Marriott International, Inc.
First Quarter 2022
Earnings Conference Call Transcript[1]
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Operator: Good day, everyone, and welcome to Marriott International's First Quarter 2022 Earnings Conference Call. Today's call is being recorded. I will now turn the call over to Leeny Oberg, chief financial officer and executive vice president, business operations.

Leeny Oberg: Thank you, Operator. Before we begin, I wanted to take a moment to remember Laura Paugh, a trusted and valued friend and colleague to many of us on this call. As most of you know, Laura tragically passed away after a car accident a few weeks ago. Laura was smart, helpful, witty and unfailingly honest to all who knew her. We will miss her incredible spirit and are committed to honor her legacy at Marriott. Laura's family was her greatest achievement, and we are holding them in our thoughts and prayers. And now I'll turn the call over to Jackie.

Jackie Burka McConagha: Thank you, Leeny. Good morning everyone and welcome to Marriott's first quarter 2022 earnings call. On the call with me today are Tony Capuano, our chief executive officer, Leeny Oberg, our chief financial officer and executive vice president, business operations, and Betsy Dahm, our vice president of investor relations.

I will remind everyone that many of our comments today are not historical facts and are considered forward-looking statements under federal securities laws. These statements are subject to numerous risks and uncertainties, as described in our SEC filings, which could cause future results to differ materially from those expressed in or implied by our comments. Statements in our comments and the press release we issued earlier today are effective only today and will not be updated as actual events unfold. Please also note that, unless otherwise stated, our RevPAR, occupancy and Average Daily Rate comments reflect systemwide, constant currency results for comparable hotels and include hotels temporarily closed due to COVID-19. RevPAR, occupancy, and ADR comparisons between 2022 and 2019 reflect properties that are defined as comparable as of March 31, 2022, even if they were not open and operating for the full year 2019 or they did not meet all the other criteria for comparable in 2019. Additionally, unless otherwise stated, all comparisons to pre-pandemic or 2019 are comparing the same time period in each year. You can find our earnings release and reconciliations of all non-GAAP financial measures referred to in our remarks today on our investor relations website. And now I will turn the call over to Tony.

Tony Capuano: Thanks, Jackie, and thank you all for joining us this morning.

Global demand rebounded strongly and swiftly during the first quarter after a brief Omicron-related slowdown early in the year. In March, worldwide RevPAR was just 9 percent below 2019. Occupancy rose to 64 percent, with ADR an impressive 5 percent above March of 2019. COVID-19 is still impacting our business to varying degrees around the world. But as global vaccination rates increase, case counts

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

decline, and new COVID variants are tending to be less severe, many countries have started to cautiously adopt a "live with COVID" policy, leading to a rise in demand for all types of travel.

Leisure demand, which had already fully recovered during 2021, has further strengthened this year, with first quarter global leisure transient room nights more than 10 percent above 2019. Recovery of business transient and group demand is still lagging leisure, but as greater numbers of employees return to the office, demand has been rapidly improving. Additionally, day of the week trends continue to show that trips that blend leisure and business are on the rise. In March, in the U.S. & Canada, while Monday through Wednesday occupancy was down in the mid-teens, occupancy during the shoulder days, Thursday and Sunday, was down in the single digits, and occupancy on Fridays and Saturdays was nearly in-line with March of 2019.

While still below pre-pandemic room nights, cross-border travel demand is growing slowly as more countries around the world re-open their borders and lift travel restrictions. Cross-border guests accounted for 14 percent of global room nights in the first quarter, a gain of around 100 basis points compared to a quarter ago, but well below the 2019 share of 19 percent.

In the U.S. & Canada, March RevPAR was within 4 percent of 2019. Occupancy topped 68 percent during the month, and ADR accelerated to 6 percent over pre-pandemic levels. While the extent of RevPAR recovery still varies widely from city to city, overall, progress during the quarter was widespread. Across all chain scales, as well as market types – that is primary, secondary and tertiary markets - RevPAR recovery saw meaningful improvement in March versus the fourth quarter. Luxury was the stand-out in the quarter, with ADR a remarkable 27 percent above pre-pandemic rates.

Group demand in the U.S. & Canada accelerated sharply during the first quarter of last year. In March, group RevPAR was 16 percent below 2019, compared to down more than 30 percent in the fourth quarter. Growth in new bookings has contributed to a meaningful improvement in group pace for the remainder of the year. As of March 31, group revenue pace for the remainder of 2022 was down in the high-single-digit range compared to 2019.

We also expect additional short-term bookings to further boost group revenues. April was the 8th month in a row where in-the-year-for-the-year group bookings exceeded 2019 levels. Importantly, our sales teams remained focused on driving ADR, which has continued to rise for new bookings. ADR for managed hotel bookings made in January was 3 percent above 2019 levels, while ADR for bookings made in March had risen to 12 percent above pre-pandemic levels.

Business transient demand in the U.S. also gained momentum during the quarter. Recovery in March improved notably compared to the fourth quarter, with business transient room nights down 10 to 15 percent. Special corporate accounts, which tend to be larger companies, have recovered more slowly than smaller-sized businesses, which have now fully recovered. Special corporate new bookings strengthened in March, and further advanced in April.

