

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2023  
or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File No. 1-13881



**MARRIOTT INTERNATIONAL, INC.**

(Exact name of registrant as specified in its charter)

|   |                                      |
|---|--------------------------------------|
| Delaware  | 52-2055918                           |
| (State or other jurisdiction of<br>incorporation or organization)   | (IRS Employer<br>Identification No.) |
| 7750 Wisconsin Avenue Bethesda Maryland                             | 20814                                |
| (Address of principal executive offices)                            | (Zip Code)                           |
| (Registrant's telephone number, including area code) (301) 380-3000 |                                      |

Securities registered pursuant to Section 12(b) of the Act:

| Title of Each Class                    | Trading Symbol(s) | Name of Each Exchange on Which Registered |
|--|-------------------|---|
| Class A Common Stock, \$0.01 par value | MAR               | Nasdaq Global Select Market               |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

|                         |                                     |                           |                          |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/> | Accelerated filer         | <input type="checkbox"/> |
| Non-accelerated filer   | <input type="checkbox"/>            | Smaller reporting company | <input type="checkbox"/> |
|                         |                                     | Emerging growth company   | <input type="checkbox"/> |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 293,691,348 shares of Class A Common Stock, par value \$0.01 per share, outstanding at October 26, 2023.

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**PART I – FINANCIAL INFORMATION**

**Item 1. *Financial Statements***

**MARRIOTT INTERNATIONAL, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(in millions, except per share amounts)  
(Unaudited)

|                                       | Three Months Ended    |                       | Nine Months Ended     |                       |
|---------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                                       | September 30,<br>2023 | September 30,<br>2022 | September 30,<br>2023 | September 30,<br>2022 |
| <b>REVENUES</b>                       |                       |                       |                       |                       |
| Base management fees                  | \$ 306                | \$ 275                | \$ 917                | \$ 757                |
| Franchise fees                        | 748                   | 678                   | 2,126                 | 1,847                 |
| Incentive management fees             | 143                   | 106                   | 537                   | 343                   |
| Gross fee revenues                    | 1,197                 | 1,059                 | 3,580                 | 2,947                 |
| Contract investment amortization      | (23)                  | (22)                  | (66)                  | (65)                  |
| Net fee revenues                      | 1,174                 | 1,037                 | 3,514                 | 2,882                 |
| Owned, leased, and other revenue      | 363                   | 345                   | 1,109                 | 971                   |
| Cost reimbursement revenue            | 4,391                 | 3,931                 | 12,995                | 10,997                |
|                                       | 5,928                 | 5,313                 | 17,618                | 14,850                |
| <b>OPERATING COSTS AND EXPENSES</b>   |                       |                       |                       |                       |
| Owned, leased, and other-direct       | 293                   | 301                   | 861                   | 779                   |
| Depreciation, amortization, and other | 46                    | 50                    | 138                   | 147                   |
| General, administrative, and other    | 239                   | 216                   | 681                   | 655                   |
| Merger-related charges and other      | 13                    | 2                     | 52                    | 11                    |
| Reimbursed expenses                   | 4,238                 | 3,786                 | 12,740                | 10,792                |
|                                       | 4,829                 | 4,355                 | 14,472                | 12,384                |
| <b>OPERATING INCOME</b>               | 1,099                 | 958                   | 3,146                 | 2,466                 |
| Gains and other income, net           | 28                    | 3                     | 33                    | 9                     |
| Interest expense                      | (146)                 | (100)                 | (412)                 | (288)                 |
| Interest income                       | 7                     | 7                     | 21                    | 18                    |
| Equity in earnings                    | 1                     | 1                     | 9                     | 18                    |
| <b>INCOME BEFORE INCOME TAXES</b>     | 989                   | 869                   | 2,797                 | 2,223                 |
| Provision for income taxes            | (237)                 | (239)                 | (562)                 | (538)                 |
| <b>NET INCOME</b>                     | \$ 752                | \$ 630                | \$ 2,235              | \$ 1,685              |
| <b>EARNINGS PER SHARE</b>             |                       |                       |                       |                       |
| Earnings per share – basic            | \$ 2.52               | \$ 1.94               | \$ 7.36               | \$ 5.15               |
| Earnings per share – diluted          | \$ 2.51               | \$ 1.94               | \$ 7.32               | \$ 5.13               |

See Notes to Condensed Consolidated Financial Statements.

**MARRIOTT INTERNATIONAL, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(in millions)  
(Unaudited)

|   | Three Months Ended    |                       | Nine Months Ended     |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | September 30,<br>2023 | September 30,<br>2022 | September 30,<br>2023 | September 30,<br>2022 |
| Net income  | \$ 752                | \$ 630                | \$ 2,235              | \$ 1,685              |
| Other comprehensive income (loss)                   |                       |                       |                       |                       |
| Foreign currency translation adjustments            | (139)                 | (340)                 | (132)                 | (653)                 |
| Other adjustments, net of tax                       | 6                     | 1                     | 12                    | 5                     |
| Total other comprehensive income (loss), net of tax | (133)                 | (339)                 | (120)                 | (648)                 |
| Comprehensive income                                | <u>\$ 619</u>         | <u>\$ 291</u>         | <u>\$ 2,115</u>       | <u>\$ 1,037</u>       |

See Notes to Condensed Consolidated Financial Statements.

**MARRIOTT INTERNATIONAL, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in millions)

|   | (Unaudited)        |                   |
|---|--------------------|-------------------|
|   | September 30, 2023 | December 31, 2022 |
| <b>ASSETS</b>                               |                    |                   |
| Current assets                              |                    |                   |
| Cash and equivalents                        | \$ 717             | \$ 507            |
| Accounts and notes receivable, net          | 2,703              | 2,571             |
| Prepaid expenses and other                  | 262                | 235               |
|   | 3,682              | 3,313             |
| Property and equipment, net                 | 1,572              | 1,585             |
| Intangible assets                           |                    |                   |
| Brands                                      | 5,832              | 5,812             |
| Contract acquisition costs and other        | 3,161              | 2,935             |
| Goodwill                                    | 8,795              | 8,872             |
|   | 17,788             | 17,619            |
| Equity method investments                   | 311                | 335               |
| Notes receivable, net                       | 159                | 152               |
| Deferred tax assets                         | 240                | 240               |
| Operating lease assets                      | 937                | 987               |
| Other noncurrent assets                     | 578                | 584               |
|   | \$ 25,267          | \$ 24,815         |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b> |                    |                   |
| Current liabilities                         |                    |                   |
| Current portion of long-term debt           | \$ 898             | \$ 684            |
| Accounts payable                            | 696                | 746               |
| Accrued payroll and benefits                | 1,229              | 1,299             |
| Liability for guest loyalty program         | 3,367              | 3,314             |
| Accrued expenses and other                  | 1,487              | 1,296             |
|   | 7,677              | 7,339             |
| Long-term debt                              | 10,870             | 9,380             |
| Liability for guest loyalty program         | 3,427              | 3,280             |
| Deferred tax liabilities                    | 359                | 313               |
| Deferred revenue                            | 1,007              | 1,059             |
| Operating lease liabilities                 | 966                | 1,034             |
| Other noncurrent liabilities                | 1,622              | 1,842             |
| Stockholders' equity                        |                    |                   |
| Class A Common Stock                        | 5                  | 5                 |
| Additional paid-in-capital                  | 5,996              | 5,965             |
| Retained earnings                           | 14,142             | 12,342            |
| Treasury stock, at cost                     | (19,955)           | (17,015)          |
| Accumulated other comprehensive loss        | (849)              | (729)             |
|   | (661)              | 568               |
|   | \$ 25,267          | \$ 24,815         |

See Notes to Condensed Consolidated Financial Statements.

**MARRIOTT INTERNATIONAL, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in millions)  
(Unaudited)

|   | Nine Months Ended  |                    |
|---|--------------------|--------------------|
|   | September 30, 2023 | September 30, 2022 |
| <b>OPERATING ACTIVITIES</b>   |                    |                    |
| Net income  | \$ 2,235           | \$ 1,685           |
| Adjustments to reconcile to cash provided by operating activities:              |                    |                    |
| Depreciation, amortization, and other   | 204                | 212                |
| Stock-based compensation  | 147                | 144                |
| Income taxes  | (107)              | 197                |
| Liability for guest loyalty program   | 109                | (17)               |
| Contract acquisition costs  | (134)              | (92)               |
| Merger-related charges and other  | 42                 | (1)                |
| Working capital changes   | (141)              | (225)              |
| Other   | 64                 | 19                 |
| Net cash provided by operating activities                                       | <u>2,419</u>       | <u>1,922</u>       |
| <b>INVESTING ACTIVITIES</b>   |                    |                    |
| Capital and technology expenditures   | (318)              | (192)              |
| Asset acquisition   | (102)              | —                  |
| Dispositions  | 61                 | —                  |
| Loan advances   | (77)               | (10)               |
| Loan collections  | 35                 | 12                 |
| Other   | 38                 | 53                 |
| Net cash used in investing activities   | <u>(363)</u>       | <u>(137)</u>       |
| <b>FINANCING ACTIVITIES</b>   |                    |                    |
| Commercial paper/Credit Facility, net   | 100                | (1,050)            |
| Issuance of long-term debt  | 1,918              | 983                |
| Repayment of long-term debt   | (332)              | (578)              |
| Issuance of Class A Common Stock  | 29                 | —                  |
| Dividends paid  | (435)              | (195)              |
| Purchase of treasury stock  | (2,988)            | (1,235)            |
| Stock-based compensation withholding taxes                                      | (105)              | (88)               |
| Other   | (25)               | 25                 |
| Net cash used in financing activities   | <u>(1,838)</u>     | <u>(2,138)</u>     |
| <b>INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>       | <b>218</b>         | <b>(353)</b>       |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of period <sup>(1)</sup> | 525                | 1,421              |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of period <sup>(1)</sup>       | <u>\$ 743</u>      | <u>\$ 1,068</u>    |

<sup>(1)</sup> The 2023 amounts include beginning restricted cash of \$18 million at December 31, 2022, and ending restricted cash of \$26 million at September 30, 2023, which we present in the “Prepaid expenses and other” and “Other noncurrent assets” captions of our Balance Sheets.

See Notes to Condensed Consolidated Financial Statements.

