



Marriott International, Inc.
Fourth Quarter 2023
Earnings Conference Call Transcript¹
February 13, 2024

Operator: Good day, everyone, and welcome to Marriott International's Fourth Quarter 2023 Earnings Conference Call. Today's call will be recorded. It is now my pleasure to turn the call over to Jackie McConagha.

Jackie Burka McConagha: Good morning, everyone, and welcome to Marriott's fourth quarter 2023 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, Development, and Betsy Dahm, our Vice President of Investor Relations.

Before we begin, I would like to remind everyone that many of our comments today are not historical facts and are considered forward-looking statements under federal securities laws. These statements are subject to numerous risks and uncertainties, as described in our SEC filings, which could cause future results to differ materially from those expressed in or implied by our comments. Please note that our discussion of revenues across different customer segments refers to property-level revenues. And, unless otherwise stated, our RevPAR, occupancy, average daily rate and property-level revenues comments reflect systemwide, constant currency results for comparable hotels. 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. 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: Thank you, Jackie, and good morning, everyone.

Our team produced fantastic results in 2023. We continue to experience strong momentum in our business around the world, thanks to solid demand for travel and our diverse portfolio of 30-plus leading brands. Full year global RevPAR rose nearly 15 percent and net rooms grew 4.7 percent, leading to excellent earnings and cash flow growth.

In the fourth quarter, global RevPAR increased over 7 percent year over year, driven by roughly equal gains in ADR and occupancy. Group, which comprised 23 percent of room nights, was again the standout customer segment. Compared to the year-ago quarter, group revenues rose 9 percent globally and 7 percent in the U.S. & Canada.

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

And group is shaping up to have another solid year in 2024. At the end of last year, full year 2024 group revenues were pacing up nearly 13 percent globally and 11 percent in the U.S. & Canada on a year-over-year basis, driven by robust increases in both room nights and ADR.

Leisure transient accounted for 44 percent of global room nights in the quarter. This segment has by far grown the fastest coming out of COVID, with global leisure transient revenues in the fourth quarter nearly 50 percent above the same quarter in 2019. Even with this strong growth, demand has remained resilient. Fourth quarter global room nights rose 5 percent over the year ago quarter, leading to a 6 percent leisure transient revenue growth worldwide. In the U.S. & Canada, leisure revenues were up 2 percent.

Business transient contributed 33 percent of global room nights in the fourth quarter. Demand from small- and medium-sized corporates remained robust. And while large corporates are still lagging, they continued to post volume increases. Solid gains in ADR drove business transient revenues up 7 percent globally and 3 percent in the U.S. & Canada.

Our powerful Marriott Bonvoy loyalty program grew to over 196 million members at the end of the year. Member penetration of global room nights reached new highs in the fourth quarter at 69 percent in the U.S. & Canada and 62 percent globally. Our digital channels, and mobile in particular, remain key drivers of growth, at a lower cost to our owners. Our Marriott Bonvoy app contributed 22 percent more room nights in 2023 than in the prior year. We are focused on improving the customer experience across all our digital and other booking channels through the multi-year technology transformation we have underway.

Enhancing engagement with our members outside of hotel stays, through our numerous successful Marriott Bonvoy collaborations, including our co-branded credit cards, also remains a priority. Our growing portfolio of 31 credit cards across 11 countries had record global cardmember acquisitions last year. Card spend for the year grew 11 percent.

On the development front, despite a challenging financing environment in the U.S. and Europe, we signed a record 891 organic management, franchise and license agreements in 2023, representing approximately 164,000 rooms. Additionally, we ended the year with a new high of roughly 573,000 rooms in our pipeline. We expect another year of strong global signings in 2024 and are already off to an incredible start.

We also saw a meaningful acceleration in net rooms growth last year, to 4.7 percent, the highest growth since 2019. Conversions helped again in 2023, accounting for 25 percent of organic room additions and 40 percent of organic room signings.

For 2024, we anticipate net rooms growth of 5.5 to 6 percent. This includes around 37,000 rooms from MGM. The first set of these rooms, at New York, New York, became available on our Marriott channels at the end of January, with the remaining properties expected to be available by the middle of March. While it's very early days, we are incredibly pleased with the

initial booking pace. We are excited about adding these incredible properties to our portfolio and enhancing our distribution in Las Vegas and other cities across the U.S.

We remain confident in the 3-year net rooms compound annual growth rate we discussed at our investor meeting in September of 5 to 5.5 percent from year-end 2022 to year-end 2025.

As we focus on expanding our lodging offerings for owners, franchisees, and guests, we're making significant progress globally in the high-growth midscale space. We are in numerous deal discussions for City Express in the Caribbean and Latin America, or CALA region, and for Four Points Express in Europe, the Middle East and Africa.

Here in the U.S., we celebrated the first groundbreaking for StudioRes in Fort Myers, Florida in January, and have over 300 additional potential deals under discussion in around 150 markets. As we strive to offer more options for our stakeholders, we are also working on a new U.S. transient midscale brand for both new-build and conversions.

At the other end of the chain scale, our luxury distribution is currently over 50 percent larger than our next closest competitor, and that lead is expanding. In 2023, we had record luxury signings, with 58 new deals, and we added 29 new luxury hotels to our portfolio.

