Marriott International, Inc.
First Quarter 2023
Earnings Conference Call Transcript[1]
May 2, 2023

Operator: Good day, everyone, and welcome to Marriott International's First Quarter 2023 Earnings Conference Call. Today's call is being recorded. I will now turn the call over to Jackie Burka, Senior Vice President, Investor Relations.

Jackie Burka: Thank you. Good morning and welcome to Marriott's first quarter 2023 earnings call. On the call with me today are Tony Capuano, our President and Chief Executive Officer, Leeny Oberg, our Chief Financial Officer and Executive Vice President, Development, and Betsy Dahm, our Vice President of Investor Relations.

I will remind everyone that many of our comments today are not historical facts and are considered forward-looking statements under federal securities laws. These statements are subject to numerous risks and uncertainties, as described in our SEC filings, which could cause future results to differ materially from those expressed in or implied by our comments. Please also note that, unless otherwise stated, our RevPAR, occupancy and average daily rate comments reflect systemwide, constant currency results for comparable hotels. Statements in our comments and the press release we issued earlier today are effective only today and will not be updated as actual events unfold. You can find our earnings release and reconciliations of all non-GAAP financial measures referred to in our remarks today on our investor relations website. And now I will turn the call over to Tony.

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

We announced excellent first quarter results today, reflecting continued momentum in our business around the world. While the timing of demand recovery has varied across regions depending on COVID policies, it is clear that post-pandemic, people have a deep appreciation for travel. As the largest global lodging company, with properties in 138 countries and territories, a diverse portfolio of amazing brands, and our award-winning Marriott Bonvoy loyalty program, we are proud to connect people through the power of travel.

First quarter global RevPAR rose 34 percent versus 2022, driven by significant recovery in Asia Pacific and strong growth across the rest of our regions. Worldwide occupancy reached 65 percent, 11 percentage points higher than the year-ago quarter. Global ADR grew 11 percent, demonstrating our continued focus on driving rate.

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

While macroeconomic uncertainty persists, it has not weighed on travel demand to date. In fact, demand continued to rise across all customer segments in the quarter. Forward bookings are solid, though our transient booking window is still short-term at around three weeks, so trends could change relatively quickly.

Globally, leisure demand and ADR are still incredibly robust. Following a year with leisure demand already well above pre-pandemic levels, first quarter transient room nights for the segment increased 12 percent, with ADR rising 8 percent year over year.

Group demand was also very strong in the quarter. In the U.S. & Canada, group revenue for full year 2023 was pacing up 26 percent to 2022 at the end of the quarter, a significant improvement from group pace at the end of last year. For the second through fourth quarters of this year, group room nights were pacing up 9 percent, with rate up 7 percent, leading to revenues pacing up 16 percent year over year.

U.S. & Canada business transient demand saw modest additional recovery in the quarter. ADR rose meaningfully, primarily due to solid special corporate rate increases. First quarter U.S. & Canada business transient revenues surpassed 2019 levels for the first time since the pandemic began.

Importantly, cross-border travel has continued to rise globally. However, it is still a few hundred basis points below 2019, when guests traveling abroad accounted for nearly 20 percent of total room nights. Additional upside is expected to come primarily from Asia Pacific, given international airlift to and from China is still well below pre-pandemic levels.

We are focused on strengthening our Marriott Bonvoy loyalty platform by continuing to grow our membership base, which reached 182 million members at the end of March, and enhancing engagement with these valuable customers. Our co-branded credit cards, with offerings in nine countries, performed well again this quarter. Global card acquisitions soared 35 percent year over year, while global card spend increased 16 percent. To engage with our customers, we are increasingly leveraging our digital platforms, which are highly profitable channels for our owners. Those digital channels had a record first quarter. On a year-over-year basis, mobile app users grew 31 percent, digital room nights rose 17 percent, and digital revenues climbed 26 percent.

Turning to development, we still expect gross rooms growth of around 5.5 percent this year and net rooms growth of 4 to 4.5 percent. While we are keeping a close eye on the financing environment, as Leeny will discuss in her remarks, we do anticipate returning to a mid-single digit net rooms growth rate in the next few years.

We were pleased to close the City Express transaction just yesterday, welcoming roughly 17,000 rooms in the Caribbean and Latin America region, or CALA, into our portfolio. City Express is an incredible launch pad to jump-start our entry into the high-growth, moderately-

priced midscale space. We see meaningful opportunity to expand the brand in CALA, as well as in other locations around the world.

Our industry leading pipeline stood at approximately 502,000 rooms at quarter end, with 57 percent of those rooms in international markets, and about 200,000 rooms under construction. Strong interest in conversions continues, including multi-unit opportunities. Conversions represented nearly 30 percent of signings in the quarter and 25 percent of openings.

I will now turn the call over to Leeny to discuss our financial results in more detail.

Leeny Oberg: Thank you, Tony.

Our first quarter results reflected robust demand growth around the world, with all regions and all hotel tiers posting solid performance. U.S. & Canada RevPAR grew 26 percent year over year. Occupancy reached 66 percent, up 8 percentage points, while ADR rose 10 percent versus the year-ago quarter.