**MARRIOTT INTERNATIONAL, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**NOTE 1. BASIS OF PRESENTATION**

The condensed consolidated financial statements present the results of operations, financial position, and cash flows of Marriott International, Inc. and subsidiaries (referred to in this report as “we,” “us,” “Marriott,” or the “Company”). In order to make this report easier to read, we also refer throughout to (1) our Condensed Consolidated Financial Statements as our “Financial Statements,” (2) our Condensed Consolidated Statements of Income as our “Income Statements,” (3) our Condensed Consolidated Balance Sheets as our “Balance Sheets,” (4) our Condensed Consolidated Statements of Cash Flows as our “Statements of Cash Flows,” (5) our properties, brands, or markets in the United States and Canada as “U.S. & Canada,” and (6) our properties, brands, or markets in our Caribbean and Latin America, Europe, Middle East and Africa, Greater China, and Asia Pacific excluding China regions, as “International.” In addition, references throughout to numbered “Notes” refer to these Notes to Condensed Consolidated Financial Statements, unless otherwise stated.

These Financial Statements have not been audited. We have condensed or omitted certain information and disclosures normally included in financial statements presented in accordance with U.S. generally accepted accounting principles (“GAAP”). The financial statements in this report should be read in conjunction with the consolidated financial statements and notes thereto in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (“2022 Form 10-K”). Certain terms not otherwise defined in this Form 10-Q have the meanings specified in our 2022 Form 10-K.

Preparation of financial statements that conform with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements, the reported amounts of revenues and expenses during the reporting periods, and the disclosures of contingent liabilities. Accordingly, ultimate results could differ from those estimates.

The accompanying Financial Statements reflect all normal and recurring adjustments necessary to present fairly our financial position as of September 30, 2023 and December 31, 2022, the results of our operations for the three and nine months ended September 30, 2023 and September 30, 2022, and cash flows for the nine months ended September 30, 2023 and September 30, 2022. Interim results may not be indicative of fiscal year performance because of seasonal and short-term variations. We have eliminated all material intercompany transactions and balances between entities consolidated in these Financial Statements.

**NOTE 2. EARNINGS PER SHARE**

The table below illustrates the reconciliation of the earnings and number of shares used in our calculations of basic and diluted earnings per share, the latter of which uses the treasury stock method to calculate the dilutive effect of the Company’s potential common stock:

|  | Three Months Ended    |                       | Nine Months Ended     |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
|  | September 30,<br>2023 | September 30,<br>2022 | September 30,<br>2023 | September 30,<br>2022 |
| <i>(in millions, except per share amounts)</i>   |                       |                       |                       |                       |
| <i>Computation of Basic Earnings Per Share</i>   |                       |                       |                       |                       |
| Net income                                       | \$ 752                | \$ 630                | \$ 2,235              | \$ 1,685              |
| Shares for basic earnings per share              | 298.6                 | 324.5                 | 303.9                 | 327.0                 |
| Basic earnings per share                         | <u>\$ 2.52</u>        | <u>\$ 1.94</u>        | <u>\$ 7.36</u>        | <u>\$ 5.15</u>        |
| <i>Computation of Diluted Earnings Per Share</i> |                       |                       |                       |                       |
| Net income                                       | \$ 752                | \$ 630                | \$ 2,235              | \$ 1,685              |
| Shares for basic earnings per share              | 298.6                 | 324.5                 | 303.9                 | 327.0                 |
| Effect of dilutive securities                    |                       |                       |                       |                       |
| Stock-based compensation                         | 1.5                   | 1.2                   | 1.4                   | 1.4                   |
| Shares for diluted earnings per share            | 300.1                 | 325.7                 | 305.3                 | 328.4                 |
| Diluted earnings per share                       | <u>\$ 2.51</u>        | <u>\$ 1.94</u>        | <u>\$ 7.32</u>        | <u>\$ 5.13</u>        |

### **NOTE 3. STOCK-BASED COMPENSATION**

We granted 1.0 million restricted stock units (“RSUs”) during the 2023 first three quarters to certain officers and employees, and those units vest generally over four years in equal annual installments commencing one year after the grant date. We also granted 0.1 million performance-based RSUs (“PSUs”) in the 2023 first three quarters to certain executives, which are earned subject to continued employment and the satisfaction of certain performance and market conditions based on the degree of achievement of pre-established targets for 2025 adjusted EBITDA performance and relative total stockholder return over the 2023 to 2025 performance period. RSUs, including PSUs, granted in the 2023 first three quarters had a weighted average grant-date fair value of \$167 per unit.

We recorded stock-based compensation expense for RSUs and PSUs of \$47 million in the 2023 third quarter compared to \$45 million in the 2022 third quarter, and \$129 million in the 2023 first three quarters compared to \$136 million in the 2022 first three quarters. Deferred compensation costs for unvested awards for RSUs and PSUs totaled \$217 million at September 30, 2023 and \$179 million at December 31, 2022.

### **NOTE 4. INCOME TAXES**

Our effective tax rate decreased to 23.9 percent for the 2023 third quarter compared to 27.5 percent for the 2022 third quarter, primarily due to the prior year expense from the completion of tax audits and the increase in tax deductions from stock-based compensation, partially offset by the shift in earnings to jurisdictions with higher tax rates.

Our effective tax rate decreased to 20.1 percent for the 2023 first three quarters compared to 24.2 percent for the 2022 first three quarters, primarily due to the current year release of tax reserves and the prior year expense from the completion of tax audits, partially offset by the shift in earnings to jurisdictions with higher tax rates.

Our unrecognized tax benefit balance decreased by \$101 million to \$154 million at September 30, 2023 from \$255 million at December 31, 2022, primarily due to the completion of a prior year tax audit. Our unrecognized tax benefit balance included \$143 million at September 30, 2023 and \$241 million at December 31, 2022 of tax positions that, if recognized, would impact our effective tax rate. It is reasonably possible that within the next 12 months we will reach resolution of income tax examinations in one or more jurisdictions. The actual amount of any change to our unrecognized tax benefits could vary depending on the timing and nature of the settlement. Therefore, an estimate of the change cannot be provided.

We file income tax returns, including returns for our subsidiaries, in various jurisdictions around the world. The U.S. Internal Revenue Service (“IRS”) has examined our federal income tax returns, and as of September 30, 2023, we have settled all issues for tax years through 2019. Our 2020 through 2023 tax year audits are currently ongoing. Various foreign, state, and local income tax returns are also under examination by the applicable taxing authorities.

We paid cash for income taxes, net of refunds, of \$669 million in the 2023 first three quarters and \$341 million in the 2022 first three quarters.



**NOTE 5. COMMITMENTS AND CONTINGENCIES**

*Guarantees*

We present the maximum potential amount of our future guarantee fundings and the carrying amount of our liability for our debt service, operating profit, and other guarantees (excluding contingent purchase obligations) for which we are the primary obligor at September 30, 2023 in the following table:

| <i>(in millions)</i><br>Guarantee Type | Maximum Potential<br>Amount<br>of Future Fundings | Recorded Liability for<br>Guarantees |
|--|---|--------------------------------------|
| Debt service                           | \$ 57   | \$ 6                                 |
| Operating profit                       | 146   | 79                                   |
| Other                                  | 18  | 4                                    |
|  | <u>\$ 221</u>                                     | <u>\$ 89</u>                         |

Our maximum potential guarantees listed in the preceding table include \$41 million of operating profit guarantees that will not be in effect until the underlying properties open and we begin to operate the properties or certain other events occur.

*Contingent Purchase Obligation*

Sheraton Grand Chicago. In 2017, we granted the owner a one-time right to require us to purchase the leasehold interest in the land and the hotel for \$300 million in cash (the “put option”). In the 2021 third quarter, we entered into an amendment with the owner to move the exercise period of the put option from the 2022 first half to the 2024 first half. If the owner exercises the put option, the closing is expected to occur in the 2024 fourth quarter, and we have the option to purchase, at the same time the put transaction closes, the fee simple interest in the underlying land for an additional \$200 million in cash. We account for the put option as a guarantee, and our recorded liability was \$300 million at September 30, 2023 and December 31, 2022.

*Starwood Data Security Incident*

Description of Event

On November 30, 2018, we announced a data security incident involving unauthorized access to the Starwood reservations database (the “Data Security Incident”). Working with leading security experts, we determined that there was unauthorized access to the Starwood network since 2014 and that an unauthorized party had copied information from the Starwood reservations database and taken steps towards removing it. We discontinued use of the Starwood reservations database for business operations at the end of 2018.

Litigation, Claims, and Government Investigations

Following our announcement of the Data Security Incident, approximately 100 lawsuits were filed by consumers and others against us in U.S. federal, U.S. state and Canadian courts related to the incident. The plaintiffs in the cases that remain pending, who generally purport to represent various classes of consumers, generally claim to have been harmed by alleged actions and/or omissions by the Company in connection with the Data Security Incident and assert a variety of common law and statutory claims seeking monetary damages, injunctive relief, costs and attorneys’ fees, and other related relief. The active U.S. cases are consolidated in the U.S. District Court for the District of Maryland (the “District Court”), pursuant to orders of the U.S. Judicial Panel on Multidistrict Litigation (the “MDL”). The District Court granted in part and denied in part class certification of various U.S. groups of consumers. In August 2023, the U.S. Court of Appeals for the Fourth Circuit vacated the District Court’s class certification decision because the District Court failed to first consider the effect of a class-action waiver signed by all putative class members. The Fourth Circuit remanded for further proceedings consistent with its opinion. A case brought by the City of Chicago (which is consolidated in the MDL proceeding) also remains pending. The Canadian cases have effectively been consolidated into a single case in the province of Ontario. We dispute the allegations in these lawsuits and are vigorously defending against such claims.

In addition, various U.S. federal, U.S. state and foreign governmental authorities made inquiries, opened investigations, or requested information and/or documents related to the Data Security Incident and related matters. Although some of these matters have been resolved or no longer appear to be active, some remain open. We are in discussions with the Attorney General offices from 49 states and the District of Columbia and the Federal Trade Commission. Based on the ongoing discussions, we believe it is probable that we will incur losses, and as of September 30, 2023, we have an accrual for an estimated loss contingency, which is not material to our Financial Statements.

While we believe it is reasonably possible that we may incur losses in excess of the amounts recorded associated with the above described MDL proceedings and regulatory investigations related to the Data Security Incident, it is not possible to reasonably estimate the amount of such losses or range of loss that might result from adverse judgments, settlements, fines, penalties or other resolution of these proceedings and investigations based on: (1) in the case of the above described MDL proceedings, the current stage of these proceedings, the absence of specific allegations as to alleged damages, the uncertainty as to the certification of a class or classes and the size of any certified class, and the lack of resolution of significant factual and legal issues; and (2) in the case of the above described regulatory investigations, the lack of resolution with the Federal Trade Commission and the state Attorneys General.