In closing, 2023 was a banner year for Marriott, and I am optimistic about what lies ahead. The demand for all types of travel remains strong, even as the rebound impact from the pandemic has waned. The fundamentals for our industry are outstanding, and we are determined to grow our industry leading position. We remain focused on offering the best brands and experiences, to the most valuable and engaged guests, while expanding the broadest and deepest portfolio of global properties and offerings, so we can continue to connect people around the world through the power of travel.

I want to thank our Marriott teams around the world for their remarkable dedication and excellent work. And now, let me turn the call over to Leeny to discuss our financial results in more detail.

Leeny Oberg: Thank you, Tony.

I'll walk you through our strong 2023 financial results. In the fourth quarter, U.S. & Canada RevPAR increased over 3 percent year over year, primarily due to higher ADR. International RevPAR rose 17 percent, driven by an 8-percentage-point gain in occupancy and a 4 percent rise in ADR. Asia Pacific again experienced the largest year-over-year RevPAR increase. RevPAR rose 81 percent in Greater China, helped by the last quarter of easy comparisons to COVID lockdowns in the year-ago quarter, and grew 13 percent in Asia Pacific Excluding China.

Fourth quarter total gross fee revenues grew 10 percent to \$1.24 billion, reflecting higher RevPAR, room additions, and strong growth in our co-brand credit card fees. Incentive management fees, or IMFs, rose 17 percent, reaching \$218 million, driven by another quarter

of significant increases in Asia Pacific. For the full year, gross fees rose 18 percent, with record IMFs that were nearly 20 percent higher than our prior peak in 2019.

Owned, leased and other revenue, net of direct expenses, reached \$151 million in the quarter, and included substantially higher termination fees, primarily due to \$63 million associated with the termination of a development project.

G&A of \$330 million was impacted by a \$27 million litigation reserve for an international hotel, as well as timing of performance-related compensation, an increase in bad debt expense, and higher professional fees, which included costs associated with our intellectual property restructuring transactions. Fourth quarter Adjusted EBITDA grew 10 percent to nearly \$1.2 billion. For the full year, Adjusted EBITDA was 21 percent higher than in 2022.

Thanks to our team's excellent tax planning efforts that reflect evolving global tax laws, we had a tax benefit of \$267 million in the quarter. This was due to over \$400 million of favorable discrete items related to international IP restructuring strategies and the release of a tax valuation allowance. The fourth quarter effective tax rate was slightly higher than last year's and above our previous expectations due to jurisdictional mix shift.

At the hotel level, despite meaningful wage and benefit inflation, we maintained profit margins at our U.S. managed hotels in the quarter and for the year compared to both 2022 and 2019, a strong performance. Importantly, our guest surveys indicate that customer satisfaction continues to rise. In December, our intent to recommend score achieved its highest monthly score in over five years.

Our asset-light business model once again generated significant cash, with almost \$3.2 billion of cash provided by operating activities in 2023, up 34 percent year over year. Our loyalty program was a source of cash, even after factoring in the final year of reduced payments from the credit card companies resulting from the amendments we entered into in 2020. In 2024, we expect loyalty cash flow to be roughly neutral.

Now let's talk more about 2024. Our full year outlook assumes a steady, albeit slower growing, global economy. It also reflects normalized lodging demand in most regions around the world, with Asia Pacific expected to see higher growth than other regions, as it continues to have some benefit from COVID recovery, as well as additional international airlift.

In 2024, RevPAR growth is expected to be driven by another meaningful increase in group revenue, continued improvement in business transient demand, which will be helped by mid-single digit special corporate rate increases and slower, but still growing leisure revenues.

We are off to a strong start, with January RevPAR up 7 percent globally, reflecting continued strong demand around the world, particularly in international markets. International RevPAR rose 14 percent and U.S. & Canada RevPAR increased 4 percent in the month. With year-over-

year comparisons easiest in January and Easter shifting from April to March this year, global RevPAR for the first quarter could increase 4 to 5 percent.

For the full year, we anticipate a 3 to 5 percent rise in global RevPAR. Growth is expected to remain higher in international markets than in the U.S. & Canada, with particular strength in Asia Pacific.

The sensitivity of a one percent change in full year 2024 RevPAR versus 2023 could be around \$50 million to \$60 million of RevPAR related fees.

For the full year, gross fees could rise 6 to 8 percent, to \$5.1 billion to 5.2 billion, with non-RevPAR-related fees rising 9 to 10 percent, driven by strong credit card and residential branding fee growth. Owned, leased and other revenues, net of expenses, are expected to total \$320 million to \$330 million, 17 to 20 percent lower than 2023, due to meaningfully lower termination fees given the large termination fee in the fourth quarter of 2023, a property we sold last summer in CALA flipping from owned to managed, and renovations at several owned hotels.

We expect 2024 G&A expense could be flat to up 2 percent year over year. There are a few discrete, one-time items from 2023 that are expected to offset wage and benefit increases. Full year adjusted EBITDA could increase between 5 and 8 percent, to roughly \$4.9 billion to \$5 billion. Note that our 2024 effective tax rate is expected to be around 25 percent, while we expect our underlying core cash tax rate to remain in the low 20's percent range.