International RevPAR rose a remarkable 63 percent over the 2022 first quarter, with ADR rising 16 percent. Occupancy reached 64 percent, an 18 percentage-point improvement versus the prior year quarter. Demand was strong in all international markets, with particularly impressive improvement in Asia Pacific after travel restrictions were lifted.

RevPAR in Greater China was 95 percent recovered to pre-pandemic levels in the quarter, and mainland China was more than fully recovered. This is all the more notable given that demand in the quarter was overwhelmingly driven by domestic travelers, as international airlift was still less than 20 percent of 2019 capacity at the end of March. As you will recall, around one-quarter of room nights in Greater China were from international guests pre-pandemic. International flights to and from China are slowly being added, though airlift is only expected to be around 40 percent of 2019 levels in the second quarter.

Total gross fee revenues totaled $1.1 billion, nearly 40 percent above the prior year quarter, with a meaningful rise in incentive management fees, or IMFs. IMFs nearly doubled compared to 2022, to $201 million. They also topped the first quarter of 2019 by 23 percent, with every region except for Greater China earning more incentive fees than in the 2019 first quarter.

Our non-RevPAR related franchise fees also grew meaningfully once again, totaling $197 million, up 16 percent year over year, primarily due to co-branded credit card fees rising 18 percent.

Containing costs remains a focus at both the corporate and the hotel level. In the U.S. & Canada, margins at our managed hotels rose 2 percentage points versus the 2022 first quarter, and they remain above 2019 margin levels.

Adjusted EBITDA totaled $1.1 billion, a new quarterly record despite the first quarter being the seasonally slowest quarter of the year.

Now let's talk about our 2023 outlook, the full details of which are in our earnings press release. With the better than expected first quarter results and robust global booking trends, we are raising our full year guidance. Macroeconomic uncertainty is not impacting our short-term demand, and trends across all customer segments remain strong. The second quarter is expected to benefit from particularly strong year over year growth in international markets, especially in Asia Pacific. However, there is less visibility in forecasting the company's financial performance for the second half of the year.

The high end of the range reflects relatively steady global economic conditions throughout the remainder of 2023, with continued resilience of travel demand across all customer segments and markets. The low end of the range reflects a meaningful softening of the global economy in the second half of the year, with worldwide RevPAR in the last two quarters roughly flat compared to 2022.

For the full year, RevPAR in the U.S. & Canada could grow 6 to 9 percent and international RevPAR could grow 22 to 25 percent, leading to global RevPAR rising 10 to 13 percent.

Total fees for the full year could rise between 13 and 16 percent, with the non-RevPAR-related component increasing 4 to 7 percent. Non-RevPAR fee growth is expected to benefit from higher credit card fees resulting from growth in average spend and in the number of cardholders.

We still expect 2023 G&A expenses of $915 million to $935 million, an annual increase of 3 to 5 percent, but still below 2019 levels. Full year adjusted EBITDA could increase between 13 and 18 percent, and adjusted EPS could rise 19 to 26 percent above 2022.

Our powerful, asset-light business model continues to generate a great deal of cash. In the first quarter, our net cash provided by operating activities was around $890 million, and we returned over $1.2 billion to shareholders through the end of March.

Our capital allocation philosophy has not changed. We're committed to our investment grade rating, investing in growth that is accretive to shareholder value, while returning excess capital to shareholders through a combination of a modest cash dividend and share repurchases. For the full year, we still expect 2023 investment spending of $850 million to $1 billion. This includes $100 million for the just completed acquisition of the City Express brand portfolio, as well as higher than typical investment in our customer-facing technology, which is overwhelmingly expected to be reimbursed over time. With the increase in our adjusted EBITDA forecast, we now expect to return between $3.6 billion and $4.1 billion to shareholders in 2023.

On the development front, we are sure many of you have questions about the banking environment in the U.S. and in Europe in particular. Given rapidly rising interest rates, the financing environment in these regions has been challenging for some time. Another element of uncertainty has now been added as some banks wait for more clarity around capital requirements and, perhaps, additional regulations. However, while there are challenges with lending, especially for new construction projects, deals that have committed financing continue to move forward. Additionally, the number of deals leaving the pipeline is not increasing. Fall-out in the quarter was around 1.5 percent, below our historical average of just over 2 percent.

We're closely monitoring the situation and the regulatory response, but we do expect the tightening in hotel financing to be short-term. As we have seen over time, hotel financing has proven to be quite resilient over the long term. Hotel loans have been among the better performing sectors of commercial real estate lending, as hotels continue to post excellent operating results.

I will now turn the call back over to Tony, who has a few more comments before we go to Q+A.

Tony Capuano: Before opening up for questions, I just want to pause for a moment and thank our team of associates around the world who continue to do such outstanding work and are a key reason our year is off to such a strong start. They are remarkable. I'm also excited to let you all know that we plan to hold our first analyst day since early 2019 at the W South Beach in Miami on Wednesday, September 27th. We'll open registration for that event in June. And we look forward to seeing you in South Florida and sharing a deeper dive on our business with you this fall.

And now Leeny and I are happy to answer your questions.