## NOTE 6. LONG-TERM DEBT

We provide detail on our long-term debt balances, net of discounts, premiums, and debt issuance costs, in the following table as of September 30, 2023 and year-end 2022:

| <i>(in millions)</i>  | September 30,<br>2023 | December 31,<br>2022 |
|---|-----------------------|----------------------|
| <b>Senior Notes:</b>  |                       |                      |
| Series P Notes, interest rate of 3.8%, face amount of \$350, maturing October 1, 2025 (effective interest rate of 4.0%)     | \$ 348                | \$ 348               |
| Series R Notes, interest rate of 3.1%, face amount of \$750, maturing June 15, 2026 (effective interest rate of 3.3%)       | 747                   | 747                  |
| Series U Notes, interest rate of 3.1%, face amount of \$291, matured February 15, 2023 (effective interest rate of 3.1%)    | —                     | 291                  |
| Series V Notes, interest rate of 3.8%, face amount of \$318, maturing March 15, 2025 (effective interest rate of 2.8%)      | 322                   | 324                  |
| Series W Notes, interest rate of 4.5%, face amount of \$278, maturing October 1, 2034 (effective interest rate of 4.1%)     | 289                   | 289                  |
| Series X Notes, interest rate of 4.0%, face amount of \$450, maturing April 15, 2028 (effective interest rate of 4.2%)      | 446                   | 446                  |
| Series Z Notes, interest rate of 4.2%, face amount of \$350, maturing December 1, 2023 (effective interest rate of 4.4%)    | 350                   | 349                  |
| Series AA Notes, interest rate of 4.7%, face amount of \$300, maturing December 1, 2028 (effective interest rate of 4.8%)   | 298                   | 298                  |
| Series CC Notes, interest rate of 3.6%, face amount of \$550, maturing April 15, 2024 (effective interest rate of 3.9%)     | 540                   | 531                  |
| Series EE Notes, interest rate of 5.8%, face amount of \$600, maturing May 1, 2025 (effective interest rate of 6.0%)        | 598                   | 596                  |
| Series FF Notes, interest rate of 4.6%, face amount of \$1,000, maturing June 15, 2030 (effective interest rate of 4.8%)    | 989                   | 988                  |
| Series GG Notes, interest rate of 3.5%, face amount of \$1,000, maturing October 15, 2032 (effective interest rate of 3.7%) | 988                   | 987                  |
| Series HH Notes, interest rate of 2.9%, face amount of \$1,100, maturing April 15, 2031 (effective interest rate of 3.0%)   | 1,091                 | 1,090                |
| Series II Notes, interest rate of 2.8%, face amount of \$700, maturing October 15, 2033 (effective interest rate of 2.8%)   | 694                   | 694                  |
| Series JJ Notes, interest rate of 5.0%, face amount of \$1,000, maturing October 15, 2027 (effective interest rate of 5.4%) | 986                   | 984                  |
| Series KK Notes, interest rate of 4.9%, face amount of \$800, maturing April 15, 2029 (effective interest rate of 5.3%)     | 785                   | —                    |
| Series LL Notes, interest rate of 5.5%, face amount of \$450, maturing September 15, 2026 (effective interest rate of 5.9%) | 444                   | —                    |
| Series MM Notes, interest rate of 5.6%, face amount of \$700, maturing October 15, 2028 (effective interest rate of 5.9%)   | 691                   | —                    |
| Commercial paper  | 973                   | 871                  |
| Credit Facility   | —                     | —                    |
| Finance lease obligations   | 133                   | 139                  |
| Other   | 56                    | 92                   |
|   | \$ 11,768             | \$ 10,064            |
| Less current portion  | (898)                 | (684)                |
|   | \$ 10,870             | \$ 9,380             |

We paid cash for interest, net of amounts capitalized, of \$266 million in the 2023 first three quarters and \$203 million in the 2022 first three quarters.

In September 2023, we issued \$450 million aggregate principal amount of 5.45 percent Series LL Notes due September 15, 2026 (the “Series LL Notes”) and \$700 million aggregate principal amount of 5.55 percent Series MM Notes due October 15, 2028 (the “Series MM Notes”). We will pay interest on the Series LL Notes in March and September of each year, commencing in March 2024, and we will pay interest on the Series MM Notes in April and October of each year, commencing in April 2024. We received net proceeds of approximately \$1.135 billion from the offering of the Series LL Notes and Series MM Notes, after deducting the underwriting discount and estimated expenses, which were made available for general corporate purposes, including working capital, capital expenditures, acquisitions, stock repurchases, or repayment of outstanding indebtedness.

In March 2023, we issued \$800 million aggregate principal amount of 4.90 percent Series KK Notes due April 15, 2029 (the “Series KK Notes”). We pay interest on the Series KK Notes in April and October of each year, commencing in October 2023. We received net proceeds of approximately \$783 million from the offering of the Series KK Notes, after deducting the underwriting discount and expenses, which were made available for general corporate purposes, including working capital, capital expenditures, acquisitions, stock repurchases, or repayment of outstanding indebtedness.

We are party to a \$4.5 billion multicurrency revolving credit agreement (the “Credit Facility”). Available borrowings under the Credit Facility support our commercial paper program and general corporate needs. Borrowings under the Credit Facility generally bear interest at SOFR (the Secured Overnight Financing Rate) plus a spread based on our public debt rating. We also pay quarterly fees on the Credit Facility at a rate based on our public debt rating. We classify outstanding borrowings under the Credit Facility and outstanding commercial paper borrowings as long-term based on our ability and intent to refinance the outstanding borrowings on a long-term basis. The Credit Facility expires on December 14, 2027.

**NOTE 7. ACQUISITION**

On May 1, 2023, we completed the acquisition of the City Express brand portfolio from Hoteles City Express, S.A.B. de C.V. for \$100 million. As a result of the transaction, we added 149 properties located in Mexico, Costa Rica, Colombia, and Chile to our franchise portfolio. We accounted for the transaction as an asset acquisition and allocated the cost of the acquisition, including direct and incremental transaction costs, to an indefinite-lived brand asset of approximately \$85 million and franchise contract assets, with a weighted-average term of 20 years, totaling \$21 million.

**NOTE 8. FAIR VALUE OF FINANCIAL INSTRUMENTS**

We believe that the fair values of our current assets and current liabilities approximate their reported carrying amounts. We present the carrying amounts and the fair values of noncurrent financial assets and liabilities that qualify as financial instruments in the following table:

| <i>(in millions)</i>                          | <u>September 30, 2023</u> |                    | <u>December 31, 2022</u> |                   |
|---|---------------------------|--------------------|--------------------------|-------------------|
|   | <u>Carrying Amount</u>    | <u>Fair Value</u>  | <u>Carrying Amount</u>   | <u>Fair Value</u> |
| Senior, mezzanine, and other loans            | \$ 159                    | \$ 147             | \$ 152                   | \$ 142            |
| <b>Total noncurrent financial assets</b>      | <u>\$ 159</u>             | <u>\$ 147</u>      | <u>\$ 152</u>            | <u>\$ 142</u>     |
| Senior Notes                                  | \$ (9,716)                | \$ (8,920)         | \$ (8,322)               | \$ (7,627)        |
| Commercial paper                              | (973)                     | (973)              | (871)                    | (871)             |
| Other long-term debt                          | (56)                      | (50)               | (56)                     | (49)              |
| Other noncurrent liabilities                  | (371)                     | (371)              | (394)                    | (394)             |
| <b>Total noncurrent financial liabilities</b> | <u>\$ (11,116)</u>        | <u>\$ (10,314)</u> | <u>\$ (9,643)</u>        | <u>\$ (8,941)</u> |

See Note 12. Fair Value of Financial Instruments and the “Fair Value Measurements” caption of Note 2. Summary of Significant Accounting Policies of our 2022 Form 10-K for more information on the input levels we use in determining fair value.

**NOTE 9. ACCUMULATED OTHER COMPREHENSIVE LOSS AND STOCKHOLDERS' EQUITY**

The following tables detail the accumulated other comprehensive loss activity for the 2023 first three quarters and 2022 first three quarters:

| <i>(in millions)</i>  | Foreign Currency<br>Translation<br>Adjustments | Other Adjustments | Accumulated Other<br>Comprehensive Loss |
|---|--|-------------------|---|
| Balance at year-end 2022  | \$ (740)                                       | \$ 11             | \$ (729)                                |
| Other comprehensive (loss) income before reclassifications <sup>(1)</sup> | (129)  | 11                | (118)                                   |
| Reclassification adjustments  | (3)  | 1                 | (2)                                     |
| Net other comprehensive (loss) income                                     | (132)  | 12                | (120)                                   |
| Balance at September 30, 2023   | <u>\$ (872)</u>                                | <u>\$ 23</u>      | <u>\$ (849)</u>                         |

| <i>(in millions)</i>  | Foreign Currency<br>Translation<br>Adjustments | Other Adjustments | Accumulated Other<br>Comprehensive Loss |
|---|--|-------------------|---|
| Balance at year-end 2021  | \$ (351)                                       | \$ 9              | \$ (342)                                |
| Other comprehensive (loss) income before reclassifications <sup>(1)</sup> | (653)  | 9                 | (644)                                   |
| Reclassification adjustments  | —  | (4)               | (4)                                     |
| Net other comprehensive (loss) income                                     | (653)  | 5                 | (648)                                   |
| Balance at September 30, 2022   | <u>\$ (1,004)</u>                              | <u>\$ 14</u>      | <u>\$ (990)</u>                         |

(1) Other comprehensive loss before reclassifications for foreign currency translation adjustments includes intra-entity foreign currency transactions that are of a long-term investment nature, which resulted in losses of \$1 million for the 2023 first three quarters and gains of \$76 million for the 2022 first three quarters.

