Marriott International, Inc.
Second Quarter 2019
Earnings Conference Call Transcript[1]
August 6, 2019

Operator: Welcome to the Marriott International second quarter 2019 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 second quarter 2019 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.

First, let me 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. Forward-looking statements in the press release that we issued yesterday, along with our comments, are effective only today, August 6, 2019, and will not be updated as actual events unfold.

In our discussion today, we will talk about results excluding merger-related costs and reimbursed revenues and related expenses. GAAP results appear on page A-1 of the earnings release, but our remarks today will largely refer to the adjusted results that appear on the non-GAAP reconciliation pages. Of course, you can find our earnings release and reconciliations of all non-GAAP financial measures referred to in our remarks also on our website.

Before we move to specifics about the quarter, let me make a few observations about our results.

Global economic growth is clearly slower than we anticipated when the year began. Demand growth for the U.S. lodging industry, as reported by STR, reflected the weaker U.S. economy, with lodging demand in the quarter up less than 2 percent year-over-year, about 50 basis points lower than the past couple of quarters. Combined with the relatively higher supply growth in the largest 25 U.S. markets, STR's RevPAR growth in these markets increased only 0.2 percent in the quarter compared to plus 1.6 percent in secondary and tertiary markets. Marriott's North American systemwide RevPAR rose 0.7 percent in the quarter and our systemwide RevPAR index in North America increased 100 basis points with improvement across all luxury, premium, and select service portfolios.

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

Despite the business climate, our North American sales team had a solid quarter. Gross group revenue bookings made in the second quarter for all future periods increased 6 percent and booking pace for the next 12 months is up at a low single-digit rate, largely related to strong corporate demand. New group bookings at our Legacy-Starwood hotels were particularly strong in the quarter as these hotels benefitted from the completed integration of our sales organizations that occurred in early 2018. North American group sales were even stronger in July.

On the transient side, we have seen meaningful and steady improvement in Legacy-Starwood hotel performance since the cutover to Marriott revenue management systems in the fourth quarter of 2018. We believe there is additional RevPAR growth upside as we further fine-tune performance of these brands.

With continuing trade disputes, RevPAR in Greater China rose 2.6 percent in the quarter, reflecting moderating RevPAR growth in manufacturing markets like Shenzhen and Tianjin, and in corporate destinations like Shanghai. Political demonstrations in Hong Kong also constrained RevPAR growth. At the same time, our RevPAR index in Greater China rose sharply again in the quarter.

Elsewhere in Asia, demand for our hotels in Japan and India continued to show robust trends, with RevPAR up nearly 7 percent in the quarter.

In Europe, transient roomnights booked by U.S. travelers rose 8 percent as tourists enjoyed the FIFA Women's World Cup and the Biennale in Venice. By the way, congratulations to Megan Rapinoe and the entire U.S. Women's National Team on an impressive tournament.

Europe also attracted a greater share of the strong outbound business from China as our Chinese guests are enjoying more personalized hospitality through our Li Yu service program. Roomnights sold to Chinese guests traveling to Europe increased 34 percent in the quarter. Our hotels in Malaysia, Egypt, and Mexico also saw significant increases in Chinese demand.

Globally, comparable hotel RevPAR on a constant dollar basis increased 1.2 percent in the second quarter and global RevPAR index increased by more than 100 basis points, our strongest performance since our acquisition of Starwood.

We remain focused on delivering leading profitability for owners and franchisees. Labor and benefit costs are rising in many markets even as RevPAR growth moderates. Despite this, in the second quarter, we maintained flattish house profit margins across our company-operated system as we leveraged our scale and increased productivity. In addition to significant savings in procurement and lower loyalty charges, our hotels benefitted from lower commission rates on group intermediaries and a growing proportion of lower-cost direct transient bookings.

Systemwide direct digital hotel revenue increased over 20 percent in the second quarter and now represent nearly one-third of property revenue globally, 38 percent of transient revenue alone.

In China, our successful Alibaba joint venture helped to increase our direct digital revenue bookings in that market by 36 percent in the second quarter. Property revenues booked on OTAs worldwide declined 2 percent in the second quarter.

Our new program services fund structure is also improving margins at our hotels. Launched at the beginning of this year, owners and franchisees are now paying a single amount that covers roughly 20 programs and services including reservations, sales and marketing, and technology support. This simplified pricing is easier to understand and forecast and we expect it will generate savings for the vast majority of our owners.

This focus on owner returns and transparency is helping drive our share of new hotel development. Our global system totaled roughly 1.35 million rooms at the end of the second quarter and our worldwide pipeline reached a record 487,000 rooms, nearly 5 percent higher than a year ago and 3 percent higher than last quarter.

Owners and franchisees are continuing to sign new deals at a rapid clip. In the second quarter, we added 29,000 rooms to our pipeline and opened more than 16,000 rooms. Over 20 percent of room openings in the quarter were conversions from competitor brands. At our expected pace of openings, our under-construction pipeline represents the equivalent of 2½ years of embedded gross rooms growth. The remainder of our pipeline represents another 3½ years of growth.

In 2019, we expect our worldwide rooms distribution will increase by roughly 5.0 to 5.5 percent, net of 1 to 1.5 percent room deletions, a bit more modest than our prior guidance, reflecting opening delays in North America and the Middle East. We have not seen project cancellations for 2019 openings. Over the past few years, lengthened construction periods reflect labor shortages, a larger proportion of urban properties, and an increasing number of new projects using multiple brands. While construction delays have moderated our near-term rooms growth in 2019, our under-construction pipeline totaled 213,000 rooms at quarter-end. Given the significant depth of our under-construction pipeline, we expect openings in 2020 will accelerate meaningfully.

We continue to expand our lead in luxury lodging. We have over 700 luxury properties with 175,000 luxury rooms open or under development, nearly double the luxury portfolio of our next leading competitor. Sixty-percent of our 200 luxury pipeline properties are already under construction. Thus far in 2019, we have opened 15 luxury properties around the world and expect to open another 15 luxury projects by the end of the year.

Worldwide leisure transient demand was solid in the second quarter and we believe leisure offers a meaningful and incremental growth opportunity. Today, Marriott Bonvoy Tours and Activities offer 200,000 leisure experiences in 1,000 global destinations and our Homes and Villas by Marriott International, which launched in May, now has nearly 2,500 homes in the Americas and Europe. In early 2020, we expect our Ritz-Carlton Yacht will set sail on its first cruise from Fort Lauderdale to Barbados. Cruise bookings are running ahead of expectations.