Question and Answer Session:

Joe Greff - JPMorgan Chase & Co.: Good morning, guys. What's that to us was obviously the -- I mean it was a good quarter overall. What's that to us was the incentive management fee performance in 1Q. And the comment you made that it was driven - or IMF outside of China were at or above 2019 levels, China just below. Can you talk about China IMF expectations for the balance of this year and how you think about IMF growth relative to base and franchise and other fees growth?

Leeny Oberg: Thanks. Sure. So let me just kind of set the stage a little bit, and that is that you -- we talked about the fact that IMF's essentially doubled Q1 over Q1. And certainly, a huge part of that was driven by Asia Pacific in their great RevPAR recovery. So again, broadly speaking, if you call it, $100 million increase in IMF, about $30 million to $40 million of that came from Asia Pacific. So definitely with a disproportionate increase in RevPAR relative to the rest of the world, they were a big provider.

As you know, Joe, generally, our incentive fees in Asia Pacific do not include an owner's priority. So they tend to be not quite as lumpy in terms of the way that they return. So we would expect, as you see incentive fees for the remainder of this year, to continue to show that characteristic. And I guess the best way to put it is that if we hit the high end of our guidance, you could expect to see incentive fees globally actually surpass the peak levels that we had in 2019.

And then the only other thing that I'll point out is that, obviously, our managed rooms, which make up about 550,000 rooms out of 1.5 million, over 75 percent of them are full-service rooms. So as you see the strength in both group and returning business transient and continued leisure demand, I think that bodes well for IMF.

Tony Capuano: And then, Leeny, the only thing I might add for Joe's benefit since his question was specific to China, we did see in the quarter, Joe, that Mainland China RevPAR was fully recovered to 2019 levels. But remember, the vast majority of that recovery was domestic demand. At the end of the quarter, only about 20 percent of the international airlift in China had recovered. I think by April, it was recovered about 40 percent. And so we do expect a stronger and stronger return of international demand in China through the balance of the year.

Joe Greff - JPMorgan Chase & Co.: Great. Thank you. That's helpful. And then my follow-up question -- Leeny, thank you for prepared remarks on the development front with potential financing challenges. Are you guys getting increased requests? Or do you anticipate increased requests from developers for financial support?

Leeny Oberg: You know, I think we always get requests for financial support, and we're happy to consider them. I do think, Joe, at the end of the day, the largest area of the capital stack, particularly in the U.S. that needs to be filled, is the senior loan. And so from that perspective, that is not a place where we typically get requests. And so around the edges, I would say there's a bit more requests for whether they're debt service guarantees or operating profit guarantees, and that obviously is for managed properties.

But I would say that, broadly speaking, the level of capital that we're putting into deals has not changed meaningfully. That this really is more about a temporary slowdown in the bank's willingness to get some of these financings over the finish line.

Joe Greff - JPMorgan Chase & Co.: Thank you very much.

Stephen Grambling - Morgan Stanley: Hi, good morning. Wanted to touch base on the digital or technology investment that you talked about last quarter. Just want to know a little bit more about how you think that could impact the consumer experience and/or employee experience as we think about longer-term revenue and/or margin implications from that investment?

Tony Capuano: Sure. So as we think about not only the re-platforming of our major systems but also ongoing investment in our technology infrastructure, we always think about it through the lens of the impact on our associates, our guests and our owners and franchisees. I think

from an associate perspective, particularly our future workforce is a workforce that has grown up opening an iPhone box with the understanding that there are no instructions and that, that technology will be intuitive and the design of our future technology will be similarly intuitive. So we think it will both be advantageous as we compete for talent, but it will also create capacity for them to more deeply engage with our guests.

For our guests, we envision both at the property level and our customer engagement centers, making the breadth of information that we have about our guests available to our agents so that they can quickly and seamlessly address whatever questions or concerns or needs that those guests have.

And then I think from the owner's perspective, there are both inherent operating efficiencies from new technologies that should be margin enhancing. And I also think from a revenue generation perspective, today, when you go to m.com you have the ability to book rooms. When our new systems roll out, the full breadth of products and services that we have to sell our customers, food beverage, spa, golf will be available at a single click. And we think that represents a very meaningful revenue upside.

Leeny Oberg: And, Stephen, the only thing that I'll add is just a reminder that this is really a multiyear process that - we talked about it a quarter ago, we talked about it again today, and that is that, I mean, we're thrilled with what we see for the potential with this and that, that will impact this year's investment spending, but we expect this will take several years.

Stephen Grambling - Morgan Stanley: That's helpful. And perhaps a quick follow-up on Joe's question about development and really focused on the pipeline. Given the strong growth in international markets in China, in particular, in the pipeline, how does that change the visibility as we think about translating to net unit growth from that particular part of the pipeline?

Leeny Oberg: Well, I'll make a couple of comments. First of all, the continued strength in conversions is obviously great for our visibility into the pipeline. They tend to be shorter to actually open, they tend to be clearer in exactly what needs to be done to be able to put our flag on them. And you've seen that we continue to put out really strong numbers on both signings and openings.