The following tables detail the changes in common shares outstanding and stockholders' equity for the 2023 first three quarters and 2022 first three quarters:

*(in millions, except per share amounts)*

| Common<br>Shares<br>Outstanding | Total                          | Class A<br>Common<br>Stock | Additional<br>Paid-in-<br>Capital | Retained<br>Earnings | Treasury Stock,<br>at Cost | Accumulated<br>Other<br>Comprehensive<br>Loss |                 |
|---------------------------------|--------------------------------|----------------------------|-----------------------------------|----------------------|----------------------------|---|-----------------|
| 310.6                           | Balance at year-end 2022       | \$ 568                     | \$ 5                              | \$ 5,965             | \$ 12,342                  | \$ (17,015)                                   | \$ (729)        |
| —                               | Net income                     | 757                        | —                                 | —                    | 757                        | —   | —               |
| —                               | Other comprehensive income     | 82                         | —                                 | —                    | —                          | —   | 82              |
| —                               | Dividends (\$0.40 per share)   | (124)                      | —                                 | —                    | (124)                      | —   | —               |
| 0.9                             | Stock-based compensation plans | (34)                       | —                                 | (59)                 | —                          | 25  | —               |
| (6.8)                           | Purchase of treasury stock     | (1,109)                    | —                                 | —                    | —                          | (1,109)                                       | —               |
| 304.7                           | Balance at March 31, 2023      | <u>\$ 140</u>              | <u>\$ 5</u>                       | <u>\$ 5,906</u>      | <u>\$ 12,975</u>           | <u>\$ (18,099)</u>                            | <u>\$ (647)</u> |
| —                               | Net income                     | 726                        | —                                 | —                    | 726                        | —   | —               |
| —                               | Other comprehensive loss       | (69)                       | —                                 | —                    | —                          | —   | (69)            |
| —                               | Dividends (\$0.52 per share)   | (157)                      | —                                 | —                    | (157)                      | —   | —               |
| 0.1                             | Stock-based compensation plans | 48                         | —                                 | 46                   | —                          | 2   | —               |
| (5.2)                           | Purchase of treasury stock     | (912)                      | —                                 | —                    | —                          | (912)   | —               |
| 299.6                           | Balance at June 30, 2023       | <u>\$ (224)</u>            | <u>\$ 5</u>                       | <u>\$ 5,952</u>      | <u>\$ 13,544</u>           | <u>\$ (19,009)</u>                            | <u>\$ (716)</u> |
| —                               | Net income                     | 752                        | —                                 | —                    | 752                        | —   | —               |
| —                               | Other comprehensive loss       | (133)                      | —                                 | —                    | —                          | —   | (133)           |
| —                               | Dividends (\$0.52 per share)   | (154)                      | —                                 | —                    | (154)                      | —   | —               |
| 0.4                             | Stock-based compensation plans | 56                         | —                                 | 44                   | —                          | 12  | —               |
| (4.8)                           | Purchase of treasury stock     | (958)                      | —                                 | —                    | —                          | (958)   | —               |
| 295.2                           | Balance at September 30, 2023  | <u>\$ (661)</u>            | <u>\$ 5</u>                       | <u>\$ 5,996</u>      | <u>\$ 14,142</u>           | <u>\$ (19,955)</u>                            | <u>\$ (849)</u> |

| Common Shares Outstanding |                                | Total    | Class A Common Stock | Additional Paid-in-Capital | Retained Earnings | Treasury Stock, at Cost | Accumulated Other Comprehensive Loss |
|---------------------------|--------------------------------|----------|----------------------|----------------------------|-------------------|-------------------------|--------------------------------------|
| 326.3                     | Balance at year-end 2021       | \$ 1,414 | \$ 5                 | \$ 5,892                   | \$ 10,305         | \$ (14,446)             | \$ (342)                             |
| —                         | Net income                     | 377      | —                    | —                          | 377               | —                       | —                                    |
| —                         | Other comprehensive income     | 14       | —                    | —                          | —                 | —                       | 14                                   |
| 1.0                       | Stock-based compensation plans | (33)     | —                    | (61)                       | —                 | 28                      | —                                    |
| 327.3                     | Balance at March 31, 2022      | \$ 1,772 | \$ 5                 | \$ 5,831                   | \$ 10,682         | \$ (14,418)             | \$ (328)                             |
| —                         | Net income                     | 678      | —                    | —                          | 678               | —                       | —                                    |
| —                         | Other comprehensive loss       | (323)    | —                    | —                          | —                 | —                       | (323)                                |
| —                         | Dividends (\$0.30 per share)   | (98)     | —                    | —                          | (98)              | —                       | —                                    |
| —                         | Stock-based compensation plans | 43       | —                    | 41                         | —                 | 2                       | —                                    |
| (1.9)                     | Purchase of treasury stock     | (300)    | —                    | —                          | —                 | (300)                   | —                                    |
| 325.4                     | Balance at June 30, 2022       | \$ 1,772 | \$ 5                 | \$ 5,872                   | \$ 11,262         | \$ (14,716)             | \$ (651)                             |
| —                         | Net income                     | 630      | —                    | —                          | 630               | —                       | —                                    |
| —                         | Other comprehensive loss       | (339)    | —                    | —                          | —                 | —                       | (339)                                |
| —                         | Dividends (\$0.30 per share)   | (97)     | —                    | —                          | (97)              | —                       | —                                    |
| 0.1                       | Stock-based compensation plans | 47       | —                    | 47                         | —                 | —                       | —                                    |
| (6.2)                     | Purchase of treasury stock     | (950)    | —                    | —                          | —                 | (950)                   | —                                    |
| 319.3                     | Balance at September 30, 2022  | \$ 1,063 | \$ 5                 | \$ 5,919                   | \$ 11,795         | \$ (15,666)             | \$ (990)                             |

#### NOTE 10. CONTRACTS WITH CUSTOMERS

Our current and noncurrent liability for guest loyalty program increased by \$200 million, to \$6,794 million at September 30, 2023, from \$6,594 million at December 31, 2022, primarily reflecting an increase in points earned by members. This includes a \$91 million reclassification from deferred revenue to the liability for guest loyalty program primarily due to points that were earned during the period by members using our U.S.-issued co-branded credit cards, which were prepaid by the financial institutions in 2020. The increase was partially offset by \$2,325 million of revenue recognized in the 2023 first three quarters, that was deferred as of December 31, 2022.

Our current and noncurrent deferred revenue decreased by \$113 million, to \$1,218 million at September 30, 2023, from \$1,331 million at December 31, 2022, primarily as a result of \$213 million of revenue recognized in the 2023 first three quarters that was deferred as of December 31, 2022, as well as the reclassification from deferred revenue to the liability for guest loyalty program, which we discuss above. The decrease was partially offset by revenue deferred in the 2023 first three quarters related to our co-branded credit cards, gift cards, franchise application and relicensing fees, and certain centralized programs and services fees.

Our allowance for credit losses decreased to \$189 million at September 30, 2023 from \$191 million at December 31, 2022.

#### NOTE 11. BUSINESS SEGMENTS

We discuss our operations in the following two operating segments, both of which meet the applicable accounting criteria for separate disclosure as a reportable business segment: (1) U.S. & Canada and (2) International.

We evaluate the performance of our operating segments using “segment profits,” which is based largely on the results of the segment without allocating corporate expenses, income taxes, indirect general, administrative, and other expenses, or merger-related costs. We assign gains and losses, equity in earnings or losses, and direct general, administrative, and other expenses to each of our segments. “Unallocated corporate and other” includes a portion of our revenues (such as fees we receive from our credit card programs and vacation ownership licensing agreements), revenues and expenses for our Loyalty Program, general, administrative, and other expenses, merger-related charges and other expenses, equity in earnings or losses, and other gains or losses that we do not allocate to our segments.

Our chief operating decision maker monitors assets for the consolidated Company but does not use assets by operating segment when assessing performance or making operating segment resource allocations.

## Segment Revenues

The following tables present our revenues disaggregated by segment and major revenue stream for the 2023 third quarter, 2022 third quarter, 2023 first three quarters, and 2022 first three quarters:

| <i>(in millions)</i>             | Three Months Ended September 30, 2023 |               |          | Three Months Ended September 30, 2022 |               |          |
|----------------------------------|---------------------------------------|---------------|----------|---------------------------------------|---------------|----------|
|                                  | U.S. & Canada                         | International | Total    | U.S. & Canada                         | International | Total    |
| Gross fee revenues               | \$ 690                                | \$ 319        | \$ 1,009 | \$ 649                                | \$ 241        | \$ 890   |
| Contract investment amortization | (16)                                  | (6)           | (22)     | (16)                                  | (6)           | (22)     |
| Net fee revenues                 | 674                                   | 313           | 987      | 633                                   | 235           | 868      |
| Owned, leased, and other revenue | 94                                    | 235           | 329      | 114                                   | 205           | 319      |
| Cost reimbursement revenue       | 3,565                                 | 577           | 4,142    | 3,253                                 | 468           | 3,721    |
| Total reportable segment revenue | \$ 4,333                              | \$ 1,125      | \$ 5,458 | \$ 4,000                              | \$ 908        | \$ 4,908 |
| Unallocated corporate and other  |                                       |               | 470      |                                       |               | 405      |
| Total revenue                    |                                       |               | \$ 5,928 |                                       |               | \$ 5,313 |

| <i>(in millions)</i>             | Nine Months Ended September 30, 2023 |               |           | Nine Months Ended September 30, 2022 |               |           |
|----------------------------------|--------------------------------------|---------------|-----------|--------------------------------------|---------------|-----------|
|                                  | U.S. & Canada                        | International | Total     | U.S. & Canada                        | International | Total     |
| Gross fee revenues               | \$ 2,113                             | \$ 924        | \$ 3,037  | \$ 1,821                             | \$ 630        | \$ 2,451  |
| Contract investment amortization | (49)                                 | (16)          | (65)      | (45)                                 | (20)          | (65)      |
| Net fee revenues                 | 2,064                                | 908           | 2,972     | 1,776                                | 610           | 2,386     |
| Owned, leased, and other revenue | 327                                  | 691           | 1,018     | 330                                  | 575           | 905       |
| Cost reimbursement revenue       | 10,722                               | 1,658         | 12,380    | 9,282                                | 1,273         | 10,555    |
| Total reportable segment revenue | \$ 13,113                            | \$ 3,257      | \$ 16,370 | \$ 11,388                            | \$ 2,458      | \$ 13,846 |
| Unallocated corporate and other  |                                      |               | 1,248     |                                      |               | 1,004     |
| Total revenue                    |                                      |               | \$ 17,618 |                                      |               | \$ 14,850 |

## Segment Profits

| <i>(in millions)</i>                     | Three Months Ended |                    | Nine Months Ended  |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | September 30, 2023 | September 30, 2022 | September 30, 2023 | September 30, 2022 |
| U.S. & Canada                            | \$ 707             | \$ 652             | \$ 2,120           | \$ 1,833           |
| International                            | 318                | 227                | 865                | 568                |
| Unallocated corporate and other          | 103                | 83                 | 203                | 92                 |
| Interest expense, net of interest income | (139)              | (93)               | (391)              | (270)              |
| Provision for income taxes               | (237)              | (239)              | (562)              | (538)              |
| Net income                               | \$ 752             | \$ 630             | \$ 2,235           | \$ 1,685           |

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Cautionary Statement

All statements in this report are made as of the date this Form 10-Q is filed with the U.S. Securities and Exchange Commission (the "SEC"). We undertake no obligation to publicly update or revise these statements, whether as a result of new information, future events or otherwise. We make forward-looking statements in Management's Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in this report based on the beliefs and assumptions of our management and on information available to us through the date this Form 10-Q is filed with the SEC. Forward-looking statements include information related to future demand trends and expectations; our expectations regarding rooms growth; our expectations regarding our ability to meet our liquidity requirements; our capital expenditures and other investment spending expectations; our expectations regarding future dividends and share repurchases; and other statements that are preceded by, followed by, or include the words "believes," "expects," "anticipates," "intends," "plans," "estimates," "foresees," or similar expressions; 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 risks and uncertainties we describe in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (“2022 Form 10-K”), Part II, Item 1A of this report, and other factors we describe from time to time in our periodic filings with the SEC.

