



**Marriott International, Inc.
Third Quarter 2018
Earnings Conference Call Transcript¹
November 6, 2018**

Operator: Welcome to the Marriott International third quarter 2018 earnings conference call. Today's call is being recorded. At this time for opening remarks and introductions, I would like to turn the call over to the president and chief executive officer, Mr. Arne Sorenson. Please go ahead.

Arne Sorenson: Good morning, everyone. Welcome to our third quarter 2018 earnings conference call. Joining me today are Leeny Oberg, executive vice president and chief financial officer, Laura Paugh, senior vice president, investor relations and Betsy Dahm, senior director, investor relations.

I should note 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. Forward-looking statements in the press release that we issued last night, along with our comments today, are effective only today, November 6, 2018, and will not be updated as actual events unfold.

In our discussion today about the income statement, we will talk about results excluding merger-related costs, reimbursed revenues and related expenses, the year-to-date net adjustment to the tax charge related to the U.S. Tax Cuts and Jobs Act of 2017 and the year-to-date adjustment to the Avendra gain. Of course, you can find our earnings release and reconciliations of all non-GAAP financial measures referred to in our remarks at www.marriott.com/investor. So, let's get started.

We are now past the second anniversary of our acquisition of Starwood and just last week, we met with our North American owners at a largely upbeat full-service owners' conference. When we announced our intention to acquire Starwood in 2015, our hotel owners were supportive and upon completion of the deal, remained so. They have provided great feedback throughout the process as we set our priorities for the integration. Today, they are now reaping the benefits from improved cost efficiencies, higher guest satisfaction, and the upcoming impact of a more powerful loyalty program.

Over those last two years, we have integrated our operations, sales, marketing, hotel development, and finance organizations and systems. We are halfway through moving Legacy-Starwood hotels onto our Marriott reservations platforms and the process is going very well.

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

We've enhanced guest satisfaction by applying Marriott's deep operational know-how and made solid progress on product scores. Costs for both Legacy-Marriott and Legacy-Starwood hotels have been reduced as we captured synergy cost savings at properties, reduced loyalty program charge-out rates across our system, and realized procurement savings. We also lowered corporate general and administrative expenses meaningfully.

After two years of planning, we integrated our loyalty programs on August 18 creating one powerful, unified program, allowing our members to earn, book, and redeem across more than 6,700 hotels. This was an extremely complicated systems challenge as we essentially created a new loyalty platform. While there are always unanticipated challenges with complex systems integrations, our Loyalty and IT teams were driven to make this integration go as smoothly as possible. In the days following cutover, many loyalty members checked their on-line statements and some discovered errors. Telephone volume to our loyalty lines increased, running up 35 percent at the peak. Our team immediately identified the problems and our loyalty telephone agents were quickly trained to help customers with these issues. To be sure, wait times were sometimes too high. Today, call volume to our loyalty lines is running roughly 2 to 3 percent over seasonal norms and wait times are back to normal. While we have solved the most significant problems, we are still addressing issues for some customers. For those loyalty members who were affected, we appreciate your patience. One powerful learning from this aspect of the integration... we discovered just how passionate our members are about our loyalty program.

We are already seeing the positive results from the loyalty integration. Our total loyalty membership is now 120 million members. Post program integration data reveals accelerated bookings from loyalty members, higher luxury redemptions, and a growing proportion of bookings from our direct digital channels.

Notwithstanding our focus on integration over the last two years, we have not stood still. We entered into a joint venture with Alibaba in Asia, introduced a pilot of Tribute Portfolio Homes in Europe, introduced new loyalty credit cards with JPMorgan Chase and American Express, expanded our mobile offerings to include food and beverage at hotels, and began taking cruise reservations for the first Ritz-Carlton Yacht. Beginning in 2019, we are implementing a new program services fee structure for owners that will allow us to manage costs for programs and services in a manner that is simple and predictable. Under this new structure, we expect over three-quarters of hotels will see costs for these programs and services decline.

Our new Enhanced Reservation System, which we call ERS, has been rolled out to over 500 hotels. ERS allows guests to select rooms based on a greater variety of room characteristics such as bed type, view, high or low floor, corner room, balcony, and so on, with more photography and hotel descriptions, allowing greater customer choice and more effective marketing.

Earlier this year, we reduced intermediary commissions for group business from 10 to 7 percent. Our largest competitors have followed, albeit months after us, which may have permitted them to temporarily benefit from some customer shift. While not all group business is intermediated, these commissions have been a significant and growing cost for large group hotels. Group meeting customers choose our hotels because of our high-quality service, outstanding rooms and

meeting space, and reasonable cost. Over the last 12 months, our group RevPAR index is steady. And in the third quarter, RevPAR at our largest group hotels in North America rose 3 percent.

In revenue management, we are focused on profitability, as well as RevPAR. As a measure, RevPAR is easy to understand, readily available in weekly STR reports, but is a blunt instrument for measuring success. Some distribution channels are just too expensive for the value of the business they deliver. In North America, our revenue management systems now consider these distribution costs when deciding which channels to open on any particular night. This has resulted in a decline in OTA business during peak occupancy nights and an increase in direct bookings. On a worldwide basis, OTA share of our roomnights was flat year-over-year in the third quarter and declined in North America. We believe this likely had a few tenths negative impact on RevPAR growth, but a favorable impact on hotel profits.

Global RevPAR rose roughly 2 percent in the third quarter with a modest increase in North America and continued robust trends in most international markets. We expect global RevPAR will increase roughly 2 percent in the fourth quarter, and based on our early budget work, 2 to 3 percent for the full year 2019.

For North America, third quarter RevPAR increased 0.6 percent. Group RevPAR increased over 1 percent, with good attendance at meetings and fewer cancellations.

While we anticipated a negative comparison to last year's hurricanes, the decline in U.S. industry transient demand in September was more significant than we anticipated. October looked better than September with stronger transient demand and considerable group business on the books. We are nevertheless taking a slightly more conservative view as we enter the seasonally slow holiday periods, so we are forecasting North American RevPAR growth of 1 percent for the fourth quarter.

For 2019, estimates for U.S. GDP growth point to a slightly slower pace of growth than in 2018, which benefitted from the tax cut earlier in the year. U.S. lodging supply growth is expected to moderate slightly next year, largely due to shortages of skilled sub-contractors, higher construction costs, and higher interest rates, despite the continued favorable economic climate.

As we consider our 2019 outlook, we note that group revenues on the books in North America for comp hotels in both 2018 and 2019 are modestly higher, consistent with constrained meeting space capacity. Our sales organization is doing a great job.

We are negotiating 2019 special corporate rates with our largest corporate clients right now, and while only a few negotiations are complete, we expect 2019 special corporate rates for comparable accounts in North America to rise at a low-single-digit rate.

Given all of this, we expect RevPAR in North America will increase 1 to 3 percent in 2019 which reflects our continued "steady as she goes" view of lodging demand.

Let me take a moment to address the strikes that are occurring at 21 of our hotels in six North American cities... this is out of a portfolio of 6,700 hotels. We have been negotiating in good faith for many months and we are making progress. We have already reached tentative agreement on national issues and we have reached a number of local settlements. Just this weekend, we welcomed our associates back to work after contract settlements in Oakland and Detroit. We hope to welcome more of our associates back to work soon. We don't expect the strikes to have a material impact on our earnings in the fourth quarter.

