Marriott International, Inc.
Fourth Quarter 2022
Earnings Conference Call Transcript[1]
February 14, 2023

Operator: Good day, everyone, and welcome to Marriott International's Fourth Quarter 2022 Earnings Conference Call. Today's call is being recorded. I will now turn the call over to Jackie Burka, Senior Vice President, Investor Relations.

Jackie Burka: Good morning, everyone, and welcome to Marriott's fourth quarter 2022 earnings call. On the call with me today are Tony Capuano, our President and Chief Executive Officer, Leeny Oberg, our Chief Financial Officer and Executive Vice President, Business Operations, and Betsy Dahm, our Vice President of Investor Relations.

I will 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, occupancy and average daily rate comments reflect systemwide, constant currency results for comparable hotels and include hotels temporarily closed due to COVID-19. RevPAR, occupancy, and ADR comparisons between 2022 and 2019 reflect properties that are defined as comparable as of December 31, 2022, even if they were not open and operating for the full year 2019 or they did not meet all the other criteria for comparable in 2019. Additionally, unless otherwise stated, all comparisons to pre-pandemic or 2019 are comparing the same time period in each year. 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. And now I will turn the call over to Tony.

Tony Capuano: Thanks, Jackie, and good morning, everyone.

2022 was a very strong year for the company. After achieving global RevPAR recovery in June, we finished the year on a real high note, with RevPAR versus 2019 up 7 percent in December and up 5 percent in the fourth quarter. Each quarter saw sequential improvement in global occupancy and ADR compared to 2019. We ended the year with fourth quarter occupancy down just 5 percentage points and ADR up 13 percent. With Asia Pacific excluding China, or APEC, surpassing pre-pandemic levels in the fourth quarter, all regions except Greater China have now more than fully recovered.

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

It is abundantly clear that people love to travel. Globally, leisure demand has remained robust. In the fourth quarter, leisure transient room nights increased 7 percent versus 2019, and we continued driving leisure ADR, which rose 22 percent.

Our group business experienced the most meaningful improvement in 2022. In the U.S. & Canada, fourth quarter group revenue increased 10 percent above the same quarter in 2019. Group revenue for 2023 is already pacing up 20 percent year over year, with roomnight and rate gains each quarter. Given strong lead generation and increased rate quotes, especially for in-the-year-for-the-year bookings, we expect group revenues this year to strengthen further. In 2022, around half of group room nights were booked in the year, compared to one-third in 2019.

U.S. & Canada business transient demand remained steady from the third quarter to the fourth quarter, at around 90 percent recovery. For 2023, we are pleased to have negotiated special corporate rate growth in the high-single digits after holding these rates steady the last two years.

Our day-of-the-week trends in the U.S. & Canada continue to point to the blending of business and leisure trips. In the fourth quarter, mid-week occupancy was still down mid single-digit percentage points versus 2019, while occupancy on shoulder and weekend nights was down in the low single-digits. Additionally, the average length of a business transient trip in the U.S. has risen by more than 20 percent versus 2019.

Rising cross-border travel also helped spur overall demand growth during the quarter, though we believe there is still further upside in 2023, especially now that China's borders have re-opened. Guests traveling outside their home country accounted for 16 percent of transient room nights globally in the 2022 fourth quarter, 1 percentage point higher than the prior quarter, yet still 3 percentage points lower than in 2019.

With more than 177 million members, our powerful Marriott Bonvoy program has also been a key driver of demand for our hotels and other lodging offerings, and for adjacent products like our Bonvoy co-branded credit cards. Our growing portfolio of credit cards, now in nine countries following our November card launch in Saudi Arabia, had record global cardmember acquisitions and card spend last year. Product innovation and engagement with our members remain key focus areas, especially through investments in our Marriott Bonvoy app and other digital products. We have made great gains in contributions from our digital platforms, which are highly profitable channels for our owners, and anticipate many additional enhancements over the next couple of years. In 2022, our mobile app users were up 32 percent year over year, digital room nights rose 27 percent, and digital revenues climbed 41 percent.

The financing environment for new projects and hotel sales remains challenging, especially here in the U.S., given higher interest rates and uncertainty surrounding a potential economic downturn. However, other industry headwinds like supply chain disruptions, construction costs, and availability of labor, have improved.

Given strong global operating trends, overall developer sentiment improved in 2022, and we had another year of strong signing activity. Our development team signed franchise and management agreements for nearly 108,000 rooms last year. In addition, upon the anticipated closing of the transaction, the City Express portfolio should add around 17,000 rooms in the moderately priced mid-scale space. We are excited about the opportunity to expand in this segment in the Caribbean and Latin America, or CALA region, as well as in other locations around the world.

