



**Marriott International, Inc.  
Third Quarter 2024  
Earnings Conference Call Transcript<sup>1</sup>  
November 4, 2024**

**Operator:** Good day, everyone, and welcome to Marriott International's Third Quarter 2024 Earnings Conference Call. Today's call will be recorded. It is now my pleasure to turn the call over to Senior Vice President, Investor Relations, Jackie McConagha.

**Jackie Burka:** Thank you. Good morning, and welcome to Marriott's third quarter 2024 earnings call. On the call with me today are Tony Capuano, our President and Chief Executive Officer, Leeny Oberg, our Chief Financial Officer and Executive Vice President, Development, and Betsy Dahm, our Vice President of Investor Relations.

Before we begin, I would like to remind everyone that many of our comments today are not historical facts and are considered forward-looking statements under federal securities laws. These statements are subject to numerous risks and uncertainties, as described in our SEC filings, which could cause future results to differ materially from those expressed in or implied by our comments. Unless otherwise stated, our RevPAR, occupancy, average daily rate and property-level revenues comments reflect systemwide, constant currency results for comparable hotels and all changes refer to year-over-year changes for the comparable period. 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 today.

We are pleased with our third quarter results, which reflect continued momentum in our business. Net rooms grew nearly 6 percent year over year and development activity remained strong. Global RevPAR increased 3 percent in the quarter, driven by another quarter of solid rate growth, with ADR up 2.5 percent.

Globally, group was once again the top performing customer segment. Group RevPAR rose 10 percent year over year for the second quarter in a row, with robust increases in both room nights and ADR. At the end of September, global group revenues were pacing roughly flat for the fourth quarter, primarily due to negative impact from the election in the U.S., and up 8 percent for full year 2024.

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<sup>1</sup> Not a verbatim transcript; extraneous material omitted and edited for clarity and misstatements.

Given our industry-leading distribution of convention hotels, at nearly double the number of rooms of the next closest peer, we are pleased that group strength is continuing into next year. Group revenues for 2025 were pacing up 7 percent at the end of the quarter, on a 3 percent increase in room nights and a 4 percent increase in average daily rate.

Globally, business transient experienced another quarter of growth, with third quarter RevPAR rising 2 percent. Leisure transient RevPAR was flat to the year-ago quarter, while still well above 2019 levels.

If we look at trends by region, RevPAR rose over 2 percent in the U.S. & Canada, driven by growth in average rate. RevPAR growth at luxury and full-service hotels outperformed select-service properties, and weekdays surpassed weekends, reflecting strength in group and business transient compared to leisure.

RevPAR grew 5 percent internationally, driven by 9 percent RevPAR increases in Europe, Middle East and Africa and in Asia Pacific Excluding China. EMEA growth was helped by the Paris Olympics and other special events, as well as solid demand from U.S. travelers. APEC strength was broad based across the region, and benefitted from international guests, especially from Greater China. Cross-border travel on a global basis is now above pre-pandemic levels, at just over 20 percent of total room nights.

Greater China RevPAR declined 8 percent in the third quarter, as macroeconomic pressures led to weak domestic leisure demand and restricted pricing power. Severe weather and higher-end guests traveling to other regions also impacted the area. Despite the demand headwinds, our hotels continued to outperform our peers, gaining RevPAR index across Greater China in the quarter. We also grew RevPAR index on a global basis.

Marriott Bonvoy, our industry-leading global travel and loyalty program, had a record quarter of enrollments, with our membership base growing to over 219 million members at the end of September. With co-branded credit cards in 11 countries and counting, as well as numerous collaborations and thousands of Marriott Bonvoy Moments experiences, including the Taylor Swift Eras Tour sweepstakes, we are focused on enhancing engagement with our members both on and off property. Thanks to our recent tie-up with Starbucks, even members with only one hotel stay can now redeem points for a cup of coffee.

We're thrilled with our development activity. In the third quarter, we added around 16,000 net rooms, reaching more than 1.67 million rooms at nearly 9,100 properties around the world. Global signing activity has remained strong, with more than 95,000 organic rooms signed year to date in 2024. Compared to a quarter ago, our pipeline grew 5 percent, to a record 585,000 rooms.