We are humbled by the determination and grace of the associates working today at these 21 hotels, who have been steadfast in their commitment to our guests. And we are grateful to the associates across Marriott who have stepped up to work at hotels impacted by strikes, including thousands of people who have traveled from other cities to help. Due to their efforts, our hotels have continued to operate, in many cases with full occupancy. I couldn't be prouder of the extraordinary dedication of our people.

Turning to our international regions, in the Asia Pacific region, systemwide constant dollar RevPAR increased 6 percent in the third quarter, while RevPAR in Greater China rose 5 percent, constrained by the timing of the Mid-Autumn Festival and Golden Week holidays, as well as Typhoon Mangkhut that struck Hong Kong, Macau, and South China. We expect our fourth quarter RevPAR in the region will increase at a mid-single-digit growth rate. Our hotels in Indonesia should benefit from a World Bank event and easy comparisons to last year's volcanic eruption in the fourth quarter. For 2019, we expect Asia Pacific RevPAR will grow at a mid-single-digit rate reflecting somewhat more modest economic growth assumptions.

In Europe, systemwide constant dollar RevPAR rose 6 percent in the third quarter driven by strong results in France, Turkey, and Russia, as well as greater U.S. travel to the entire region. The 2018 World Cup doubled our RevPAR in Russia. We expect fourth quarter RevPAR in Europe will continue to grow at a mid-single-digit rate with easier comps in Spain, and stronger demand in Munich, Vienna, and Rome. For next year, the World Cup will be a tough comparison, but we expect Europe RevPAR will grow at a mid-single-digit rate in 2019.

In the Middle East and Africa region, systemwide constant dollar RevPAR was flat in the third quarter due to the timing of holidays, continued political tensions in parts of the region and considerable new supply ahead of Expo 2020 in Dubai. RevPAR in Africa alone rose over 7 percent reflecting strength in Egypt. We expect RevPAR in the fourth quarter will decline at a low single-digit rate, largely due to new supply in the UAE and a tough comparison to last year's results at the Ritz-Carlton Riyadh. For 2019, we expect MEA RevPAR will be flat year-over-year.

In CALA, our Caribbean and Latin America region, RevPAR rose 6 percent in the quarter with RevPAR at our hotels in the Caribbean up 13 percent as they continued to benefit from strong transient demand, as well as lower industry supply following last year's hurricanes. We expect fourth quarter RevPAR in CALA will increase at a mid-single-digit rate benefitting from the upcoming G20 summit in Buenos Aires and favorable comps to last year's earthquakes in Mexico. For 2019, we expect RevPAR in the region will increase at a low single-digit rate.

Our brands are strong and continue to be preferred by developers and lenders alike. As of the end of the quarter, our development pipeline totaled roughly 471,000 rooms, including more than 212,000 rooms under construction. According to STR, we continue to have the largest pipeline of rooms under development in the world, including more high-value luxury and upper upscale rooms than our next three competitors combined. Based on third quarter STR industry pipeline data, worldwide, 1 in 5 hotels under construction will open under one of our brands. In the U.S. alone, 1 in 3 hotels under construction will fly one of our flags. And in the valuable upscale and above tiers in the U.S., 50 percent of hotels under construction will be under a Marriott International brand.

With this pipeline, in 2018, we expect our rooms will grow by nearly 7 percent gross. Deletions in 2018 should total nearly 2 percent of our existing portfolio. Our brand improvement efforts and owner workouts account for the unusually high level of deletions of Legacy-Starwood product in 2018. In total, we continue to expect net rooms growth to be roughly 5 percent in 2018.

For 2019, we expect gross rooms growth will be similar to this year while room deletions should moderate to 1 to 1.5 percent. Net unit growth should total roughly 5.5 percent.

We do not see an economic downturn on the horizon. But given recent stock market volatility, there is clearly uncertainty about the direction of the U.S. economy. Regardless of the economy's performance, given long construction cycles, our strong unit growth should continue for some time. In fact, looking back at the last downturn, our gross room additions totaled 6 percent in 2008 and 7 percent in 2009. Our unit growth bottomed at 3 percent in 2012 but was back to 5 percent just two years later.

We are committed to our asset-light business model. By managing or franchising hotels rather than owning them, our unit growth is faster, significant economies of scale benefit our owners and customers, our return on investment is higher, and we generate considerable excess cash flow to invest or return to our shareholders.

For more about our business model and the third quarter, here is Leeny.

Leeny Oberg: Thanks, Arne.

Our third quarter financial performance was solid. Adjusted diluted earnings per share totaled \$1.70, 62 percent over the prior year quarter and 41 cents over the midpoint of our guidance. Our gross fee revenue line yielded about a penny of the outperformance, largely due to strong branding fees; 4 cents came from better than expected performance on the owned and leased line, largely related to termination fees; 3 cents came from better than expected general and administrative expenses, reflecting continued synergies and favorable timing; 15 cents came from gains on the sale of assets, including the sale of a hotel in a joint venture; 14 cents came from favorable discrete tax items and the tax impact of asset sales; with the balance of the outperformance from depreciation, amortization and net interest expense.

Gross fee revenues totaled \$932 million, a 13 percent increase year-over-year, largely from unit growth, RevPAR gains, and higher incentive fees and branding fees. Credit card branding fees alone totaled \$101 million, including \$6 million associated with true-up of fees earned in prior periods. Credit card branding fees totaled \$59 million in the year-ago quarter.

For our company operated hotels, house profit margins increased 20 basis points worldwide on continued property synergy savings, despite accelerating wage increases. Incentive fees increased 9 percent in the third quarter driven by strength in Asia Pacific and Europe.

Owned, leased, and other revenue, net of expenses, totaled \$82 million in the third quarter, flat with the prior year. Property dispositions reduced owned/leased results in the quarter by \$23 million year-over-year. Termination fees totaled \$23 million in the quarter compared to \$5 million in the prior year. For owned or leased hotels that were open in the third quarter of both years, profits increased nearly 5 percent in the quarter.

General and administrative expenses totaled \$221 million, 8 percent higher than the prior year. The 2018 quarter included the company-funded supplemental retirement savings plan contribution totaling \$7 million, while in the year-ago quarter we recognized a \$6 million tax incentive benefit.

Gains and other income totaled \$18 million, including a \$12 million favorable adjustment associated with the sale of two hotels in Fiji made earlier in the year, and a \$4 million gain on the sale of our interest in a joint venture. We also reported a \$55 million gain on the Equity in earnings line as one of our joint ventures sold the JW Marriott hotel in Mexico City.

Third quarter adjusted EBITDA rose 12 percent to \$900 million despite a \$19 million negative impact from sold assets.

Looking ahead, given our worldwide RevPAR and unit growth assumptions, we expect gross fee revenue for the fourth quarter will total \$900 to \$910 million, a 4 to 6 percent increase over the prior year. Year-over-year, we don't expect foreign exchange to have a material impact on our fourth quarter gross fees.

Fourth quarter fee revenue is about \$30 million lower than the midpoint of our prior guidance. Unfavorable foreign exchange accounts for about \$10 million of that decline, our modestly lower RevPAR estimate accounts for about \$15 million, with timing of residential branding fees covering the balance.

We expect owned, leased and other revenue, net of direct expenses, will total roughly \$90 million in the fourth quarter. Compared to last year, results should reflect stronger hotel results and higher termination fees, as well as a \$13 million negative impact from sold hotels. Our guidance assumes no further asset sales beyond those that have been completed.