Guidance details for the full year and first quarter are in the press release. Please note that first quarter results are expected to be impacted by a few items. First, the timing of residential branding fees is expected to result in these non-RevPAR-related fees being meaningfully lower in the quarter, but up nicely for the full year. Second, owned, leased and other revenue, net of expenses will be lower due to the renovations on several owned properties, as well as the CALA property that flipped from owned to managed. And, finally, G&A in the year-ago quarter benefited from several one-time items, while this year's first quarter includes MGM integration costs.

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. We are pleased with the significant value we returned to shareholders in 2023 and expect strong capital returns again in 2024.

For 2024, factoring in the \$500 million of required cash in the fourth quarter for the purchase of the Sheraton Grand Chicago, capital returns to shareholders could be between \$4.1 billion and \$4.3 billion. Full year investment spending could total \$1 billion to \$1.2 billion. This includes another year of higher than historical investment in technology, the vast majority of which is expected to be reimbursed over time. The \$500 million for the Sheraton Grand Chicago consists

of \$200 million of capex and \$300 million elimination of a previously recorded guarantee liability. Investment spending is also expected to incorporate roughly \$200 million for our owned/leased portfolio and includes spending for the Elegant portfolio in Barbados and the completion of the W Union Square renovations. We'll look to recycle these assets and sign long-term management contracts after renovations are complete.

As Tony mentioned, we are also thrilled about our development growth prospects, both inside and outside the U.S. We continue to gain market share, with 7 percent of open rooms and 18 percent of rooms under construction globally at the end of last year.

Tony and I are now happy to take your questions. Operator?

QUESTION AND ANSWER SESSION:

Joseph Greff - JPMorgan Chase & Co.: Leeny, I was hoping you can review the MGM transaction and what's included in fee contribution for this year. And then if you could maybe clarify what the integration costs that you referred to in your prepared comments related to the MGM license deal?

Leeny Oberg: Yes, sure. So it's really a modest amount of G&A. But it's just worth noting in the year-over-year comparison in Q1 that as we expect all of those hotels to transition on to Marriott systems, that will all be done in Q1.

When we think about the fee contribution, as we've talked about before, Joe, they will be coming on in Q1, and we expect that business to ramp up over the year. There's not a particular number that I would give you now, but just a reflection that it is related to a percentage of the hotel revenues that fits into our franchise fee model as a result of the license agreement over the year.

Joseph Greff - JPMorgan Chase & Co.: Great. And then I know you gave us some detail in terms of investment spend this year, and the Sheraton Chicago is a big chunk of that. Is the \$500 million all cash out the door? I know there's the \$200 million capex and \$300 million to, I guess, satisfy getting out of that guarantee. Can you provide a little bit more clarity on that? And then how much of the \$1 billion is sort of aspirational and not spoken for at this point?

Leeny Oberg: Yes. No, no. It's a good clarification question, Joe. That \$500 million is cash out the door, and we would expect that to occur in Q4 2024. But to help you understand what we're really considering capital investment, we wanted to clarify, to say that \$200 million of the \$500 million relates to the purchase of the underlying land on the Sheraton Grand Chicago. And so that is in capex, while the rest reflects a liability that we established on the balance sheet, frankly, years ago, as part of the overall transaction. So it does obviously impact our available cash for the year but is in there.

And when you think about unidentified capital expenditures in that number of the \$1 billion to \$1.2 billion, it's really quite modest.

Shaun Kelley - BofA Securities: Tony, Leeny, just wondering if you could just start with maybe kind of current state of the development environment. Tony, obviously, global interest rates have cooperated a little bit for the hope of developers, and probably the same thing on the construction cost landscape. So as we sit here today, I know it's only four months or so from your big update at the Analyst Day, but could you just give us latest sense of the land, how some of those conversations went at ALIS, and what people should expect on the organic side for signings and, more importantly, probably starting to move into construction?

Tony Capuano: Of course. So as we mentioned in the prepared remarks, on the heels of a record signings year, it's more anecdotal than anything else, but in terms of deal volume through the first month of the year, it's really encouraging. And we're seeing strong momentum both on submissions for new-build projects around the world, as well as continued really encouraging momentum on the conversion side.

In terms of the environment coming out of the ALIS, I'm going to ramble here a little bit, because I think there are both some positives and negatives that we heard from the owner and franchise community about their expectations for 2024.

On the positive side of the ledger as you point out, there is a sense that there will be continued relief on the interest rate side as we get in particularly the back half of 2024. There is an expectation maybe in parallel that the hotel transaction market will start to be a bit more active in the back half of the year as well. And while there is still, admittedly, some gap in the bid and the ask between sellers and buyers, it feels like that gap is continuing to narrow, which will likely lead, we expect, to a little more active transaction environment, which has always historically been good news for us on the conversion front.

When you pivot to the more challenging side of the ledger, you do still have lenders thinking about compliance with proposed regulatory environment, that will perhaps impact their ability to really open the faucet in terms of the amount of debt financing that they make available for new construction. But there again, it's one of the reasons we're so enthusiastic about our entry into midscale. When we talk to our franchise partners on the midscale front, they feel like the size of those commitments is something that they're going to have a decent measure of success in procuring debt.