The other trend that we've noticed over the past couple of years is increasing comfort internationally with conversions. And as you think about our soft brands, that really started, frankly, in the U.S. with Autograph and then have now really expanded as you think about Autograph, Luxury Collection, Tribute and, to some extent, Delta, you really see those spreading more around the world. And that obviously gives us better visibility both for the rooms that are going to open and frankly, really helps support the net rooms growth thesis that we have.

Tony Capuano: And I might just build on that, Stephen, the -- we talked a little bit about this last quarter. Of course, the teams around the world continue to pursue individual asset conversions, but we are just as aggressively looking for portfolio conversions. You might

remember that in the middle of last year we were delighted to announce an eight-hotel portfolio conversion in Vietnam that we referred to as Vinpearl. Just last month, we did Vinpearl Round 2, which was seven additional hotels, about 2,500 rooms, three of which are conversions that will open in calendar 2023. So I think that multi-unit portfolio conversion strategy is something you should reasonably expect to continue to be a focus area for our teams.

Stephen Grambling - Morgan Stanley: That's helpful context. Thanks so much.

David Katz - Jefferies LLC: Hi, good morning. And thanks for taking my question. I was hoping to get just a little more color on how we think about the arc or trajectory of non-RevPAR fees relative to the core fees that you've obviously provided a ton of color on and arguably, we have a bit more experience modeling over the long term.

Leeny Oberg: Sure. I think you heard me talk about the 4 percent to 7 percent expectation for 2023, which is obviously a bit different as it relates to fees from RevPAR given what we're seeing in the lodging operations for the year. So I think overwhelmingly, as you know, the non-RevPAR fees are co-brand credit card fees. Those are the largest chunk. And they are going to tie to both the number of cardholders and the level of average spend.

I think it won't surprise you that as you've seen people start to come out of COVID that we are seeing the average spend on credit card increases year-over-year moderate. But I will also say that the number of cardholders is growing very nicely. So I would say that it is relatively speaking, more growth coming from the increased base of cardholders than it is on the actual spend, but it is a great combination of the two of them.

The other thing is on our residential fees, on our residential branding fees, they over a kind of three to five year time horizon, they've just been growing beautifully as there's great demand for that product of ours, but they are a bit lumpier in terms of when the actual residences open. And that, I think you should expect to see that it will continue to grow over time, but that it can vary quarter-to-quarter quite meaningfully given the one-time nature of those fees.

David Katz - Jefferies LLC: Understood. Very helpful. And if I can ask my follow-up, just touch on City Express a bit more, admitting that I have not stayed in one. Can you just help us sort of place that within kind of the RevPAR hierarchy of what you have? And give us a sense, as to sort of when and how and what way we might see that grow into other markets notably more in the U.S.?

Tony Capuano: Yes, of course. So as I mentioned in the opening remarks, on the long list of attributes that excite us about this transaction, it is a great way for the company to enter the midscale segment, which is not a segment where we have competed previously.

When we have talked in the past about the breadth of our portfolio, we've often responded to questions by saying we love the breadth of that portfolio for the way in which it satisfies the

wants and needs of both our guests and our owners and franchisees. And midscale is a tier where we hear demands from both of those constituents.

Midscale obviously is - as from a RevPAR perspective and a rate-positioning perspective, positioned below brands like Fairfield that are in our current architecture. We think there is an immediate opportunity to accelerate the growth of City Express across the Caribbean and Latin American region. As we have done with many brands that we've either developed organically or acquired.

We are knee-deep in exploring the applicability of the City Express platform, and its growth potential in other markets around the world. And in fact here in the U. S., we're just a few weeks away from announcing a simple, modern, streamlined, new-build, extended state product that has very basic services and amenities for those looking for longer stays at our midscale price point, and you should expect to hear more about that in the coming weeks.

David Katz - Jefferies LLC: Thank you so much. Appreciate it.

Tony Capuano: Of course.

Robin Farley - UBS Investment Bank: Great, thanks. Just circling back in your introductory remarks, you talked about business transient revenue being above 2019 levels. I wonder if you could tell us - because rate clearly seems to be the driver - what business transient nights are as kind of the percent change the delta to 2019 level?

Leeny Oberg: So business transient room nights are down about 1 percent versus 2019. Obviously, the rate has been terrific, particularly with the most recent renegotiation of the special corporate rate.

Robin Farley - UBS Investment Bank: Great, thank you. And I guess my other - the follow-up question would be - I know you've talked about the strength - you're raising RevPAR, so clearly you're seeing strong demand. But when we look at the broader market, the STR data, we see luxury and economy that, the two sort of ends, both having kind of on a trailing at this point - I think it's seven weeks of trailing - six to seven weeks of trailing - showing down year over year for RevPAR for those two segments?

And I realize you're much more focused in the upscale and upper upscale, but I wonder if you could just sort of like opine for a moment on whether that's something that you think will start to move into those other segments or how you view what's happening in those, kind of, luxury and economy parts of the market? Thanks.

Tony Capuano: Sure. So obviously, we're very focused on rate and I think that's revealed in the results with global ADR up about 11 percent in the quarter. If you look at the U.S. & Canada, Q1 luxury rates as you point out were down slightly year over year. But as we dig into that data, our sense is that modest decline is largely around mix shift.