And in addition, yesterday, we announced our intention to grow in the all-inclusive space after signing new management agreements for five new-build, all-inclusive resorts located in Mexico and the Dominican Republic. These projects will be added to our first all-inclusive project in Costa Rica, which joined our portfolio when we acquired Starwood. The all-inclusive market is growing rapidly, and our Marriott Bonvoy members would like to see us in this space. We expect to expand our all-inclusive portfolio in popular leisure destinations in the Americas, Europe, and Southeast Asia with both new build projects and property conversions, leveraging our well established full-service and luxury brands.

Marriott Bonvoy is a key element of our leisure strategy. Marriott Bonvoy membership totaled roughly 133 million at quarter-end with strong signups in the Asia Pacific region in the quarter. Year-to-date, member occupancy penetration increased 160 basis points and in the second quarter alone, bookings on the new Marriott Bonvoy app rose 70 percent.

We are bullish about Marriott's future. We continue to leverage our scale for the benefit of our guests, owners, franchisees, and shareholders. Our strong brands are getting better. Owners and franchisees continue to add hotels to our already broad distribution. And, most important, our culture focused on people remains front and center.

Before I turn the call over to Leeny to talk about our second quarter performance and outlook, let me give you a quick health update. I have almost completed chemo treatments and they have gone well. The doctors are pleased with my progress so far. I still have radiation and surgery ahead, but so far everything is on schedule. I appreciate all the kind words and support from so many of you.

Now, Leeny, for the second quarter.

Leeny Oberg: Thank you, Arne. For the second quarter of 2019, adjusted diluted earnings per share totaled $1.56 compared to $1.73 in the year-ago quarter. This was slightly over the midpoint of our guidance of $1.52 to $1.58, despite global RevPAR growth below the midpoint of our guidance. Recall that in the 2018 second quarter, adjusted EPS included 26 cents from gains on asset sales.

Gross fee revenues totaled nearly $1 billion in the quarter, up 5 percent over the prior year, largely due to RevPAR growth, unit growth and higher branding fees. Credit card fees totaled $104 million, up 12 percent driven by new credit card signups and higher spend. With a stronger U.S. dollar, second quarter fee revenue reflected $7 million of year-over-year unfavorable impact from foreign exchange, net of hedges.

Owned, leased, and other revenue, net of expenses, totaled $87 million in the second quarter, a $2 million decline from the prior year largely due to the net impact of sold hotels and renovations. Termination fees totaled $11 million in the quarter compared to $5 million in the prior year. Owned, leased and other profits were stronger than expected in the quarter due to timing of non-operating expenses.

Second quarter adjusted EBITDA totaled $952 million, consistent with our guidance. Our year-over-year growth in adjusted EBITDA was constrained by $6 million in lower profits from hotels under renovation and $8 million in unfavorable foreign exchange impact, net of hedges.

While not included in adjusted EBITDA, we recorded a $126 million non-tax-deductible accrual in the second quarter for the fine proposed by the U.K. Information Commissioners Office related to the data security incident we disclosed last year. We have the right to respond before the amount of the fine is finally determined, and as we have said, we intend to respond and vigorously defend our position.

Looking ahead, we expect our North American RevPAR will increase 1 to 2 percent in both the third and fourth quarters, albeit at the lower end of that range in the fourth quarter. The third quarter should be helped by the impact of the shifting Jewish holidays and strong group business on the books while the fourth quarter should be helped by easier comparisons to last year's strikes.

In the Asia Pacific region, we expect low single-digit RevPAR growth in the second half reflecting cautious corporate demand in China and continued political demonstrations in Hong Kong. At the same time, we also believe there could be demand upside in India and Japan where we have significant distribution.

We expect RevPAR growth in the Middle East and Africa region will be flattish in the third quarter, helped by the timing of Ramadan, and modestly lower in the fourth quarter.

For Europe, we expect U.S. travel to the region will remain strong in the second half but tough comps to last year's World Cup in Russia will likely hold Europe RevPAR growth to a low to mid-single-digit rate in the second half.

In the Caribbean and Latin America region, we expect RevPAR will grow at a low single-digit rate in the second half on easier comparisons in Mexico and strong ongoing leisure demand in the Caribbean.

In summary, we expect worldwide systemwide RevPAR will increase 1 to 2 percent in both the third and fourth quarters, yielding 1 to 2 percent RevPAR growth for the full year.

For the full year 2019, we believe gross fee revenue will total $3.82 to $3.85 billion, up 5 to 6 percent over the prior year. This is $50 million lower than our last guidance at the midpoint due to a modestly more conservative RevPAR outlook, negative foreign exchange impact, and fine-tuning of our credit card branding fee estimate. We believe credit card fees could total $400 to $410 million for the year. Incentive fees could be flattish for the full year reflecting the impact of hotel renovations, modest RevPAR growth at full-service hotels in the U.S. and China, and unfavorable foreign exchange.

Owned, leased, and other revenue, net of direct expense, could total roughly $295 million for the year, reflecting roughly $35 million in lower termination fees compared to 2018.

G&A should total $920 to $930 million for 2019, consistent with our prior guidance.

These assumptions yield $5.97 to $6.06 diluted earnings per share for 2019. Recall that the full year 2018 included 65 cents in gains from the sale of owned and joint venture assets.

Adjusted EBITDA in 2019 should total roughly $3.586 to $3.626 billion, 3 to 4 percent increase over 2018 adjusted EBITDA. Our year-over-year growth rate in adjusted EBITDA reflects unit growth, modest growth in RevPAR and higher branding fees. At the same time, we estimate lower termination fees and negative foreign exchange impact combined, create more than $50 million of headwinds, depressing our full year adjusted EBITDA growth rate by more than 100 basis points.

Our press release outlines our earnings expectations for the third and fourth quarters. Third quarter incentive fees will likely decline due to a tough comparison to last year's World Cup and continued modest RevPAR growth in the largest U.S. markets. We also expect a decline in residential branding fees in the third quarter. In contrast, fourth quarter incentive fees should increase, benefitting from easy comparisons to last year's strikes in North America and international unit growth, and branding fees should move higher.

As always, our 2019 guidance does not include merger-related costs or reimbursed revenues and expenses.

Total investment spending for the year could total $650 to $750 million, including roughly $225 million of maintenance spending and $200 to $250 million that should be reimbursed or recycled over time. Our renovation of the Phoenix Sheraton Downtown is well underway and includes new designs for the hotel's public space and rooms and should be completed by early 2020. We have already begun marketing the hotel subject to a long-term management agreement.