Our momentum in conversions, including multi-unit opportunities, continues to reflect owner preference for our brands worldwide. In August, we announced a multi-unit conversion deal with Sonder for 9,000 existing rooms and a few thousand more in the pipeline. This deal

expands our portfolio of longer-stay accommodations in key global markets, including New York and Dubai. In the third quarter, conversions represented over 30 percent of room additions and over 50 percent of signings.

In October, we announced City Express by Marriott as the brand name of our new transient midscale product here in the U.S. & Canada. With its highly efficient operating model and outstanding value proposition, we have already received extensive interest from owners. We expect to have signed agreements, and even a few openings, over the next few months. Our progress in the midscale space around the world has been outstanding, and we look forward to meaningfully enhancing our presence in this high-growth segment of the market.

Our strong 2024 net rooms growth and signings performance is exciting, and I'm proud of our associates for their work in driving preference for our brands among both guests and owners alike. Marriott Bonvoy has never been stronger, and we look forward to further expanding our presence around the world.

Our business momentum is excellent, and as a company that embraces change, we continue to evolve our business to support our global growth. To this end, we have undertaken an enterprise-wide process to enhance our effectiveness and efficiency across the company. We want to further empower our teams closest to our markets, guests, owners and franchisees to operate even more nimbly. While this work is not yet complete, we believe these efforts will drive increased profitability and enhanced value.

I will now turn the call over to Leeny, who will share more details and then walk through our financial results and updated guidance. Leeny?

**Leeny Oberg:** Thank you, Tony.

At this point in the process, we expect these efforts to yield \$80 million to \$90 million of annual pre-tax general and administrative cost reductions beginning in 2025. In addition, we expect to deliver cost savings to our owners and franchisees.

This initiative is anticipated to result in roughly \$100 million of charges, primarily in the fourth quarter of 2024. The charges will be recorded in restructuring and merger-related charges and in reimbursed expenses. With meaningful growth opportunities around the world across our more than 30 brands, we're confident these efforts will make us even more competitive.

Now turning to our third quarter results. Gross fee revenues rose 7 percent in the quarter, to \$1.28 billion. The increase reflects higher global RevPAR, rooms growth, an increase in residential branding fees helped by timing, and higher co-branded credit card fees.

IMFs grew 11 percent to \$159 million. Growth in IMFs was led by higher fees in the U.S. & Canada, as well as strong growth in APEC and CALA, partially offset by a \$5 million decline in Greater China.

G&A in the quarter rose 15 percent, primarily due to a \$19 million operating guarantee reserve for a U.S. hotel, which was negotiated in connection with the company's acquisition of Starwood, as well as an \$11 million litigation reserve. Even with these \$30<sup>2</sup> million of reserves, third quarter Adjusted EBITDA grew faster than gross fees, rising 8 percent to \$1.2 billion. Adjusted EPS increased 7 percent to \$2.26.

Now let's talk about our outlook for the fourth quarter and full year 2024. Global RevPAR is expected to grow 2 to 3 percent in the fourth quarter, and we still assume 3 to 4 percent growth for the full year.

In the fourth quarter, RevPAR growth is anticipated to be higher in most international markets than in the U.S. & Canada. Fourth quarter RevPAR growth in the U.S. & Canada is currently expected to be generally in-line with the third quarter, with strong leisure and BT trends in October offsetting weakness in November due to tomorrow's election. The election impact on U.S. & Canada RevPAR is forecasted to be around negative 300 basis points in November and negative 100 basis points for the quarter, double that of past election cycles, as we have meaningfully lower transient and group room nights on the books for both this week and next.

Greater China is still expected to post negative RevPAR growth in the fourth quarter and for the full year, as a result of current weak demand and pricing trends in the region.