We also recently announced Apartments by Marriott Bonvoy, a new 1- to 3-bedroom serviced apartment brand, that we plan to launch in the upper upscale and luxury segments. We've already received a great deal of initial interest from owners and developers.

Momentum in conversions continues, including in multi-property opportunities, thanks to the breadth of our roster of conversion-friendly brands across the chain scales. The meaningful top- and bottom-line benefits associated with being part of our portfolio make these brands very attractive to owners. Conversions represented nearly 20 percent of room signings and 27 percent of room additions in 2022.

We added a total of 394 properties last year, representing more than 65,000 rooms, and grew our industry-leading system 4.4 percent on a gross basis, or 3.1 percent, net, year over year. Excluding the impact from our exit from Russia, our net rooms growth was 3.6 percent.

For 2023, we are forecasting gross rooms growth of around 5.5 percent, including around 1 percentage point from the anticipated addition of the City Express rooms to our franchise system. Assuming deletions of 1 to 1.5 percent, net rooms could grow 4 to 4.5 percent.

I'd like to pivot now and share a few highlights of our recent ESG efforts. ESG is an integral part of our company's culture and strategy, and our company is dedicated to making a positive and sustainable impact wherever we do business. In June, we committed $50 million to support historically under-represented groups in the journey to hotel ownership through a new program here in North America called "Marriott's Bridging the Gap." This program should help us reach our goal of having at least 3,000 diverse- and women-owned hotels in our system by 2025. In December, we announced that over 1 million Marriott associates have taken our human trafficking training, which we've also donated to the wider hospitality industry. In terms of workforce diversity and inclusion, our aim is to achieve global gender parity in the company's leadership by 2023, and have people of color hold 25 percent of U.S. executive positions by 2025. We also continue our work to set science-based emissions reduction targets, with more details expected to come later this year.

I am proud of these accomplishments and all that we've achieved in 2022. As we look ahead to full year 2023, there is meaningful uncertainty about global economic growth. Lodging is a cyclical business and it's not immune to downturns in the macroeconomic environment. To date, however, we have not seen signs of demand softening. Trends could change relatively quickly given our average transient booking window is around three weeks. But a month and a half into 2023, booking demand and pricing remain strong. As Leeny will discuss in her remarks, we are optimistic that global RevPAR will grow year over year, even if the global economy softens in the back half of this year.

Before I turn the call over to Leeny, I'd like to thank our associates around the world for their hard work and commitment in navigating through the last few challenging years and in helping the company achieve these record financial results.

I also want to make a couple of statements regarding two of my senior team members. I am sure you saw the news in December that Stephanie Linnartz has been appointed Under Armour's new President and CEO, a role that she'll assume at the end of this month.

Also, after a 35-year career with Marriott that has spanned the globe, Craig Smith, our Group President, International has informed me of his decision to retire from the company later this month. Craig has developed and mentored hundreds of hotel general managers and above-property leaders around the world, and has helped us meaningfully accelerate the growth of our international business.

I want to thank both Stephanie and Craig for their decades of dedication and countless contributions to Marriott. While I will personally miss these two excellent senior executives, I am proud that we have such an incredibly deep management bench. I look forward to sharing more details about new leadership appointments soon.

Now, let me turn the call over to Leeny. Leeny?

Leeny Oberg: Thank you, Tony.

With sustained momentum in global RevPAR growth, we reported an outstanding quarter. Gross fees rose 16 percent and Adjusted EBITDA climbed 21 percent over the 2019 fourth quarter. For the full year, we posted record fees, adjusted EBITDA and adjusted EPS, despite the Omicron variant causing a slow start to the year.

In the fourth quarter, RevPAR versus 2019 accelerated nicely from the third quarter in every region except Greater China. Compared to pre-pandemic levels, fourth quarter U.S. & Canada RevPAR increased 5 percent, aided by 11 percent growth in ADR. RevPAR in the region versus 2019 improved sequentially from the third to the fourth quarter across all market types, from primary to tertiary, and all brand tiers, from luxury to select-service.

International RevPAR rose 3 percent above pre-pandemic levels in the fourth quarter, driven by improvements in the comparison to 2019 for both rate and occupancy. In the Middle East and Africa, or MEA, RevPAR grew 44 percent, boosted by the World Cup in Qatar. RevPAR increased 28 percent in CALA, 7 percent in Europe, and 6 percent in Asia Pacific excluding China.

While results in Greater China were again impacted by lockdowns in the fourth quarter, the region reached a major milestone with the new open border policy and the lifting of quarantine requirements in January. It could take time to increase airline capacity and work through passport and visa requests, but we're optimistic about meaningful RevPAR recovery in the region as these issues abate. We saw a huge demand surge in January during the Chinese New Year holiday, with RevPAR for the holiday period nearly in line with 2019. Other regions are also anticipated to benefit from an increase in outbound China travel, especially APEC, where over 40 percent of room nights in 2019 came from Chinese travelers.