Marriott Bonvoy point redemptions are running ahead of expectations in 2019, as members explore the new locations and experiences offered by the significantly improved program. As a result, we expect the net cash impact of the loyalty program will be a few hundred million dollars more negative in 2019 than we expected at the beginning of the year but should improve significantly in 2020.

We repurchased more than 12 million shares from January 1 through August 2 for $1.6 billion and we expect cash return to shareholders through share repurchases and dividends will approach $3 billion in 2019. This assumes no asset sales in 2019 beyond those already completed and reflects our current EBITDA guidance.

Our balance sheet remains in great shape. At June 30, our debt ratio was within our targeted credit standard of 3 to 3.5 times adjusted debt to adjusted EBITDAR.

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

Question and Answer Session:

Shaun Kelley - BofA Merrill Lynch: Arne, glad to hear a positive update on your health. Maybe we could just get started with the unit growth side and a little bit more color there. I think last year, towards the end of last year in Q4, ran into a similar issue on some of these construction delays that you guys described at the Analyst Day. Can you just give us a little bit more color on confidence levels around both your sort of longer-term three-year outlook for overall net unit growth? And then why specifically should we be super comfortable in an acceleration for next year? What are you guys seeing in that data that should allow this to improve materially?

Arne Sorenson: Well, obviously notwithstanding the fact that we're bringing the growth assumptions for the year down a little bit, 25 basis points essentially to the midpoint from a quarter ago, makes it feel like we don't have much predictability here. We actually do have a fair amount of predictability because we can see what that pipeline looks like. And based on hotels under construction and projected openings data, we can see that the openings in 2020 and in the couple of years beyond should accelerate meaningfully from what we're experiencing in 2019. That doesn't mean that we can be exactly precise about when these hotels open. And I think in many respects, what we've experienced this quarter is an indication of that.

We do have obviously very tight construction markets, tight labor markets. And I think when you look at our U.S. portfolio, what we see is even in the limited-service segments, a bulk of what we're doing or at least a bit over half of what we're doing is non-prototypical work. So we're not talking about a suburban Courtyard that looks the same from market to market to market. But we're tending to talk about an urban Courtyard or an urban AC or an urban Aloft or an urban Moxy that is very much a custom job. And in the tight labor and tight construction cost markets, probably exacerbated a little bit by the modest RevPAR market, we're seeing that the construction time lines continue to increase.

I think the other bit of good news in this, which, of course, we put in our prepared remarks, is when we look at our quarterly adds and deletions from our pipeline, we don't see a change in the cancellation portfolio that -- from prior quarters. Middle East is obviously something that also we've called out here. I think the 2 primary areas are North America and the Middle East. Middle East is a big market, highly diverse. You've got some markets like Saudi and Cairo performing extraordinarily well. The Emirates have a lot of supply growth and very modest, in fact negative RevPAR growth in the market now. And I suspect that the combination of negative RevPAR growth is further extending the construction time line in those markets.

Shaun Kelley - BofA Merrill Lynch: And just as a follow-up, just to be a little bit more precise, have you factored like a longer construction time line into the 2020 forecast? But still even with that, can you see some sort of acceleration, just assuming this is kind of the new normal?

Arne Sorenson: Yes and yes.

Wes Golladay - RBC Capital Markets: Looking at the results in China, you definitely have some strength versus competitors. How much of that is due to the Bonvoy marketing versus the partnership with Alibaba, the Fliggy?

Arne Sorenson: Well, that's -- that is -- probably as much of that is -- will be coming in the future as opposed to delivered already. I think the Alibaba partnership is off to a great start. We're about a year into it. And if anything, we're seeing ramping performance and we're very optimistic about the future. And I think it probably has had some impact so far. But I actually don't think that is as profound as the portfolio that we've got in China. When you look at -- we're 50 hotels roughly open in Shanghai, very much a great strength in the luxury and full-service spaces.

The business is principally Chinese business, even in a market like Shanghai, which we've talked about before. And I think when you look across the markets, you see that we have a really powerful luxury and full-service portfolio. We are expanding in the select-service space, but that has been much more recent for us. And I think with the portfolio we've got, we've got strong brand familiarity, strong loyalty program and strong Chinese customer preference so that we continue to take really quarter after quarter for the last number of years strong increases in our RevPAR index performance in China.

Wes Golladay - RBC Capital Markets: Okay. And then quickly looking at that loyalty program, you mentioned the cash usage this quarter -- or this year, but it will grow next year to a benefit to you. What is going to drive that?

Leeny Oberg: So if we look -- typically our loyalty program generates cash on an annual basis because the cash that we take in as folks earn points is more than needs to go out the door for either redemptions or the cost of the loyalty program. This year, we had several things that were a bit unusual. First of all, you had some integration expenses timing that fell into 2019 versus 2018. Second of all, you had -- if you remember the introduction of Bonvoy, of the combined program -- we did a pretty meaningful marketing spend in the first half of the year that was unusual relative to typical timing. And then third and certainly not last is -- and certainly not least is that redemptions have been higher this year as we've seen folks introduced to the new combined program trying out hotels from the various portfolios. And we do expect over time that, that starts to calm down and not have some of these unusual items next year.

Robin Farley - UBS Investment Bank: Two questions. One is just on the credit card fees lower than the previous guidance. Is that fewer sign-ups or less usage or just lower fee rate negotiations? And then just as a follow-up, just following up on the comment about the redemptions being higher than you'd expected and your expectation that it will come down over time. Will you raise the cost of award nights? Or what will you do to kind of maybe get the redemptions in line with where you want them ideally?

Leeny Oberg: So, thanks, Robin. So, first of all on the credit cards, we've actually been pleasantly surprised with the growth in new card sign-ups this year. They've been higher than our expectations across the cards. We've been particularly pleased with the no fee card that we just introduced. And from that standpoint, the business that has gone really well. This is really just fine-tuning of the money that's coming in the door relative to the credit cards and the overall -- the combination of the overall spend and the sign-ups, so really nothing in the fundamental trends in that business.

And then as you look on the redemptions side, I think if you remember, we've got the combination of the two business -- of the two programs into one and a huge systems integration of the loyalty platforms. And as we move into 2020, we can already see that there is a bit more of folks kind of settling out into a more normal pattern. But we did see some trends of not only higher numbers of redemptions but at more expensive properties at high-occupancy periods. And that obviously means that the cash going out the door is a bit higher than expectations. But we are confident that the balance of that will even out over time.