In the fourth quarter, gross fee growth is expected to be in the 4 to 5 percent range. Compared to our July guidance, fees are expected to be impacted by softer performance at certain hotels under renovation and lower than previously forecasted residential branding fees due to timing. Our owned, leased and other revenues, net of expenses could total roughly \$95 million.

For the full year, gross fees are anticipated to grow 6 to 7 percent, to \$5.13 billion to \$5.15 billion. Owned, leased and other revenues, net of expenses, could total around \$346 million. We now expect full year G&A expense could rise 4 to 5 percent year over year.

Full year adjusted EBITDA is now expected to total \$4.93 billion to \$4.96 billion, a 6 to 7 percent increase over 2023. 2024 Adjusted EPS is now anticipated to be between \$9.19 and \$9.27, with a 25 percent assumed tax rate.

We are now forecasting full year investment spending of \$1.1 billion to \$1.2 billion. As a reminder, this year's spending includes higher than historical investment in technology associated with the multi-year transformation of our property management, reservations and loyalty systems, the vast majority of which is expected to be reimbursed over time. The roll-out

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<sup>2</sup> Said "\$31 million", should be "\$30 million"

of these platforms is slated to begin later next year, and we look forward to the many benefits that should accrue from elevating our three major tech platforms.

Our powerful, asset light business model generates a great deal of cash, and our philosophy on allocating that capital remains the same. We are committed to our investment grade rating and investing in growth that is accretive to shareholder value. Excess capital is returned to shareholders through share repurchases and a modest dividend, which has risen meaningfully over time. We now expect to return approximately \$4.4 billion to shareholders for the full year. This factors in the \$500 million of required cash for the purchase of the Sheraton Grand Chicago, expected to occur later this month.

As Tony mentioned, we're very pleased with the robust development activity across our global portfolio. This summer we raised our full year 2024 net rooms growth guidance to 6 to 6.5 percent after signing the Sonder deal. With increased visibility, we now anticipate 2024 rooms growth at the top end of this range, or around 6.5 percent. We still expect net rooms to grow at a solid 3-year CAGR of 5 to 5.5 percent from year-end 2022 to year-end 2025.

Thank you for your continued interest in Marriott. Tony and I are now happy to take your questions. Operator?

#### **Question And Answer Session:**

**Stephen Grambling - Morgan Stanley & Co.:** I guess a couple of related questions around the efficiencies. At a high level, what was the impetus for taking these actions now and where do you see the biggest areas of opportunity to streamline and then also just how to think about the run rate of G&A growth perhaps before factoring in these benefits?

**Tony Capuano:** Thanks, Stephen. Maybe I'll take the first part of your question and then turn it over to Leeny. Maybe I'll start at 100,000 feet. One of the company's core values is this notion of always embracing change. And we think right now, we operate from a position of strength. The business has really strong momentum, as Leeny just described.

And the company is quite different than the last time we looked holistically at the organization. You think about the changes in the company over the last decade. We've more than doubled in size over the last decade. We've entered over 60 new countries now operating in 142 countries. And so it felt like the right time to really look across the enterprise and figure out what adjustments we can make to enhance and improve our efficiency.

In terms of run rate, Leeny, you want to take that?

**Leeny Oberg:** Yes. So thanks, Stephen. I think, first of all, let me talk a little bit about the \$80 million to \$90 million, and that is really thinking about savings off of our current cost base. So

when we think about moving forward, we've talked to you over time about a kind of typical longer-term run rate of inflation plus perhaps a point or so to support above-average growth.

And from that perspective, I think it's too early for us to give any specifics about next year. We're really just beginning our full blown budget process, but really think about that \$80 million to \$90 million as being off of our current run rate.

**Stephen Grambling - Morgan Stanley & Co.:** Got it. And maybe as an unrelated follow-up, the pipeline improved sequentially, and it looks like it's in a good position for next year. I know you don't want to talk about 2025 too much, but are there any major puts and takes to think about rooms growth into next year and the fees per room contribution from that pipeline?

**Tony Capuano:** Yes. We're in the early stages of the 2025 budget process. I think that the visibility that we have so far underpins Leeny's comment about our confidence in the three-year CAGR that we laid out during the Security Analyst Meeting.