G&A should total \$245 to \$250 million in the fourth quarter, including roughly \$6 million for our contribution to the company-funded supplemental retirement savings plan and associate support

programs. The increase compared to our prior fourth quarter guidance is largely related to timing.

We expect net interest expense will total \$90 million in the fourth quarter. Compared to our prior forecast, this reflects higher fixed-rate borrowings, higher interest rates, and lower interest income.

These assumptions yield \$1.37 to \$1.41 adjusted diluted earnings per share and 7 to 9 percent growth in adjusted EBITDA for the fourth quarter. For the full year 2018, we expect adjusted earnings per share will total \$6.15 to \$6.18 and adjusted EBITDA should increase 10 to 11 percent.

We aren't prepared to provide guidance for 2019 as we have not yet finished our budget process. But as you consider your models for 2019, we want to note that our 2018 full year forecast for owned, leased and other revenue, net of direct expenses, includes roughly \$70 million of termination fees largely associated with the rooms deleted in 2018. A more normal run rate for termination fees is \$20 to \$30 million annually.

Year-to-date, we have recycled nearly \$630 million of capital through asset sales and loan repayments and recycled more than \$1.8 billion of capital since our acquisition of Starwood. Compared to our last view of 2018, cash flow has improved due to lower cash taxes, lower investment spending, and higher asset sales. We repurchased nearly 21 million shares from January 1 through yesterday for approximately \$2.7 billion, already exceeding our guidance for the full year 2018. As a result, we now expect to return roughly \$3.7 billion to shareholders through share repurchases and dividends in 2018.

Our asset-light business model is attractive because of its low risk profile with most of our cash flow coming from hotel base and franchise fees, typically earned as a percentage of the hotel's top line. Of course, incentive fees are sensitive to demand trends. This is particularly true for management agreements that include a priority return to the owner, which in a significant downturn can drive a property's incentive fee down meaningfully. Marriott has limited exposure to this risk. Our incentive fees represent less than 20 percent of our total fees. And of those, nearly two-thirds come from international markets which frequently have no owner priority and therefore hold up better in a weak economy. Over the last ten years, Marriott fee revenue has become relatively less risky as we have increased our proportion of both franchise and international business.

You may recall that we spun off our timeshare business in 2011. In 2007, our timeshare segment alone accounted for roughly one-quarter of our operating income. Today, we only earn a largely fixed franchise fee from our timeshare business.

Overall, while our business has been asset light for many years, we have also meaningfully improved our risk profile with our growth strategy and expect to continue to do so.

Now I'll turn it back over to Arne, who has a few more comments before we go to Q&A.

Arne Sorenson: Thanks, Leeny.

Before opening it up for questions, let me pause for one more moment to thank the Marriott associates around the world who have worked so extraordinarily effectively on our integration journey. We have had thousands of associates working around the clock to pull these two technology platforms together and based on their work, and the work that proceeds it, by every measure, we can now say that we are now one company and we are very bullish about the long-term opportunities we can pursue. We are excited about our future and plan to talk to you, the investors, more about it at our analyst day in New York, scheduled for Monday, March 18th at the New York Marriott Marquis. Please save the date.

Now, let's turn to your questions. So that we can speak to as many of you as possible, we ask you to limit yourself to one question and one follow-up. We'll take questions now.

QUESTION AND ANSWER SESSION:

Robin Farley - UBS Investment Bank: I wanted to ask a little bit about the deal with Host Hotels that they talked about in their release last week, where you'll be sort of guaranteeing some profits for -- during disruption of renovations. And I guess, I wonder if you could talk a little bit about why you're doing that. It seems unusual. I don't recall you having done that before. And would that be like a reduction in your fee revenue or somehow capital spend for you or just how we should think about that?

Arne Sorenson: Yes. Thanks, Robin. It's a great question. Let me start just by saying that the relationship between Marriott and Host today is as strong as I've seen it in many, many years. The companies are working together extraordinarily well with high transparency between the two companies and a strong sense of collaboration about what we can accomplish together.

I think the deal that Host described in their call is just the most recent example of that and it's an exciting one for us and for them, I think, both. Obviously, it is focused on 17 very prominent hotels in our system, including the New York Marriott Marquis, the San Francisco Marquis, the Orlando World Center, just to name a few. And I think what Host and we saw together was that by increasing the renovation capital that went into those hotels, we could drive better returns for Host as an owner and, if models are right, for Marriott International as manager of those hotels. Because it was a substantial amount of incremental capital that Host was preparing to commit into these hotels and in light of numerous aspects of these deals, including our incentive fee formulas and base management fees, it was very much in our interest to participate financially in incenting that program. We'll have roughly \$80 million of key money, which will be provided over four years, which is a partial incentive to Host to get that done.

There will be adjustments in the incentive fee formulas, which is quite typical in many respects when new capital, in other words, capital over and above FF&E reserve gets put into the hotels, typically, an owner will get incremental owner's priority for that. At the same time, we believe

that if the hotels perform the way we anticipate them to perform, we will see an incentive fee formula that maybe gives them a higher priority but actually produces more dollars for us, as well as more returns for them. So, we're really excited about it and just can't wait to see the way these hotels would be transformed.

Robin Farley - UBS Investment Bank: That's great. And maybe just as my follow-up, just looking at your RevPAR guidance for 2019, it looks like the first time in many years that your range has only been 100 basis points. And typically, over the years, you've given a 200-basis-point range. I'm just wondering, given the -- if there anything, sort of, maybe increased uncertainty about next year, why the tighter range or what was the thought there?

Arne Sorenson: Maybe we just want to prove that old dogs can learn new tricks. The -- it is -- we obviously go through this carefully and probably, we should start by restating the obvious here, which is we have not done the full budgeting process, so we're not completed. We have looked carefully at the preliminary things that we've got coming in and using the tools that we have. And what we see is something that we think looks a fair bit like 2018. And as we did the math, we thought 2 percent to 3 percent was a more relevant 1-point range to give you than to give you a 2-point range that could be either below or above that. But neither of those seem to be as accurate as we wanted to be at this point in time. And so, 2 percent to 3 percent is what we came up with, obviously with a bit broader range in the U.S. guidance.

David Katz - Jefferies LLC: If I can go back in the prepared remarks, Arne, I think you mentioned some uncertainty around the economy, but that your unit growth should continue. Can we just sort of pick that a little bit deeper from the perspective that if the economy were, and I'm not asserting that it will, but if it were to turn in a less positive direction, wouldn't the implication be harder that getting projects open and on the board, et cetera, would become more challenging as well? Why are you comfortable with that?

Arne Sorenson: Well, I think the biggest reason -- it's a good question, David. I think the biggest reason for that is that the near-term openings, and I would think about those as being not just 2019 actually but probably 2019 and 2020, are well underway. Overwhelmingly, they are under construction today. And while it is not necessarily the case that they will proceed without a bump, no matter what the economic environment, what we've seen in prior economic cycles, is projects like that proceed toward completion and opening. And the intake of new deals into the development pipeline will, for certain, be impacted by a materially weaker economic environment but probably will not impact openings until we get a few years out.