Jared Shojaian - Wolfe Research, LLC: Can you just -- can you elaborate a little bit more on the magnitude of the full year incentive management fee reduction? I think you cited some renovation impact. But maybe relative to your last thinking, what changed? And then as we think about next year and sort of a low RevPAR growth environment, is it realistic that the IMF line can still grow at, call it, a unit growth plus RevPAR growth kind of rate? Or are you close to hitting some of the hurdle rates on the owners' priority?

Leeny Oberg: So, let me first talk about the percentage of owners -- of hotels earning incentive fees because I think that's helpful to your question. And that -- this year is in Q2 was 61 percent versus 65 percent a year ago. So, you can see that the impact of a lower RevPAR growth environment is meaning that fewer hotels are hitting that threshold. I think for the full year, we would expect that in the U.S., given our RevPAR guidance, that you would actually see margins slightly -- but slightly -- down for the year in 2019, which will impact that percentage a bit. Internationally, we've got both great new rooms growth as well as stronger RevPAR growth on a relative basis. So, I think there you'll actually see continued strong numbers on the penetration side for IMF.

And I think next year, it's too soon to say where we are on RevPAR. And that obviously will have a bearing. As we get into the budget process, we will be able to talk more about that. When you think about from a guidance standpoint on the IMF, the reality is that you've got FX being more of an impact than we had expected on the back half of the year as well as lower RevPAR overall. And when you put those two together, that's where you get the change from the incentive fee guidance that we gave a quarter ago.

Arne Sorenson: I think the other thing to keep in mind, I'd just add one thing here, is we talked about the difference in Smith Travel industry RevPAR numbers for the top 25 markets and then the rest of the United States, top 25 being down 0.2 point and the rest of the U.S. being up 1.6 points, which is a number of factors going into it. But significant one is higher supply growth in the top 25 markets than we're seeing in the rest. It shouldn't surprise you to know that a big chunk of our incentive fees come out of those top 25 markets. That's where we tend to have disproportionate distribution of the managed portfolio as opposed to the franchised portfolio, is where many of the convention center hotels are. And when you look at more modest RevPAR growth and margin performance in those markets, you get the kind of impact on incentive fees that Leeny talked about.

Jared Shojaian - Wolfe Research, LLC: Okay. Great. And then Arne, you noted you haven't really seen any incremental project cancellations. What's a normal level of attrition for your pipeline, specifically a percentage that never actually comes online? And maybe how has that evolved over time? And can you talk about how that attrition compares to what you saw in 2008 and 2009 and how that -- how we might expect that to look in the next recession?

Arne Sorenson: Yes. I mean it's a small percentage, which attrits. And in some respects, you can't -- you've got to be careful about limiting the time frame you look at this. Because we would see, for example, in a deep recessionary environment, more projects cancel out of our pipeline than we would in stronger times. But gratifyingly, many of those projects come back when the economy comes back. Because you've got partners of ours, who have control over the land, and they may have decided not to proceed with the project during the recession. But if you hang around the hoop long enough, suddenly they're taking a shot again and moving forward with it.

I would think in the fullness of time, you're probably in the 10 percent, 15 percent range of projects that will cancel or indefinitely sort of defer. And of course, every quarter, we go through our pipeline and we are signing new deals and approving new deals, which are adds, but we're also culling deals. So, the comments we made are not to suggest that there are zero cancellations, but we are not seeing a change in the cancellation pace from prior periods of time, including the last many number of years.

Joseph Greff - JP Morgan Chase & Co.: Two questions. One is on the development pipeline, nice to see that sequential increase there. Can you talk about what brands and what geographies are driving that beyond the new all-inclusive deals announced this morning?

Arne Sorenson: It's very global. The -- I think essentially every region and every segment are up. I'm just sort of double-checking the notes here to make sure I'm not overstating this. But by and large, we are seeing very strong appetite for development across the segments and across the globe. That's not necessarily to say that every country is seeing that because you've got some countries which are obviously experiencing either tougher economic times or tougher industry times, if you will. But you look across most markets and you see pretty darn healthy growth.

Joseph Greff - JP Morgan Chase & Co.: Great. And then back to, Arne, your comments on the construction delays. How many projects are you talking about with those delays? And how does it break out between North America, the Middle East and the Africa regions?

Arne Sorenson: Well, we're monitoring about 3,000 projects in that development pipeline. And if you look at where they're spread, obviously the U.S. is still the biggest market for us and probably is nearly 50 percent of those projects. So, you're talking about 1,500 projects roughly in the United States. I'm doing the math a little bit as we talk here, but they are disproportionately select-service hotels. And that is where we're seeing probably 2/3 of the impact, if you will, in the United States and maybe 1/3 in the Middle East and Africa.

Anthony Powell - Barclays Bank PLC: You talked a lot about how the top 25 markets have been slower in the U.S. We've seen a strong growth in international outbound travel from the U.S. over the past few years. Do you think travelers are just substituting Europe and other destinations for the top 25 markets? And could that have a negative impact going forward?

Arne Sorenson: It's possible on the margin that, that is an impact that maybe in the summertime. I do think it's probably the biggest impact. I think more of this is just the industry data. We look at top 25 supply growth versus rest of the U.S. and you see about an 800-basis point difference. These are Smith Travel numbers. Rooms available, in other words supply growth, were up 2.5 percent in the top 25 markets and they were up 1.7 percent in the rest of the markets. And interestingly, rooms sold in both top 25 and the rest of the U.S. were up 1.9 percent.

So, you look at the relative difference between those. And I think that probably explains the bulk of it. I think it's possible during peak leisure times that you've got a little bit of movement of the American traveler abroad, maybe that we've lost a little bit of share to the U.S. of the international travel coming here, too. But I don't think that's very clear. And I would think that the supply dynamic is probably more significant than anything else.

Leeny Oberg: Anthony, the share of international visitors coming from outside to the U.S. has stayed really stable between 4 percent and 4.5 percent over the last year. So, although we're still seeing tremendous growth from places like China, that's still down well under 0.5 percent of the travelers. And then Europe as an example, close to 2/3 of those visitors in Europe come from Europe. So, while at the margin, there's maybe a little movement here and there, the numbers are fairly steady.

Anthony Powell - Barclays Bank PLC: Got it. And you've highlighted improvement in RevPAR growth at the Legacy-Starwood brands. Do you think all the various integration issues are behind you and just the new brands actually start to outperform over the next few quarters?

