Anthony, the only other thing I'd add is that for '22 and beyond versus '21, the rates of decline are meaningfully less. So, when you think about the kind of the overall decline, it's nearer in where there's more concern, but when you look at corporate bookings beyond that, it's down much less.

**Anthony Powell - Barclays Bank PLC:** And separately, on homes and villas, what have you learned having that business in the portfolio in this environment? Have you seen more people look for more space? And do you think having that option is increasingly valuable for you in the current and future environments?
Arne Sorenson: So, three things on HVMI, which are consistent with -- Homes & Villas by Marriott International, I should say, not use our internal lingo too much and expect you all to know it. But our home sharing business has been benefited by three trends, all of which we've talked about, leisure, drive -- well, two of them we've talked about. Leisure, drive-to, both advantages, and whole home is an advantage.

So what people are drawn to in terms of home sharing particularly in a COVID-19 environment is, do you have a place where I can take everybody and where we can be on our own? I don't want a separate bedroom. I don't really want an apartment that somebody lives in regularly. I don't want the old-style home sharing because I can't be certain about the cleanliness or comfort of that. But if you can give me a vacation home on the beach or in New England or someplace I can drive to, then I know that I can control my environment. I can control my transportation and it suits my purpose because it's a leisure trip anyway. And so generally, that has been a positive thing, although, to state the obvious, it is a very small part of our business.

Smedes Rose - Citigroup Inc.: I just really wanted to ask you, assuming -- whenever this pandemic is behind us, how do you think about the operating model for the owners coming out of this? There's been a lot of talk from their end that they can come out with better margin and that there's been meaningful changes to, I guess, kind of brand requirements. So, I'm interested in your thoughts around that.

And I guess specifically, how do you think the trajectory of kind of in-room housekeeping during a guest stay goes? And am I right in thinking that, that would be kind of the significant cost savings if it were to go away?

Arne Sorenson: So, all good questions. And Leeny, you should jump in here because you've got some good data, I think, that will be really helpful. I mean we are working with our owners to make sure that we do everything we can to get back to the kinds of margins they had before, if not better.

The only caution here is rate and revenue are important. And so, the longer it takes us to get back to the kind of RevPAR levels we had in 2019, the more pressure that's going to be on that. And we would want to make sure we're focused not only on the cost elements, but that we are really focused on driving revenue because that's an easier way to get back our margins in many respects.

I think on the operating cost side, which is where your question focuses, I think there will be a couple of things that could be sticky. I think one is probably more digital check-in. Key -- contactless keys and the like, I think, will be adopted more during COVID-19 and could be helpful longer term. I think housekeeping protocols could be interesting. I mean I think we'll see that there is -- certainly during COVID-19, less intensive or less housekeeping period during a guest stay than between guest stays that protects both the guests and associates.
We have frustratingly seen a couple of cities move in the opposite direction, certainly at the behest of unions to try and bring jobs back, but essentially to say that notwithstanding COVID-19, every room should be cleaned every day. And that should be done as a matter of municipal policy requirement. And in many respects, the consequences of that, I think, is we'll see hotels that reopen slower in those markets and we'll see the jobs, as a consequence, come back slower and at lower numbers than would have been the case without that. But we'll be looking at not just housekeeping and check-in, but we'll be looking at food and beverage and other things to try and make sure that we do what we can to bring back the margins so that our owners can be healthy, which is in the long-term interest, obviously, not just of them but of us.

**Leeny Oberg:** Yes. The only thing I'd add, Smedes, is the -- I think a lot of the work right now that we're doing will help very much in the longer run. A whole lot of the work right now is focused on lowering the breakeven at these lower levels of demand. So whether you're doing things more flexibly around how you're managing certain departments, all the kind of contactless work that Arne was talking about, using technology more that, frankly, will kind of change the way the guests interact with the hotel team. All of those things are tremendously helpful. And as I said, we've kind of globally reduced the breakeven occupancy by 300 to 500 basis points around the world. And that -- much of that should be helpful in the much longer run.

But again, as Arne said, we got to -- kind of got to give back there to have the proof in the pudding. And our goal is to make sure that over the next few years, that we get as much cash flow as we can while the demand is still building back.