And then the last thing I would remind you is the obvious, that while we stay very focused on the availability of debt and its impact on our growth trajectory, that is largely a U.S., Canada and Western Europe attribute. When you look at the pace of growth we're seeing across Asia Pacific, across the Middle East, that growth does not seem to be particularly impacted by the ups and downs of the availability of debt.

I think you also had a question about construction costs. And so maybe I'll expand my answer a little bit. When we think about potential impediments to growth, the availability of debt is the one that I think we're most focused on. Supply chain issues, which we were talking with you about a year ago, are not nearly as severe as we saw several quarters ago. Construction costs have come down a little bit and they're rising year over year at lower rates than we saw a year or two ago.

So on that front, I think we're pretty encouraged. But it's really the ability to source debt for new construction is the area that Leeny and the team are most focused on.

Smedes Rose - Citigroup Inc.: I was just wondering, when we look at the sort of core metrics that you guys provide in terms of EBITDA for the year, unit growth and capital return, all of those, at least relative to our forecast, are in line or better and look similar for consensus forecast. But your operating EPS outlook is quite a bit lower than consensus. And I was just wondering if there's any one or two things that you might point to that you think maybe there was a difference in sort of expectation versus what you expect to put out? Because it doesn't sound like it's a tax rate issue, maybe there's something else there?

Leeny Oberg: Yes. No, thanks, Smedes, very much. No, I appreciate that. Yes, tax rate is probably the biggest item when you think about it. First of all, just remember that in 2023 there is the reality of this extra termination fee. So when you look at year-over-year growth, that then impacts how you look at 2024 over 2023.

And so if you adjust out for the odd balls of both the litigation reserve and the termination fee, and you take into consideration that we've got probably about a 1-point higher book tax rate, and I do emphasize it's a book tax rate rather than cash. Our cash tax rate is essentially staying the same, thanks to the great work that the team has done in working through our global tax planning. But when you look at it from a book perspective, it's about a point higher overall.

And you put those together and you can do your math there, and that is where you then get to something that looks from an adjusted EPS on 2024 that looks close to double digits.

Smedes Rose - Citigroup Inc.: Okay. That's helpful. And then I was just wondering, Tony, you just mentioned in your opening remarks that some of the large corporate group bookings continued to lag, which is something we've kind of heard for a while relative to smaller groups. So I was just wondering, could you maybe just talk a little bit more about what you're hearing and maybe expecting as we go forward? Do you think that's just kind of impaired for the foreseeable future? Or is it something that you think could improve over time? Just maybe some more color there.

Tony Capuano: Yes, of course. So really, my comment was that -- let me break it down into two buckets. When I talked about business transient, the small- and medium-sized corporates, the demand coming out of those groups continues to be quite robust. And my comment about large corporates lagging is really sort of in reference to a pre-pandemic environment. But with

that said, we continue to see incremental growth even coming out of the large corporates quarter-over-quarter.

Leeny Oberg: Just to be clear, that was on the transient side. On the group side, we're actually, as we talked about on the group pace, it's really still a very strong number. And I think to me, one of the interesting things is we're now getting back to some of the way it looked before where 75 percent of the group that we're expecting in 2024, is already on the books, which if you look at that a year ago, that was only 65 percent. So it still really points out that, with this 11 percent pace that we're looking at for 2024 and 12 percent for 2025 in the U.S., that actually the corporate group, as well as the other types of group, is still quite strong.

Richard Clarke - Sanford C. Bernstein & Co., LLC.: Maybe just one on the SG&A cost. You gave some color on why it was a little bit higher. But just wondering whether you can just do the bridge from the \$255 million guidance you gave at Q3. What wasn't anticipated there? Was it this IP restructuring? And why did that suddenly happen in Q4? And maybe some color on the bad debt. Is there anything to read across from that as well?

Leeny Oberg: Right. So this is really largely about timing. We've taken you through the litigation reserve. And then there's obviously the usual quarter-to-quarter fluctuations that reflect everything from closing deals and travel expense to, as you probably remember, when we go back to Q1 of 2023, we were still in the process of getting back to being fully staffed, which then ramps up during the year.

And then as you know, performance-related compensation then takes into consideration how the company is doing against its targets. And you put all those together and the constant analysis of your positions of receivables from all of your hotels around the world and just really reflects some timing of when they fell in Q3 versus Q4. And there, again, when you think about looking at next year, you do see that we're talking about flat to up 2 percent, which really reflects that there were a number of items this year.

Richard Clarke - Sanford C. Bernstein & Co., LLC.: Okay. That makes sense. Maybe if I can just ask a follow-up. Just at the CMD, you gave a RevPAR guidance for the 2-year stack of 3 to 6 percent, net unit growth guidance of 4 to 5 percent. Obviously, both of those are going to have to accelerate into 2025 to kind of get to the midpoint. Is that what you're anticipating that they're drivers to get RevPAR and NUG acceleration in 2025?