Arne Sorenson: Generally, yes. I think the integration has very much stabilized. And obviously, we look at this week by week. We've been gratified to see that the SPG -- legacy SPG portfolio has grown index 10 of the last 12 weeks. And it's a good sign that the system has stabilized, the hotel teams are increasingly getting comfortable with those systems. Whether they're operated, managed hotels or franchised hotels, sales force has stabilized. And so, we're quite optimistic about the future.

Smedes Rose - Citigroup Inc.: I wanted to ask you a little more about your expansion into all-inclusive space. Now that you have this kind of multiyear project underway and it looks like at one resort, would you anticipate that other independent owners in that space will come to you with conversion opportunities? Is this kind of a platform that Marriott will look to support and grow as you've done more with some of your new brand initiatives? And how do you see that unfolding over the next couple of years?

Arne Sorenson: Yes. We don't have a forecast for you today about how big this business will get over time. But we do know that it is increasingly popular among the leisure traveler. Caribbean -- broadly, Caribbean Basin is the biggest market in the world for it. But you've got growing markets in the Mediterranean area as well as Asia Pacific. And obviously, our brands are well-known in those markets as well. I think as we talk to our development team, we should see both conversions of competitor-branded hotels. We should see newbuilds that join our system. And I suspect we'll see a few hotels in these markets that, where all-inclusive is popular, convert if the physical setting allows from a European plan hotel to all-inclusive hotels.

And so, I think we'll see that this is organic growth. We have over the last number of years looked at a few M&A opportunities in this space, have not managed to score them really at this point in time and have decided to proceed with our organic growth with some very strong partners that we're excited about proceeding with. And I think we'll have good performance in this space in the years to come.

Smedes Rose - Citigroup Inc.: Okay. Good. And then I just actually want to ask you, it's a few more months with homesharing under your belt. Maybe you could just talk about what's you're seeing in terms of the overall additions to the platform. And anything you're hearing from owners, either positive, negative or maybe not or just neutral?

Arne Sorenson: Well, let's start by recognizing how recently we have gotten into this business and how small it still is. We said 2,500 homes in our prepared remarks. That is tiny compared to many of the other platforms that are out there. Although interestingly, when you look at various portfolios of home rentals, folks have tried to slice them into higher-end portfolios. And those higher-end portfolios tend to be meaningfully smaller than the gross numbers that are out there. I think what we've discovered so far has, by and large, confirmed our thesis.

And it is firstly that our leisure customers are already experimenting in the homesharing space. And they are very appreciative of having a loyalty linkage, firstly. And secondly, they're very appreciative of having brand and quality service behind it. And too often, we've heard from those customers that when they are traveling with groups or a larger family or in circumstances in which a home rental makes sense, it is far too often just a crapshoot about whether the experience will be a good one or not. And what they're telling us is, "We really want you to have more choice for us because we think you can deliver and are delivering something, which has got a quality associated with it that makes it not a crapshoot, but something we can count on."

And we're seeing the overwhelming majority of bookings, and again they're relatively small so far, but coming out of the Marriott Bonvoy program and with the loyalty linkage. I think our owners, particularly in the United States, are interested in how this will grow and whether this sort of ends up being -- competing supply, if you will. And we're working our way through that. I think at the moment, 95 percent of our units are 2 bedrooms and above, which are obviously quite distinct from a hotel room. But we'll be transparent with them about this and make sure they understand how we're growing. And we're optimistic about the future, but we don't really have any forecast for you yet.

David Katz - Jefferies LLC: Arne, good to hear your voice. I wanted to maybe ask a bit more of a general question about the quarter. We are all trying to sort of process what exactly is sort of happening in the economy. In your case, there is an integration and a broad range of initiatives underway. And I just wondered if any of that second category is having any impact whatsoever on some of the adjustments that you've made in the guidance today and whether that's something you could talk about.

Arne Sorenson: Yes. I mean, Leeny, jump in here and tell me whether you think differently. I think the Q2 numbers for the -- obviously the quarter we've reported, came in a bit light compared to what we anticipated certainly for a midpoint a quarter ago. But I would attribute the -- 100 percent of that or a very, very, very heavy majority of that to economic conditions, demand conditions particularly, not to anything that's integration-related. And similarly, when we look at Q3 and Q4, we've obviously never given anybody guidance on Q3 or Q4 specifically until this quarter, where because we've only got two quarters left, basically both quarters come out with specific guidance.

But I think the adjustments that we've made in EBITDA and EPS for the balance of the year are very much driven by the economic environment, lower RevPAR expectations being by far the most significant piece of that. It does have an IMF flavor in some markets because of the U.S. RevPAR coming down a little bit. And it's got an FX piece that is a little bit worse, too. But I think they are not, in any material respects, related to our continuing integration efforts or sort of our internal story.

Leeny Oberg: Agreed.

Arne Sorenson: Leeny, do you disagree?

Leeny Oberg: Yes. No, agreed.

David Katz - Jefferies LLC: And if I can ask one other short question, more and more we hear, read and actually hear you talk about sort of the notion of alternative accommodations. Just trying to think through where the boundaries are in this opportunity. Are we -- we're looking at home rentals, right, and more and more we're hearing about hybrid models. How big of an opportunity is this really? Or are we just engaging in it in more of a temporary faddish way?

Arne Sorenson: Yes. I don't -- I mean I think the reason we're in it is we've concluded it is not a temporary fad. If you look at Expedia, Booking and Airbnb, to name three obvious players in the home rental space, they've each got millions of units on their platform. And some are making quite decent economics from these platforms. I think this is a space in the broader travel sector that we and other lodging companies as well as other participants in this sector have been watching for the last number of years. And it's become painfully clear, crystal clear to us that this is not some fad that's going to disappear tomorrow, but this is something that is here to stay.

I think we are seeing at the same time the evolution of a number of these platforms, either from homesharing to other spaces, if they've started at homesharing, or broadening into other aspects of the travel sector because of the usefulness of technology across different elements of that travel sector, and for us, particularly the value of the Marriott Bonvoy and loyalty program, to sort of provide an umbrella, if you will, across a number of different areas of travel.

And we said this a quarter ago and probably said it last year actually when we started our pilot in the homesharing space, when we look at Marriott Bonvoy members, we see probably approaching 30 percent that had already experimented with homesharing and were giving us feedback about the value we could bring to this space. And we thought this was a good space to get in. So, we got into it not as a fad and not simply as a test. But we got into it because we think it's a place where we can have a presence, we can provide more solutions to our loyalty members when they travel for different purposes and we think we can make good economics over time.