Internationally, all regions except for Greater China experienced additional RevPAR recovery in March compared to the fourth quarter recovery. In the Middle East and Africa, where borders have been open since late last year, first quarter performance was stellar, with RevPAR surpassing 2019 for the second quarter in a row. This was led by strength in the UAE from the World Expo in Dubai that ran from October of 2021 through March of this year. At the other end of the spectrum, in Greater China, where restrictions have been the most severe, RevPAR dropped significantly with the lockdown of several major cities, including Shanghai, late in the quarter.

We are keeping a close eye on trends in Europe, but outside of Russia, the war in Ukraine has not yet impacted demand. Cancellations have been minimal, and as all countries in the region have removed or reduced travel restrictions, bookings across the rest of Europe have accelerated for spring and the summer high season.

In Russia, we have closed our corporate offices and paused all future hotel development and new hotel openings. There are currently 23 properties open in the country, though occupancies are modest. We continue to evaluate our operations in Russia, which represented well under 1 percent of our global fees in 2019.

We are watching the horrific humanitarian crisis in Ukraine and neighboring countries with deep concern, and we are doing what we can to help those impacted in the region. I am very proud of our teams that have been mobilizing to help those in need in numerous ways, including working with relief partners and housing refugees at Marriott properties in neighboring countries.

The power of Marriott Bonvoy was again evident in the quarter, as we remain focused on strengthening our loyalty platform for our 164 million members. Of course, member engagement has risen as travel demand comes back. But there has also been a significant increase in members earning and using points outside of our hotels. Our Bonvoy members are interacting with us more through everyday spending thanks to our collaborations with companies like Uber. We have also seen incredible global interest in and engagement with our Bonvoy co-brand cards, with new card acquisitions and card spend both up meaningfully year over year.

The first quarter also marked our best quarter ever for direct digital bookings, which helped drive owner and franchisee profitability. Digital bookings were up 14 percent compared to the first quarter of 2019, partially driven by meaningfully higher downloads of our redesigned Bonvoy app, which were 70 percent above pre-pandemic levels.

Turning to development, the number of deals presented at our monthly development committee meetings has continued to increase. We signed 124 deals globally through March of this year, a new first quarter record.

Conversion activity remains a bright spot, given the breadth of our roster of conversion-friendly brands across chain scales, and the meaningful top- and bottom-line benefits associated with being part of our system. Conversions accounted for 22 percent of room additions in the quarter. Despite construction timelines having lengthened a bit so far this year due to supply chain disruptions and labor shortages, we expect openings to ramp up each quarter in 2022. Average construction timelines are currently just over two years for limited-service properties and remain longer for full-service properties.

Looking ahead, we still expect full year gross rooms growth to approach 5 percent and deletions of 1 to 1.5 percent, leading to anticipated net rooms growth of 3.5 to 4 percent. While signing activity has been picking up nicely, 2022 gross room additions are expected to be impacted by the diminished construction starts the industry has experienced throughout the pandemic, particularly here in the U.S. With financing starting to ease a bit, the industry has seen a notable ramp up in new construction starts in the first quarter, but they are still well below 2019 levels. However, we remain confident that over the next several years we will return to our pre-pandemic mid-single digit net rooms growth rate, given the improving global environment, the attractiveness of our brands, our strong development activity, our momentum around conversions, and the largest pipeline in the industry.

In closing, I feel extremely optimistic about our future. With our unparalleled portfolio of 30 global brands and over 8,000 properties worldwide, our invaluable Marriott Bonvoy loyalty program, our numerous growth opportunities, and the best associates in the business, I believe Marriott is uniquely positioned to benefit from the continued recovery ahead. I will now turn the call over to Leeny to discuss our financial results in more detail.

Leeny Oberg: Thank you, Tony.

Our first quarter results came in ahead of our expectations, with global RevPAR down 19 percent compared to 2019. Gross fee revenues totaled $815 million in the quarter, almost doubling from a year ago, driven overwhelmingly by higher RevPAR. Our non-RevPAR related franchise fees once again showed meaningful growth, totaling $170 million in the first quarter, up 21 percent year over year, primarily due to significantly higher year-over-year credit card fees.

Incentive management fees, or IMFs, are rebounding nicely, and reached $102 million in the quarter. They comprised 13 percent of total gross fees, an acceleration from 7 percent in the year-ago quarter, driven in part by strong performance at our U.S. & Canada hotels. Over 55 percent of our IMFs were earned at our industry-leading luxury properties. IMFs from our comp luxury hotels were 10 percent above the first quarter of 2019, while IMFs from our comp luxury resorts were up more than 60 percent over the same time frame. Roughly 60 percent of IMFs were earned at our international properties during the quarter.

Our owned and leased portfolio again generated positive profits, totaling $44 million in the quarter, due to international government subsidies and improved results at hotels in the U.S., the Caribbean and Latin America, and Europe.

G&A and other expense totaled $208 million in the first quarter, due to timing and lower travel costs as a result of the Omicron variant. Adjusted EBITDA totaled $759 million, down only 8 percent compared to the first quarter of 2019.