In the fourth quarter, total gross fee revenues totaled $1.1 billion, reflecting higher RevPAR, room additions, and another quarter of significant growth in our non-RevPAR-related franchise fees. Those fees rose 16 percent year over year, to $215 million, driven largely by our co-brand credit card fees.

Incentive management fees, or IMFs, rose impressively in the quarter, reaching $186 million. IMFs surpassed the fourth quarter of 2019, with IMFs in the U.S. & Canada up nearly 30 percent.

At the hotel level, we remain focused on working closely with our owners and franchisees to deliver superior customer service while containing operating costs. Profit margins at our U.S. managed hotels in the quarter were again higher than for the same period of 2019, despite meaningful wage and benefit inflation. Importantly, our guest surveys indicate that customer satisfaction continues to rise. In December, our intent to recommend scores in the U.S. improved for the tenth consecutive month and are now generally in line with 2019 scores. Hiring challenges have moderated, and the number of open positions in the U.S. is now below 2019 levels.

Our asset light business model once again generated significant cash during 2022, with net cash provided by operating activities totaling $2.4 billion, double the amount in 2021. Our loyalty program was a modest source of cash before factoring in the reduced payments received from the credit card companies. In 2023, we expect loyalty to again be modestly cash positive, before the impact of the final year of reduced payments.

Now let's talk about our 2023 outlook, the full details of which are in our press release. Note that all RevPAR comparisons will be to 2022. More than one in four hotels that are currently comparable in both 2022 and 2023, or open for the full year, were not open in 2019, making comparisons to that year not really meaningful.

I'll start with the first quarter, which we anticipate will benefit from continued strong underlying trends. There is also a meaningfully easier comparison to the year-ago quarter, when the Omicron variant depressed lodging demand.

Halfway through the quarter, bookings across customer segments and geographies are excellent. Momentum is being driven by rising cross-border travel and strong group revenues due to demand and ADR gains. Additionally, business transient revenues are benefitting from higher volumes and our successful special corporate rate negotiations. January global RevPAR rose 52 percent, with the U.S. & Canada up 43 percent. We anticipate that first quarter RevPAR could increase 25 to 27 percent in the U.S. & Canada, 47 to 49 percent in international markets, and 30 to 32 percent worldwide.

Given short-term booking windows and a significant level of macroeconomic uncertainty, there is less visibility in forecasting the company's financial performance for full year 2023. As a result, we are providing a broad range for full year RevPAR and other key metrics.

The high end of the range reflects a relatively steady global economic picture throughout 2023, with continued resilience of travel demand across customer segments and markets. The low end of the range reflects a meaningful softening of the global economy beginning in the second quarter, with worldwide RevPAR roughly flat compared to 2022 in the second half of the year.

So, for the full year, RevPAR in the U.S. & Canada could increase 5 to 9 percent and international RevPAR could rise 12 to 18 percent, leading to a global RevPAR gain of 6 to 11 percent.

The sensitivity of a one percent change in full year 2023 RevPAR versus 2022 could be around $40 to $45 million of RevPAR-related fees. Total fees for the full year could rise between 6 and 12 percent, with the non-RevPAR-related component anticipated to rise 4 to 7 percent. Non-RevPAR fee growth is expected to benefit from higher credit card fees resulting from growth in average spend and in the number of cardholders.

We expect 2023 G&A expenses of $915 million to $935 million, an annual increase of 3 to 5 percent, but still below 2019 levels. Full year adjusted EBITDA could increase between 5 and 12 percent, and adjusted EPS could rise 8 to 18 percent above 2022.

After three years of meaningfully reduced investment spending, we anticipate 2023 spending of $850 million to $1 billion. This includes $100 million for the expected acquisition of the City Express brand portfolio, and around $160 million of renovation spending on our owned W Union Square hotel in New York and the Elegant portfolio in Barbados. These hotels will be terrific representations of our W and all-inclusive brands when completed. We expect to recycle our capital investment in these hotels by selling the renovated hotels with long-term agreements. Spending in 2023 also incorporates higher than typical investment in our customer-facing technology, which is overwhelmingly expected to be reimbursed over time.

Our capital allocation philosophy remains the same. We are committed to our investment grade rating, investing in growth that is accretive to shareholder value, and then returning excess capital to shareholders through a combination of a modest cash dividend and share repurchases.

In 2022, we returned $2.9 billion to shareholders. At the end of the fourth quarter our leverage was at the low end of investment grade targets. For 2023, capital returns to shareholders could be between $2.7 billion and $3.6 billion.

Before we open the line, I, too, would like to express my gratitude to our incredible team of global associates around the world for their resilience and dedication. Tony and I are now happy to take your questions. Operator?