**David Katz - Jefferies LLC:** Look, what we've observed across our coverage and in listening to all of your commentary so far, could we see scenarios where the cost basis, both for yourselves and the hotel owners -- obviously, you're adjusting to a reduced demand environment. But what are you aiming for? Are there scenarios where, in the next 12 to 24 months, we see a lot less revenue but improved profitability and better earnings for Marriott? Is that what we're ultimately aiming for? Or are we trying to just sort of hold steady until things get back to approaching '19 levels?

**Arne Sorenson:** Well, I mean, a little bit depends on what you're comparing to, obviously. The -- we ought to see improving profitability for owners, we ought to see improving profitability, improving earnings, improving EBITDA from Marriott every month and every quarter from this point going forward. Now that's not saying much, obviously, given the absolute numbers we reported this morning. But with a fairly high level of confidence, you can't say with certainty obviously, but with a fairly high level of confidence, the second quarter of 2020 should be the worst quarter we have ever seen, by far, forever, and things will get better from here.

I think as it relates more towards what I think your question was focused at, we have or in the process of nearing completion of, I suppose, the re-baselining of our business. And by our business, I think, I mean to include hotels that we manage for others, what our franchisees are
doing, but what Marriott is doing also. As you all know, we manage a big portfolio of hotels. We
manage more hotels in the luxury and full-service space than any other company in the world.

And in the managed context, of course, we provide services from above property. Sometimes,
they're shared services in a given market. Sometimes, they're localized by country. Sometimes,
they're global services. Think about the reservations platform, for example. And the costs of
those are paid for by the hotels which are supported by those services. And we've obviously got
our own G&A spending that we do to provide support for our brands and to provide
management of the company and to do all the other things we need to do to manage our
business for ourselves as well.

But in both of those contexts, as Leeny talked about, we are moving towards about a 25
percent reduction in the gross level of spending between both categories combined. And that's
the new base from which we'll build. And we will do our best, of course, over time, to build
from that base only at the kind of rates we would have built on the preexisting base in the past.
And are hopeful that we will see RevPAR and fee growth for Marriott and EBITDA growth for
our hotel owners grow at a faster pace than the pace at which we're growing costs. And that
could well be the case for a number of years.

David Katz - Jefferies LLC: Right. So, my point being earnings and cash flow should improve
more quickly and hopefully, at a better rate than anything we're going to see on the top line for
a while.

Arne Sorenson: I think that's fair.

Jared Shojaian - Wolfe Research: And Arne, it's great to hear your voice on this call. Just going
back to China. Can you elaborate a little bit more in terms of how leisure is performing versus
those other two segments? I mean you called out the improvement in business transient and
group. But anything you can share for us to just kind of contextualize what that looks like?

And then with inbound travel restrictions, it would seem that demand from Chinese locals is
now above pre-COVID levels, if I'm understanding that right. So, correct me if I'm wrong there.
Do you think intra-China is getting an outsized benefit because there just aren't really outbound
options right now and so you're seeing a substitution of outbound trips for inbound trips?

Arne Sorenson: Yes. There's a lot -- there are a lot of good questions in that. I appreciate that
very much. The -- I would say generally that China is coming back in all segments, leisure,
business transient and group. You can point at different markets and reach different
conclusions. So, we've got probably 20 to 25 hotels opening in Sanya, Hainan Island, which you
can think about as China's Florida. They are doing extraordinarily well, and they are going to be
mostly leisure and some group.
On the other hand, part of our Greater China numbers are Macau. Macau is a leisure market. And by and large, Macau is not reopened, and so that sort of pulls those numbers back a little bit.

I think when you look at Shanghai, you look at Guangzhou and surrounding areas, which are much more business travel dependent, I think, generally, you see fairly strong -- very strong recovery certainly from their lows. Remember, in February, our occupancy numbers in China were sub 10 percent, I think 9 percent and change, and we're now running about 60 percent. So, you could see a substantial move.

And I mentioned the Beijing context. In Beijing, I think they had, I don't know, a couple of dozen cases, and they ended up testing 1 million people for COVID-19 in 30 days or something like that and managed to get sort of COVID back under control.