We remain focused on working closely with our owners and franchisees to deliver superior customer service while also containing operating costs. Our U.S. managed hotels' profit margins were nearly back to 2019 levels in the first quarter, despite RevPAR down 16 percent compared to 2019. While industry staffing challenges persist, primarily in certain U.S. markets, we have made great progress since last summer in successfully hiring for open positions. As always, we are keeping a close eye on wage and benefit inflation, but we are optimistic that our cost reduction efforts could mitigate inflation in future years.

As we look ahead to the rest of 2022, we are very pleased with the positive momentum in demand we are seeing across customer segments in the vast majority of markets around the world. With the recent widespread easing of travel restrictions in many regions, employees returning to the office in greater numbers, increasingly positive travel sentiment, and our teams' focus on driving ADR, we are even more optimistic than we were a quarter ago that we will see meaningful additional global RevPAR recovery this year, assuming no major change in the global economic environment or the behavior of the virus.

There is still too much volatility given uncertainty around travel restrictions in countries like China and a high reliance on cross-border guests across our international markets to give global RevPAR or specific earnings guidance. But we do have more visibility in our largest market, the U.S. & Canada, which is almost entirely dependent on domestic travelers.

In the U.S. & Canada, occupancy and ADR continued to improve in April, and we estimate that RevPAR fully recovered to 2019 levels for the month. We are extremely pleased to reach this milestone roughly two years after the pandemic began. While demand still varies considerably across hotel types and markets, given current booking and ADR trends, we expect RevPAR in the U.S. & Canada to be roughly flat to 2019 in the remaining quarters of 2022. Internationally, we expect continued RevPAR recovery across markets that have not yet fully recovered, though the levels of progress will vary widely across regions.

To further help with your modeling, let me share some additional color. At current RevPAR levels, we still expect the sensitivity of a one percent change in full year 2022 RevPAR versus full year 2021 could be around $25 to $30 million of fees. As we have seen, the relationship is not linear given the variability of IMFs and the inclusion of non-RevPAR related franchise fees.

For the full year, interest expense, net, is still anticipated to be roughly $350 million, and our core tax rate is now expected to be around 24 percent. G&A and other expenses are still anticipated to be $860 to $880 million, well below 2019. We still anticipate full year investment spending of $600 to $700 million, which includes roughly $250 million for maintenance capital and our new headquarters. We could now see loyalty be a slight use of cash for the full year before factoring in the reduced payments received from the credit card companies. With the meaningful pick-up in demand, we've seen an increase in redemption activity and expect this trend to persist.

We have made meaningful progress in driving cash flow, managing expenses, and improving our credit profile. Given this progress, as well as the strength of our business and our confidence in our outlook improving further, we're very pleased to be resuming capital returns to shareholders sooner than we had anticipated. With leverage close to our target ratio of between 3 and 3.5x adjusted net debt to adjusted EBITDAR, we are resuming our dividend at 30 cents a share in the second quarter, the first dividend in two years. We remain committed to our investment grade rating, investing in growth that increases shareholder value, and then returning excess capital to shareholders through a combination of a modest cash dividend and share repurchases. Assuming the global demand environment continues to improve and that we are within our target leverage ratio range, we expect to resume share repurchases this year.

Our business model has demonstrated terrific resilience, and I want to thank our teams all over the world for helping us navigate the challenges over the past two years. It is thrilling to see so many hotels full of guests again, and we're very optimistic about the future of travel and the future of Marriott International.

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

QUESTION AND ANSWER SESSION:

Stephen Grambling - Goldman Sachs Group, Inc.: I just want to extend my condolences to everyone on the line as well as echo your thoughts, Leeny, on Laura.

To start things off, I guess, on the development environment, particularly in China, and its lockdowns, how might will you be thinking through any impact there as you think about net unit growth or net room growth? How might conversions or other properties not explicitly in the pipeline impact additions for the year?

Tony Capuano: Great question. I'll answer it a few ways. As you know, many of the development projects that we entertain in Greater China come to us when they are well under construction. And so one of the metrics we use to evaluate growth pace is intake of MOUs or LOIs, and we've seen pretty steady pace of MOU intake even during the impact of the zero COVID policy across China.

We have seen some construction interruption as we've seen here in the U.S. But for the first time, we're starting to see some real traction on the conversion side, which has not historically been a particularly active source of rooms growth across Greater China.

Stephen Grambling - Goldman Sachs Group, Inc.: That's helpful. And then maybe one follow-up on just the guidance and some of the comments that you made, Leeny. What are the guardrails that we should be thinking about as it relates to credit card fees and the trajectory there, as well as any concrete impact to working capital, given the confluence of earning and burning points versus the point pull forward?

Leeny Oberg: Sure. So I think, generally, as we've talked about the credit cards, it's been a tremendously resilient and steady force in our fees over the past few years. And as you probably heard us say, we actually saw credit card fees in Q1 2022, up 26 percent compared to 2019. So, they really… and obviously up a whole lot over last year as well.

So it's a combination of two things, Stephen. One is that we continue to see overall credit card spend increase and then our new card acquisition growth has also been impressive. So I think as you continue to see that moving forward, that's a strength.