QUESTION AND ANSWER SESSION:

Stephen Grambling - Morgan Stanley: I wanted to start off on capital allocation here actually. I guess given the moving parts within the rate environment, how are you thinking about the right leverage ratio? And how rate may actually dictate the outcome in terms of that capital allocation that you were referencing or returning cash to shareholders?

Leeny Oberg: Sure. So overall, Stephen, as I stated in my comments, we are committed to a strong investment grade credit rating. And we ended the year in terrific shape.

I think you can tell from the range that we gave on RevPAR that we see ourselves being in really good shape this year from a cash flow perspective and earnings perspective that does give us great flexibility in how we think about our investing and our capital return.

But from an interest rate environment, I think it's more about the overall macroeconomic activity and global growth picture than it is about a specific interest rate. Obviously, we need to see how it plays out. But being at the very low end of our credit ratio metrics, I think, gives us plenty of flexibility to deal with whatever may come.

Stephen Grambling - Morgan Stanley: Great. And then maybe a little bit of a different follow-up. We've been seeing some volatility in the corporate booking data on our end. And I guess I'm wondering if you could discuss what you're seeing across large corporate demand versus small- and medium-sized business, perhaps tie this into how it might influence the strong IMF that we've been seeing?

Tony Capuano: Sure. So as I mentioned in my prepared remarks, the recovery for business transient broadly is still at about 90 percent. Interestingly for small- and medium-sized companies, which represent about 60ish percent of our total business transient, they were actually up 6 percent quarter-over-quarter[2] in the fourth quarter. So that continues to be strong. We've seen slower albeit steady recovery from larger companies, but they've got a bit of a ways to go to get back to pre-pandemic levels.

Leeny Oberg: Stephen, the other thing I'll add is I hesitate to call that a trend yet, but it's just worth mentioning that in January, we saw our top special corporate accounts improve another 9 points relative to 2019. So in the classic areas of accounting and consulting or defense or

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[2] Clarification: In the 2022 fourth quarter, demand from small- and medium-sized businesses was 6 percent above the fourth quarter of 2019.

health care, we are continuing to see good progress there. But we are only a month into 2023 so far.

Tony Capuano: And maybe the last point I would make, Stephen, is just reiterating what I said earlier in the call, and that is, for the last couple of years, we've rolled over our special corporate rates. And so as we went into the negotiating season this year, we felt like we were in a pretty good place. And that really materialized as we saw negotiated special corporate rates in the high single-digits.

Shaun Kelley - BofA Securities: Tony, I wanted to talk a little bit more about sort of the demand side. So obviously, we know the visibility is a little short in the industry from time to time. But obviously, it looks like everything you're seeing coincidentally is pretty strong.

So could you help us just unpack a little bit? Your January trends look well above STR averages, even in North America. And then - so what's kind of powering that? And then specifically, as we kind of work our way through the year, could you just talk about - a little bit more about what you're seeing on maybe the lead generation side, group, and how you're underwriting China, just to help us kind of bridge the full year outlook.

Tony Capuano: Yes. Of course, Shaun, maybe I'll start with the group just because that's such a terrific story.

You heard the numbers about where we were in the quarter with group revenue for group in the U.S. and Canada, about 10 percent ahead of where we were pre-pandemic.

When we look into 2023, there's two things I would point to that are really compelling. Number one, we're currently pacing up about 20 percent year over year. And interestingly, that's not just a quarter one phenomenon, given the favorable comparisons. We're seeing pretty steady pacing across all quarters in 2023.

Secondly, I would remind you that the shorter booking window is not specific to transient. We're seeing a little more compressed booking window in group as well. And so we think there is still meaningful upside to group as we watch in-the-year-for-the-year bookings materialize during the balance of 2023.

Leeny Oberg: And I'll jump in on China, Shaun, and that is -- well, two things. One, to your point about January being particularly strong. If you remember, Omicron was particularly pronounced right as we got into January. And obviously, there's a significantly water degree of comfort this year as we moved into Q1.

So I think you saw the momentum that was building in Q4, and really all throughout 2022, continue into January as we saw all parts of the business firing on all cylinders. And then when you think about China, we saw tremendous leisure demand associated with the Chinese New Year. But we are really pleased with the overall pace of demand that we're seeing there. And just to give you a rough sense, we could see - in Greater China, we could see that RevPAR for the year 2023 over 2022 is over 30 percent increase. And obviously, the biggest increase will be in the first quarter.

Joseph Greff - JPMorgan Chase & Co.: Tony, can you talk about what's going on with pipeline signings in China presently? And how much of a, I guess, of a disruption, whether it be in the first quarter given what's been going on there? And then when you look back at the fourth quarter, and the development pipeline was down a little bit sequentially. There have been quarters in the last four years, where it's down sequentially. It doesn't mean anything necessarily. How much of the sequential pipeline in the fourth quarter was explained by disruption in China signings?