Thomas Allen - Morgan Stanley: Just following up on economic environment, you highlighted that demand was a bit softer than expected in the quarter. But you also had really strong group bookings for future periods. I think you said up 6 percent in 2Q. Can you just explain why those two things are happening at the same time? They don't totally logically make sense to me.

Arne Sorenson: Yes. And I mean I think that's a fair question. The -- and here's something which is I think probably at least in part internal about the portfolio we've built. I mean obviously if you look back over the last three or four years, you see a Starwood which was put up for sale with an auction process in early 2015, ultimately culminating in our signing of an acquisition agreement in November of 2015, if memory serves, not closed until almost a year later. And as consequence, you end up with some distraction inevitably and then some post-closing change to the way the sales force works in -- which is particularly relevant to group. And that distraction and disruption, if you will, is well behind us. We've got a sales team which has been integrated and stabilized. And they're lapping, in some respects, the organization that has been put in place because it was more than a year ago.

And then the second thing I think is you look at the portfolio we've got of group space in the United States, and we've got the ability that our customers increasingly see to offer not just a handful but a couple of handfuls of alternatives within our system that give them some price variability, location variability, brand variability and the like. And I think all of those things rolled together are propelling, if you will, the group bookings that we are beginning to experience. I think when you look at year-over-year performance, we've also got to factor in that there has been a shift in group commission payments from roughly 10 percent to roughly 7 percent. So, we look when we're measuring this not just at what the comparison was 2018. Because depending on the month you're looking at, that can be helped or hurt in year-over-year comparisons. But we're also looking at the comparison to 2017, which was sort of a stabilized year in some respects. And we see good healthy growth against both of those baselines. So, we are encouraged by it. I don't think -- I think it's probably more our story than it is industry dynamic because of the two factors I've have talked about. But it's something that we're gratified by.

Thomas Allen - Morgan Stanley: That makes a lot of sense. And then just as my follow-up, when we look at the pipelines, you had approximately 40,000 rooms approved but not yet signed. Last quarter, you had 25,000 rooms, so up about 60 percent. Respecting that there's a big addition, I assume, from the all-inclusive, but anything else going on there that's worth highlighting?

Leeny Oberg: No. As you know, Thomas, they kind of bounce back and forth. If you look last year at the second quarter, for example, that same statistic was 41,000 rooms, so in terms of approved, but not yet signed. So, they kind of go up and down depending on exactly the timing of the final signing of the contract.

Thomas Allen - Morgan Stanley: Makes a lot of sense. So, a lot of closings at kind of the beginning -- at the end of the year and beginning of the year versus the middle of the year?

Leeny Oberg: Exactly. Yes.

Arne Sorenson: Because of timing of the franchise circular you often sign fewer deals in the first quarter than you do at the second.

Thomas Allen - Morgan Stanley: Well that makes sense. Thank you.

Patrick Scholes - SunTrust Robinson Humphrey, Inc.: Just taking a look at the property-level RevPAR results, especially for the company-operated North America, it looks like Sheraton was a bit of an underperformer. I'm just curious, how much of that can be explained by any property improvement plans that you folks are pushing on those hotels?

Arne Sorenson: Yes, that's a good question. I would encourage you first to look at the Sheraton systemwide numbers, not the Sheraton managed numbers, particularly in North America. The Sheraton managed portfolio is quite small as a percentage. And so, you're going to get numbers there which are significantly impacted by the precise location of that portfolio, which is the risk in any smaller portfolio.

But to be fair, I think if you look at North American Sheraton performance, I think we reported 0.8 percent negative for the quarter. You've got a number of things going into that. I think it's probably worth mentioning that globally, the Sheraton brand is performing quite well with index about flat in the quarter. And that's probably a better sign of the strength of the brand than the North America numbers.

I think in North America, you've got some shifting. We've jettisoned some -- probably more hotels in the U.S. proportionately than outside. And we do have some renovation activity which is underway, which may or may not be substantial enough to pull those hotels out of the comp set. Then of course, we've got a single loyalty program. And so, we've got customers now that have got more choice across more brands and they're experimenting a bit with that. And I think we will see over time that these brand numbers probably were a bit more towards the mean.

Patrick Scholes - SunTrust Robinson Humphrey, Inc.: Okay. And just a quick, lighthearted follow-up question. There's been a little bit of a media attention about tipping housekeepers. Arne, I'm wondering, do you tip your housekeepers?

Arne Sorenson: I absolutely tip housekeepers on business and leisure travel and have for many, many years. And I can't imagine not.

Stephen Grambling - Goldman Sachs Group Inc.: Two quick follow-ups around -- first, on owned assets, as international markets such as Europe and South America have been holding in a bit better, I think you had previously kind of put on hold some of the asset sales, particularly in South America. How are you thinking about the additional owned assets and potentially selling?

Leeny Oberg: So thanks, Stephen. We certainly do expect additional asset sales in the future. As you know, they're impossible to predict in terms of timing. We talked about the fact that we've got Phoenix on the market. And we've got several others that we continue to work very hard on. I think the reality is there are still probably some markets where even though there may be some improvement, it's still probably not right in terms of not just the RevPAR environment but just as importantly the transaction environment. What the buyer and financing environment looks like.

And I think you'll probably still find that several of the ones in South America fit that category. And the other thing I'll point out, Stephen, is we've got a couple of these assets that have interesting characteristics to them, like unusual ground leases, et cetera, that aren't as much based on geography of the asset but something in the structural part of the asset that makes it a bit more challenging to sell. Not to say we don't think that we ultimately can't, but that we've just got to work through some of those issues.

Stephen Grambling - Goldman Sachs Group Inc.: Fair enough. And maybe changing gears a little bit, you had called out India today and had referenced it on some other calls a bit more, it seems like, than in the past. Can you give us a bit more detail on that market as we think about how significant it could become and perhaps talking to how contracts and the owner base there are similar or different to other markets?

Arne Sorenson: Yes. We're about -- if we can check this maybe if they've got the details. I think we're probably about 115 or 120 hotels open and operating in India today and probably another few dozen that are in the development pipeline. We have got a good stable of owners, many of which have got multiple hotels with us. They tend to often to have a power within a particular region or city of India as opposed to across the country as a whole. It's obviously a very big and a very diverse country and economy and culture. And so, you end up with somewhat different partners from place to place. I think the bulk of what's happening in India is in the growth of their economy, which obviously is fairly small, at least in per capita terms, quite small compared to China and the United States, but it's growing meaningfully year-over-year.