## **BUSINESS AND OVERVIEW**

### *Overview*

We are a worldwide operator, franchisor, and licensor of hotel, residential, timeshare, and other lodging properties under more than 30 brand names. Under our asset-light business model, we typically manage or franchise hotels, rather than own them. We discuss our operations in the following reportable business segments: (1) U.S. & Canada and (2) International.

Terms of our management agreements vary, but our management fees generally consist of base management fees and incentive management fees. Base management fees are typically calculated as a percentage of property-level revenue. Incentive management fees are typically calculated as a percentage of a hotel profitability measure, and, in many cases (particularly in our U.S. & Canada, Europe, and Caribbean & Latin America regions), are subject to a specified owner return. Under our franchise agreements, franchise fees are typically calculated as a percentage of property-level revenue or a portion thereof. Additionally, we earn franchise fees for the use of our intellectual property, such as fees from our co-branded credit card, timeshare, and residential programs.

### *Performance Measures*

We believe Revenue per Available Room (“RevPAR”), which we calculate by dividing room sales for comparable properties by room nights available for the period, is a meaningful indicator of our performance because it measures the period-over-period change in room revenues for comparable properties. RevPAR may not be comparable to similarly titled measures, such as revenues, and should not be viewed as necessarily correlating with our fee revenue. We also believe occupancy and average daily rate (“ADR”), which are components of calculating RevPAR, are meaningful indicators of our performance. Occupancy, which we calculate by dividing occupied rooms by total rooms available, measures the utilization of a property’s available capacity. ADR, which we calculate by dividing property room revenue by total rooms sold, measures average room price and is useful in assessing pricing levels. RevPAR, occupancy, and ADR statistics are on a systemwide basis for comparable properties, unless otherwise stated. Comparisons to prior periods are on a constant U.S. dollar basis. We calculate constant dollar statistics by applying exchange rates for the current period to the prior comparable period.

We define our comparable properties as our properties that were open and operating under one of our brands since the beginning of the last full calendar year (since January 1, 2022 for the current period) and have not, in either the current or previous year: (1) undergone significant room or public space renovations or expansions, (2) been converted between company-operated and franchised, or (3) sustained substantial property damage or business interruption.

### *Business Trends*

We saw strong global RevPAR improvement during the 2023 third quarter and 2023 first three quarters compared to the same periods in 2022. For the 2023 third quarter, worldwide RevPAR increased 8.8 percent compared to the 2022 third quarter, reflecting ADR growth of 4.1 percent and occupancy improvement of 3.2 percentage points. For the 2023 first three quarters, worldwide RevPAR increased 17.5 percent compared to the 2022 first three quarters, reflecting ADR growth of 6.7 percent and occupancy improvement of 6.4 percentage points. The increases in RevPAR were driven by improvement in all customer segments, including robust leisure demand as well as strengthening group and business transient demand as compared to the same periods in 2022.

In the U.S. & Canada, RevPAR improved 4.3 percent in the 2023 third quarter compared to the 2022 third quarter, driven by ADR growth of 2.7 percent and occupancy improvement of 1.1 percentage points. In the 2023 first three quarters, U.S. & Canada RevPAR improved 10.8 percent compared to the 2022 first three quarters, driven



by ADR growth of 5.2 percent and occupancy improvement of 3.5 percentage points. While demand continued to be strong in the 2023 third quarter, the year-over-year growth in RevPAR continued to stabilize.

Internationally, RevPAR improved 21.8 percent in the 2023 third quarter and 38.7 percent in the 2023 first three quarters compared to the same periods in 2022. The improvement in RevPAR compared to 2022 was driven by strengthening demand, particularly in Greater China and Asia Pacific excluding China, where various geographic markets were impacted by COVID-19 and government-imposed travel restrictions during the 2022 comparable periods.

Our business is subject to the effects of changes in global and regional economic, geopolitical and other conditions and these conditions can change rapidly. We continue to monitor these conditions, and although we are not currently seeing signs of a slowdown in lodging demand in most markets, the lodging booking window is short and trends can change quickly.

#### *Starwood Data Security Incident*

On November 30, 2018, we announced a data security incident involving unauthorized access to the Starwood reservations database (the “Data Security Incident”). We discontinued use of the Starwood reservations database for business operations at the end of 2018.

We are currently unable to reasonably estimate the range of total possible financial impact to the Company from the Data Security Incident in excess of the expenses already recorded. However, we do not believe this incident will impact our long-term financial health. Although our insurance program includes coverage designed to limit our exposure to losses such as those related to the Data Security Incident, that insurance may not be sufficient or available to cover all of our expenses or other losses (including monetary payments to regulators and/or litigants) related to the Data Security Incident. In addition, certain expenses by their nature (such as, for example, expenses related to enhancing our cybersecurity program) are not covered by our insurance program. We expect to incur ongoing legal and other expenses associated with the Data Security Incident in future periods, and we believe it is reasonably possible that we may incur additional monetary payments to regulators and/or litigants in excess of the amounts already recorded and costs in connection with compliance with any settlements or resolutions of matters. See Note 5 for additional information related to legal proceedings and governmental investigations related to the Data Security Incident.

#### *System Growth and Pipeline*

At the end of the 2023 third quarter, our system had 8,675 properties (1,581,002 rooms), compared to 8,288 properties (1,525,407 rooms) at year-end 2022 and 8,162 properties (1,507,350 rooms) at the end of the 2022 third quarter. The increase compared to year-end 2022 reflected gross additions of 430 properties (61,304 rooms), including 149 properties (17,300 rooms) from the City Express acquisition, and deletions of 42 properties (5,840 rooms). Our 2023 first three quarters gross room additions included approximately 47,300 rooms located outside U.S. & Canada and approximately 10,500 rooms converted from competitor brands.

At the end of the 2023 third quarter, we had nearly 557,000 hotel rooms in our development pipeline, which includes roughly 40,300 hotel rooms approved for development but not yet under signed contracts. Approximately 238,000 hotel rooms in the pipeline, including approximately 37,000 rooms from the exclusive, long-term strategic licensing agreement with MGM Resorts International that we announced in July 2023, were under construction as of the end of the 2023 third quarter. Over half of the rooms in our development pipeline are outside U.S. & Canada.

We currently expect full-year 2023 net rooms growth of approximately 4.2 to 4.5 percent. This estimate excludes the anticipated addition of rooms to our system under our agreement with MGM Resorts International discussed above, which we now expect to be added in early 2024.

## Properties and Rooms

At September 30, 2023, we operated, franchised, and licensed the following properties and rooms:

|               | Managed      |                | Franchised/Licensed |                | Owned/Leased |               | Residential |               | Total        |                  |
|---------------|--------------|----------------|---------------------|----------------|--------------|---------------|-------------|---------------|--------------|------------------|
|               | Properties   | Rooms          | Properties          | Rooms          | Properties   | Rooms         | Properties  | Rooms         | Properties   | Rooms            |
| U.S. & Canada | 629          | 215,952        | 5,217               | 747,617        | 14           | 4,656         | 67          | 7,166         | 5,927        | 975,391          |
| International | 1,410        | 358,039        | 1,155               | 210,458        | 37           | 8,776         | 52          | 5,444         | 2,654        | 582,717          |
| Timeshare     | —            | —              | 93                  | 22,745         | —            | —             | —           | —             | 93           | 22,745           |
| Yacht         | —            | —              | 1                   | 149            | —            | —             | —           | —             | 1            | 149              |
| <b>Total</b>  | <b>2,039</b> | <b>573,991</b> | <b>6,466</b>        | <b>980,969</b> | <b>51</b>    | <b>13,432</b> | <b>119</b>  | <b>12,610</b> | <b>8,675</b> | <b>1,581,002</b> |

## Lodging Statistics

The following tables present RevPAR, occupancy, and ADR statistics for comparable properties. Systemwide statistics include data from our franchised properties, in addition to our company-operated properties.