David Katz - Jefferies LLC: Got it. And if I can just ask on the heels of the impressive integration that you've gone through and talked about, and I apologize if you commented on this, but with respect to SPG members in particular, there's been a focus on retaining and enhancing that relationship. What measurements or what are you looking at to feel comfortable that those people, those members are still on board? And is there any sort of data to support that?

Arne Sorenson: Yes, good questions. And obviously, this is something that we will continue to be watching like a hawk. And ultimately, we will have access to quite granular data, which allows us

to look at the spending patterns of SPG members and look at whether we see any signs that those spending patterns have increased or decreased in the wake of the merger of the loyalty programs. As a reminder, it was August 18th, so we are a couple of months into it now, but it's still quite recent. We know, and we put this in the prepared remarks, we know already that we are seeing a substantial increase in digital bookings. We are seeing the substantial increase in digital volume. We are seeing more and more eyeballs look at the hotels in the combined set. And so our preliminary data gives us considerable comfort that what is logically obvious will turn out to be a reality. And what is logically obvious is that by offering our customers more choice with more places both to earn and redeem points and more of our customers going to one single site to see all of our portfolio, that we will increase share of wallet from the customers, as well as grow the loyalty program. But stay tuned for that. We'll have data over the next number of quarters, it will be particularly the most important thing we're looking at.

David Beckel - Bernstein: This is Apple on behalf of Dave. Can you please give us an update on your home-sharing trial? And do you think that will become an official project? And what feasibility is proving out?

Arne Sorenson: Yes. So, we've been very pleased with the pilot so far. We started in London, I would say, four or five months ago, although I may be a bit imprecise on the precise start date. And the plan in London was to work with a partner who essentially curates the units that would be available on our site. Those units would obviously have a linkage to our loyalty program. And we looked for units, which were, A - big enough to be distinct from a traditional hotel room; and B - of a kind of quality that we felt good about having our loyalty program and brands associated with.

The first wave of that pilot was really about assessing what happened in London. And we saw really good results. For example, I think 85 percent of the folks that booked were our loyalty members. It looked like mostly leisure and business, which was not surprising to us. And it looked like it was accretive to our total business in the market with, by the way, good synergy with hotel bookings, too. So, we saw people that would look at our home sharing units and ultimately, many would book with those, but many would come and book with hotel rooms too because they were looking at essentially both portfolios. In any event, it went well enough that we have now expanded that to phase two, which includes Paris, Lisbon and Rome. So, we're in four markets in Europe, and we are very encouraged by what we've seen so far. So, stay tuned, we'll see where it goes.

Jared Shojaian - Wolfe Research: So, your net room guidance implies that the exits may have stabilized. Are you guys feeling more confident that the uptick in your guidance from last quarter, which I think was largely involuntary exits, but are you feeling more confident that, that was more of a one-off? And I guess, what sort of gives you that confidence going into 2019?

Arne Sorenson: Yes. So, I'll let Leeny talk about 2019, but let me just make a comment about 2018 and what we saw in terms of deletions. Obviously, there was a lot of Q&A about this a quarter ago. I think we brought up the numbers by roughly 0.5 point in terms of number of units that would leave our system in 2018 compared to what we had talked about the quarter before.

And not entirely involuntary, I'll quibble with you a little bit on that. It's not as if every hotel leaving our system is something that we want to leave, but many are. And actually, when you look at Q3 numbers, we deleted about 6,000 rooms in Q3, just a bit over that. There was a big portfolio of Gen 2, Generation 2 Fairfield Inns, maybe about 1,300 rooms that we worked with our franchisee and hotel owner to have exit the system. And they -- that was the right answer because those hotels did not justify the kind of capital they needed to remain competitive. And we think, from a product quality perspective and ability to replace, probably, in a number of those markets, that was a no-brainer for us.

There was a story in Dubai, which I think is familiar to everybody, but an owner who really wanted to operate under franchise contract and we decided to part ways with them. And we don't really have much more to say to that, but that was another 1,700 or 1,800 rooms. And then there was another 1,700 or 1,800 rooms which were in Las Vegas, and that was a negotiation with the owner of those projects, but there's a significant quality aspect of those conversations. And I think we are quite satisfied with the way all those discussions came out.

The challenge, of course, when you have a few big ones like that, whether they'd be a portfolio of Fairfields or a couple of individual projects, is they can have an impact to what happens in the quarter. I think we would have loved to have been able to say, I think you probably would have loved to hear from us, that it was only about repositioning Sheraton, for example, which we are doing and making great progress on that. That would be a bit of an oversimplification. It is a mix of things, but they do include, in the fullness of the year, some about repositioning the Sheraton brand, significantly about product quality and to some extent, about discussions with owners that have been left unresolved for too long and we're now getting around to getting those resolved. But as we've looked early into 2019, and Leeny can talk about this, I'm -- we're optimistic that we're going to sort of return a bit more towards normal levels.

Leeny Oberg: Just to follow on Arne's comments, we continue to do a scrub, as we do all the time, about hotels that are either coming to the end of their contract or discussions that we're having on ongoing product improvements, et cetera. And as we look through in each and every continent, both Legacy-Marriott portfolio, as well as Legacy-Starwood, we do feel good about the 1 percent to 1.5 percent that we've described today. If you remember what we talked about a quarter ago, we talked about the more normal rate for the Legacy-Marriott portfolio of 1 percent to 1.5 percent in 2018 for deletions, while a number that would be well over 2 percent for the Legacy-Starwood portfolio. And, as we again described it, for a host of reasons, to some extent, kind of some issues that may have been hanging around since before the merger, while as we've worked through them and now look forward, we see the number for the Legacy-Marriott portfolio in 2019 continuing to be the stereotypical 1 percent to 1.5 percent and the Legacy-Starwood moving down much closer to a more normal level as we look at the terminations. So overall, looking at 1 percent to 1.5 percent.

Jared Shojaian - Wolfe Research: Great, that's helpful. And I just want to go back to the comments about a weaker transient environment in September. Do you think you just underestimated the calendar and the holiday impacts? Or do you think there was more to it than that? And I guess, even though October, it seems like that was better, but it seems like you may

be taking a more conservative approach to November and December if I'm hearing you right. So, to what extent is that cautiousness towards the latter months of this year also extrapolated into your 2 percent to 3 percent RevPAR guidance for next year?

Arne Sorenson: It's exactly the right question, I think. The surprise, the disappointment to us in Q3 was purely about U.S. RevPAR performance in September. And it had an impact obviously in the Q3 RevPAR number. And it does impact, in a way, I'll describe a little bit more fully in a second, our expectations for Q4. By and large, it is not impacting our early guidance or early ranges for 2019.

When you look at September RevPAR, let's start with Smith Travel, interestingly, you see luxury performing reasonably well at 1.8 percent. These are Smith Travel numbers for the month. Not surprising because luxury often has got a bit more skew towards resort hotels than other segments in the market. And when you end up with some holiday performance, for example, you end up with a relatively better performance in the leisure space. Upper-upscale was only 0.3 percent, so barely better than flat. And all other segments, again, these are Smith Travel numbers, were down 1 percent. Those are the RevPAR numbers. Our systemwide number in September was down 1 percent roughly. So, it was a disappointing month.