Tony Capuano: Yes. So, Richard, maybe I'll take the NUG question first. As we talked a little bit when we were together in Miami, we continue to think that, as you consider NUG, it is less constructive to look at a single year and much more instructive to look at rooms growth over a multi-year period. In some ways, the MGM rooms coming into the system slipping from the back of 2023 into early 2024 is the best illustration of that.

Notwithstanding MGM sliding into 2024, as you know, we ended up a little higher than anticipated in 2023 at 4.7 percent net unit growth. We expect to be at a meaningfully higher

number this year because of the impact of the MGM openings. And when we look at the 3-year CAGR that we discussed at the security analyst conference, we continue to be very confident in our ability to deliver that mid-single-digit range of about 5 percent to 5.5 percent.

Then I think just on a more macro basis, we've not made any major changes in terms of our longer-term outlook. We obviously have a little more visibility and clarity into this year. Now that the teams around the world have gone through all their numbers, but we've really not revisited anything beyond 2024 and continue to be quite confident in what we talked about from a RevPAR perspective.

Leeny Oberg: And just a reminder that when we go through the process, a lot of what we're trying to do at the Security Analyst Meeting is to help you understand a range from a modeling perspective, and it's done before we go through the budgeting process. So actually, as you know, we ended up with a really strong year in 2023. And when we look at it overall from a growth in our hotel revenue system, we're right where we would have expected to be and very pleased about the demand that we're seeing both on the occupancy and rate side as we look into 2024.

Stephen Grambling - Morgan Stanley: I know you touched on it in the introductory remarks, but could you help us bridge the gap from thinking about room growth and RevPAR growth versus the gross managed and franchise fee growth? I mean, essentially, is this a mismatch that should continue beyond 2025 due to what you see in the pipeline? Or is it more to do with the MGM contribution and how that may ramp?

Leeny Oberg: Yes, it's definitely not from an MGM perspective. I think as we talked about, the fundamental model still actually works very well. We had a couple of anomalies going on in 2023. But when you think about it broadly, the fundamental model of RevPAR plus rooms² continues to work fine. We've got the reality that, when you think about putting together the RevPAR scenario, you're getting benefit across the board from the growth in the rooms, as well as from IMFs. And as you saw, we're talking about really strong continued IMF growth.

And then, of course, the reflection that our non-RevPAR fees are expected to grow 9 percent to 10 percent in 2024. So I don't expect the fundamental kind of growth in fee algorithm to be different than we've talked about before.

Stephen Grambling - Morgan Stanley: Great. And maybe one other quick follow-up to the last question, which was around the Investor Day in September. I guess just very, very big picture, what's changed from then to now as we think about that multi-year algorithm?

Leeny Oberg: I would say very little, in terms of the basic equation. I mean, frankly, 2023 ended up being very strong. And if you think about the guidance that we gave, we ended up higher

² Said "fees", should be "rooms"

than the high end of what we gave at the Security Analyst Meeting by \$6 million. So you are starting off with a higher base. And then again, we're looking, a lot of the numbers that we talked about at the Security Analyst Meeting were over a 3-year time frame, and now we're being able to give you more specificity about 2024. But the fundamental about RevPAR growth plus net rooms growth, some operating leverage, continues to work.

One thing I do think is interesting, when you look back at G&A as a percentage of fees, which, being a fee-driven business that is, I think, the best relationship given the fluctuations in owned/leased as we sell hotels, and that is, you look at 2019, we were at G&A as a percentage of gross fees around close to 25 percent. And the numbers that we've given you today show that number having dropped down to under 20 percent, which I think does show you the continued operating leverage that we're getting out of the model.

Tony Capuano: And I might just build on that a little bit. And as for those of you that have been covering us for a long time, you know there's a phrase that guides almost everything we do. That phrase being success is never final. And while we are very encouraged by the continued improvement in the G&A ratio, you can be rest assured that is a principal focus area for the senior leadership team, with an eye towards continuing to improve that efficiency.

Chad Beynon - Macquarie Research: I wanted to ask a question related to the RevPAR guidance, I guess, kind of looking at the chain scales. So based on how you report, I guess, premium, which some of us would consider upper upscale, continues to be the strongest in the third quarter and the fourth quarter, and that's kind of what we're seeing year-to-date. As you think about, I guess, luxury and upper upscale versus some of the other segments, do you have a view in terms of what will kind of lead 2024? And is there still a lot of room for ADR increases in upper upscale given what you're seeing with group pacing?

Leeny Oberg: Sure. So let me comment on a couple of things. First of all, when we think about special corporate rates, you've heard us talk about kind of continued building of that demand. And while it's not back to 2019 levels, it is continuing to, at the margin, grow a little bit faster. And we had high single-digit growth rate in that segment in 2023, and we're looking at strong mid-single-digit rate growth in that segment in 2024.

So that is absolutely -- as you look at that, plus the group strength, which when I think about the group pace of that 11 percent, I would say, between rooms and ADR, that is probably 2/3, 1/3 rooms and ADR. So you're still seeing some very nice growth there. So clearly, the premium segment is, I think, going to be the biggest beneficiary of that increase in demand.

On the select-service side, you saw that segment really come out of COVID the fastest and one that has moderated, as you've seen towards the end of this year. We would expect that to be Steady Eddy, but not really get the benefit of some of the things that I just mentioned.