So the prior several quarters, the bulk of that luxury rate growth was in leisure destinations, resort destinations. As we start to see pickup in demand in urban downtown core destinations, that's great for the business, but it's at lower rates and that's dragging down a bit. With that said, globally luxury ADR was up 4 percent in the quarter even as compared to the extraordinarily strong ADR we saw for luxury in the first quarter. And then, I think your second question was on?

Leeny Oberg: On economy which largely as you might imagine, I think - we don't play very much there really in any meaningful way. I think it's not a surprise when you see that just generally speaking in economy, there tends to be less variability both up and down over time than you see in the highest end rates. But I think again, I will point out on luxury, Robin, that we're still very, very pleased with what we see in terms of luxury demand.

And frankly, when you think, for example, of people having more opportunities of where they want to travel. It's one of the benefits of being the size and scale of our system, because they're actually may not be going to some places domestically, that they were going before, but can now actually go abroad.

Tony Capuano: And then just to put a little more context to your question, Robin. And I think this kind of tracks with the industry data that you referenced. This is systemwide for the quarter, as compared to 2022 luxury RevPAR was up 18 percent, extended stay RevPAR was up 16 percent, select brand RevPAR was up 23 percent, and premium RevPAR was up 35 percent.

Robin Farley - UBS Investment Bank: Yes on that for year-over-year yes. Okay. Thank you. Thanks very much. Thanks.

Tony Capuano: Yes, thank you. You're welcome.

Shaun Kelley - BofA Securities: Hi, good morning, everyone. Thanks for taking my question. So, Leeny, maybe if we could talk about capital return a little bit. Obviously, you boosted up your expectations or outlook there. Could you just remind us of kind of maybe where this new outlook range kind of puts you relative to your medium-term leverage target and what that target is?

Leeny Oberg: Sure. I think it's a great question to be able to reinforce where we are, which is that we have been for some time, continue to be, and expect for the rest of this year to continue to be at the low end of the investment grade leverage targets. So the biggest chunk of the – well, all of the chunk relative to the increase in capital return is from the increase in expected EBITDA and cash flow for the company.

So, if you think about, broadly speaking, the midpoint of adjusted EBITDA going up between $250 million and $300 million, it's pretty straight math to see that that can get you to this increase of call it roughly $700 million of midpoint of capital return. So, we feel really strong

about the way the business is operating, from a cash flow performance, as well as the visibility that we've got, certainly in the near term.

But even at the lower end of the guidance that we provided, I think, we still feel really good about being at the low end of our leverage targets with the kind of capital return range that we've given.

Shaun Kelley - BofA Securities: Great. And as my follow-up to maybe switch gears a little bit but following up on the comment around I think midscale extended stay and a little bit around M&A and City Express, too. Tony, could just talk a little bit about sort of the balance of potential brand launches and where you see white space on that front relative to tuck-in M&A, which I know we saw for a number of years kind of back into the early 2010s and then obviously Starwood kind of took over for a few years in the late teens there? Maybe help us balance those two priorities or how you see opportunities in each?

Tony Capuano: Of course, so then the fundamental strategy has not shifted. You are right to point out that prior to Starwood, there was a fairly consistent cadence of what we always refer to as bolt-on acquisitions. But the bulk of those acquisitions had some common DNA. They often helped us gain a foothold in a geography where we were dissatisfied with the pace of organic growth.

And they often - we often had the view that they represented a growth platform either regionally or, potentially, globally. AC acquisition would be perhaps the best illustration of that. Our industry leading scale gives us maybe the luxury of not needing to do M&A to gain scale. We enjoy scale.

But we will continue to look at opportunities, if we believe there is a gap in the geography where our guests seek to travel and were dissatisfied with our footprint or if we see a gap in our brand architecture. That was what guided the City Express transaction, a transaction that solidified the strength and leadership of our footprint in the CALA region, and also filled in a gap our brand architecture by giving us entry into midscale.

But the final bit of common DNA in every one of those transactions is the discipline around the valuation. And you should expect to see that same discipline as we evaluate what I think will be a fair number of opportunities that will be floating around out there in the market. And then maybe the last comment I would make is, as I reflect on the last decade or more of expansion of our platform, I'm delighted that we've expanded our brand architecture through a thoughtful blend of both M&A and organically-generated platforms. When I look at the success, we've had with organic launches like Autograph and Moxy, and I blend that with powerhouses like Residence Inn and Ritz-Carlton and AC, which were added to the system through M&A., I really like that approach.

Shaun Kelley - BofA Securities: Thanks very much.

Tony Capuano: Of course.

Smedes Rose - Citigroup Inc.: Hi. Thanks. I just wanted to ask a little bit about how you're thinking about occupancy as in you should hear. And I'm sort of asking in the context it looks like for you and for others, that we've seen reports from that occupancy just still sort of stubbornly below kind of pre-pandemic levels. I mean certainly, it's close, but they're still below, obviously offset by rate.

But I'm wondering do you have any just sort of updated thoughts on - is there some piece of business that's maybe kind of gone or people are being priced out? Or do you think occupancies can and will return to kind of pre-pandemic levels as we go through this year and into next year?