The other thing is, obviously, we are a card that tends to be logged by people who love to travel. So there, again, as you see people returning to travel, I think that's also great incentive with all the Bonvoy points that they earned. So I think you'll continue to see that be a strong force in the growth in our fees this year.

And as you think about the cash flow, there are two points that I'd make on working capital. One is that, generally speaking, as you remember, we are a negative working capital business overall. And as the company recovery continues, I think that trend will continue to show itself from the standpoint that our fees get paid so quickly, while it's not always the case that our payables have to be paid quite as quickly. So that will continue to help us on the working capital side.

And as you pointed out, on loyalty, we have moved from where we thought it was a slight source of cash to a slight use of cash as a result of higher redemptions. I think you should expect as the year moves on that, that will continue, but that is our current forecast for the year that ties into these RevPAR numbers that we've talked about in the U.S.

Shaun Kelley - BofA Securities: I'd also like to extend my thoughts and prayers for Laura.

Tony Capuano: Thank you, Shaun.

Leeny Oberg: Thank you.

Shaun Kelley - BofA Securities: Tony or Leeny, just as we look at the outlook provided and appreciate, we're still -- there's still enough volatility out there that you didn't want to extend yourselves too far yet. But if we think about some of your comments around the U.S., could you maybe just help us think through your puts and takes around sort of that outlook for flat for the -- relative to 2019 levels for the remainder of the year?

Why not -- what would be holding you back from maybe seeing a bit more improvement as the year goes on? And we see group and business travel fill in, is there some give back over the summer as it might relate to luxury and mix? Or is there just some conservatism in that outlook?

Tony Capuano: Yes, I think there's a bit of conservatism in that outlook, but that conservatism is driven by what we've seen in terms of the booking windows. So we have much less visibility into Q3 and Q4, because the booking windows have been shortening generally, and then the trend towards shorter group bookings is even more acute.

And so we've shared with you the continued strength in leisure. We've talked to you a bit about the fact that we saw really strong group numbers at the end of the first quarter. We're feeling good about the last three quarters. But again, we're dealing with quite short booking windows. And the same is true with business transient. I think it's that murkiness of visibility in the back half of the year that's causing us not to be more bullish in terms of forecasting.

Leeny Oberg: Yes, Shaun, just to add one point to that. Q2, obviously, there's a meaningful improvement in RevPAR, obviously, to get to this roughly flat kind of guidance that we've given. And to Tony's point, it's really when you start looking further out that while we have seen tremendous in-the-quarter-for-the-quarter in-the-year-for-the-year group bookings, we're really giving you what we see today.

So from that standpoint, the variability that we've seen, we would agree that hopefully, that add some positivity as we move through the year, but we're really talking about what we see today.

Tony Capuano: And maybe just to illustrate that even a little further, Shaun, we look at the group activity in the U.S. & Canada in April. April is the eighth straight month where in the year for the year bookings were ahead of where we were in 2019. So great news for our business, but creates a bit more challenges into looking into Q3 and Q4.

Shaun Kelley - BofA Securities: Understood. And then as just my follow-up, could you just give a little bit more color on the large corporate activity you did give some in the prepared remarks. And I think you said it improved in April as well. But I think that's an important driver, particularly from Marriott, particularly some of the larger format and urban hotels. So maybe talk about how much you think that could reach by the balance or the end of the year? Just kind of give us a sense of magnitude of improvement in that channel would be super helpful.

Tony Capuano: Of course. So in the U.S. & Canada, business transient room nights were down, as we said in the prepared remarks, between 10 percent and 15 percent in March. That's obviously a very meaningful improvement over what we saw in the fourth quarter, where business transient room nights were down about 30 percent.

As you might expect, the volume coming out of small- and medium-sized companies has effectively fully recovered, while the demand from larger companies still has a bit of hill to climb to get back to where we were pre-pandemic. But we continue to see that improvement just more slowly than what we've seen from the small- and medium-sized companies.

Joseph Greff – JP Morgan Chase & Co.: I, too, would like to extend my condolences. Laura was a very special person. She'll be missed.

Tony Capuano: Thank you.

Leeny Oberg: Good morning, Joe.

Joseph Greff – JP Morgan Chase & Co.: Tony, how much or if any of new development signings is related to developers? Maybe it's not the right way to describe it, but pulling forward projects in front of, and anticipating higher development and financing costs for new projects?

Tony Capuano: I'm not sure I understand exactly your question, but let me give it a shot. The -- as we've talked about in the past, our developer and owner and franchisee community, they tend to be long-term investors in the sector. They don't, as a general rule, try to time construction starts or opening in a given month or a given quarter based on what they're seeing.

I do think, as we talked about last quarter, the availability of debt financing has likely been the single biggest impediment to an acceleration of new construction, particularly in the U.S. & Canada. And as that flow of debt capital starts to free up a little bit, that's why I think we're seeing a parallel increase in construction starts.

It could actually be some pent-up demand because they're starting to believe based on the statistics that the recovery really has momentum and it's inspiring a bit more confidence in that development community to start putting shovels in the ground.