Tony Capuano: Sure. Maybe I'll take the second question first. The pipeline tends, as you well know, to ebb and flow quarter to quarter. The statistic I look at related to pipeline that I think is a bit more telling is the 2 percent year-over-year increase in the pipeline.

Obviously, deals come in and out of the pipeline in a year where nearly 30 percent of our openings were conversions. We've talked in the past about the fact that some conversions never even make it into the pipeline. They get signed and opened quite quickly.

On your first question about China signings, China signings last year were down about 15 percent from where we were in 2021. And they were down a little more than one-third from where we were in 2019. As the borders open, we expect to see meaningful positive impact certainly on demand patterns, but also on the health and the outlook of our development partners. And so we would expect an acceleration in deal volume.

Leeny Oberg: And, Joe, the only thing that I'll add is there was the obvious challenges for opening hotels in China tied to the shutdown in China that impacted permits and getting the teams trained and up and running. And so from that respect, we certainly saw a few drift from where we had expected them open in Q4 to open in Q1. And I think that was clearly to be expected as they saw the shutdown continue. But again, as things open up, we look forward to them increasing.

Robin Farley - UBS Investment Bank: My question is on the unit growth outlook, and there's some acceleration embedded in there. You mentioned China, obviously, is one of the drivers of that. And I guess the City Express acquisition. So, just wondering if you have any other acquisitions in that unit growth guidance, just to clarify that?

Tony Capuano: We do not.

Robin Farley - UBS Investment Bank: And then - okay. Great. Perfect. And then my other question was on City Express because you've talked about using that to grow in other regions. And I'm curious - you haven't mentioned potentially using it in the U.S. There are others out there sort of looking to grow units in the more limited-service segments in the mid-scale and economy segments, and that hasn't been a big focus for Marriott.

I'm just curious if you have any thoughts on those segments, and then also sort of why or why not use this new brand that is more - is further down the chain scale and some of your other brands in the U.S. market as well?

Tony Capuano: Of course. So we are very excited to get over the finish line with City Express. As we outlined, when we announced our intent to acquire City, it represents our entry into the mid-scale segment, which is very exciting. It increases our portfolio significantly in the important and growing CALA region. We expect to grow that brand aggressively across CALA, and we are - as we move towards closing that transaction, evaluating the applicability of that brand in other markets around the world.

We've not made definitive decisions about when and if we will roll out City Express in other places, but you can rest assured those evaluations and discussions are going on as we speak.

I do think if you look at our historical track record of acquisitions, many of those acquisitions initially either strengthened our leadership position or gave us a meaningful foothold in a region where we weren't growing as quickly as we'd like organically. And then over the passage of time, we looked for opportunities to grow that platform more broadly. And I think the same strategy will apply to City Express.

Robin Farley - UBS Investment Bank: Great. And just one quick follow-up, if I could. Just -- is there anything you would call out with termination fees? Is it a big part of the growth in that line item? How is that compared to termination fees for pre-pandemic? Or just anything going on there that you would call out?

Leeny Oberg: Sure. Nothing in particular. They do vary. They can be something related to one hotel or a particular transaction, but they vary.

We've talked about them before, Robin. It's kind of varying anywhere from $20 million to $40 million in a particular year. And as you saw from our deletions number, apart from Russia, we're really absolutely quite where we typically are. So there's nothing particular in that number.

Richard Clarke - Sanford C. Bernstein & Co.: The first one is on the incentive fees. The incentive management fees seem to have recovered about 10 percent quicker than the base management fees. And in the past, you've talked about whether that's a small number of hotels paying a lot of incentive fees or whether that's becoming a sort of more broad-based increase in profitability. So just wondering maybe you could comment on what's sort of supporting the outperformance of the incentive?

Leeny Oberg: Yes, sure, absolutely. So just - while Q4 was spectacular, and we really had a wonderful performance in our incentive fees. The reality is they are still meaningfully lower than they were in 2019. While the rest of our fees have grown quite nicely, our base and franchise fees as rooms have grown, RevPAR has recovered, as well as the non-RevPAR fee growth has increased.

So when you look at IMF as a percentage of total fees compared to 2019, they've actually gone down. And we would expect them to continue to be a little bit lower than they have historically been. And they do, obviously, reflect a little bit riskier fee stream for us than compared to the classic base in franchise fees.

But when you look at kind of where we are in terms of hotel's earning incentive fees, I think there are a couple of interesting statistics. And that is that in 2022, 61 percent of our managed hotels earned an incentive fee. That compares to 72 percent in 2019. And in the U.S., 39 percent of our full-service hotels earned an incentive fee versus 45 percent in 2019.