The lodging business is still small. I mean I think one of the stats I love to talk about when I'm with our friends from India is that there are maybe 175,000 hotel rooms in the country of India. The Indian expatriate community in the United States owns over 2 million hotel rooms in the U.S. And it just gives you a sense of how much growth is yet to come from India. So, we're -- we are very bullish on it. We think we're getting leading market share both in terms of hotels open but also hotels coming in the development pipeline. Our brands are strong. And we think that the prospects for that economy are quite strong in the years ahead.

Vince Ciepiel - Cleveland Research Company: I wanted to come back to group versus transient. I think last quarter, group was up 3 percent and transient was flattish. And maybe I missed those, but I was curious what they were for 2Q. And then as you think about this full year, how do you think group and transient shake out within your 1 percent to 2 percent targeted domestic range?

Arne Sorenson: Yes. For Q2 group, that is a North American number, not a global number. Obviously, these dynamics vary very much from part of the world to part of the world. But in Q2, group was modestly negative, call it minus 1 percent. And so, the transient, both business and leisure transient, and group would make up the difference between that and the RevPAR numbers we posted.

Vince Ciepiel - Cleveland Research Company: Great. And then maybe getting a little bit more into the second half outlook, it implies a pickup. Just curious how much of that is related to easier compares? And have you already started to see that come through in July?

Arne Sorenson: The most significant thing in terms of comparisons year-over-year would be the strikes that we experienced in the United States, which was, by and large, a Q4 phenomenon. I can't tell you that there was no strike activity at the tail end of Q3. But if there was, it was extraordinarily modest. We do have some shifting holidays. Q3 was helped a bit by the timing of Jewish holidays. Fourth quarter is hurt a little bit by the timing of those holidays. And of course, we called out the Russian World Cup, which is relevant to the European numbers that we will post this year. I think those are the principal comparisons. But by and large, none of those factors are yet at play in the third quarter.

Leeny Oberg: Believe it or not, in Q3, you've also got a bit of a day of week shifting. Not only holidays, but you've got a day of week shifting in Q3 that is also helpful.

Bill Crow - Raymond James & Associates, Inc.: Is it unreasonable to ask if the increased redemptions on the leisure front, points redemptions, is a leading indicator of weakness on the consumers' part?

Leeny Oberg: I don't think so. I think if anything, we've continued to see the leisure business be robust and in general worldwide for our properties. I think again you see this in general economic trends as well, which is that although, for example, in the U.S., you've got lower GDP growth than expected, you are also seeing very strong consumer spend and low unemployment. So, from that perspective, people are taking vacations. They are feeling good about their prospects. Until recently, the stock market was doing pretty well. And we are seeing people go and stay in our hotels on their vacations.

And I think when you had the merger of the programs, you had a tremendous opportunity for SPG members to try out great, new Legacy-Marriott Hotels and vice versa. And we have seen that in the data that, that is exactly what's happening. So, I also think, given they're staying at expensive hotels, I think there was a view that there was an opportunity to get in and make some bookings for your vacation early, using your points and make sure you've got those great hotels. So, we don't see it as a sign in particular of weakness.

Bill Crow - Raymond James & Associates, Inc.: Arne, I think making any predictions is a crapshoot today clearly. But is there anything out there that you could see today that would tell you that the industry should be anything different than a 0 percent to 2 percent RevPAR environment as we look into 2020?

Arne Sorenson: No. I mean it is our best -- it's our best set of estimates obviously or we wouldn't put them out there. Now we haven't obviously said anything other than in our analyst conference about 2020 and 2021. We'll get to that probably a quarter from now. I think the thing that's interesting and one of the internal debates that we have is we have not had a long period of time in which we've had really low single-digit RevPAR growth quarter after quarter. And on some basis, we're in a little bit uncharted territory. And it's going to be interesting to see whether or not we can continue to the sort of run that balance, which is if you look at the industry numbers or you look at individual hotel company numbers in Q2, we've got in the U.S. a modest increase in ADR and a modest decrease in occupancy.

And that requires a fair amount of balance, and we've got lots of folks who are involved in pricing hotels in the industry and aggressively competing on a day-to-day basis. And whether that precise balance stays or not is going to be something we watch and learn together. I do think that the strength of GDP is still the single most important thing for us to look at. And obviously, 2 percent GDP growth is not as good as 3 percent or 3.5 percent GDP growth. But the question we’ve all got to ask ourselves for 2020 and beyond is, "Where's GDP going?” Is it going to stabilize at 2 percent? Or are trade wars or something else going to bring it down? Or are we going to get some clarification around these things that we get back to a more normalized sort of 3 percent-ish environment?

Brian Dobson - Nomura Instinet: So, some of your competitors have called out weakness in China as well. Do you think you could elaborate on what you're hearing from your people on the ground there regarding trends heading into next year?

Arne Sorenson: We don't have anything that's terribly insightful, I think. Obviously, our RevPAR numbers in China were meaningfully better than the industry as a whole. And I think that's a sign of our strength. But the RevPAR numbers in China were not as good as they were a quarter ago and they were not as good as they were last year. And so, I think that's a sign that when you look at the averages rolling up across that very big country, you're seeing somewhat more modest economic growth. We've got very topical things right now, trade war with China being one and Hong Kong, I think, being another example. Hong Kong performed fairly well in the second quarter. But obviously what's happening in the streets in Hong Kong today is not a positive sign for travel into that market. And so, I suspect we'll see that Hong Kong weakens.

And I think when you get to the trade war, the biggest question there is what does it mean for Chinese GDP growth? Not what does it mean for exports and imports, but what does mean for Chinese GDP growth? And that has to be evaluated in the context of a shift by China towards more of a consumer-driven economy than they have experienced in years past. And I think that makes our industry perform a bit better in China and for China outbound markets than other industries in China. But I think all of those things put together and you've got some obvious risks in China. But you've also got some good, albeit more modest, but you've got still continuing GDP growth. And China has got levers to pull to make sure that they continue to try and stimulate their economy.

Leeny Oberg: The only thing I'll add to that is that our rooms growth there continues to be really robust. So, as we look at the general pace of these rooms openings and our signings, again continues to be strong demand on the part of owners for new hotels of ours.

Brian Dobson - Nomura Instinet: Okay. That's helpful. And then in terms of your balance sheet, would you consider getting a little bit more aggressive to retire shares?