Joseph Greff – JP Morgan Chase & Co.: Great. That's a helpful way of answering that question. And then, Leeny, I mean, I know you're not going to talk about the non-RevPAR fees within that franchising and other fee line. When you look at the composition of that line, I mean, it's 34 percent of the -- this quarter's franchise and other fees relates to the non-RevPAR fees. It was a similar percentage in the fourth quarter.

When you think about it, when you're coming out of this year going into next year, how do you look at that percentage? Or how do you kind of look at the trajectory of credit card fees and then non-franchise fees there?

Leeny Oberg: So yes, obviously, it's too soon to be talking about how we're really looking at credit card spend for 2023. But I think one thing to remember is that the residential is lumpy. So just as a reminder, last year, for example, we had $67 million in fees in 2021 for residential and the year before that, it was well under half of that. So just remember, that's a terrifically strong business for us, and we love what we see in terms of signings and performance. But it is based on the pace of those sales of those residences. And so it does vary up and down.

But on the credit card part, which is, as you know, well over half of the total number of, for example, $170 million in the first quarter. I think steady as she goes, I'm not willing to give a particular growth percentage, but I think it is really both the combination of strength of the consumer. So we're assuming that there's not a big change in the macroeconomic picture. And then number two is the connection to Bonvoy and to our overall system.

And I think that, that has definitely been part of what you're seeing in the growth. Just to remind you where we were pre-COVID is that the credit card growth was in the high-single-digits pre-COVID. Now obviously, we've seen better numbers than that as we're coming out of it.

Patrick Scholes - Truist Securities, Inc.: I'm also very sorry to hear about Laura, very tragic. And certainly, she will be very much missed.

Tony Capuano: Thank you.

Leeny Oberg: Thank you.

Patrick Scholes - Truist Securities, Inc.: I have two questions. The first one is when you talk about your forecast for development growth, 3.5 percent to 4 percent, can you tell us what those percentages are by global region, specifically China, Europe, et cetera, North America?

Tony Capuano: Yes. I'll have Jackie and Betsy give you the specific statistics. What I can tell you is several quarters ago, the composition of the pipeline pivoted towards a higher percentage of international. We're in -- the low 60 percent of the total pipeline is outside the U.S. And in terms of the relative pace of growth, international versus domestic, we see international growing roughly twice as rapidly as our domestic rooms growth.

Leeny Oberg: The other thing, just when you look at the pipeline, which is one of the, kind of the interesting ways to look at it, Asia Pacific is basically roughly double the existing penetration of 17 percent split fairly evenly between China and APAC.

And then I would say, for CALA and Europe, the pipeline is fairly similar relative to current proportions of the existing portfolio. Though I will remind you, we had a very large conversion deal in CALA last year, where they -- the conversions entered the pipeline quickly and then actually opened. So it can vary.

The other kind of disproportionate pipeline area is Middle East Africa, where it's currently about 4 percent of our rooms, but it's about 9 percent of our pipeline. And then obviously, in the U.S., as we've talked about before, it's a bit lower relative to our existing make up because of the strength in international.

Tony Capuano: And that's a great point on Middle East, Leeny. In fact, if you look back pre-pandemic, Middle East rooms grew at about 6.5 percent. Last year, they grew closer to 8 percent. And this year, they could grow in the mid-teens.

Patrick Scholes - Truist Securities, Inc.: Okay. Very good color. And then my follow-up question, you had talked earlier in the prepared remarks, I believe, about uptick in loyalty redemption in 1Q and perhaps April. How should we think about -- what -- as quantified as a sort of a percentage of fees, what is loyalty redemption as a percentage of fees?

Leeny Oberg: So the best way to think about it, I think, is in terms of night, and redemption nights are in the ballpark of 5 percent to 6 percent of our total overall nights. So just when you think about that, that obviously can be someone going to see somebody where it's -- at a hotel that is not very full. And so then the redemption rate that is paid to that hotel is actually lower than RevPAR or it can be at a high redemption hotel where it is obviously more like typical average daily rate. But I think overall, the best way to think about it is roughly 5 percent of total rooms.

Smedes Rose - Citigroup Inc.: Like everyone else on the call, I just want to say how sorry I was to hear about Laura.

Leeny Oberg: Thank you, Smedes.

Smedes Rose - Citigroup Inc.: I really wanted to just ask you a little bit more about what you're seeing and hearing from owners around wage pressure and kind of where that stands, if people are seeing any sort of let up in that?

And then just, Tony, in general, as I'm sure you have the risks or the fears around recession have been heightened significantly as the Fed goes through this tightening phase. I'm just wondering if you have any kind of feedback from the corporates or whomever that you're speaking with around heightened concerns on that front?

Leeny Oberg: So I'll start on the wage pressures, and then we'll kind of tag team as we go through those, Smedes. There's no doubt, if you remember, in the U.S., for us, the average hourly salary from January 2021 to December of 2021 was about a 10 percent increase.

So I mean, there's no doubt that in certain markets, in certain hotels, places that to get the hiring done really did require some meaningful work. And what we are finding now that as, frankly, the world returns to a bit more normal pace of everything from availability of childcare to the government subsidies winding down to, frankly, people feeling more comfortable about being in the workplace, that we have had an easier time getting positions filled. And we're basically back to a position of being relatively consistent with pre-pandemic levels of open positions. I'm really talking about the U.S. here.