Now to let it all hang out there, our performance was better than -- 2 points worse than what we thought internally heading into September. And that's what gave us pause. And of course, when you see that, you say, "Okay, let's figure out everything that can happen." The most obvious explanations, and we think are still probably the most relevant explanations, are the tough comparisons in the hurricane markets in Houston and Florida and the midweek Jewish holidays that occurred in September. So, we had both the holiday shifting into September, but because they were midweek, they probably had a more significant impact on business transient travel. But when you miss by over two points, that's a little bit sobering, and so we've done everything we can to tease and test and sweat that data to see if we can figure out what happened. And there is a bit of September's numbers which were cautionary to us. It was a little bit slower transient pickup than we had seen in prior months. And so, we went into October with, again, some concern, not overwhelming because of the hurricane and holiday pieces of this, but some concern.

The best news here is that October was, by and large, reassuring. We don't have that data in enough depth yet to be able to tease it and test it in a way that we've done for September. But the headline RevPAR number, we think, will be sort of back towards the prior trend line. There still is, though, enough concern, I suppose, for us that as we head into November and December, which are weaker months of the year, less group business, more dependent on transient. Obviously, you get into sort of quieter part of the year. We want to be thoughtful about that short -- very short-term transient pickup. And our assumptions are, to be sure, more conservative for Q4 than they would have been had we not had the experience we had in September. Probably by about 1 point of RevPAR in Q4.

Again, it does not impact our expectations for 2019 in part because we return to stronger, more normal traveling months, in part because when we look in the Q1, we see fairly good group

bookings on the books. And all of it tells us that we should expect sort of a steady-as-she-goes for the whole year kind of numbers from 2018 as we head into 2019.

So that's a long-winded answer, but I think it's an important question, and it's one that I would say the sky is not falling, notwithstanding the weak September. We do think September was more an industry story than it was a Marriott story. In fact, when we look at our RevPAR index for the months of -- month of September, we held our own, which was very gratifying. And so, stay tuned. Let's watch it. We're a bit more cautious simply because September happened, but we're not particularly fearful.

Harry Curtis - Nomura Securities Co. Ltd: I just wanted to follow up on that line of questioning. Year-over-year in November, December, do you find that you're up against some tough comps? I'm wondering if that might be part of the reason for conservatism.

Arne Sorenson: Well, we have tough comps, of course, because the hurricanes in Houston and Florida. Our expectation is that the hurricane comps hurt us by about a point year-over-year. And so, while none of us loves putting a kind of 1 percent-ish number on the table as a guidance for a quarter, which is our expectation for U.S. systemwide, that number based on hurricane comps alone would be about 2 points if it weren't for that. And that's not far off of the kind of run rate we have seen. Again, it does include a more conservative assumption about short-term transient pickup than we've had in place for the first threequarters of the year. And whether that turns out to be more conservative than needed or not, we'll have to see as the quarter comes to a close.

Harry Curtis - Nomura Securities Co. Ltd: Okay. Very good. And then similarly, in your sales department conversations with your corporate customers, is there anything that they're seeing with respect to the fourth quarter and next year that would indicate that demand is at risk of softening?

Arne Sorenson: No.

Harry Curtis - Nomura Securities Co. Ltd: Okay.

Arne Sorenson: Did I give you enough?

Harry Curtis - Nomura Securities Co. Ltd: I think no is a good answer. And just a similar line of thoughts, my last question is, if corporate profits are still expected to grow roughly 10 percent in 2019 and your occupancy levels are pretty close, if not, at or above historic highs, why not get your property managers to push the rate a bit more? Yes, I'll stop there.

Arne Sorenson: Yes. I'm entirely with you on that, too, Harry. The -- I think the relative lack in rate, given where we are in occupancy, is obviously something we have talked about in prior quarters. We are trading at essentially historic peaks in occupancy. We would have expected, and probably still do expect, more rate growth than occupancy growth going forward and are optimistic that we will see some occupancy growth, particularly if we see the economy continue to perform strongly. Having said that, and it's not just a question of the instructions we give to

the hotels that we manage, but it is a question about the decisions that are made by thousands of franchised hotels in our system who are setting their own pricing. And obviously, we compete in a highly competitive industry. And so, we've got -- we would love to ignore the way hotels are priced by both independents and some of our competitors, but you can't really do that. And so, we are doing the best we can to drive rates. I think we're making some progress in that, but we hope to see more progress in the months ahead.

Joseph Greff - JP Morgan Chase & Co.: Arne, am I wrong in interpreting your North American 3Q results is indicating that maybe you lost a little bit of RevPAR index? I know you're reporting same-store North America, and we tend to look at U.S. STR data, which isn't same-store. Maybe if when you answer the question, if you could sort of discuss the difference between limited-service and then the North American full-service results.

Arne Sorenson: Yes. I mean, obviously, you can see that in the -- in our press release, you've got our luxury systemwide numbers at about 3 percent RevPAR, upper-upscale at about 1.5 percent, a little bit less, and then the limited-service at minus 0.5 percent. And that is obviously, in a way, looking at the relative strength of the segments. I think part of that is also a function of the kind of customers that essentially are most predominant in those hotels. So, the limited-service hotels are often, particularly during the week, dependent on the individual business traveler. The upper-upscale hotels are going to be dependent on that traveler but also on group. And the luxury hotels, as I mentioned before, are going to have a bit of a skew towards resort, and therefore, are going to be a little bit more leisure-dependent. And in the sense, you can look at that stack and see the relative strength during the quarter. And that is that leisure probably strongest, group next, and the business -- individual business transient traveler next. And that plays through reasonably well.

Now vis-à-vis Smith Travel, don't forget we've got different geographic areas of concentration compared to the industry. Because of our 91-year history in Washington, we are very strong in Washington. If you look at the Smith Travel RevPAR numbers by city, you'll see that Washington was the weakest big market out there for a mix of reasons. We're -- obviously, today is midterm election day. In the months before a midterm election, you got a lot of politicians who are out on the hustings, and there's not that much happening in Washington that drives business. We also had, during Q3, a hurricane warning that included Washington, D.C. And an emergency, I think, was called here even though the hurricane never showed up, but it was called with enough advance warning that it had an impact on business. And in Houston, we've got strong select-service distribution, and that's a tough year-over-year comparison.

So long-winded way of getting to your question, which is did we lose share in the quarter. Our share in the quarter -- actually I mentioned September. September, we held our own. And in the quarter, we held our own. So, this is not fundamentally about Marriott lagging the market. This is fundamentally about how the market performed by geography and by segment in both September and in the quarter.

Joseph Greff - JP Morgan Chase & Co.: Got it. And I don't know if you gave any specifics about October in the U.S. other than you're saying it was better than September. But when we look at

your 4Q 1 percent U.S. RevPAR growth guidance, does that assume then the next two months of this quarter basically flat?

Arne Sorenson: I will say this, October will be the strongest month of the quarter based on our present expectations. And that's a bit about -- it's a more normal travel time. It's a more normal group business time. And to some extent, it -- we knew it would rebound from September because some of the things that happened in September worked to the benefit of October. So, October, we think, will be stronger than November and December. Obviously, we don't have, again, really final numbers yet for October. We have some preliminary views, but it's not -- we don't have final enough numbers to hang them out for you this morning.

Anthony Powell - Barclays Bank PLC: Slower transient demand during holidays seems to be a consistent trend this year. Is there anything Marriott can do from a revenue management or a marketing standpoint to help -- to make some better demand during these holiday periods?