The only other thing I think we could say about China, and this is maybe odd given the kind of political dialogue that is taking place -- or political events that are taking place, maybe not that much dialogue, is that China and the U.S. are quite similar in the travel sense. Demand is overwhelmingly domestic. U.S., 95 percent domestic; China, we have the number of 80 percent being domestic, but I actually think the number is probably higher than that.

China is not a big leisure market for the rest of the world. People -- some adventurous travelers go to China to see -- to take their vacations, but by and large, the international travel is business travel. And overwhelmingly, the shift has been towards domestic travel.

I think you're right to say that some of that recovery is probably Chinese travel that would have gone abroad, maybe to Asia Pacific or to someplace else, and has stayed home in China this year. We're certainly seeing the same dynamic in the United States. Nobody's going to Europe, and they're more likely to take their vacations here.

**Wesley Golladay - RBC Capital Markets:** My question actually was just a follow-up -- just a quick question and a follow-up to your answer to the last question. Can you give us a sense on - - trying to gauge how the U.S. could follow Greater China in a recovery. You kind of highlighted both being more of a domestic market. But can you potentially talk about the biggest variances you see in those markets? For example, is the U.S. more dependent on large group compression nights and maybe will lag a little bit longer?

**Arne Sorenson:** Yes. That's a good question. I think the -- generally, what we see in China bodes well for what we should expect in the United States. And there are differences, obviously, but the domestic predominance is similar. So, there's really not that much dependence on long-haul air travel, for example. Probably not that much difference on regional air travel. Obviously, China has got a big aviation business. And those planes are back flying, and they're back flying at bigger numbers than they are in the U.S. But remember, China is two or three months ahead of the U.S. in the COVID-19 recovery.
I think the resilience of the American consumer is second to none, and I think we see that already. And that sort of is what causes us to be a little bit more optimistic today than three or four weeks ago in terms of the way the business may recover in the United States. I think all of that is either similar or maybe even better.

I think the negative is we do have more group business in the United States than we do in China. We as an industry and we as Marriott both, we are -- whether that be association business or corporate business, the meetings side has been a more established part of business for many, many years. But at the same time, I think there are other compensating factors. I think that we spend more money on leisure travel in the U.S. than China does. I'm guessing there a little bit. Net-net, I would think the recoveries generally ought to look about the same, subject to the recovery of society from COVID-19 and subject to the strength of the economy generally.

**Leeny Oberg:** The only other...

**Arne Sorenson:** You should ask yourself the last two questions, which is how does GDP look in the U.S. compared to China when you get through COVID-19 and how does the COVID recovery curve look like in the United States compared to China. Sorry, Leeny, you were going to jump in.

**Leeny Oberg:** Yes. I would just say that the only other difference is when you just look at the fundamental portfolio differences. And that is that there is broader and deeper limited-service presence of our portfolio in the U.S. than there is in China, which probably at the margin is more skewed towards full-service and maybe a bit overall urban. So, I think there, you're clearly seeing -- in our limited-service portfolio, you're seeing -- in the tertiary markets, you're seeing this demand come back. So that's the other difference that actually accentuates the positives of North America.

**William Crow - Raymond James & Associates, Inc.:** Arne, you sound well. I hope you are doing well.

**Arne Sorenson:** I'm doing great. Thank you. Appreciate that.

**William Crow - Raymond James & Associates, Inc.:** Couple of -- a two-parter on unit growth. The first question is I get the 2 to 3 percent growth this year. And maybe I missed it, but did you talk about how that might bounce back in 2021 and 2022 if these are really just kind of delays in the construction process?

**Arne Sorenson:** Yes. I guess the short answer is no. I mean I think the -- we will see these projects overwhelmingly become reality is our guess. I mean the -- certainly, when you look at 2008 and '09, when you look at 2001 or '02, even projects that we thought were dead often came back. And of course, most were never -- we never thought of as being dead, we thought of as being slowed because of financing or construction.
While the depth of RevPAR decline is more significant this time, it is particularly tied to one reason. That reason will ultimately get behind us. And I would guess that, overwhelmingly, these projects move forward again. Whether they move forward to see a bounce back in 2021 or whether it takes us a little bit longer than that, that's the question that's hard to answer. And I think that's going to depend on COVID-19 and I think it's going to depend on the financial markets.