No, I think certainly, as you've described, we do expect to continue to have strong pressures on the wage and benefit front. We've worked incredibly hard on scheduling and productivity measures to make sure that we're managing the hotels the best way we can with also providing great service to the guests.

And so right now, we've been thrilled to see that even with RevPAR in our managed hotels that, that RevPAR is meaningfully down compared to 2019, that our managed margins are similar. And we do expect to continue to see gains in occupancy as we move forward, which will be helpful.

So we will keep some of these productivity gains, maybe 200 basis points-ish around the world to help us offset inflation. But we're really glad that we repriced our rooms every night in terms of ADR because there's no doubt that that's been a big help in managing these margins.

And on the recession front, I guess I would point out two things. Number one, even though we saw a pretty tough GDP number come out recently, I think the factors behind it really point to actually a pretty strong economy. You've got really strong job additions in the U.S. You've got generally two jobs available for every person that's looking for a job. You've seen greater participation rates in chunks of the population. You've also seen that consumer spending continues to be really strong.

And while the export markets for us were tough, I think in many respects, because of COVID in other parts of the world, they're really -- I think there's good reason to think that the U.S. economy will continue to march along. Now as we see what the Fed could do, that obviously could have a slowing impact. But we think there is still pent-up demand, and we believe that we'll continue to see strong demand for our hotels.

Tony Capuano: And then I think you said the second part of your question was really around big multinationals and attitudinally how they're thinking about travel going forward. I'll speak both anecdotally and then statistically. Whether it's meeting with big multinationals here domestically, I was in Europe last week and met with about 30 travel managers for multinationals across Europe.

There's a bit of a tug of war right now, I think, between managing travel costs and being mindful of carbon footprint, and that's being pulled by the absolute desire to collaborate with colleagues, meet with customers, immerse new employees into corporate cultures. And the statistics, particularly that improvement to down 10 percent to 15 percent in business transient, would suggest that, that appetite for the benefits of in-person interaction are starting to win that tug of war a bit.

Leeny Oberg: Just one other data point that I think you find interesting is that, in Q1, the average group size for all new group bookings is actually up relative to Q1 2019. And one of the main factors is the length of stay. The length of stay is up 26 percent compared to 2019.

So to Tony's point, I think there is a strong compelling view that people being together to collaborate and to kind of have these meetings and be traveling, seeing your customers, is still an important component of their business.

Richard Clarke - Sanford C. Bernstein & Co.: I would like to share my condolences to yourselves and also to Laura's family as well for the events. Very sad to hear about that.

In terms of first question, I just want to ask the sort of U.S. North America guidance question in a slightly different way. Is there anything particular in April that pushed April performance sort of disproportionately higher, like the timing of Easter or passover or anything that pushed that higher? And how would you think about the rest of the shape of Q2, where you say you've got a reasonable amount of visibility coming out of April?

Tony Capuano: Yes, nothing particularly -- particular in terms of the calendar. Not yet. We didn't see any particular impact from the timing of Easter. I think our view is, generally, it's just continued pace of demand recovery acceleration.

Richard Clarke - Sanford C. Bernstein & Co.: Okay. That's helpful. And then I just noted in the release, you mentioned the $33 million of government support that you received in the quarter. Just any color on where is that support still being received? And can we expect more of that to come through the rest of the year?

Leeny Oberg: Thank you very much. No, I think this is kind of the tail end of some of the government subsidies. These were specifically in Europe. And similar to some other places that we've seen during COVID, it required immense amounts of data submissions and applications put in that then needed some time to be processed by the various governments. So these are all related to 2020 and 2021 sorts of expenses on the parts of the hotels, because much of this relates to our owned and leased portfolio support of the associates there that then the government supported.

So -- we -- you may remember that we had about $18 million of these subsidies in 2021. Then we have $33 million that we've talked about here today, and I would not expect additional subsidies going forward.

David Katz - Jefferies LLC: I'd to share my condolences for literally everyone's loss.

Leeny Oberg: Thank you.

Tony Capuano: Thank you, David.

David Katz - Jefferies LLC: Leeny, I wanted to just start with a capital returns perspective. I think when we sat down to model for the last quarter, I guess it was early March, we weren't really -- you weren't really having us put much in this year, and now we are. How could we sort of think about that the dividend rolling through this year and potentially its ability to grow? And more importantly, the stock buybacks, what you're kind of looking for, what data points, et cetera? Because we obviously can't wait for you to tell us we have to sort of assert on our own.

Leeny Oberg: Yes. No, absolutely. A couple of things as a reminder. This is a fairly similar pattern to how we did it coming out of the Great Recession, which is to give ourselves time to see how the recovery is moving forward.

So assuming that we continue to see the strength that we are seeing and that our bookings are showing, I would expect that we will obviously continue the dividend and fairly -- in fairly short order, get it back to the kind of payout levels that we had prior to the pandemic.