Arne Sorenson: Well, we -- what we've talked about internally is whether or not we could lobby the government to force that all holidays happen on weekends. Obviously, we can't do that. But we have had kind of a funny year, which is July 4 on a Wednesday, if I remember right, and the Jewish holidays midweek. And it's no surprise that when it's right in the middle of the week, you end up with a temptation, particularly around July 4th time, to maybe take weekends on both sides but maybe not to do any business travel during that entire week. I think with the Jewish holidays, it's probably the impact on business travel, not so much people taking 10-day vacations. We are doing what we can do around leisure promotion, where there are real leisure opportunities. But in some markets, I won't pick on any particular city, but it won't surprise you that in some suburban markets, you're not going to find a lot of leisure to replace the business travel that has disappeared. And you're going to end up with -- you're going to do the best you can, obviously, but you end up with a lower occupancy, and that has some impact on rate, too.

Anthony Powell - Barclays Bank PLC: Got it. And on the -- on buybacks and leverage, the increase in interest rates and some volatility on RevPAR growth change your approach to buybacks as you move to the next year? Or is it steady as you go?

Leeny Oberg: Steady as she goes. Just remember one thing, and that is that you got to take into consideration asset recycling. And as you know, this year, we've had over \$600 million of assets recycled. And you can net that against the purchase of the Sheraton Grand Phoenix. But there is, call it, a net, roughly \$400 million, that we would -- going into the year for 2019, we would not put in any forecast for the numbers. But otherwise, I would definitely say steady as she goes.

We talked on our last call about how in our conversations with the rating agencies, as we looked at the combined business models, both as we've moved away from owning the timeshare business, as well as with the combination with Starwood, that we've got a stronger, more sustainable, more cash-rich operating model. And with the discussions with the rating agencies talked about broadening our leverage target range. So instead of 3 to 3.25, it's now 3 to 3.5. So, I would expect from that standpoint relative to maybe a year ago that we may dance a little bit higher within that range, but it will all still be comfortably in the range that we discussed. And

again, with the same sort of process that it is before, which is to, first, make sure that we invest in the growth of our business and do that with great value-added projects, but then with the remainder, return it to shareholders through a combination of dividends and share repurchase.

Patrick Scholes - SunTrust Robinson Humphrey: Are you seeing any changes to Chinese demand and also the -- your Chinese -- your pipeline in China from trade wars?

Arne Sorenson: Not yet is the answer. Obviously, it's a question we have been talking about and watching carefully with our Asia team over the last number of months. Obviously, the GDP numbers that China have posted -- has posted are modestly lower than what we saw in prior quarters. And you would expect, all other things being equal, to see that have some impact on hotel demand. But the numbers for Q3 were really very strong in China. Obviously, we had some impact from the hurricane that really bore down on Hong Kong most centrally. But what we're seeing is a good, steady performance both in terms of intake on new deals, on the development pipeline, openings as well as performance of existing hotels. We'll obviously watch this into next year. We talked about mid-single-digit RevPAR expectations for next year. I don't -- we don't want to get too granular yet because the budgets haven't been done. But I think our expectation is 1 point or so lower maybe in RevPAR, a point, a point to a point and a half lower than we're likely to experience in 2018. But still in absolute terms, a good year-over-year growth and a strong optimism in China.

Stephen Grambling - Goldman Sachs Group: Maybe a follow-up to one of Anthony's questions earlier. I guess what would be the run rate free cash flow generation this year, excluding some of the onetime puts and takes? And are there any kind of other onetime items to think about for next year that may dictate how much free cash flow you will generate relative to EBITDA?

Leeny Oberg: Yes. Well, the one I mentioned before, Stephen, is kind of the most obvious one, which is the asset recycling less -- less what we did on the Phoenix Sheraton. And I think that's really the main one.

The one -- the other one that we'll just continue to keep in mind is that, as you know, we have committed to spend some of the Avendra dollars that we had in a gain on sale, which we've taken the benefit of from our cash position. And obviously, as we look forward, we would continue to expect to invest some of that in our hotel system. I think we gave guidance this year that expected something like maybe \$100 million of Avendra investing this year, which is essentially a use of cash within the cash flow. And I would expect something somewhat similar to that, in that ballpark next year. But otherwise, cash taxes, I would expect that this year, we had a meaningfully higher cash tax bill because of the Avendra gain, which so the cash was received at the end of 2017, and we had higher cash uses for that because of that, and that will obviously be done in 2019. So, you will not have that carried forward in 2019. And again, a decent run rate to use for taxes, apart from any other oddballs, we'll be the roughly 22 percent that we've talked about before. We're in the process of doing our budget. So, from a standpoint of investment spending, we don't have a range yet for you. But we obviously, when we get to the beginning of the year, we will.

Stephen Grambling - Goldman Sachs Group: And I guess one unrelated follow-up. You mentioned, I think in the remarks, a decline in OTA bookings and the strength of direct bookings in North America. But I believe you mentioned that overall, you were still flat. Can you just elaborate on what you're seeing in the international markets that may make the effectiveness of some of your direct booking efforts more or less effective?

Arne Sorenson: Yes. I mean it's a big world out there, obviously. And the OTAs from an American lens, we think, really of Expedia and Booking, you look around the world and you see additional OTAs that have sometimes business models that are quite similar to those two and sometimes they're different but are regional focus and regional strength, which is different. And I don't know that I've got any deep insights on your question. There are parts of the world which are more leisure-dependent. This is where OTAs are probably the strongest for obvious reasons.

And so, look at a market like Thailand, for example, or Indonesia with Bali. These are markets in which OTAs, whether they'd be Asian-based or global OTAs, are going to tend to deliver business, which is more incremental because it is more leisure than elsewhere. I think to some extent, there's probably also a difference in the familiarity of our brand names and distribution. Obviously, we've been in the hotel business in the United States the longest with the deepest distribution with really high penetration of our loyalty programs. All of those give us tools to use here in terms of yielding away from these platforms, expensive platforms on high occupancy midweek nights, which are probably a bit more powerful than they would be in the rest of the world, where our presence has been relatively shorter and our market share is probably a little bit lower. Those will be the things that come to mind, but I don't think they're dramatically different from place to place.

Shaun Kelley - BofA Merrill Lynch: Arne, just following up on the OTA comment from just a moment ago. I think in the prepared remarks, you also called out that on the distribution cost front, you were -- you saw maybe some changes in mix that could have actually impacted RevPAR growth. Could you elaborate on those comments a little bit? I think you said a few tenths on RevPAR. Was that for the quarter or for the year? And just maybe, again, maybe elaborate a little bit on what exactly the initiative is and what may be having that impact.

Arne Sorenson: Yes. We -- I mean we called out two initiatives in the prepared remarks. One is our commission reduction for group intermediaries, which is essentially a United States issue. And the second was our use of a new revenue management platform that really allows us to factor in cost of business as we're making decisions about what business to take. And that piece has really caused us to meaningfully reduce the midweek contribution that we're taking from OTAs because we are using our revenue management system basically to say we can fill our hotel with business, which is less expensive to us. And it is in the latter context that we said, "Yes, it could be a couple of tenths maybe of RevPAR impact from yielding that business." We think even though we might be giving up a little bit on the top line, we're, if anything, growing the bottom line because we are replacing some of the business we would have taken with lower-cost business. And obviously, if you do that enough, you can afford to give up certainly a modest amount of net business that might have come to us if we hadn't used that revenue management

tool. And so that's a maybe a couple of tenths in the quarter, is what we meant to communicate. I'm not sure if we were clear in the time frame in that paragraph of the remarks.