Leeny Oberg: You probably noticed in our comments that the quarter, we made a slight moderation in our comments from at least $3 billion to approaching $3 billion. And that's really a reflection of not a fundamental difference in our point of view on capital return but more just the reality that our loyalty program is going to use a bit more cash than we had expected. And as you know, we dropped EBITDA a little bit. But we continue to refine our working capital numbers. We also refined our investment spending numbers a little bit. So generally, I would say that our approach is quite similar to where we were a quarter ago. And we're comfortably in our 3 to 3.5x leverage range, which is where we want to be.

Michael Bellisario - Robert W. Baird & Co. Inc.: Just to follow up first on a prior question, is there any Marriott investment in the all-inclusive deal?

Arne Sorenson: There might be some modest key money, I don't remember in the context, not material, certainly.

Michael Bellisario - Robert W. Baird & Co. Inc.: Okay, got it. And then just kind of along the same lines and maybe how you're thinking about using your balance sheet, any change in thinking about jump-starting growth or needing to invest dollars to get projects across the finish line?

Arne Sorenson: In terms of the organic pipeline, no. We continue to work with our partners. And I think the majority of our deals come in with essentially no financial participation with us -- from us, excuse me. I think there are couple of places where we would like to do some things to reposition brands. I mean the Phoenix Sheraton obviously is the most recent one that we've done. I think we could see taking a calculated bet or two, albeit quite modest in terms of the size of our balance sheet, to prove some proof points that we would like to prove on some of the brands that we are trying to reposition and strengthen but nothing that I think would be material in any long-term sense.

Kevin Kopelman - Cowen and Company, LLC: Just a couple of follow-ups on online travel agents. They were down 2 percent globally for you. How did that look in terms of North America versus international? And how are you thinking about the OTA channel in the back half as you lap the rollout of your kind of more advanced yielding programs?

Arne Sorenson: I suspect it was down more in the U.S. than the rest of the world. But somebody should test me on whether or not I've got that exactly right. But it is very much about what the factor you've talked about, which is yielding. And we are working with our OTA partners to make sure that we are getting business from them when we most need it and not necessarily taking it when we don't. And generally, I think that's working well.

Kevin Kopelman - Cowen and Company, LLC: Do you think you'll keep yielding down even as you kind of lap over that?

Arne Sorenson: Yes, I don't know. I mean we'll have to watch that as we go forward. We did talk about the growth in our direct digital channels. We've talked about the growth in our Marriott Bonvoy penetration. I think both of those things over time, if they -- those trend lines continue the way that we think they should continue, should make us less dependent on third-party platforms. I think at the same time that you've got an economic -- underlying economic story here, which we'll have to watch and sort of evaluate. But I think we are trying to do the best we can in order to take business from these partners when it is particularly valuable to us but essentially not take it when we don't need it.

Kevin Kopelman - Cowen and Company, LLC: And then just a quick follow-up on the pipeline. Can you talk about trends for gross new approvals and signings? Last couple of years, you're about 125,000, I believe. First half of this year, strong but down a little bit. Can you just give us kind of an update on the environment for approvals and signings and outlook for the year?

Arne Sorenson: Yes. I think generally we've been pleased by how robust the incoming in the pipeline is globally. And I think there is a continued shift towards us. Maybe not towards us alone, but certainly Marriott has got a portfolio of quality brands. And I think we are seeing folks, particularly in more moderate economic climate, saying we've got to make sure we've got the right quality. I think also the brand lineup has been really powerful in the last few years. When you look at AC by Marriott, you look at Moxy Hotels, you look at Aloft and Element and what's happened with those brands since we closed on the Starwood acquisition, they are relatively underrepresented or unrepresented in many markets around the world, including in North America.

And I think we're seeing a number of our partners, who'd say, "That's a pretty interesting brand for me. It's now in the Marriott portfolio, so I get the benefit of the loyalty program and the reservation system and the like. And I want to be the one to take that brand in a given market." And they're good brands for urban. There's obviously more value in select development in urban markets as opposed to suburban markets. And so, I think that's one of the reasons that the pipeline demand has stayed as robust as it has.

Chad Beynon - Macquarie Research: Can you talk broadly about trends domestically with your booking window on leisure and transient? We've heard from many of your competitors that this continues to compress and it's making it harder to forecast RevPAR and really maximize gross profit margin. Any major changes that you've seen in the past couple of months there?

Leeny Oberg: Certainly not major, I mean it does at the margin on the transient side narrow a little bit. But I would really say not enough to be noticeable.

Arne Sorenson: And I think you've got -- if anything, you've got a little bit of probably lengthening of the group window. I think the group bookings, as we've talked about, have been good. One of the frustrations for us over the years is we don't have that much forward-looking data because transient business, particularly business transient business, is very near term in its booking. It always has been. Leisure transient can be quite a bit longer and group even longer still. And by and large, when we put together our set of expectations for Q3 and Q4, we're looking at the data that we have, which obviously is more relevant to Q3, for example, than it is to Q4. But we don't have that much that gives us certainty about what's to come.

Chad Beynon - Macquarie Research: And then on China, there's a couple of things. There's the trade war and then there's the economic declines that are going on. You've talked a lot about the RevPAR. What about food and beverage sales? What are you seeing there? And do you think that's more closely tied to what's going on with the GDP picture? Or could that reverse after a trade war resolution is finalized?

Arne Sorenson: Yes. I mean we're seeing F&B probably grow at modestly higher rates than rooms revenue in China. I think the food and beverage is going to skew even a bit more towards -- to the Chinese consumer. And again, that's a sign of the probably shift towards a consumer economy and the importance of that from a local population that, particularly in the key cities, has got resources to do some of these things and they didn't in years past. So, I don't think there's incremental risk in the food and beverage space compared to the rest of the hotel, maybe just the opposite.

All right. Thank you, everybody, for your time and patience this morning. We appreciate your interest in Marriott and look forward to welcoming you on your travel. Come stay with us.

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Note on forward-looking statements: This press release and accompanying schedules contain "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 new product offerings; our expectations regarding the estimates of the impact of new accounting standards; 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 press release 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 experience adverse effects from the data security incident; changes in tax laws in countries in which we earn significant income, including guidance that may be issued by U.S. standard-setting bodies on how provisions of the Tax Act will be applied or otherwise administered; and changes to our estimates of the impact of new accounting standards. Any of these factors could cause actual results to differ materially from the expectations we express or imply in this press release. We make these forward-looking statements as of August 5, 2019. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.