Share repurchase is obviously the much more flexible part of our capital return strategy. And so there, we've got some gatekeepers. We really want to absolutely feel comfortable about the positioning in our 3 to 3.5x adjusted net debt to adjusted EBITDA range. That's an important part.

And as I talked about in my comments, we're very close to that. And we will -- with the kind of cash generation that our business model has, we'll get there very quickly. But we do want to be squarely in that range and feel comfortable that with possible volatility, that we're in good shape to stay there.

So I think you will see, as we've talked about, that assuming things continue as they are, I would expect that you will see both the dividend continue as well as the share repurchase. The timing of when we may have a dividend increase, David, is really all around the pace of acceleration, whether this pace of acceleration continues, whether it's different. I just think we need a little bit more time to feel comfortable because the one thing you know, once we raise that dividend, we want to make sure that we're comfortable to keep it there. We're very comfortable with the $0.30, and we'll be looking at it literally every single month as we move forward.

David Katz - Jefferies LLC: Understood. I appreciate it. If I can follow up just quickly on another direction. We've clearly seen an acceleration in business travel and group, and one that's expected to keep accelerating. Can you share some data points on what you're seeing in terms of midweek and where it is relative to weekend? I assume that BT and group are more of a midweek question rather than sort of weekend? Some of that would be helpful as well.

Leeny Oberg: Sure. Absolutely. So interestingly, Fridays and Saturdays, we definitely -- we're seeing in March that they were right around pre-pandemic levels. The shoulder days of Thursday and Sunday were down a bit, mid-single-digit compared to 2019. Monday through Wednesday, they were down more in the mid-teens. So that's where you classically can see what Tony talked about earlier is that some of the special corporate negotiated business, you would classically think are the Monday through Wednesday nights, they are probably the last to come back in terms of comparison to 2019. But again, improving nicely as we moved from January to February to March.

Tony Capuano: And then I think given that pattern, David, you also see it manifest itself a little bit in terms of rate. ADR on the weekends was about 4 percent higher than it was on weekdays in the quarter.

Chad Beynon - Macquarie Research: Thoughts and prayers from myself, for Laura's friends and families as well.

Wanted to maybe ask kind of a pretty pointed question on IMFs, Leeny. I know you've given us some sensitivity just around the model. But as we think about the recovery for IMFs, particularly domestically, is there a level of growth -- of RevPAR growth we need to see versus pre-pandemic levels to get that domestic IMF level kind of back to where it was kind of factoring in for real expenses that we've seen for the past couple of years? And any CapEx investments from your partners?

Leeny Oberg: Yes, sure. So two things there. I would say a couple of facts for you, just to give you perspective. I think, again, we were really pleased with the IMFs in Q1. They were, again, roughly 40 percent coming from the U.S. & Canada. And frankly, that's only down -- so call that $40 million, that's only down from the high $50s millions in 2019, while RevPAR is obviously still down in the mid-teens for those hotels in the U.S. So it's a really impressive performance.

In Q1 of 2019, 56 percent of the U.S. hotels paid an IMF. While, in Q1 this year, we're at 12 percent. So to your point, there is a way to go, and it obviously is -- they're much stronger in the luxury and resort hotels. It's a bit of a step function, where so many hotels have this jump from an owner's priority in the U.S. to then where they actually earn.

And there's not -- I can't point to one particular kind of demarcation point that will tell you that we can jump. In the international, it is much more aligned with what happens with base fees because as you know there, with every dollar of profit, we get a percentage with -- without an owner's priority in many of the hotels.

So in the U.S., obviously, the big weakness right now is still on the occupancy side, and that will help us, particularly in the large cities as we continue to see gains in the premium hotels in the big cities. But there's unfortunately not one particular place that says if we get to ADR of whatever it is or RevPAR that that's going to clinch it.

But again, one of the points that, that I made during my comments, we're really pleased to see the margins being similar to 2019 levels. And we're hopeful that, that will continue for the rest of the year. That we're able to, to hold on to this kind of margin performance for the full year for these managed service hotels in the U.S., and that will obviously get us more IMFs.

If you remember, you can only recognize IMFs as you look at your full year forecast. So that's one of the other things as we continue to move through the year. We'll have more visibility about the full year forecast for these hotels, which will also be helpful.

Chad Beynon - Macquarie Research: Okay. Great. And then just a high level on the strength of the growing consumer demand in premium and luxury properties and resort areas. In the past couple of years, you've made inroads, I guess, from a same-store basis, with Elegant, with Homes & Villas, do you think you kind of have the right offerings? Or are there more opportunities for you organically or inorganically to expand in these markets?

Tony Capuano: Yes and yes, is the short answer. I think, Chad, the -- even pre-pandemic, whether it be because of what we were hearing from our customers, what we thought would act as an accelerant to the appeal of the Bonvoy platform, we have been very focused on continuing to accelerate the growth of our resort portfolio.

Similarly, we saw, both from a development perspective and a guest perspective, tremendous appetite for all-inclusive experiences in certain markets and whole home rentals for certain trip types. I think you will continue to see us look at organic growth in all of those areas. And as has always been the case, continue to look at portfolio deals like what we did with Sunwing last year in the all-inclusive space.