Still clearly to us, it's the right call. And again, I don't -- we're not offering that as explanation for sort of our macro numbers in the quarter. In the quarter, we held our own in RevPAR index, notwithstanding the merger of these loyalty programs and the noise around it, notwithstanding what we've done with group intermediaries, notwithstanding the yielding we're doing with the OTAs. And we're actually very gratified that we continue to post good index numbers even with lots of change that we are very deliberately pursuing across the company.

Shaun Kelley - BofA Merrill Lynch: Great. And as my follow-up, maybe just to touch on kind of unit growth side as you look out to 2019 and beyond. This is not to take anything away from all of the initiatives that you've got and how much work everybody has done in the integration. But I'm curious, in the past, you have actually done some smaller kind of tuck-in brand M&A here and there. Is that something that's still on the radar screen for you? And how do you kind of think about that as you think about gross unit growth and capital allocation?

Arne Sorenson: Yes. No, we will continue to look at whatever is available in the M&A side. Obviously, it's hard to predict whether anything would happen, and we do have our hands full in many respects. But we believe that it's an industry we love, and we believe we're just getting started.

Chad Beynon - Macquarie Research: One of the main motives of your acquisition of Starwood was, I believe, around kind of their lifestyle brands, which, from a room standpoint, came with, I think, Westin, the biggest one and then W and some smaller ones. And now it seems like lifestyle demand has moved more towards like wellness or wellness features. So, do you think you have the right properties for these guests, particularly your Platinum members with respect to like wellness and kind of the new lifestyle image?

Arne Sorenson: Well, I mean, it's a good question. I think it's a really interesting place. Obviously, lifestyle and luxury and resort, all of, we would say, are important growth areas for us and important features for us to have in our loyalty portfolio. So, I don't think we want to say it's only about lifestyle. But we do think that one of the things that motivates regular business travelers who are the folks for whom the loyalty program is most relevant is, where can I go when I take my free vacation if I've earned enough points to get a free vacation? And they are interested in resorts. They're interested in luxury. They're interested in lifestyle. They're interested in breadth of distribution, all of those sorts of things. And by acquiring Starwood, we think we meaningfully increased our attractiveness in all of those places. And so, I think that, that reason for pursuing the deal is very much alive and is working very strong.

Lifestyle includes -- it means different things to different people. You've just suggested one thing, which is maybe a wellness piece of it. I actually think the Westin brand itself, and I'd probably include Element not far behind, but those two are, in our view, the most meaningful broadly-distributed brands that have got a lifestyle focus. And so, I think, in fact, we are quite strong in that space. But I think there are other aspects of lifestyle too, which have to do with maybe you'd

look at W and say the, what, the liveliness of a bar and club and restaurant scene is something that is very strong in that brand and I think is still very attractive to many lifestyle travelers. So, while I think the portfolio is great, I think we believe we're, in many respects, leading in the lifestyle and luxury and resort space and believe that's one of the strengths of our loyalty program. We're certainly not satisfied and we will continue to seek more distribution in those spaces.

Chad Beynon - Macquarie Research: Okay. And then unrelated. I don't think there were many companies that announced retirement savings match plans like you guys did at the beginning of the year. And I'm wondering if you're seeing, I guess, lower attrition because of the program, anything that could be quantified going forward in terms of either fewer training fees or better net promoter scores. I know it's early, but just anything that you're seeing as a result of that initiative.

Arne Sorenson: I love you asking that question. Thank you for that. The -- we do a couple of things. One -- regularly. I mean every year, we are surveying our associates around the world to try and understand how they feel about their work. And our associate satisfaction is at an all-time high, up from last year. We're asking a lot of our people because there's a lot of extra work to pull these two companies together. But I think our people around the world are very motivated to be part of the team. I think they're proud to be working for Marriott, and I think they feel good about their careers, and that comes through in that survey loud and clear.

The second thing we look at, and it gets more focused on the supplemental \$1,000 401(k) match that we did in the United States, is we look at participation among our associates in our retirement plans. And that number is about 80 percent of all eligible associates, which is an extraordinarily high number. And it tells you that they -- there's always been good participation. It has gone up. I think it's gone up in substantial part because of what we did with the supplemental 401(k) match. And so, notwithstanding the strike noise we've got in a few markets, we think actually the overwhelming bit of data that we've got about our relationship with our people around the world is very encouraging.

Michael Bellisario - Robert W. Baird & Co.: Just one more on the merger integration front. Want to focus not on the consumer side but more kind of what are you hearing and seeing from the corporate accounts and then the group and travel planners with respect to their views of the merger and maybe any concerns they're having about it and how that may be impacting their booking decisions.

Arne Sorenson: Yes. I mean, it's a big community out there, and so it's hardly monolithic in its voice. But we have regular dialogue with our big corporate customers as it relates to both group and their transient travelers. We have regular sessions with group planners. Sometimes, those are folks in intermediary platforms. And often, those are folks internally at corporate or association customers. I think overwhelmingly, the response has been not just positive but enthusiastically positive. They appreciate the breadth of choice. They appreciate the execution that we're bringing to the portfolio of both group boxes in which we are, far and away, the biggest in the industry. And I think we're hearing from our association and corporate group

customers that they love the breadth of choice that we offer within our portfolio. And similarly, I think we hear from the business transient traveler that they like very much the breadth of choice that we're offering. And so, when we see our share of the total travel book of some of our biggest corporate clients, we see that share generally growing, and the relationship is generally very robust.

Kevin Kopelman - Cowen and Company: So, you mentioned you're seeing -- just a question on loyalty. You mentioned you're seeing uptick on direct online bookings since the unification. Can you give us any sense of where you are on direct online as a percentage of total post-unification, how you see that trending over the next year?

Arne Sorenson: Yes. We will continue to see direct digital grow in the next year for certain. I should be careful about saying the words for certain ever. But we have a number of things happening that include a continued organic shift towards all things digital, and so that's a tailwind which should continue to help us. I think our direct digital, don't hold me to the precise number, but it's nearing 30 percent of our total business, which is coming in through our direct digital channels, which has good healthy year-over-year growth.

Kevin Kopelman - Cowen and Company: Okay. And just to follow up on that and to follow up on your previous comments on OTAs and the mix. Can you talk about how you see OTAs trending in the fourth quarter, given it's a more transient-heavy quarter? And any update you can give us on your new contract negotiations with the large U.S. OTA?

Arne Sorenson: I can't give you any particular insight in the fourth quarter. I maybe should know that, but you've stumped me on this, and we'll have to wait and see how the fourth quarter comes in. Maybe you can work on Laura Paugh and see whether she has any of this later. We are in negotiations with Expedia. Our contract with Expedia expires, I think, November 18. Other than to say those two things, there's nothing we can report.

Leeny Oberg: Your comment on the overall share of OTAs, I think -- generally, you've seen that their share of overall room nights on the OTAs has gone up about a percent a year over the last several years. And I think the interesting comment that Arne talked about is that in Q3, that share remained flat year-over-year worldwide. So obviously, the work that we're doing in revenue management, we're hopeful that this is helping to encourage our -- all the work we're doing on loyalty, et cetera, is encouraging our consumers to book direct.