**William Crow - Raymond James & Associates, Inc.:** The second part of the question might have something to do with that as well, which is how many requests are you getting for key money? And do you think that the conversion activity that you and Hilton and other peers keep talking about is going to be largely driven by key money that's offered to the owners?

**Arne Sorenson:** We are -- and Leeny, you should jump in on this. But I think we are generally, in part to manage our own liquidity and financial resources, we're probably putting less money -- less key money than we've done in the past years for the projects that we are signing today. I think when we get to the conversion market, in some respects -- and maybe this is a little bit of wishful thinking, but in some respects, the relative value that is achieved by joining a portfolio like ours in a weaker market is more obvious, and therefore, the need for key money is less powerful than it would be in a stronger environment where everybody is performing fine. Now whether we can turn that into actual terms of deals that are signed obviously depends on our dealmakers and the way they negotiate those deals.

Leeny, you want to add anything to that?

**Leeny Oberg:** Yes. The only thing I'd say is the biggest, I think, question mark still for the moment is around the lenders. And while certainly, on key money, it can be a competitive perspective, it is making sure you've got lenders onboard to fill the biggest part of your capital stack. And that, in many cases, really depends on the strength of the brand, the strength of the cash flow that's going to be delivered to the hotel, which I think does lead us back to brands like ours.

And while, sure, key money is always competitive, but I don't think on the conversion side that that's going to be kind of the one sole element that then makes it or breaks it. And I think it has so much to do with the asset value because these are long-term assets. So key money will always be an important part of the discussion. But I don't think kind of that element, in and of itself, is really that different from other times.

**Chad Beynon - Macquarie Research:** Just wanted to ask about booking window, what you're seeing in the U.S., if that really changed at all in the last couple of months, particularly going into July, if that's kind of still in under a week or if that's starting to expand beyond what we've seen.
**Arne Sorenson:** Still very short term. And it shouldn't surprise you because although the occupancy numbers improved -- have improved, we've still got a pretty general availability across the portfolio.

**Chad Beynon - Macquarie Research:** Okay. And then, Leeny, maybe a hypothetical and a tough question, but regarding some of the positive sequential improvements you've been seeing on the revenue side and the reduction in cost, should we still assume that North American IMF fees, that it's pretty difficult to see a positive outcome just because of the accounting method? Or do you think, if the trends continue, we could kind of eke out a positive outcome?

**Leeny Oberg:** Sure. Believe it or not, there were a couple in Q2 from North America, but it's overwhelmingly from Asia Pacific. And there, a whole lot of that's going to depend on Q4, so we need to get further into the year. But as you might imagine, for the North American hotels where you have an owner's priority, under most any circumstance, you're seeing an absolutely massive decline in RevPAR in 2020. And so, for this year, I think it's hard to imagine that there's anything very exciting to talk about there.

But then -- and when you start talking about rebound and as demand comes back, I think one of the things that has been good to see is that, as demand really picks up, rate has also done what demand and supply show it to do, which is that it has also shown the qualities of being quite resilient. So, when we think of kind of special corporate rates, et cetera, for next year, I think, again, it would point you to a potential view that as demand comes back, you will see things pick up nicely. And again, as we've said, there's been so much work on the cost side that kind of points to margins being able to be helpful as well. But I do think if you look at our history of North American recovery in IMFs, it does take a while because of these owner's priority.

**Michael Bellisario - Robert W. Baird & Co. Inc.:** Just one follow-up on your net unit growth comments. Looking forward, what does the split of managed versus franchise growth look like? And are you any more hesitant to take on managed properties today given the working capital requirements that we've seen that were so great this last quarter?

**Arne Sorenson:** We are no more hesitant to take on managed than we were before, particularly in the luxury and full-service space. But I think the question really has to be assessed from a global perspective. And I think given the relatively greater strength of Asia Pacific and our year-to-date adds to the pipeline, if anything, we might skew just a tad more managed than franchise. But if you look at it like-to-like, our new unit growth in the United States is going to tend to be select service, which is going to tend to be overwhelmingly franchise, and obviously, those numbers are down.