|   | Three Months Ended September 30, 2023 and Change vs. Three Months Ended September 30, 2022 |          |           |             |                    |          |
|---|--|----------|-----------|-------------|--------------------|----------|
|   | RevPAR   |          | Occupancy |             | Average Daily Rate |          |
|   | 2023   | vs. 2022 | 2023      | vs. 2022    | 2023               | vs. 2022 |
| <i>Comparable Company-Operated Properties</i> |  |          |           |             |                    |          |
| U.S. & Canada                                 | \$ 169.46  | 4.4 %    | 70.8 %    | 1.3 % pts.  | \$ 239.40          | 2.5 %    |
| Greater China                                 | \$ 93.41   | 48.6 %   | 72.5 %    | 14.5 % pts. | \$ 128.93          | 18.9 %   |
| Asia Pacific excluding China                  | \$ 116.21  | 35.2 %   | 70.7 %    | 9.3 % pts.  | \$ 164.45          | 17.5 %   |
| Caribbean & Latin America                     | \$ 138.64  | 2.4 %    | 61.1 %    | 2.4 % pts.  | \$ 226.76          | (1.6)%   |
| Europe  | \$ 226.46  | 10.6 %   | 75.5 %    | 3.2 % pts.  | \$ 300.01          | 6.0 %    |
| Middle East & Africa                          | \$ 101.11  | 18.1 %   | 65.4 %    | 4.2 % pts.  | \$ 154.50          | 10.5 %   |
| International - All <sup>(1)</sup>            | \$ 121.93  | 25.8 %   | 70.5 %    | 9.0 % pts.  | \$ 172.91          | 9.7 %    |
| Worldwide <sup>(2)</sup>                      | \$ 142.51  | 13.8 %   | 70.6 %    | 5.7 % pts.  | \$ 201.76          | 4.6 %    |
| <i>Comparable Systemwide Properties</i>       |  |          |           |             |                    |          |
| U.S. & Canada                                 | \$ 133.92  | 4.3 %    | 73.1 %    | 1.1 % pts.  | \$ 183.28          | 2.7 %    |
| Greater China                                 | \$ 87.31   | 47.4 %   | 71.3 %    | 14.5 % pts. | \$ 122.40          | 17.4 %   |
| Asia Pacific excluding China                  | \$ 117.73  | 36.4 %   | 70.4 %    | 8.6 % pts.  | \$ 167.12          | 19.7 %   |
| Caribbean & Latin America                     | \$ 121.87  | 2.8 %    | 62.4 %    | 2.5 % pts.  | \$ 195.43          | (1.4)%   |
| Europe  | \$ 175.50  | 9.8 %    | 74.7 %    | 3.2 % pts.  | \$ 235.04          | 5.0 %    |
| Middle East & Africa                          | \$ 98.24   | 20.2 %   | 65.3 %    | 3.5 % pts.  | \$ 150.50          | 13.8 %   |
| International - All <sup>(1)</sup>            | \$ 120.43  | 21.8 %   | 70.1 %    | 7.6 % pts.  | \$ 171.85          | 8.5 %    |
| Worldwide <sup>(2)</sup>                      | \$ 129.73  | 8.8 %    | 72.1 %    | 3.2 % pts.  | \$ 179.84          | 4.1 %    |

Nine Months Ended September 30, 2023 and Change vs. Nine Months Ended September 30, 2022

|   | RevPAR  |          | Occupancy |             | Average Daily Rate |          |
|---|---|----------|-----------|-------------|--------------------|----------|
|   | 2023  | vs. 2022 | 2023      | vs. 2022    | 2023               | vs. 2022 |
|   | <i>Comparable Company-Operated Properties</i> |          |           |             |                    |          |
| U.S. & Canada                           | \$ 173.39                                     | 12.4 %   | 69.9 %    | 4.8 % pts.  | \$ 248.07          | 4.7 %    |
| Greater China                           | \$ 89.14                                      | 78.2 %   | 68.9 %    | 22.0 % pts. | \$ 129.41          | 21.2 %   |
| Asia Pacific excluding China            | \$ 114.87                                     | 58.1 %   | 68.5 %    | 14.3 % pts. | \$ 167.63          | 25.2 %   |
| Caribbean & Latin America               | \$ 165.92                                     | 17.8 %   | 63.4 %    | 4.9 % pts.  | \$ 261.59          | 8.7 %    |
| Europe                                  | \$ 188.49                                     | 25.0 %   | 70.5 %    | 9.0 % pts.  | \$ 267.38          | 9.0 %    |
| Middle East & Africa                    | \$ 118.53                                     | 17.8 %   | 66.2 %    | 4.0 % pts.  | \$ 178.96          | 10.7 %   |
| International - All <sup>(1)</sup>      | \$ 119.30                                     | 42.0 %   | 68.2 %    | 14.1 % pts. | \$ 174.86          | 12.7 %   |
| Worldwide <sup>(2)</sup>                | \$ 142.74                                     | 24.7 %   | 68.9 %    | 10.1 % pts. | \$ 207.02          | 6.5 %    |
| <i>Comparable Systemwide Properties</i> |   |          |           |             |                    |          |
| U.S. & Canada                           | \$ 130.48                                     | 10.8 %   | 70.9 %    | 3.5 % pts.  | \$ 183.93          | 5.2 %    |
| Greater China                           | \$ 83.53                                      | 77.9 %   | 67.8 %    | 22.2 % pts. | \$ 123.11          | 19.8 %   |
| Asia Pacific excluding China            | \$ 115.15                                     | 58.7 %   | 68.4 %    | 13.6 % pts. | \$ 168.42          | 27.1 %   |
| Caribbean & Latin America               | \$ 141.96                                     | 18.2 %   | 64.4 %    | 5.2 % pts.  | \$ 220.49          | 8.6 %    |
| Europe                                  | \$ 146.12                                     | 25.8 %   | 68.6 %    | 9.8 % pts.  | \$ 212.87          | 7.9 %    |
| Middle East & Africa                    | \$ 111.67                                     | 20.3 %   | 65.3 %    | 3.7 % pts.  | \$ 171.06          | 13.5 %   |
| International - All <sup>(1)</sup>      | \$ 115.90                                     | 38.7 %   | 67.4 %    | 12.9 % pts. | \$ 171.93          | 12.3 %   |
| Worldwide <sup>(2)</sup>                | \$ 125.96                                     | 17.5 %   | 69.8 %    | 6.4 % pts.  | \$ 180.34          | 6.7 %    |

<sup>(1)</sup> Includes Greater China, Asia Pacific excluding China, Caribbean & Latin America, Europe, and Middle East & Africa.

<sup>(2)</sup> Includes U.S. & Canada and International - All.

**CONSOLIDATED RESULTS**

Our consolidated results in the 2023 third quarter and 2023 first three quarters improved compared to the 2022 third quarter and 2022 first three quarters due to the continued recovery in lodging demand from the impacts of COVID-19. The discussion below presents an additional analysis of our consolidated results of operations for the 2023 third quarter compared to the 2022 third quarter and for the 2023 first three quarters compared to the 2022 first three quarters.

**Fee Revenues**

| (in millions)                    | Three Months Ended |                    |                      |      | Nine Months Ended  |                    |                      |      |
|----------------------------------|--------------------|--------------------|----------------------|------|--------------------|--------------------|----------------------|------|
|                                  | September 30, 2023 | September 30, 2022 | Change 2023 vs. 2022 |      | September 30, 2023 | September 30, 2022 | Change 2023 vs. 2022 |      |
| Base management fees             | \$ 306             | \$ 275             | \$ 31                | 11 % | \$ 917             | \$ 757             | \$ 160               | 21 % |
| Franchise fees                   | 748                | 678                | 70                   | 10 % | 2,126              | 1,847              | 279                  | 15 % |
| Incentive management fees        | 143                | 106                | 37                   | 35 % | 537                | 343                | 194                  | 57 % |
| Gross fee revenues               | 1,197              | 1,059              | 138                  | 13 % | 3,580              | 2,947              | 633                  | 21 % |
| Contract investment amortization | (23)               | (22)               | (1)                  | (5)% | (66)               | (65)               | (1)                  | (2)% |
| Net fee revenues                 | \$ 1,174           | \$ 1,037           | \$ 137               | 13 % | \$ 3,514           | \$ 2,882           | \$ 632               | 22 % |

The increases in base management fees in the 2023 third quarter and 2023 first three quarters primarily reflected higher RevPAR. The increase in the 2023 first three quarters was also due to unit growth (\$19 million), partially offset by net unfavorable foreign exchange rates (\$18 million).

The increases in franchise fees in the 2023 third quarter and 2023 first three quarters primarily reflected higher RevPAR, unit growth (\$29 million and \$73 million, respectively), and higher co-branded credit card fees (\$15 million and \$43 million, respectively).

The increases in incentive management fees in the 2023 third quarter and 2023 first three quarters primarily reflected higher profits at many managed hotels.

## Owned, Leased, and Other

| <i>(in millions)</i>                       | Three Months Ended |                    |                      |      | Nine Months Ended  |                    |                      |      |
|--|--------------------|--------------------|----------------------|------|--------------------|--------------------|----------------------|------|
|  | September 30, 2023 | September 30, 2022 | Change 2023 vs. 2022 |      | September 30, 2023 | September 30, 2022 | Change 2023 vs. 2022 |      |
| Owned, leased, and other revenue           | \$ 363             | \$ 345             | \$ 18                | 5 %  | \$ 1,109           | \$ 971             | \$ 138               | 14 % |
| Owned, leased, and other - direct expenses | 293                | 301                | (8)                  | (3)% | 861                | 779                | 82                   | 11 % |
| Owned, leased, and other, net              | \$ 70              | \$ 44              | \$ 26                | 59 % | \$ 248             | \$ 192             | \$ 56                | 29 % |

Owned, leased, and other revenue, net of direct expenses, increased in the 2023 third quarter primarily due to an estimated monetary payment of \$19 million recorded in the 2022 third quarter related to a portfolio of 12 leased hotels in the U.S. & Canada.

Owned, leased, and other revenue, net of direct expenses, increased in the 2023 first three quarters primarily due to stronger results at our owned and leased properties and an estimated monetary payment of \$31 million recorded in the 2022 first three quarters related to a portfolio of 12 leased hotels in the U.S. & Canada, partially offset by \$29 million of subsidies received for certain of our leased hotels in the 2022 first three quarters under German government COVID-19 assistance programs.

## Cost Reimbursements

| <i>(in millions)</i>       | Three Months Ended |                    |                      |      | Nine Months Ended  |                    |                      |      |
|----------------------------|--------------------|--------------------|----------------------|------|--------------------|--------------------|----------------------|------|
|                            | September 30, 2023 | September 30, 2022 | Change 2023 vs. 2022 |      | September 30, 2023 | September 30, 2022 | Change 2023 vs. 2022 |      |
| Cost reimbursement revenue | \$ 4,391           | \$ 3,931           | \$ 460               | 12 % | \$ 12,995          | \$ 10,997          | \$ 1,998             | 18 % |
| Reimbursed expenses        | 4,238              | 3,786              | 452                  | 12 % | 12,740             | 10,792             | 1,948                | 18 % |
| Cost reimbursements, net   | \$ 153             | \$ 145             | \$ 8                 | 6 %  | \$ 255             | \$ 205             | \$ 50                | 24 % |

Cost reimbursements, net (cost reimbursement revenue, net of reimbursed expenses) varies due to timing differences between the costs we incur for centralized programs and services and the related reimbursements we receive from hotel owners and franchisees. Over the long term, our centralized programs and services are not designed to impact our economics, either positively or negatively.