On the fees per room question, that's obviously something we're digging into. And if you look at fees per room for RevPAR-related fees, pulling out the non-RevPAR as they tend to grow faster. Both in 2024 and in 2025, we see average fees per room growing, which might seem a little counterintuitive given our push into midscale, but I think there are two principal drivers there. Number one, we continue to see really strong momentum in the luxury tier, which drives out-sized fees. And as Leeny talked about, we continue to see strong growth in incentive management fees.

**Shaun Kelley - Bank of America:** I just want to start with kind of the fee algorithm here, if we just kind of do a couple of building blocks for everyone. Obviously, RevPAR up 3 percent to 4 percent net unit growth coming in on the high side of expectation over 6 percent. As we look at the kind of gross fee piece, obviously, it's a bit beneath A plus B.

So just could you walk us through or remind us of what's the gap this year? Is that a little bit of dilution from MGM just given those rooms and the fee contribution there? Does that have to do with IMF? Just what are a couple of the pieces there? And how do you expect it to more importantly trend kind of longer term?

**Leeny Oberg:** Yes, sure. Thanks, Sean. Yes, we've had this conversation a number of times, which is, I think when you look at it quarter to quarter, it's very hard to see the overall fee because there are just a typical lumpiness that comes with IMF. For example, you heard about the lower year-over-year IMF in an IMF-rich territory like Greater China. You've obviously got things like renovation impact, which are very important overall to the health of portfolio, and we're really excited about what those renovations will produce.

But when you put that all together, combine it with a little bit of FX, et cetera, quarter over quarter, it is absolutely going to be lumpy. We do believe that this algorithm works over time.

But that you do have a bit of the ramp-up issue, as well as variations in RevPAR that can make it tougher just in one quarter.

But again, as we look forward, really pleased with what we see in terms of the rooms that are coming on to the system. As we've talked about before, room signings are very strong this year. When you look at kind of year over year where we are and the strength of the conversions coming in the system, we do see that that equation going forward looks pretty good.

**Shaun Kelley - Bank of America:** Great. And maybe just as my quick follow-up, and this is really just a clarification on the earlier question about G&A, just so we have the right base for next year, Leeny. The G&A this year, obviously includes what the G&A this year, obviously includes the \$30 million of kind of one-time reserve and guarantees. Should we back that out and then remove the incremental from that base? Or is this all working off the kind of stated number, the \$1,050 million to \$1,060 million starting point this year?

**Leeny Oberg:** Right. So I think, generally, your philosophy is right, Sean. I want to caveat that, though, we are way too early to be giving specifics about how you should come up with that number. We've obviously got to look at all the elements of the different pieces that go into G&A.

As you'll probably remember, we've also got normal increases in bad debt that come with the growth of the overall portfolio, et cetera, et cetera. So it's not quite as simple as you're describing. But philosophically, you are right that, that \$30<sup>3</sup> million was not anticipated and not expected in normal run rate G&A. But right now, that \$80 million to \$90 million comes right out of this year's run rate.

**Patrick Scholes - Truist Securities:** Tony, I have some questions for you on China. It's been about a month since the economic stimulus went into play there. Have you seen any uplift or changes from that yet? And then my related question, do you have any initial thoughts about RevPAR growth or decline for China for next year?

Certainly, China is a real wild card. I mean, it could be negative 10 percent. It could be positive 10 percent next year. I'm curious if you have given your three days of visibility there. Any initial thoughts on expectations for China next year?

**Tony Capuano:** Sure. So let me try and remind me if I've missed your few questions embedded in there. On the first one, stimulus. We're watching so closely. Most the stimulus so far, really has not been to the direct benefit of the consumer. So we're not seeing any sort of immediate and material impact on performance metrics. The thing that is more interesting to me, not a great deal of stimulus or support for the property sector, which is obviously under quite a bit of duress.