Tony Capuano: Sure. So I'll give it a try and, Leeny, feel free to jump in. As we pointed out in the prepared remarks, we continue to see robust demand recovery translating into strong occupancy growth. In fact, on a global basis, we saw 11 points of occupancy improvement in the quarter. When we think about our updated guidance, at the high end of that guidance, we expect our RevPAR growth to be fairly evenly split between ADR and occupancy gains. So, we do expect there to be continued occupancy gains at the high end of that guidance.

The low end of the range would, reflect a meaningful softening in the global economy in the back half of the year. And that would have worldwide RevPAR relatively flat, compared to where we were in the back half of last year.

Leeny Oberg: So, the only thing I'll add is, it is interesting when you look at occupancy compared to 2019, and we do continue to make progress in that comparison. When I look at U.S. & Canada kind of moving through from January through March of this Q compared to 2019, we're down to only two percentage points difference by the time we're at March. And globally, actually, we're only two percentage points in March as well.

I think there are a couple of things to note. Number one is the portfolios are pretty different. We've added 11 percent more rooms since 2019. So the comparison starts to be not completely apples to apples. And I think there's, also been some great learnings on the part of the industry about revenue management. And there, I think, at the end of the day, we're trying to make sure that we're maximizing the returns on these real estate assets.

And then as you've seen with group, for example, there's actually been some benefit over the reality that group is booking closer to the time of the actual event. So, I think we will eventually get back there. We are getting fairly close. But I think the best part is that you're seeing the fundamental business segments of business transient, leisure, and group really all operating on full cylinders. Not exactly the way they behaved in 2019, but still really in good shape.

Smedes Rose - Citigroup Inc.: Okay thanks. And then maybe just on that - I'm sorry, if you said, but what percent of demand in the quarter came through Marriott Bonvoy members? And could you just talk a little bit about what kind of demand is coming through OTAs at this point?

Leeny Oberg: Yes. On the penetration side - is that your question on Marriott?

Smedes Rose - Citigroup Inc.: Yes, yes right.

Leeny Oberg: Are you talking about digital channels or are you talking about Marriott Bonvoy?

Smedes Rose - Citigroup Inc.: Well for occupancy, how much came through Marriott Bonvoy, I guess?

Leeny Oberg: Yes. So for the first quarter, globally, the member penetration was 53 percent and in the U.S., it was 60 percent.

Smedes Rose - Citigroup Inc.: Okay. And has the - the occupancy through OTAs changed meaningfully or…?

Leeny Oberg: No, that has stayed that's at about 11 percent, and that is quite similar to what was pre-COVID. I think the interesting part is that you look at either the digital channels, which have grown 600 basis points since pre-COVID, or if you look at all of Marriott's direct channels together. We've actually grown share about 100 basis points since pre-COVID, but the OTAs have remained roughly flat.

Smedes Rose - Citigroup Inc.: Thank you. I appreciate the detail.

Patrick Scholes - Truist Securities, Inc.: Good morning, everyone. Tony, I see there's some news in the last day or so that you folks will begin bundling your resort fees into your pricing displays later this month. It looks like you're the first major hotel company to be doing this. Do you see just putting yourself - does this create an unfair competitive disadvantage for you? And would you expect other hotel companies to also follow your lead with displaying these fees? Thank you.

Tony Capuano: Yes. So the way I'd answer that, Patrick, we've already been showing it. The discussions we've been having with the various jurisdictions are just about making sure that the transparency of those disclosures is enhanced and crystal clear for our guests. It is not as if those were hidden somehow. We're simply further clarifying and enhancing that transparency.

I will leave it to the state AGs around the rest of the country for the rest of the industry. But I am pleased that we will lead the industry in terms of the transparency of our disclosure for our guests.

Patrick Scholes - Truist Securities, Inc.: Thank you. And I also - I agree, I think that's the right thing to do to give full transparency on these. Thank you.

Tony Capuano: Sure.

Richard Clarke - Sanford C. Bernstein & Co.: Hi there, thanks for taking my questions. Just as first one, your comment was that the projects that are under construction are financed and not being affected. About 60 percent of your pipeline is not under construction. How would you clarify that? How much of that is financed but construction hasn't started? And how much risk associated is there with that 60 percent not under construction?

Leeny Oberg: Sure. So yes, you've got the basic parameters roughly right, which is those that have started construction, you would expect those to be - already be financed. There's not a specific number on firm financing for that other 60 percent. That's an ongoing process and always has been between the developers as they consider their various capital sources. One thing to remember in that is, that our pipeline is over 50 percent international, which does tend to be less dependent on senior loan financing.

And then for the remainder, in the U.S., it is overwhelmingly limited-service, franchised properties. And those, from a relative speaking basis, we do believe that there is some slowdown in the pace of financing for those. But we are, at the same time, continuing to see that banks are willing to consider loans for strong brands in strong proven markets. And we are still seeing that lenders are looking at those projects.

So, I don't think that there is a fundamental change in how we see those projects materializing into actually built hotels. I'd also remind you that there's quite a few conversion hotels in that as well. So, I think, as you've probably seen in past times where lending has had a slowdown, that there can be a bit of a slowdown in the construction starts.