Vince Ciepiel - Cleveland Research Company: I had a big picture question on North America. It seems like 2 percent has kind of been the number for a few years now. And your best guess, the midpoint of next year's range is also 2 percent. So just curious, there's been narratives of acceleration and deceleration along the way. What do you think you've actually seen in terms of the core trend in the last few years? And then what would it take to get to the upper end of your 1 to 3 North America next year? What are the pieces that would have to fall in place to actually see domestic accelerate?

Arne Sorenson: Yes. I mean it's a good question. That's why we continue to use this phrase "steady as she goes". When you look at all of 2017, and we've got three quarters of the books -- three quarters of 2018 in the books and one quarter which we've talked about in terms of guidance, there's been pretty little variation over those eight quarters. I think to be fair, if we look at each of those quarters and adjust out holidays and hurricane comps and all those sorts of things, we were in the high 1s, 1.6, 1.7, 1.8 in the first three quarters of last year. I think we crested over 2 in the fourth quarter of last year and the first couple of quarters of this year. And it looks like implicit now in a true apples-to-apples comparison, it's probably just a hair under 2 in Q3 and what's implicit in Q4. And so over eight quarters, maybe you see the variation of three-tenths or four-tenths. But really, that's not very much over an 8-quarter period of time.

And you're right, our 2019 sort of view at the moment is kind of for more of the same, a midpoint number that feels pretty much like what we've seen over the last eight quarters. What will get it better. I mean, obviously, the better GDP does, the better we'll be. That is still the right, single correlating measure to look at.

I also think we'll see a little bit less supply growth next year. That could be helpful. We could see, even within the supply growth, some shifting in what markets it shows up in. I suspect we'll see supply growth weaken a bit more in New York than we do in some other markets. And so that could be helpful for New York numbers. And maybe, to some extent, New York is an important market for the industry and for Marriott, so that could be a little bit helpful. I think when we look at the Marriott story as opposed to the industry story, we are really optimistic about the single loyalty program and the way that that can drive us and the sort of fully stabilized one company that we'll be managing as we get into 2019. So those things should be helpful to us as well.

Leeny Oberg: The only comment I'll add is that as you look at GDP forecasts out there, generally for 2019 versus 2018, they are slightly down.

Arne Sorenson: Yes.

Leeny Oberg: So, we're not assuming in these numbers a meaningful acceleration in the U.S. economy, which may or may not be true.

Vince Ciepiel - Cleveland Research Company: Got it. That's helpful. And then one other thing. In years past, sometimes, you commented on the quarterly cadence of growth. And I know that, I think, the Easter shift turns out to be favorable for the first quarter of next year. But maybe just helping investors with the trend line going into the next year domestically, 4Q, you're thinking approximately 1 percent. Is it just as simple as the hurricane compares get a little bit easier going into next year and that helps get you towards the midpoint of that range? Or how should we think kind of that kind of the...

Arne Sorenson: Yes. We should be -- it's a good question. We should be careful about saying too much by quarter next year, given we haven't done the budget. I did mention that -- and part is because of the Easter comparison. But Q1 looks like a good quarter, and I think you've got -- we'll have less impact from the hurricane comparable, although there'll be some because I think the

first quarter of 2018 in Houston, for example, was still quite strong because of relief work and that sort of thing. But group business looks good. The calendar looks good. So, I think Q3 should be probably better than average for the quarters next year. But again, let's wait until we get the detailed work done before we talk too much about individual quarters for next year.

William Crow - Raymond James & Associates: Arne, my first question is on Sheraton. Other than selling assets, trying to drive quality through consistency, anything you can point to that shows success and kind of reviving the brand that Starwood spent more than a decade trying to get going?

Arne Sorenson: Well, we're about fair share. The brand is about fair share for the first time in memory as far as I know. We've moved it a few full points since the deal was done. Guest satisfaction figures have moved globally, we think, by about 3 points, maybe 3 to 4 points. And that is, as far as guest data is concerned, a massive shift positive. We're not done with that. We think there's still upside associated with it. I think when we look around the world and see developer partner interest in the brand, we see that strengthening. And we know that we can look at the renovation commitments and schedules for the portfolio as a whole, but particularly on the weaker hotels, which we've talked about a bit in the past. And we feel we're making really good progress. I think the last point I'd raise, which is a little harder to prove because it's a little bit more about tenor of the conversation, but I mentioned during our prepared remarks, we had our U.S. full-service owners together last week here in Washington for our annual MINA meeting. And we feel really good alignment with them about where we're taking the Sheraton brand. So, all of those things, this is a multiyear progress... challenge to be sure. And we're a long way from being completed, but I think we are proving that we're making steady progress.

William Crow - Raymond James & Associates: That's helpful. The follow-up and unrelated is on the special corporate negotiated rates. I think you said you were up low single-digits. I don't know if you could put a finer point on that. But I'm sure every year, you get pushbacks from the companies you're dealing with. Is the pushback this year any different than it has been in past years? And is special corporate negotiated rates as important as it used to be, given that a lot of the economic growth has come from smaller companies?

Arne Sorenson: Yes, I think that's a good reminder, actually. Laura might be able to tell us. Or Leeny, maybe you know. I think special corporate is more important in the U.S. than any other market, any other big market. There may be some cities in various parts of the world where special corporate is important. And I believe the total special corporate as a percentage of our total business in the U.S. is only about 12 percent or 13 percent, something like that. What have we got here, Laura?

Laura Paugh: Yes. Here is North America.

Arne Sorenson: 16 percent in full-service and closer to 20 percent in limited-service. And so, it's relevant, but it's not massive. I think it gets the attention it does because it's negotiated. So, it gives us a little bit more predictability on pricing than other transient business that's coming in. I think when you look at the way we've approached this, Starwood was higher with special

corporate, kind of as a percentage of total business, than Marriott was. And that was because they had more special corporate accounts. They went to smaller companies. We've reduced actually, compared to what Starwood had some of those special corporate accounts. We'd obviously just as soon have as much of the business traveling public show up and pay, in effect, rack rate or a non-discounted rate as possible. And so, we're not necessarily always looking to expand the special corporate book. Having said that, we've got great corporate customers who expect to have special arrangements. And for the right customer, we're certainly doing that.

All right. Thank you all very much for your attention this morning. Get out there and travel. Get out there and vote, I suppose first, but then come stay with us. Thanks.

--End--

Note on forward-looking statements: This document contains “forward-looking statements” within the meaning of federal securities laws, including our RevPAR, profit margin and earnings outlook and assumptions; the number of lodging properties we expect to add to or remove from our system in the future; our expectations regarding the estimates of the impact of new accounting standards and the new tax law; our expectations about investment spending and tax rate; 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 risks and uncertainties, including those we identify below and other risk factors that we identify in our most recent quarterly report on Form 10-Q or annual report on Form 10-K. Risks that could affect forward-looking statements in this document include changes in market conditions; changes in global and regional economies; supply and demand changes for hotel rooms; competitive conditions in the lodging industry; relationships with clients and property owners; the availability of capital to finance hotel growth and refurbishment; the extent to which we can continue to successfully integrate Starwood and realize the anticipated benefits of combining Starwood and Marriott; changes to our provisional estimates of the impact of the U.S. Tax Cuts and Jobs Acts of 2017; and changes to our estimates of the impact of the new accounting standards. Any of these factors could cause actual results to differ materially from the expectations we express or imply in this document. We make these forward-looking statements as of November 6, 2018. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.