And then we continue to expect to see luxury continue to do really well. And so there is opportunity there, both on the rate and occupancy side. But I think the two areas I mentioned before are probably the ones to highlight as you think about the tiers.

Tony Capuano: And I might build on that last luxury comment from Leeny. You heard in my opening remarks about the momentum we have in extending our lead and luxury from a footprint perspective. And fourth quarter 2023 versus fourth quarter 2022 on a global basis, we saw luxury RevPAR up 10 percent. And so we continue to see pretty compelling economics in the luxury segment and are excited about the growth we're seeing in terms of our industry-leading footprint.

Chad Beynon - Macquarie Research: Appreciate it. And then just a housekeeping. IMF at the end of the year, North American properties, what percentage were payers during the year maybe versus peak?

Leeny Oberg: Yes. So 31 percent for the full year in U.S. & Canada versus 56 percent. However, there's really, as you remember, there was a big change in our limited service portfolio as a result of the HPT hotels leaving the system. So full-service hotels in 2023, 40 percent of our managed full-service hotels were earning IMFs in the U.S., 45 percent at peak. Really, limited-service is the big change of 19 percent in 2023 versus 66 percent in 2019. But many of those hotels are no longer in our system.

Then when you look at international, it's really overwhelmingly quite similar as to what it was in 2019. So for the entire company, in 2023, 68 percent are earning IMFs, versus 72 percent. And if you adjust for that limited-service portfolio that I discussed, it was 70 percent in 2019. So we're really getting to quite similar levels. And as I said, international is really overwhelmingly the same as it was in 2019.

Brandt Montour - Barclays Bank PLC: Maybe for Tony. Just curious in terms of the development momentum going on in the ground in China today, what's sort of baked into the guidance in terms of China openings or maybe you could answer it qualitatively? Has that market's opening momentum changed now versus three or six months ago?

Tony Capuano: Yes. So we continue to see the momentum on the development side in China that we talked about a quarter or two ago, both in terms of what I would call intake, meaning the volume of MOUs that we're signing, the volume of new deals that we're approving. But just as compelling in terms of driving opening volume, during the pandemic, we saw a variety of projects across the pipeline pause construction. And we're seeing the vast majority of those paused projects back under construction moving towards opening.

So I think on early pipeline, if you will, approved and signed deals and under construction deals, we see encouraging trends in all three of those categories.

Leeny Oberg: I'd just add one thing that I think kind of helps frame your question, and that is when we look at our overall growth in rooms in Asia Pacific, we're in the high-single digits, that we're looking at, both in 2023 and 2024, including China and Asia Pacific outside of China. Just really strong demand for our brands across the various scales.

Brandt Montour - Barclays Bank PLC: Okay. And then just as a follow-up also on development, just a longer-term question, sort of thinking about reflecting back on 2023 as a year where capital formation and debt financing was harder to come by and that sort of weighed on U.S. new hotel starts. Do you think we'll be looking back on 2023 when we get to sort of 2025 or 2026 and be talking about something of an air pocket in terms of new hotel openings because of 2023? Or do you think it's not as meaningful and there's other things that will offset? How do you think about that when you do your longer-term planning?

Leeny Oberg: Yes. No, I think you make a good point. As Tony talked about in his response to the question about the financing environment, there's no doubt that financing availability for new-build construction of hotels is limited. And the strong brands get most of it, but you've got some uncertainty around bank capital regulations, et cetera. So it is clearly down meaningfully from the kind of pace of new-build that was in 2019.

I think what you have seen on the good side is that our conversions as a percentage of room signings has gone up meaningfully, and we look forward to that continuing. But yes, I hope that that is the case and that we're kind of seeing a bit of an air pocket in the U.S. As we talked about, outside the U.S., we're not as dependent. I will call out Europe, which also has a lot of the same characteristics as the U.S. on the new-build construction side.

But we are really pleased with what we're seeing on the StudioRes demand side and ability to start getting those shovels in the ground. And so there, we are hopeful that you'll start to see that pace pick up as the construction costs, the demand side continues to be very strong, as well as financing ability improves.

Tony Capuano: And I might just build on that comment about midscale. Leeny and I tend to climb over each other with enthusiasm to talk about midscale. We think there's a tremendous market opportunity from a demand perspective. There is deep appetite from our franchise community. We think the cost of developing midscale will help our partners navigate what is still a challenging financing environment.

And the other thing that is exciting to us, you'll recall the last number of quarters, in select service broadly, we talked about a lengthening of the construction cycle. Leeny and I were both down in Fort Myers putting a shovel in the ground for the first StudioRes. And our partners there talked about an expectation of opening that hotel in at most 13 months with an eye towards trying to get it open in 12 months.

And so the ability to get midscale deals signed, financed, shovels in the ground and open more quickly than what we've seen with a lot of other tiers in our portfolio, is another factor in our enthusiasm for our entry into midscale.

Kevin Kopelman - TD Cowen: Given how well the MGM deal is starting off, as you think about your pipeline talks, what's the outlook for other large partnerships akin to the MGM deal going forward?