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<sup>3</sup> Said "\$31 million", should be "\$30 million"

But despite that lack of stimulus to support the property sector, we talked about this last quarter as well. We continue to see really strong both signings and openings volume across Greater China. I think some of that is because we're seeing a real acceleration in our select-service brands, which are marginally easier to get done from a capital stack perspective. But the short answer to your question is really not much yet in terms of the impact of stimulus.

You're absolutely right when we think about visibility expectations about performance in China are really all over the board. And as Leeny mentioned in her prepared remarks, we're early in the process. What I would say to you is right now, as we start to peek into 2025. Absent any more significant stimulus it could be as good as flat going into 2025. But again, that's a very early peek into the performance.

**Leeny Oberg:** The only thing that I would add to that is that we get into the weeds of looking at Q3 and Q4 is, at the margin, Greater China RevPAR has been slightly better than we expected a quarter ago as we move through Q3 and as we looked into October. And one of the things that is interesting is we are starting to see a slight pickup in cross-border travel into the Tier 1 cities, kind of classic BT.

Now again, it's only quite marginal because as you saw, RevPAR was down meaningfully in Q3, and we do expect that to continue. But at the margin, slightly better than we thought.

**Richard Clarke – Bernstein Societe Generale Group:** I just want to start on the IMF, up 11 percent without sort of a meaningful inflection on RevPAR. So just to make sure, and particularly on the U.S., how we can square a good IMF quarter with having to put in an operating reserve. Is that just on one hotel? And maybe any color on why you're needing to do that on that one hotel.

**Leeny Oberg:** Yes. The operating profit guarantee has nothing to do with IMFs. When you look at IMF in Q3, it was the U.S. & Canada that was the outperformer, kind of a couple of different reasons. There was one element that was related to some insurance payments made from prior hurricanes, but also very good strong performance on the part of our large city managed hotels, which helped a bit.

And then obviously, you see in APEC as well. We have good growth in our Asia Pacific outside of China IMF. Just to give you kind of a little bit of a sense overall, 22 percent of our hotels in the U.S. & Canada that are managed, paid an incentive fee in Q3. That's the same percentage as a quarter ago. So think of that as fairly consistent. And then outside the U.S., also still quite strong. I think Greater China was the one change where a little bit lower as a result of their continued weakness in RevPAR.

As we look at Q4, that's where I think you see, when you look at the fee guidance that we gave, you actually see a little bit of this reverse from a standpoint that several of the hotels undergoing renovation will mean that we expect IMF to be a little bit weaker than a quarter ago as a result of that even though RevPAR is largely the same in U.S. & Canada.



**Richard Clarke – Bernstein Societe Generale Group:** Okay. Maybe just a quick follow-up. When you talk about cost savings to franchisees and owners, are you talking about them delivering them some operating cost savings? Or are you talking about dropping any of your fees do you charge to your franchisees and owners?

**Tony Capuano:** Yes. So we're looking at efficiencies and savings that we think will have clear benefits to the owners. We're looking at every facet of our engagement with them, and we expect to have some tangible saving opportunities identified for them in the very near future.

**Robin Farley - UBS Group:** I wonder if you could tell us a little bit about kind of key money trends in terms of your new unit growth.

**Leeny Oberg:** Yes. Sure, Robin. Yes. I would say more of the same. We've talked about this for several quarters from a standpoint that perhaps over a number of years, we've seen a bit more key money across more tiers. But I think more importantly, when you look about the percentage of deal using key money, that still is about the same at about 1/3 of deals and when we think about the amount of key money per deal, also quite similar.

So we are seeing trends that would mean you need to think about kind of meaningful increases in that element of our investment profile.

**Tony Capuano:** Maybe the only thing I would add, Robin, and we talked about this last quarter, as Leeny points out, the overall percentage of deals where we're using key money hasn't changed really at all. We are seeing selectively key money being used in a broader section of quality tiers than maybe we have in the past.

**Robin Farley - UBS Group:** Okay. Great. And then if I could fit in a follow-up. I guess maybe sort of just two housekeeping things. One is you mentioned that IMF included some hurricane payments that were kind of due to hurricanes in prior periods. I don't know if you could just quantify that so we can think about next year comping that, what would be not recurring?