The increases in cost reimbursements, net in the 2023 third quarter and 2023 first three quarters primarily reflected Loyalty Program activity, primarily due to higher program revenues, and higher revenues, net of expenses, for our centralized programs and services. The increase in the 2023 first three quarters was partially offset by higher expenses related to our insurance program.

## Other Operating Expenses

| <i>(in millions)</i>                  | Three Months Ended |                    |                      |       | Nine Months Ended  |                    |                      |       |
|---------------------------------------|--------------------|--------------------|----------------------|-------|--------------------|--------------------|----------------------|-------|
|                                       | September 30, 2023 | September 30, 2022 | Change 2023 vs. 2022 |       | September 30, 2023 | September 30, 2022 | Change 2023 vs. 2022 |       |
| Depreciation, amortization, and other | \$ 46              | \$ 50              | \$ (4)               | (8)%  | \$ 138             | \$ 147             | \$ (9)               | (6)%  |
| General, administrative, and other    | 239                | 216                | 23                   | 11 %  | 681                | 655                | 26                   | 4 %   |
| Merger-related charges and other      | 13                 | 2                  | 11                   | 550 % | 52                 | 11                 | 41                   | 373 % |

Merger-related charges and other expenses increased in the 2023 first three quarters primarily due to the Data Security Incident discussed in Note 5.

## Non-Operating Income (Expense)

| <i>(in millions)</i>        | Three Months Ended |                    |                      |       | Nine Months Ended  |                    |                      |       |
|-----------------------------|--------------------|--------------------|----------------------|-------|--------------------|--------------------|----------------------|-------|
|                             | September 30, 2023 | September 30, 2022 | Change 2023 vs. 2022 |       | September 30, 2023 | September 30, 2022 | Change 2023 vs. 2022 |       |
| Gains and other income, net | \$ 28              | \$ 3               | \$ 25                | 833 % | \$ 33              | \$ 9               | \$ 24                | 267 % |
| Interest expense            | (146)              | (100)              | (46)                 | (46)% | (412)              | (288)              | (124)                | (43)% |
| Interest income             | 7                  | 7                  | —                    | — %   | 21                 | 18                 | 3                    | 17 %  |
| Equity in earnings          | 1                  | 1                  | —                    | — %   | 9                  | 18                 | (9)                  | (50)% |

Gains and other income, net increased in the 2023 third quarter and 2023 first three quarters primarily due to a gain on the sale of a hotel in the Caribbean & Latin America region (\$24 million).

Interest expense increased in the 2023 third quarter and 2023 first three quarters primarily due to higher commercial paper borrowings and interest rates (\$23 million and \$57 million, respectively) and higher debt balances driven by Senior Notes issuances, net of maturities (\$19 million and \$48 million, respectively). The increase in the 2023 first three quarters was also due to higher interest rates on floating rate debt, including the effect of interest rate swaps (\$17 million).

Equity in earnings decreased in the 2023 first three quarters primarily due to gains recorded in the prior year on the sale of properties held by equity method investees (\$23 million).

## Income Taxes

| <i>(in millions)</i>       | Three Months Ended |                    |                      |     | Nine Months Ended  |                    |                      |      |
|----------------------------|--------------------|--------------------|----------------------|-----|--------------------|--------------------|----------------------|------|
|                            | September 30, 2023 | September 30, 2022 | Change 2023 vs. 2022 |     | September 30, 2023 | September 30, 2022 | Change 2023 vs. 2022 |      |
| Provision for income taxes | \$ (237)           | \$ (239)           | \$ 2                 | 1 % | \$ (562)           | \$ (538)           | \$ (24)              | (4)% |

Provision for income taxes decreased by \$2 million in the 2023 third quarter primarily due to the prior year tax expense from the completion of tax audits (\$27 million), partially offset by the increase in operating income (\$23 million).

Provision for income taxes increased by \$24 million in the 2023 first three quarters primarily due to the increase in operating income (\$133 million) and a shift in earnings to jurisdictions with higher tax rates (\$17 million), partially offset by the current year release of tax reserves (\$103 million), which was mostly due to the completion of a prior year tax audit, and the prior year tax expense from the completion of tax audits (\$27 million).

## BUSINESS SEGMENTS

Our segment results in the 2023 third quarter and 2023 first three quarters improved compared to the 2022 third quarter and 2022 first three quarters due to the continued recovery in lodging demand from the impacts of COVID-19. The following discussion presents an additional analysis of the operating results of our reportable business segments for the 2023 third quarter compared to the 2022 third quarter and for the 2023 first three quarters compared to the 2022 first three quarters.

| <i>(in millions)</i>     | Three Months Ended |                    |                      |      | Nine Months Ended  |                    |                      |      |
|--------------------------|--------------------|--------------------|----------------------|------|--------------------|--------------------|----------------------|------|
|                          | September 30, 2023 | September 30, 2022 | Change 2023 vs. 2022 |      | September 30, 2023 | September 30, 2022 | Change 2023 vs. 2022 |      |
| <b>U.S. &amp; Canada</b> |                    |                    |                      |      |                    |                    |                      |      |
| Segment revenues         | \$ 4,333           | \$ 4,000           | \$ 333               | 8 %  | \$ 13,113          | \$ 11,388          | \$ 1,725             | 15 % |
| Segment profit           | 707                | 652                | 55                   | 8 %  | 2,120              | 1,833              | 287                  | 16 % |
| <b>International</b>     |                    |                    |                      |      |                    |                    |                      |      |
| Segment revenues         | 1,125              | 908                | 217                  | 24 % | 3,257              | 2,458              | 799                  | 33 % |
| Segment profit           | 318                | 227                | 91                   | 40 % | 865                | 568                | 297                  | 52 % |

|                          | Properties         |                    |                        |      | Rooms              |                    |                        |      |
|--------------------------|--------------------|--------------------|------------------------|------|--------------------|--------------------|------------------------|------|
|                          | September 30, 2023 | September 30, 2022 | vs. September 30, 2022 |      | September 30, 2023 | September 30, 2022 | vs. September 30, 2022 |      |
| <b>U.S. &amp; Canada</b> | 5,927              | 5,818              | 109                    | 2 %  | 975,391            | 961,765            | 13,626                 | 1 %  |
| <b>International</b>     | 2,654              | 2,252              | 402                    | 18 % | 582,717            | 522,884            | 59,833                 | 11 % |

## U.S. & Canada

### Third Quarter

U.S. & Canada 2023 third quarter segment profit increased primarily due to:

- \$41 million of higher gross fee revenues, primarily reflecting higher comparable systemwide RevPAR driven by increases in both ADR and occupancy, as well as unit growth; and
- \$13 million of higher owned, leased, and other revenue, net of direct expenses, primarily reflecting a \$19 million estimated monetary payment recorded in the 2022 third quarter related to a portfolio of 12 leased hotels in the U.S. & Canada.

### First Three Quarters

U.S. & Canada 2023 first three quarters segment profit increased primarily due to:

- \$292 million of higher gross fee revenues, primarily reflecting higher comparable systemwide RevPAR driven by increases in both ADR and occupancy, unit growth, and higher profits at certain managed hotels; and
- \$38 million of higher owned, leased, and other revenue, net of direct expenses, primarily reflecting a \$31 million estimated monetary payment recorded in the 2022 first three quarters related to a portfolio of 12 leased hotels in the U.S. & Canada;

partially offset by:

- \$26 million of lower cost reimbursement revenue, net of reimbursed expenses.

## International

### Third Quarter

International 2023 third quarter segment profit increased primarily due to:

- \$78 million of higher gross fee revenues, primarily reflecting higher profits at certain managed hotels and higher comparable systemwide RevPAR driven by increases in both ADR and occupancy in nearly all regions; and
- \$25 million of higher gains and other income, net, primarily reflecting a gain on the sale of a hotel property in the Caribbean & Latin America region (\$24 million).

### First Three Quarters

International 2023 first three quarters segment profit increased primarily due to:

- \$294 million of higher gross fee revenues, primarily reflecting higher comparable systemwide RevPAR driven by increases in both ADR and occupancy in all regions, higher profits at certain managed hotels, and unit growth, partially offset by net unfavorable foreign exchange rates; and
- \$22 million of higher gains and other income, net, primarily reflecting a gain on the sale of a hotel in the Caribbean & Latin America region (\$24 million);

partially offset by:

- \$28 million of lower cost reimbursement revenue, net of reimbursed expenses; and
- \$2 million of lower owned, leased, and other revenue, net of direct expenses, primarily reflecting subsidies received for certain of our leased hotels in the 2022 first three quarters under German government COVID-19 assistance programs, partially offset by stronger results at our owned and leased properties.

## **LIQUIDITY AND CAPITAL RESOURCES**

Our long-term financial objectives include maintaining diversified financing sources, optimizing the mix and maturity of our long-term debt, and reducing our working capital. At the end of the 2023 third quarter, our long-term debt had a weighted average interest rate of 4.4 percent and a weighted average maturity of approximately 5.2 years. Including the effect of interest rate swaps, the ratio of our fixed-rate long-term debt to our total long-term debt was 0.9 to 1.0 at the end of the 2023 third quarter.

### **Sources of Liquidity**

#### *Our Credit Facility*

We are party to a \$4.5 billion multicurrency revolving credit agreement (the “Credit Facility”). Available borrowings under the Credit Facility support our commercial paper program and general corporate needs. Borrowings under the Credit Facility generally bear interest at SOFR (the Secured Overnight Financing Rate) plus a spread based on our public debt rating. We also pay quarterly fees on the Credit Facility at a rate based on our public debt rating. We classify outstanding borrowings under the Credit Facility and outstanding commercial paper borrowings as long-term based on our ability and intent to refinance the outstanding borrowings on a long-term basis. The Credit Facility expires on December 14, 2027.

The Credit Facility contains certain covenants, including a single financial covenant that limits our maximum leverage (consisting of the ratio of Adjusted Total Debt to EBITDA, each as defined in the Credit Facility) to not more than 4.5 to 1.0. Our outstanding public debt does not contain a corresponding financial covenant or a requirement that we maintain certain financial ratios.

We currently satisfy the covenants in our Credit Facility and public debt instruments, including the leverage covenant under the Credit Facility, and do not expect the covenants will restrict our ability to meet our anticipated borrowing and liquidity needs.

We monitor the status of the capital markets and regularly evaluate the effect that changes in capital market conditions may have on our ability to fund our liquidity needs. We believe the Credit Facility, and our access to capital markets, together with cash we expect to generate from operations, remain adequate to meet our liquidity requirements.