But that we do expect with the performance of the hotel business and, frankly, the relative performance of hotel loans, particularly in limited-service loans, we would expect that to get going again more quickly. We aren't seeing fall out of those deals from our pipeline in anything more than a typical fashion.

Richard Clarke - Sanford C. Bernstein & Co.: Okay, thanks for that color. And just as a follow-up. You mentioned your credit cards now in nine countries, just how meaningfully are those eight non-U.S. countries so far. And what is the opportunity? Can we have a credit card in 200 countries eventually or is there some natural limit to how many countries you can launch it?

Leeny Oberg: Well, we're certainly going to have as many as we can, you can be sure of that. I think I'd make two comments. First of all, certainly with the use of revolving credit in the U.S., that is by far the lion's share of the fees that we receive are related to the U.S. But I would say the rate of growth that we're seeing in terms of both the spend and the cardholder numbers in

international is really quite tremendous. Both in terms of the numbers of cards - numbers of countries, that we're adding cards as well as the number of cardholders in those countries.

So, we've been really pleased with the increases, for example, in Japan, in South Korea, in terms of the growth in cardholders. And I think that bodes really well for future growth, but also for our hotel growth and for our hotel business, because these are all Bonvoy members who want to be earning points and staying at our properties. So, it's a great part of the ecosystem of our business.

Richard Clarke - Sanford C. Bernstein & Co.: Okay, thank you.

Dori Kesten - Wells Fargo Securities: Thanks. Good morning. What percentage of your 200,000 rooms under construction are slated to open over the next three years?

Leeny Oberg: Well, I think the best way - we don't have a particular percentage. As you know, we don't control exactly when they open. We do keep a very careful eye on how they are doing, and again, feel comfortable with the numbers that we've talked - that Tony talked about in terms of the gross room openings, which has both a share of those coming out from under construction, as well as conversions.

Dori Kesten - Wells Fargo Securities: Okay. And I guess on to conversions, do you know - do you have a typical percentage that come as a result of sales versus just an owner choosing to switch?

Tony Capuano: Yes, I don't think there's necessarily a typical percentage. If I had to guess over the last decade or so, it's probably relatively evenly split between an owner that simply has an opportunity to change brands or to flag an independent hotel versus an opportunity that is created as a result of a transaction. But I think that ebbs and flows a bit depending on where we find ourselves in an economic cycle.

Leeny Oberg: And I'll just add one other point that may be as you try to come up with your own math, is just a reminder that for hotel construction and a limited-service hotel is, roughly speaking, two years under construction and a full-service hotel can be anywhere from three to four.

Dori Kesten - Wells Fargo Securities: Okay, thank you.

Brandt Montour - Barclays Bank PLC: Thank you. Good morning, everybody. Just quickly back to China, Tony or anyone, could you talk about maybe the starts momentum there on the ground. I know it sort of beats a little bit to its own drum or different drum than what we're talking about in the U.S., but are you seeing any building momentum in new construction starts in China? And do you think that that could potentially offset sort of the growing headwinds on the financing side in the U.S., Lenny, that you just talked about?

Tony Capuano: Yes. So I think the borders are just opening, the economy is just starting to really gear up. So it's a bit soon for new construction starts. What I can tell you is some of the in-flight construction projects that have been paused have restarted. Our approval volumes are accelerating, the volume of memorandums of understanding that we're negotiating and executing are accelerating. So all of the leading indicators that should drive construction starts are really encouraging, but probably a bit premature to have any really strong data for you.

Leeny Oberg: The other thing I'll point out is that roughly speaking, about 50 percent of our Chinese pipeline deals have some state-owned enterprise participation. And I think that does help as you think about the capital sourcing for those projects, that is helpful as we get those all going again.

Tony Capuano: And maybe the last point I would add, because we're so heavily weighted to the most valuable quality tiers, upper upscale and luxury, oftentimes when we engage with the owner, the project is well under construction. So unlike the U.S., where our conversations start with a greenfield site, they may come to us with a tower of 25 stories out of the ground. So it's a bit of an apples to oranges comparison.

Brandt Montour - Barclays Bank PLC: That's really helpful. And then, Leeny, following up on the IMF discussion, you talked about Asia-Pac and international. Could you maybe touch on the outlook for IMF in the U.S. kind of squaring that with the fact that you guys aren't implying a ton of growth in the U.S. in the back half? But, as you mentioned, your mix skews to full-service, which has the group component in there. Can you try and sort of square those factors away for us, please?

Leeny Oberg: Yes, sure. Absolutely. So I do -- if you look at year-over-year Q1, you are right in pointing out that the U.S. IMF, which came close to doubling in Q1 from $42 million to $85 million, actually did double, that growth was overwhelmingly driven by the premium hotels was the return of group and business transient to our premium hotels. We did continue to see growth in IMF from our luxury hotels, but the biggest chunk of growth came from those premium hotels. So, I think with the strength of group that Tony pointed out in his comments for the rest of the year that you should continue to see the strong growth in both U.S. & Canada IMFs, as well as international.

Brandt Montour - Barclays Bank PLC: Perfect. Thanks so much.