And I break - I don't include MSB because there's a very big difference in the managed limited-service hotel portfolio between 2022 and 2019, so it's not as relevant a number. And as you know, many of our Asia Pacific incentive fees are not back to 2019 levels as a result of their RevPAR recovering a bit later than the U.S.

So I think we're thrilled with the performance of our operating team, very proud of the work that they have done, especially given wage increases. And I think to one point that you're raising, we're excited about what we see in 2023 and the years ahead for the IMF potential for our hotels.

Richard Clarke - Sanford C. Bernstein & Co.: Okay. That's great. Just a quick follow-up to someone's question earlier. They refer to acceleration in the net unit growth. If I did the math right, it looks like you did 3.6 percent ex-Russia exit in 2022, and that drops down to 3.5 percent ex-City Express in 2023. So is that correct? And if you've got some China hotels moving into this year, where is that slowdown coming from?

Leeny Oberg: Well, again, I want to make sure we certainly include City Express. When we think about our rooms growth, that's a very important component of how we think strategically about how we're growing around the world. So when I think about accelerating rooms growth, that is a part of it.

And then when I think of the timing, we've clearly got the reality that construction starts over the past couple of years in the U.S. are having an impact in 2023, in particular, in the U.S. for room openings. But again, otherwise, with the signings that you heard Tony talking about, we're very enthused about what we see going forward and then conversions have been a big component as well.

Smedes Rose - Citigroup Inc.: I just wanted to ask a little bit more about the capital spending in 2023. I know you broke out a couple of the line items. Are you thinking any differently about the way that you allocate, I guess, key money, either for conversions or for developers who are considering their brand options? Or anything different there than maybe you've done in the past?

Leeny Oberg: Yes. No, Smedes, I thought you might ask this question. So I definitely think it would be helpful to break it down. So if you use, kind of roughly speaking, a midpoint of what I talked about, about $900 million and you take out the renovation projects at the W Union Square and Barbados, as well as the $100 million for City Express, you're down to $650 million.

Then you've got higher spend on tech systems that will overwhelmingly be reimbursed to us from the system of, call it, another $150 million in 2023 that's higher than typical. That then gets you down to $500 million, which is quite similar to this year's $500 million.

I think when you think about key money being, again, in the ballpark of perhaps $200 million, $225 million in 2023, that actually lines up quite well with our historical kinds of numbers for the growth of the system. And as you know, many, many of the deals that we sign do not require any capital investment on the part of Marriott.

Tony Capuano: And I might just build on that, Smedes, by reminding you of an obvious fact, which is - and we've shared this in prior analyst days. The deals that we determined we may deploy some measure of Marriott capital, even in the form of key money, tend to drive premium valuations and premium fees. And they tend to be much more heavily weighted to our leading luxury portfolio and some of the upper upscale projects as well.

Smedes Rose - Citigroup Inc.: And can I just follow up on Robin's question about City Express or just in general? With your largest, I guess, U.S. competitor making a move on what's being termed “premium economy”, do you feel that it's important for Marriott to also be in that segment in terms of sort of capturing, I guess, a wider range of customers? I mean, traditionally, you haven't really dipped down below, I guess, we call it like upper midscale. I mean, I guess sort of thinking strategically, is that something that you need to be more attentive to or maybe not so much?

Tony Capuano: Yes, I won't comment on our competitors. What I will tell you is our growth strategy broadly is driven by what we hear from the two constituents that are most directly impacted, obviously, our guests and our owners and franchisees.

And what we hear from them loudly and clearly is, at the right quality level, entry into midscale is of great appeal. An alternative lodging product, like Apartments by Marriott Bonvoy, is equally appealing to both of those constituents, and that's where our focus lies right now in terms of expanding the portfolio.

Patrick Scholes - Truist Securities, Inc.: First question, and I apologize if I missed this. But on your international RevPAR guidance for the first quarter and full year, can you just give us a little more quantification of how you would expect the various international markets to perform regarding - or versus those RevPAR ranges you gave, such as Europe or Asia Pacific?

Leeny Oberg: Yes. So broadly, you heard us talk about 47 percent to 49 percent for international in the first quarter.

And as you think about kind of around the world, I would expect Asia Pacific, both APEC, in particular, outside of China to be meaningfully above that. Greater China, probably somewhere in that ballpark.

You clearly saw that EMEA will also be kind of in that very high sort of range, with particularly Europe being a real outlier, very high given where they were a year ago in the first quarter. So, I think the easiest way to think about it is where Omicron was having the greatest impact is where you'll see these outsized performances.

Because, for example, a year ago, MEA, the Middle East was not as impacted by Omicron. So their year-over-year increase will not be as strong. I think one of the messages that we want you to hear is that, in this current environment, when you think about kind of moving from Q4 into Q1, we're still seeing good opportunities for continued strength and growth in occupancy and rate apart from any normal seasonal variation.