#### *Commercial Paper*

We issue commercial paper in the U.S. Because we do not have purchase commitments from buyers for our commercial paper, our ability to issue commercial paper is subject to market demand. We do not expect that fluctuations in the demand for commercial paper will affect our liquidity, given our borrowing capacity under the Credit Facility and access to capital markets.

### **Uses of Cash**

Cash, cash equivalents, and restricted cash totaled \$743 million at September 30, 2023, an increase of \$218 million from year-end 2022, primarily due to net cash provided by operating activities (\$2,419 million), Senior Notes issuances, net of repayments (\$1,627 million), net commercial paper borrowings (\$100 million), and the sale of a hotel in the Caribbean & Latin America region (\$61 million), partially offset by share repurchases (\$2,988 million), dividends paid (\$435 million), capital and technology expenditures (\$318 million), financing outflows for

employee stock-based compensation withholding taxes (\$105 million), and the City Express asset acquisition (\$102 million).

Net cash provided by operating activities increased by \$497 million in the 2023 first three quarters compared to the 2022 first three quarters, primarily due to higher net income (adjusted for non-cash items), working capital changes driven by accounts receivable timing, and higher cash generated by our Loyalty Program, partially offset by higher cash paid for income taxes. Cash inflow from our Loyalty Program in 2020 included \$920 million of cash received from the prepayment of certain future revenues under the 2020 amendments to our existing U.S.-issued co-branded credit card agreements, which reduced in both the 2023 first three quarters and 2022 first three quarters, and will in the future reduce, the amount of cash we receive from these card issuers. We expect such reductions to end by year-end 2023.

Our ratio of current assets to current liabilities was 0.5 to 1.0 at the end of the 2023 third quarter. We have significant borrowing capacity under our Credit Facility should we need additional working capital.

#### *Capital Expenditures and Other Investments*

We made capital and technology expenditures of \$318 million in the 2023 first three quarters and \$192 million in the 2022 first three quarters. Capital and technology expenditures in the 2023 first three quarters increased by \$126 million compared to the 2022 first three quarters, primarily reflecting higher spending on improvements to our worldwide technology systems, the overwhelming portion of which is expected to be reimbursed over time. We expect capital expenditures and other investments will total approximately \$900 million to \$950 million for the 2023 full year, including capital and technology expenditures, the completed City Express acquisition, loan advances, contract acquisition costs, and other investing activities (including approximately \$200 million for maintenance capital spending).

#### *Share Repurchases and Dividends*

We repurchased 4.8 million shares of our common stock for \$950 million in the 2023 third quarter. Year-to-date through October 31, 2023, we repurchased 18.3 million shares for \$3.3 billion. For additional information, see “Issuer Purchases of Equity Securities” in Part II, Item 2.

Our Board of Directors declared the following quarterly cash dividends in 2023 to date: (1) \$0.40 per share declared on February 10, 2023 and paid on March 31, 2023 to stockholders of record on February 24, 2023; (2) \$0.52 per share declared on May 12, 2023 and paid on June 30, 2023 to stockholders of record on May 26, 2023; and (3) \$0.52 per share declared on August 3, 2023 and paid on September 29, 2023 to stockholders of record on August 17, 2023.

We expect to continue to return cash to stockholders through a combination of share repurchases and cash dividends.

#### *Material Cash Requirements*

As of the end of the 2023 third quarter, there have been no material changes to our cash requirements as disclosed in our 2022 Form 10-K. See Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” of our 2022 Form 10-K for more information about our cash requirements. Also, see Note 6 for information on our long-term debt.

At September 30, 2023, projected Deemed Repatriation Transition Tax payments under the U.S. tax legislation enacted on December 22, 2017, commonly referred to as the 2017 Tax Cuts and Jobs Act, totaled \$243 million, of which \$108 million is payable within the next 12 months from September 30, 2023.

### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Our preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect reported amounts and related disclosures. We have discussed those policies and estimates that we believe are critical and require the use of complex judgment in their application in our 2022 Form 10-K. We



have made no material changes to our critical accounting policies or the methodologies or assumptions that we apply under them.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Our exposure to market risk has not materially changed since December 31, 2022. See Part II, Item 7A, “Quantitative and Qualitative Disclosures About Market Risk” in our 2022 Form 10-K for more information on our exposure to market risk.

**Item 4. Controls and Procedures**

*Disclosure Controls and Procedures*

We evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”)) as of the end of the period covered by this quarterly report under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer. Management necessarily applied its judgment in assessing the costs and benefits of those controls and procedures, which by their nature, can provide only reasonable assurance about management’s control objectives. You should note that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and we cannot assure you that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective and operating to provide reasonable assurance that we record, process, summarize, and report the information we are required to disclose in the reports that we file or submit under the Exchange Act within the time periods specified in the rules and forms of the SEC, and to provide reasonable assurance that we accumulate and communicate such information to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions about required disclosure.

*Changes in Internal Control Over Financial Reporting*

We made no changes in internal control over financial reporting during the 2023 third quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II – OTHER INFORMATION

### **Item 1. Legal Proceedings**

See the information under the “Litigation, Claims, and Government Investigations” caption in Note 5, which we incorporate here by reference. Within this section, we use a threshold of \$1 million in disclosing material environmental proceedings involving a governmental authority, if any.

From time to time, we are also subject to other legal proceedings and claims in the ordinary course of business, including adjustments proposed during governmental examinations of the various tax returns we file. While management presently believes that the ultimate outcome of these other proceedings, individually and in aggregate, will not materially harm our financial position, cash flows, or overall trends in results of operations, legal proceedings are inherently uncertain, and unfavorable rulings could, individually or in aggregate, have a material adverse effect on our business, financial condition, or operating results.

### **Item 1A. Risk Factors**

We are subject to various risks that make an investment in our securities risky. You should carefully consider the risk factors disclosed in Part I, Item 1A, “Risk Factors,” of our 2022 Form 10-K. There are no material changes to the risk factors discussed in our 2022 Form 10-K.

### **Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities**

(a) Unregistered Sales of Equity Securities

None.

(b) Use of Proceeds

None.

(c) Issuer Purchases of Equity Securities

*(in millions, except per share amounts)*

| Period                                 | Total Number of Shares Purchased | Average Price per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(1)</sup> | Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs <sup>(1)</sup> |
|--|----------------------------------|-------------------------|---|---|
| July 1, 2023 - July 31, 2023           | 1.6                              | 190.23                  | 1.6   | 12.0  |
| August 1, 2023 - August 31, 2023       | 1.6                              | 204.58                  | 1.6   | 10.4  |
| September 1, 2023 - September 30, 2023 | 1.6                              | 202.32                  | 1.6   | 8.8   |

<sup>(1)</sup> On November 10, 2022, we announced that our Board of Directors increased our common stock repurchase authorization by 25 million shares. As of September 30, 2023, 8.8 million shares remained available for repurchase under Board approved authorizations. We may repurchase shares in the open market or in privately negotiated transactions, and we account for these shares as treasury stock.

### **Item 5. Other Information**

During the 2023 third quarter, no director or Section 16 officer adopted or terminated any Rule 10b5-1 plans or non-Rule 10b5-1 trading arrangements.

**Item 6. Exhibits**

We have not filed as exhibits certain instruments defining the rights of holders of the long-term debt of Marriott pursuant to Item 601(b)(4)(iii) of Regulation S-K promulgated under the Exchange Act, because the amount of debt authorized and outstanding under each such instrument does not exceed 10 percent of the total assets of the Company and its consolidated subsidiaries. The Company agrees to furnish a copy of any such instrument to the Commission upon request.

| <u>Exhibit No.</u> | <u>Description</u>   | <u>Incorporation by Reference (where a report is indicated below, that document has been previously filed with the SEC and the applicable exhibit is incorporated by reference thereto)</u> |
|--------------------|--|---|
| 3.1                | Restated Certificate of Incorporation.   | <a href="#">Exhibit No. 3.(i) to our Form 8-K filed August 22, 2006 (File No. 001-13881).</a>   |
| 3.2                | Amended and Restated Bylaws.   | <a href="#">Exhibit No. 3.1 to our Form 8-K filed August 4, 2023 (File No. 001-13881).</a>  |
| 10.1               | Second Amended and Restated Aircraft Time Sharing Agreement, effective as of September 14, 2023, between Marriott International Administrative Services, Inc. and J. Willard Marriott, Jr.   | <a href="#">Filed with this report.</a>   |
| *10.2              | Amended and Restated Aircraft Time Sharing Agreement, effective as of September 14, 2023, between Marriott International Administrative Services, Inc. and Anthony Capuano.  | <a href="#">Filed with this report.</a>   |
| 31.1               | Certification of Chief Executive Officer Pursuant to Rule 13a-14(a).   | <a href="#">Filed with this report.</a>   |
| 31.2               | Certification of Chief Financial Officer Pursuant to Rule 13a-14(a).   | <a href="#">Filed with this report.</a>   |
| 32                 | Section 1350 Certifications.   | <a href="#">Furnished with this report.</a>   |
| 101                | The following financial statements from Marriott International, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, formatted in Inline XBRL: (i) the Condensed Consolidated Statements of Income; (ii) the Condensed Consolidated Statements of Comprehensive Income; (iii) the Condensed Consolidated Balance Sheets; and (iv) the Condensed Consolidated Statements of Cash Flows. | <i>Submitted electronically with this report.</i>   |
| 101.INS            | XBRL Instance Document - the instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.  | <i>Submitted electronically with this report.</i>   |
| 101.SCH            | XBRL Taxonomy Extension Schema Document.   | <i>Submitted electronically with this report.</i>   |
| 101.CAL            | XBRL Taxonomy Calculation Linkbase Document.   | <i>Submitted electronically with this report.</i>   |
| 101.DEF            | XBRL Taxonomy Extension Definition Linkbase Document.  | <i>Submitted electronically with this report.</i>   |
| 101.LAB            | XBRL Taxonomy Label Linkbase Document.   | <i>Submitted electronically with this report.</i>   |
| 101.PRE            | XBRL Taxonomy Presentation Linkbase Document.  | <i>Submitted electronically with this report.</i>   |
| 104                | The cover page from Marriott International, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, formatted in Inline XBRL (included as Exhibit 101).   | <i>Submitted electronically with this report.</i>   |

\* Denotes management contract or compensatory plan.

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MARRIOTT INTERNATIONAL, INC.

November 2, 2023

/s/ Felitia O. Lee

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Felitia O. Lee

Controller and Chief Accounting Officer  
(Duly Authorized Officer)