Duane Pfennigwerth - Evercore ISI Institutional Equities: Hey, thank you. Good morning. Just with respect to China, I understand that the recovery has been primarily domestic so far, and we obviously have a good feel for airlift recovery. But I wonder if you could talk a little bit about segmentation. Is it like other geographies in that it's primarily leisure at this stage? And could you just comment on BT and group recovery within China or if there's any differences versus other geographies? And then just for my follow-up, for the sake of time, do you share the view that it will be a fairly booming summer to Europe looking forward? Thank you.

Leeny Oberg: Sure. So I'll start with the second question first, and then Tony will fill in also. And that is, yes, on the second question. While we actually have seen the dollar soften a little bit more than where we were relative to when we gave guidance earlier in February, the reality is that we are still seeing great demand for our Europe hotels for the summer and very pleased with the booking patterns we see there.

On Greater China, let me talk about a couple of things. First of all, cross-border, just a reminder of our comments earlier that roughly three-quarters of the business typically is domestic. Well, right now, it's over 90 percent is domestic. So I think there is the reality that there's going to be more travel both in and out of Greater China as demand - as the airlift improve. So we would expect to see that help both other parts of the world, but also that there's more travel into China.

In terms of the segments, it's seeing the recovery in segments very similar to the way that we saw it in other parts of the world. The one difference being that on special corporate and business transient in China, that is recovering much more quickly than it did in the U.S.

For example, overwhelmingly, people are back in their offices in Greater China, while in the U.S., there's obviously much more of a hybrid mix. So, we are actually seeing all of the segments recover more in line with each other rather than necessarily one after another the way it was in the U.S.

Tony Capuano: And the only other small note I would make, and I'm sure you're aware of this, but the Chinese government just pivoted a bit and said that those foreign visas issued prior to March 28 of '20, that initially they have said would need to be renewed, those are now available for use for entry into Mainland China, which should pave the way for greater inbound international because of the queue for new visa processing for international visitors had been quite lengthy.

Duane Pfennigwerth - Evercore ISI Institutional Equities: Really interesting. Thank you.

Tony Capuano: You're welcome.

Chad Beynon - Macquarie Research: Good morning. Thanks for taking my question. First, Tony, in terms of what your team has coined bleisure, which has presumably helped the length of stay, I'd assume, upper upscale and luxury. While it's hard to pinpoint, have you seen any reduction in these hybrid trips? I know it's always tough to analyze that, but just trying to figure out as people get back to fully in the office if that benefit has waned at all? Thanks.

Tony Capuano: Yes. Not yet. I mean I think the best statistical data we have is the recovery by day of the week, and we continue to see strong recovery on Sundays and Thursdays, which is probably the most compelling empirical data we have that suggests that blended trip purpose continues to be strong. And then I would supplement that data with what we hear anecdotally when we're talking both with special corporate customers and with group customers who are

talking to us as we re-platform our technology and encouraging us to make it easier for their business travelers or their group meeting attendees to book a single reservation that has both business and leisure purposes. So our sense is that, that trend shows no sign of slowing down. And as I've said in other forums, that's great news for our business.

Chad Beynon - Macquarie Research: Thank you. And then lastly, and this is something you'll probably get into at the analyst day. But, Leeny, in terms of the guidance you laid out, the difference between the high- and low-end, obviously, regarding variable macro scenarios. In prior global recessions or in the analysis you guys are currently doing for the guidance, should we expect a more pronounced flattening or maybe decline in North America or outside of the U.S.? Obviously, a lot of variables in there, but just kind of wondering how you're thinking about maybe a soft landing or slightly worse than soft landing could affect each market. Thank you.

Leeny Oberg: Yes. I would probably consider it about the timing of the recovery. So a couple of broad comments. Generally speaking, lodging demand does have a high correlation with GDP growth. So when you think of emerging economies like India, as an example, where you're seeing 6 percent GDP growth, that's going to be very different than what you see in the U.S. where more typical GDP growth might be more like 2 percent, and so the impact of a recession can be different in that regard.

But I think - when I think about the guidance that we've given this year, it is much more tied to the pace of recovery. The U.S., for example, meaningfully farther along in its recovery from COVID than Asia Pacific, for example. And I think we're clearly seeing that now all restrictions are lifted in Asia Pacific and that both pent-up demand and return of demand is coming quite nicely, which will mean that should we see an economic slowdown, I think they will be impacted a bit less than, for example, in the U.S., where obviously in the U.S., if we see it, it's starting from a different point.

So again, as we talked about, we would imagine that Q3 and Q4 in that slowdown does mean that there is a meaningful economic slowdown. I'm not sure I would call it a super sharp deep V. But clearly, a real meaningful economic slowdown that would get us to that roughly flat RevPAR in Q3 and Q4 compared to 2022.

Chad Beynon - Macquarie Research: Very helpful. Thank you very much. Appreciate it.

Tony Capuano: Great. Well, thank you all again for your thoughtful questions. Thanks for your interest in Marriott International. We hope to accommodate you in what should be a terrific summer around the world. And we look forward to welcoming all of you to the beach in Miami in the fall for our investor day. Have a great afternoon. Thank you.

--End--

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