Tony Capuano: Yes. So Leeny and I were both in Las Vegas this past weekend for Super Bowl, and so I'll make a couple of comments. Number one, when you look at the vibrancy of that market, you look at how effectively the city was able to accommodate an event like that, you likely heard the NFL Commissioner talking about how anxious the league is to get back to Las Vegas, I think both of us left the market really enthusiastic about what this partnership is going to offer our guests around the world and our Bonvoy members.

In terms of your specific question, as we talked about when we announced the transaction, it is a creative opportunity for us. Where I think you will continue to see lots of activity for us is in traditional conversions. But in the category of multi-unit conversions, you heard us a quarter ago talk about a terrific multiunit conversion in Vietnam with a partner called Vinpearl, and our teams around the world are actively working on a number of multi-unit conversions.

To the extent a unique opportunity like MGM presents itself, I think we'll roll up our sleeves and see if we can make sense of it. We're really excited about what MGM does for Bonvoy. And if those sorts of opportunities present themselves, we are certainly open to pursuing.

Michael Bellisario - Robert W. Baird & Co. Inc.: Just on the capital allocation front, been a handful of reports there's a few smaller brands for sale, particularly domestically. Are you seeing any more interesting tuck-in M&A opportunities? And does the math pencil any better or worse, especially relative to where your stock is trading today?

Leeny Oberg: Well, some great questions. And as we have said for a long time, we've been very consistent in our message about really always being willing to entertain the way that we grow. We have grown very successfully, both in terms of tuck-in brand acquisitions, as well as growing organic new brands, and growing that way around the world. We will continue to do that. We also are going to stay very price disciplined in terms of looking at both the price that you'd be paying for the existing distribution, as well as for the growth opportunities.

We are really aware of looking at where something could add something unique to our portfolio. Whether it is in a certain part of the world, as we did with the City Express deal, that really was a tremendous way for us to enter the midscale space in a really attractive market like Mexico, at an absolutely reasonable price.

So I think in that regard, you got to look at all the elements. And what's out there, as you know, depends very much on the seller's expectations of what they're looking for. I would say that,

over time, we hope to see that those opportunities continue to be there and that we're going to remain as disciplined as we have before in looking at them.

Tony Capuano: I'll just build on Leeny's comment. I think this historical blend of considering acquisitions where we think they fill an opportunity in our brand architecture or accelerate our growth in a geography where we're not happy with our pace of organic growth, but also looking at the launch of organic platforms, is a strategy that has served us well and a strategy that will continue to guide our thinking about adding new platforms.

It's interesting, I was looking at some numbers last night. Autograph, which was a platform in the soft brand space that we launched from scratch, between the open and pipeline, we have more than 400 hotels. And AC by Marriott, which was a platform that we acquired in Spain, that at time of acquisition, I think, had 80 or 90 hotels, today between open and pipeline has nearly 400 hotels. And so there are a variety of strategies to add compelling platforms to the portfolio, and we'll continue to look at both.

Michael Bellisario - Robert W. Baird & Co. Inc.: Got it. That's helpful. And then just one quick follow-up on midscale. What does the owner profile there look like, thinking about the mix of existing Marriott franchises versus new owners? And would you expect that mix to be similar for the new brand?

Leeny Oberg: Yes, very similar. A great mix. Always welcoming new owners into our stable of owners and franchises. But I would say, when I think about the StudioRes, some of the blend of what we're seeing in terms of what I call the onesies and twosies where somebody is kind of in a particular market, been very successful and wants to build a hotel there. I would say many of them in the StudioRes space reflect multi-unit expectations on the part of partners of ours who we've been working with for a long time.

David Katz - Jefferies LLC: I wanted to just drill a little bit deeper into the conversion discussion, if I may. Just looking at the percentage of your pipeline versus what we've seen elsewhere. If you could talk more about where those are coming from, what the strategies are, whether there's any change in the landscape geographies, whether there's a change in pricing, what's new with it. It's been such an important discussion for the past year or so among everyone, including yourselves.

Tony Capuano: Sure. So conversions have always been an important part of our growth story. In a climate where the debt markets for new construction are somewhat constricted, the importance of conversions is elevated. As we talked about in the opening, really compelling numbers in 2023 with 25 percent of our openings and 40 percent of our signings in the conversion category.

They are coming, in terms of type of project, pretty typical of what we've seen over the last number of years. A good mixture of conversions from other brands and with such a compelling

stack of soft brands with Luxury Collection, Autograph and Tribute. Lots of conversions coming from the world of independents as well.

From a geographical perspective, not necessarily a shift in strategy, but we are seeing in, for instance, some of the Asia Pacific markets, which historically had been disproportionately new build, we are seeing some uptick in conversion activity. Our pursuit of conversion opportunities is quite deliberate, and it's resulting in deals like the one I mentioned earlier in Vietnam.

Patrick Scholes - Truist Securities, Inc.: I want to drill down a little bit on the credit card fees. It looks like you're expecting a big step-up in, if I understand it correctly, a step up in growth rate for 2024, which actually, I think you said 9 to 10 percent, which, if I'm correct, is a little bit lower than the Investor Day of 12 percent. But specifically with that step up, are you expecting that from primarily new card sign-ups or more so from ,sort of, same user spend?