**Richard Hightower - Evercore ISI Institutional Equities:** I wanted to follow up on another twist on the China versus North America question. And Leeny, I think you may have answered part of this to an earlier question. In the prepared comments, Arne, you said that both occupancy and RevPAR levels in China might come back to 2019 sometime next year. How much -- so there's a pricing component to that. So how much of the fact that you’re talking about lower absolute
ADRs translated into dollars and China contributes to that? And how do we sort of think about that versus the recovery in rates in North America, let's say?

**Arne Sorenson:** You're going to test -- maybe, Leeny, you can do this. But you're testing my knowledge here. I think it's relatively easy to see RevPAR getting back to 2020 -- 2019 levels in 2021 in China just based on the strength of the recovery so far. I can't tell you the split between ADR and occupancy.

**Leeny Oberg:** Yes. I think -- again, I think occupancy is obviously typically -- that's the first driver, and that is the one that you can see so quickly get the pricing back, right? When you have super high demand over a weekend or over a holiday or a Tuesday through Thursday in a certain urban market, then all of a sudden, that compression happens very nicely, and you quickly see the rate pop. When we look at how our Chinese hotels are performing relative to the market, I think we all know that the classic RevPAR index things are not great, kind of perfect analyses, given you got a bunch of other hotels closed, but we have seen that our hotels have performed dramatically better than the industry. So, I think, again, when you see demand for the brand and demand come back, that then rate can pick up pretty quickly.

I think in North America, we're going to -- it's going to depend more on the segments, right? It's going to depend more on the shifts between retail, special corporate, leisure and group because they all have some variances there on the ADR front. So, if you had a fundamental shift on the percentages of group versus retail, for example, you might see a difference in rate. But again, we would expect, as you see the occupancy pick up quickly, to see the rate move fairly quickly. There aren't kind of institutional reasons why the rate is going to behave super differently.

**Operator:** And ladies and gentlemen, we have reached the allotted time for questions. I will now turn the floor back over to Arne Sorenson for any additional or closing remarks.

**Arne Sorenson:** All right. Well, I'd just say thank you, everybody. We appreciate your interest and your time. And of course, look forward to welcoming you back to our hotels just as soon as you feel comfortable getting on the road, which we hope is very soon.

---

**Note on forward-looking statements:** All statements in this document are made as of August 10, 2020. We undertake no obligation to publicly update or revise these statements, whether as a result of new information, future events or otherwise. This document contains "forward-looking statements" within the meaning of federal securities laws, including statements related to the expected effects on our business of the COVID-19 pandemic and efforts to contain it.
(COVID-19); future performance of the company's hotels; RevPAR, occupancy and demand estimates and trends; our development pipeline and room openings; our liquidity expectations; and similar statements concerning anticipated future events and expectations that are not historical facts. We caution you that these statements are not guarantees of future performance and are subject to numerous evolving risks and uncertainties that we may not be able to accurately predict or assess, including those we identify below and other risk factors that we identify in our Securities and Exchange Commission filings, including our most recent Quarterly Report on Form 10-Q. Risks that could affect forward-looking statements in this document include the duration and scope of COVID-19, including whether, where and to what extent resurgences of the virus occur; its short and longer-term impact on the demand for travel, transient and group business, and levels of consumer confidence; actions governments, businesses and individuals have taken or may take in response to the pandemic, including limiting or banning travel and/or in-person gatherings or imposing occupancy or other restrictions on lodging or other facilities; the impact of the pandemic and actions taken in response to the pandemic on global and regional economies, travel, and economic activity, including the duration and magnitude of COVID-19’s impact on unemployment rates and consumer discretionary spending; the ability of our owners and franchisees to successfully navigate the impacts of COVID-19; the pace of recovery when the pandemic subsides or effective treatments or vaccines become available; general economic uncertainty in key global markets and a worsening of global economic conditions or low levels of economic growth; the effects of steps we and our property owners and franchisees take to reduce operating costs and/or enhance certain health and cleanliness protocols at our hotels; the impacts of our employee furloughs and reduced work week schedules, our voluntary transition program and other restructuring activities; competitive conditions in the lodging industry; relationships with clients and property owners; the availability of capital to finance hotel growth and refurbishment; the extent to which we experience adverse effects from data security incidents; and changes in tax laws in countries in which we operate. Any of these factors could cause actual results to differ materially from the expectations we express or imply in this document.