Patrick Scholes - Truist Securities, Inc.: Okay. And just a follow-up question, more of an operational issue. There's a bit of a debate out there whether housekeeping will be coming back. I was at ALIS. I talked to some of the large managers, and they're at the belief that housekeeping will be coming back eventually on a daily type of service. I'm curious what your thoughts are on that amenity.

Tony Capuano: Of course. I might repeat myself a little bit in the comment I made earlier about City Express. When we make these sort of operating protocol decisions, we are guided by both the evolving expectations of our guests and the economic realities of our owners and franchisees, weighing both of those sets of expectations and needs.

What we've said is we will have modified housekeeping protocols by quality tier. So in our luxury portfolio, we are essentially back to pre-pandemic full daily housekeeping. In the upper upscale tier, we have daily tidy, so not a full cleaning, but making the bed, changing the terry, cleaning the trash, et cetera.

And in our select-service, or MSB portfolio, we have every other day tidy. What we hear from our guests, if you give us optionality, which we do both in the booking path and a check-in. And if you give us something we can count on consistently, you will meet our needs. And this blended approach captures a lot of the economics that we created during the pandemic for our owners and franchisees.

Dori Kesten - Wells Fargo Securities: You mentioned higher technology costs this year. We've heard that you have some pretty interesting plans on that front that owners are looking forward to. Can you just walk through what the changes are that we may see over the next several years?

Leeny Oberg: I'll start and give you the investment perspective, and then I'm sure Tony will jump in. So I guess, first, I would say this is not what I would call one thing. This is really a recognition that we view that the digital experience and the experience for our customers and for our associates on the systems that they interact with the company as being of critical importance over the next few years, or really forever.

And so in that regard, we're very excited about the work that we're doing on our tech systems that really will transform the experience for the mobile app and for our guests as they plan and execute their stays with us. It will also transform the experience for our associates, which is critically important as well, as we think about how they take care of our guests, most particularly, as they are able to interact with our Bonvoy guests to really address their specific needs.

So, as we look at rolling it out, you've probably seen our announcements of working with several third-party service providers to really transform several of our systems. But I also think it's worth noting that we've already done incredible things on our app and the experience from the digital communications and platform with our customers and our ability to really address their specific wants and needs has already improved meaningfully, and we expect to build on that.

David Katz - Jefferies LLC: So, I wanted to just look into the owned and leased profit within the guidance versus what you just reported. It looks like it is flattish or down a bit. And I just wondered was there something in 2022 that lifted it up? Or are there some - if you could help us unpack that a little bit.

Leeny Oberg: Sure. Absolutely. So a couple of things, David. I would say, first of all, we do have two really important renovation projects going on in 2023. No surprise, Barbados was crushing it over the past year as you think about leisure demand. And as we really do a very full renovation of these properties, that will have an impact on owned, leased profits.

I would expect termination fees to be a bit lower as we look at 2023 versus 2022. We had a couple of other things that are close to offsetting. If you remember, in Q1 in particular, of 2022, we had the German subsidies. So they hit in Q1 of 2022, and we, obviously, will not have them in Q1 of 2023. We also had an agreement on a pack of leased U.S. hotels that involved a charge later in the year in 2022. And obviously, we won't have that in 2023. So there'll be a little bit between the quarters that moves things around. Those two things largely offset each other. So I really would look to both termination fees as well as the issue around renovation.

David Katz - Jefferies LLC: Okay. Perfect. And as my follow-up, I wanted to just touch on deletions quickly, because I - and I apologize if it sounds like a negative question. There's just been a lot of discussion about the NUG. But this 1 to 1.5 deletions going forward, is that what we should think about as kind of a normal course number?

Tony Capuano: It's a good question. I would suggest to you that the 1 to 1.5 range is more reflective of some of the uncertainty that Leeny described in her remarks, and it resulted ultimately in us providing forward guidance on RevPAR in a wider range than we might historically have offered.

Bill Crow - Raymond James & Associates, Inc.: I might as well follow up on the NUG question. Assuming no large acquisition repeats in 2023, should we assume that 2024 is back in that kind of 3.5 percent range?

Tony Capuano: Well, Bill, we were excited to be able to give you some visibility into 2023. 2024 is probably a little ambitious. What I will tell you though is, notwithstanding some of the constriction in the debt markets, we are encouraged that we are seeing incremental acceleration of construction starts, albeit not back to where we were in 2019.

We are encouraged by what we experienced both on the signings and openings front in 2022 with conversions, and expect that momentum to continue to build both on an individual asset basis and a portfolio basis.

Bill Crow - Raymond James & Associates, Inc.: Okay. And then my follow-up question would be on just the operating expense environment in the U.S. If you could just kind of give us a little bit of details on what you're seeing on the labor front, kind of year-over-year increase and then maybe all other expenses or the total expense growth expectation for this year?