Robin Farley - UBS Investment Bank: Great. Let me add my condolences on the terrible loss of Laura.

Tony Capuano: Thank you, Robin.

Leeny Oberg: Thank you.

Robin Farley - UBS Investment Bank: My -- two questions. One is, I know you gave great color on group accelerating in-the-year-for-the-year. I don't know if I -- if you said where 2023 is booked relative to pre-pandemic? Just kind of wondering if the kind of further out group demand is coming back, maybe with a little more certainty than the closer in? And then also, Leeny, I just wanted to make sure I understood your comment about how is the loyalty program impacting your RevPAR guidance? I just want to make sure I understood that.

Tony Capuano: Great. I'll take the first one, Robin. So as we talked about 2022, we talked about the first quarter being down about 30 percent. The remaining three quarters being down high-single-digits, which give us confidence that will end up down 15-ish for 2022, although that could improve meaningfully given the short-term bookings -- short-term booking window that we've seen.

As we look into 2023, looking at what's on the books today, we're down about 15 percent relative to 2019. But take my comment about booking window, we think there is massive opportunity to close that gap between now and the beginning of 2023.

Leeny Oberg: And, Robin, it's worth noting that the rate for 2023 has improved relative to a quarter ago when we look at the rates on the group pace for 2023. And as Tony said, we would continue to expect to see in-the-year-for-the-year bookings.

Tony Capuano: When we talked to you last quarter, Robin, about group -- 2023 ADR was pacing up about 4 percent. As we sit here today, we're up about 6.5 percent.

Leeny Oberg: And on your question about loyalty, no meaningful impact. So loyalty redemptions have been about 5 percent of our room nights pre-pandemic and are now -- so they kind of fit in with the overall scheme of how the hotels are doing, depending on what market and what tier they are. So no particular impact that's any different from when we normally look at our RevPAR performance.

Vince Ciepiel - Cleveland Research Company LLC: I also want to express my condolences for Laura.

Leeny Oberg: Thank you.

Vince Ciepiel - Cleveland Research Company LLC: A question on profitability. You mentioned managed hotels being back. I know in the past, you have discussed finding a balance between owner profitability and guest expectations. And I'm curious how you think you're doing there year to date, specifically around where you're at with housekeeping and food and beverage and reintroducing those in a manner that's meeting guest expectations?

Tony Capuano: So I'll try to answer that qualitatively, and Leeny may provide a little color in terms of margins. I would say we are making good progress trying to strike that right balance. We will be landing on our housekeeping solution and announcing that probably towards the end of the second quarter.

I think in the markets where demand has recovered most quickly, I think we're doing a particularly strong job of striking that right balance. In some of the urban markets, where demand has been a bit more slow to recover, I think we are on the right path, but we still have some work to do in front of us.

Vince Ciepiel - Cleveland Research Company LLC: Great. And then second unrelated, came up earlier on the home-sharing business. A travel peer in that space just printed 1Q results that were almost double their 2019 levels. So I'm curious how your Homes & Villas by Marriott business has been performing? And how you think about the level of investment that you've made in that space and kind of where you go for -- from here?

Tony Capuano: Sure. So I think we talked last quarter, the growth of the platform itself in terms of listings has been pretty remarkable. Pre-pandemic, we had 2,000 to 3,000 listings. We find ourselves today with about 57,000 listings at the end of the first quarter. Still tiny relative to some of the peers in that space.

But again, I think, distinguished a bit because the composition of our portfolio is 100 percent multi-bedroom full homes. These are not spare rooms or couches or anything else. These are full multi-bedroom homes. As you would expect, with that sort of exponential growth and the sheer volume of listings, we've seen a very meaningful uptick in the revenue coming through that platform.

Leeny Oberg: And I'll turn it on the financial side. As just a reminder that this is extremely small relative to kind of the overall size of Marriott from a financial standpoint, really across the spectrum of both investment as well as profitability.

And from that perspective, I would expect to see it the same way moving forward. This has been a really important part of our overall ecosystem. And when we think about it, 90 percent of the bookings in HVMI are from Bonvoy members, and that is just great recognition of the extra strength that it gives our overall system. But from an overall perspective to Marriott, I would not expect for you to see it be a meaningful part of our earnings stream in the near term.

Tony Capuano: First, let me thank you all for your heartfelt condolences. I know how special Laura was to you, both as a friend and a colleague. So thank you for those kind words.

Thanks for your interest and participation today, and we look forward to seeing you on the road in the coming weeks and months. Have a great day. Thank you.

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Note on forward-looking statements: All statements in this document are made as of May 4, 2022. We undertake no obligation to publicly update or revise these statements, whether as a result of new information, future events or otherwise. This document contains "forward-looking statements" within the meaning of federal securities laws, including statements related to the possible effects on our business of the COVID-19 pandemic (COVID-19); our RevPAR estimates, outlook and assumptions; travel and lodging demand trends and expectations; occupancy, ADR and RevPAR recovery trends and expectations; our growth prospects and expectations; future performance of the company's hotels; our development pipeline, signings, rooms growth and conversions; our investment spending expectations; the timing of future dividends and share repurchases; 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 identify 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.