Leeny Oberg: Sure. So first of all, I want to be clear. The difference between the growth rates between 2023 and 2024 I would not expect to be very different across the credit cards. They grew 9 to 10 percent in 2023, and we would expect them to do fairly similarly in 2024. That is overwhelmingly a function of increase in the number of cardholders. As you've heard us talk about, we've been really successful in adding credit cards in a number of countries. We've really expanded that program quite a bit. And in some of the markets, I'll point out Japan as an example, we've just seen really wonderful acceptance of the Bonvoy credit card.

So in that respect, I'd say the growth that we would expect in those fees comes overwhelmingly from having additional cardholders. And then overall, a really very small amount related to a typical cardholder spend.

Now when I look at overall non-RevPAR fees, I think that's where it gets a little bit interesting, because you were dealing with things like residential where you see residential branding fees tied to when those units open for occupancy. So they're quite lumpy.

So as I explained in Q1, we expect them to be meaningfully lower in Q1 than Q1 in 2023, while for the full year, we actually are seeing that business do very well. And we expect year-over-year to see fantastic growth in branding fees overall for the year in 2024 over 2023. So when you look overall at the non-RevPAR fees, we're excited to see them continue to grow at these roughly double-digit sorts of numbers for another year.

Robin Farley - UBS Investment Bank: Circling back to the unit growth, and I know you've given a lot of great color around it. Just looking at the kind of 2-year CAGR you'd given at the Investor Day, excluding MGM when the timing of that wasn't quite known, so it's kind of implying that 2024 and 2025 would be up, excluding MGM, in the kind of 4 to 5 percent range. And I think the 2024 guide today, ex MGM, is up in the kind of 3 to 4 percent range. So maybe expecting an acceleration to 5 percent to 6 percent growth next year. And just wondering, I know you talked about the likelihood that conversions will be a higher percent of that.

You also recently announced a franchise agreement in China that the timing wasn't entirely clear. It was kind of potentially over the next three years it could be adding, I don't know if it would be like 50 basis points a year. I guess I wonder if you could tell us whether that franchising agreement, how much of that you expect to be driving the acceleration next year? Just kind of help put some color around the acceleration.

Leeny Oberg: Sure. So I'm going to do the last question first, and then, at some point, Tony, feel free to jump in to add more color. But let's first talk about Delonix, which we're really excited about our relationship there, where they're a terrific large hospitality company in China, and we're looking forward to having the opportunity to convert a number of hotels. And we actually didn't give a time frame.

So it would just be as part of our normal growth in China as we look at our overall rooms growth. So there's not a particular specific sort of 10, 20, 30, 40 basis points associated with the conversion of a number of those hotels into Tributes. We are, again, really excited about working with them on the opportunity, but it's just part of our overall rooms growth.

As I said, the signings that we're seeing in Greater China are very encouraging both in 2023 and as we move into 2024. That's really in addition to what you're talking to about the Delonix deal. And that is where I talked about the rooms growth in Asia in the high-single digits, which, again, is just a great reflection of the desire for our brands.

When you ask about the basic CAGRs for rooms growth relative to the Security Analyst Meeting that we gave in September, I think you really have to kind of go back to what Tony said in his earlier comment. It's that these deals can be lumpy, whether it's City Express, whether it's MGM, whether it's a large conversion deal that we do. And so you really need to think about the numbers that we gave that were 5 to 5.5 percent for the 3-year CAGR, which we continue to be really confident and excited about.

We ended up a little bit higher on our net rooms growth in 2023 than the 4.2 to 4.5 percent range that we gave. And that's really a reflection of the steady strong demand for our brands. So that then when we look at the MGM and the continuation of turning these rooms from our pipeline into openings, we actually see it as being essentially the same as where we were back at the SAM. And then again, you have to kind of be looking at it not solely within the context of one year.

Tony Capuano: And, Robin, I think the only other question embedded was about conversion volume. And we mentioned in the open that our openings in 2023 were about 25 percent conversions. Even if you look at 2024 expected openings ex MGM, we expect some acceleration to about 30 percent of those openings being conversions. And when you think about 40 percent of our signings last year being in the conversion category, that's logical.

Well, as always, thank you again for your interest in Marriott. We are coming off a terrific year in 2023. Tremendously enthusiastic about 2024 and what 2024 holds. And we look forward to seeing all of you on the road. Safe travels.

--END--

Note on forward-looking statements: All statements in this document are made as of February 13, 2024. We undertake no obligation to publicly update or revise these statements, whether as a result of new information, future events or otherwise. This document contains "forward-looking statements" within the meaning of federal securities laws, including statements related to our RevPAR, rooms growth and other financial metric estimates, outlook and assumptions; shareholder returns; travel and lodging demand trends and expectations; our development pipeline and growth expectations; and similar statements concerning anticipated future events and expectations that are not historical facts. We caution you that these statements are not guarantees of future performance and are subject to numerous evolving risks and uncertainties that we may not be able to accurately predict or assess, including the risk factors that we describe in our Securities and Exchange Commission filings, including our most recent Annual Report on Form 10-K or Quarterly Report on Form 10-Q. Any of these factors could cause actual results to differ materially from the expectations we express or imply in this document.