Leeny Oberg: Sure. As you've seen in our numbers, we've given you the expectation of 3 percent to 5 percent on the year. And that really, as you think about it, reflects just continuing to be more and more back in business. So whether it is higher travel expenses or a little bit more annualization of positions that we added in 2021 and 2022. But really, other than that, I would say, really quite normal. The wage pressures have moderated, Bill. And we are seeing a more normalized environment, both at the property level as well as above property.

Brandt Montour - Barclays Bank PLC: So maybe starting with you, Leeny, if you could. You mentioned non-RevPAR fees growing - could grow 4 percent to 7 percent. I was wondering if you would be willing to break that out a little bit and talk about the credit card fee portion, at least in relation to RevPAR growth? And then what that would imply for residential fees and other?

Leeny Oberg: Sure. So as you know, residential branding fees are bumpy. They really do vary depending on the timing of the opening of when a building is complete and people can actually move in and close their sales. So they tend to vary. They've gone anywhere from $40 million to $70 million within a space of two years.

As you've heard us say, we have a really robust pipeline of residential projects. And so, while I would expect the residential branding fees to be more flattish compared to 2022, that's really just a reflection of timing. When I think about credit card fees, we expect them to increase both as a combination of a higher number of cardholders, and that's partly in the U.S. and partly from the fact that we've added a bunch of other countries, as well as increased spend.

I do think the average spend for an existing cardholder, that growth will moderate in 2023 as compared to 2022. Those are tied into how I think, generally, we're seeing the economic view.

So for example, that might look more like inflation, while the wonderful terrific increase comes from more and more cardholders.

Brandt Montour - Barclays Bank PLC: That's hugely helpful. And then just as a follow-up on the development outlook and discussion from earlier. Obviously, signings sound like they're really strong, Tony had talked about. I'm curious if you could talk a little bit about the segment of the pipeline that's in the planning phases, not just signed, but maybe had been there for a little bit? And not necessarily stale, but just curious if there's a dynamic in that pipeline that you're seeing that's any different than history?

Tony Capuano: No, I don't think so. I mean maybe the best empirical metric to answer your question is fall out from the pipeline, which would be canceled projects, and that's running interestingly kind of on pace with what we've experienced historically over a long period of time and with what we were experiencing prior to the pandemic.

As Leeny pointed out in response to an earlier question, the move from signed to getting a shovel on the ground has not accelerated as much as we would like. But again, we're seeing the number of construction starts, particularly in the U.S., moving meaningfully from the bottom of the trough, albeit not quite back to where we were prior to the pandemic.

Chad Beynon - Macquarie Research: First, I wanted to ask about group pace. Tony, you talked about kind of the movement to in-the-year-for-the-year and kind of how that's changed over the past couple of years. So as we look out to like 2024, what percentage of rooms are on the books now versus what would normally be on the books this early? And does that kind of affect how you think about RevPAR outlook?

Tony Capuano: Sure. So as I mentioned earlier, the group has been a real bright spot for us and not just looking backwards, but even forward. If you look at what we have on the books for 2024 on January 1 of 2023, that's about 5 percent ahead in gross revenue from where we were a year prior, meaning comparing that to what was on the books for 2023 on January 1, 2022.

And so we are pacing ahead of where we were a year ago. and we are enthused at the prospect of those numbers continuing to expand because of the in-the-year-for-the-year phenomenon that you described.

Chad Beynon - Macquarie Research: Okay. Great. And then something that we'll probably talk a lot more about as we get through 2023. Congress has talked about a reduction in what they call “surprise fees”. So I guess these would, in your industry, they could potentially hit some of the resorts on the back end.

Can you talk about how your partners are thinking about what would happen if these below-the-line fees kind of move to above-the-line? If those would just be included in the rate or if there could be a difficult transition period if they are banned?

Tony Capuano: Well, as you would expect, we listened with great interest to the President's comments during the State of the Union. It appeared, if you listen to what he actually said, his concern was "hidden fees." And the manner in which we disclose resort fees or destination fees, combined with the rigorous process we have to approve the implementation of one of those fees, and the requirements for a meaningful value proposition before those fees are approved, give us comfort that we have the right strategy.

The other thing I would remind you - across our 8,300 hotel portfolio, I think we've got less than 300 hotels that have those sorts of fees. So in terms of materiality, it's quite impactful for those individual owners, but less impactful on a portfolio-wide basis.

Tony Capuano: Well, I want to thank you again. These calls are a lot more fun to engage with you as we continue to see empirical evidence of the resilience of travel. We appreciate your thoughtful questions and look forward to seeing you on the road. Thank you.

Leeny Oberg: Thank you.

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