And then I don't know if there are any other - that Starwood guarantee you mentioned, it seems like it was pretty long dated if it goes back to the acquisition. Is there anything else like that, that sort of still left from other Starwood guarantees like that, that we might see in future periods.

**Leeny Oberg:** Sure. No, the business interruption immaterial. Way too small in the laundry list of things that provide an outperformance in the U.S. & Canada. So really nothing that you would need to adjust out. Again, as you always know, quarter to quarter, you can have kind of variations on exactly what you're expecting to earn from hotels. So really no numbers that would be meaningful at all.

Yes, you're absolutely right. This was an unusual operating profit guarantee that was part of a settlement that we did in the acquisition of Starwood with an owner and meaningfully longer than a typical operating profit guarantee is for us. It was actually a total of a \$70 million operating profit guarantee.

This now takes us up to the max exposure that we have on that guarantee. And really, to your point, reflected the fact that we had a number of years in COVID to work through to have a view as to whether we would need to actually fund under that guarantee. So once we came out of COVID and could look forward over a number of years, we made the determination that we needed to take that reserve. But that is it.

And to your point, no, we do not have remaining operating profit guarantees with that kind of length and size of exposure.

**Joe Greff - Morgan Stanley & Co.:** My first question goes back to your initiatives to improve efficiencies and take out some G&A costs. I know the \$80 million to \$90 million begins to yield at the beginning of 2025. And I know it's early in the process. What would be a good outcome in terms of what you would expect to achieve next year? And then as you head into 2026, would you still be expecting to be run rating \$80 million to \$90 million? Or would you, at that point, expect to achieve all of it.

**Leeny Oberg:** Yes. The \$80 million to \$90 million, just to be clear, we do believe that is in 2025. So that is beginning in 2025 off of this year's cost base. Now we obviously have all the normal other parts that you have to look in your budget for G&A, and that's the part that we're in the process of Joe. So I think at this point, we're really pointing to a sustainable \$80 million to \$90 million in annual G&A cost savings.

**Joe Greff - Morgan Stanley & Co.:** Great. And again, maybe it falls under the bucket of it's still kind of early here. But when you think about 2025 all in investment spending. Do you look at \$1.1 billion to \$1.2 billion is a reasonable expectation? Or does it come down because there seems to be at least some onetime items this year that you wouldn't expect to recur next year?

**Leeny Oberg:** Yes. Unless, of course, as always, something comes up that that we're not currently planning for, I totally agree with you that you would expect both the \$200 million that is included in that number related to the purchase of Chicago Grand Sheraton, as well as a \$50 million land purchase that we made in Q3 for the Weston Peachtree, which really was to help us remove lack of clarity around a ground lease that made it difficult for any owner to know with the long-term cash stream from that asset could be.

So with that cleared up, that's terrific. And that really is \$250 million that, to your point, is not expected to be ongoing.

**Brandt Montour - Barclays Bank PLC:** Apologies if this was covered and I missed it. But, Tony, could you talk about the special corporate negotiated rate talks that are going on and how that's sort of coming together for next year?

**Tony Capuano:** Of course. Yes, we haven't talked about that yet. And again, we're relatively early in the process. But our takeaway from that early set of discussions, we are targeting a mid-single-digit increase for 2025. And I think the teams are feeling pretty good about that target.

**Leeny Oberg:** Just to add to that is that was definitely something we noticed was helpful this quarter with the continued strengthening of BT, that that ADR continues to be useful.

**Brandt Montour - Barclays Bank PLC:** Yes. Okay. And then a follow-up, more of a bigger picture question for anyone. But I know developers are long-term planners and thinkers, but this said and the sort of uncertainty around interest rate movements here. Just curious if it's weighing at all on developers' mindset in terms of how they're forming their capital planning for next year?

**Tony Capuano:** Yes, but. And the but would be, of course, I mean they look at every variable in the equation that impacts their returns. I think they are encouraged that the Fed did a 50 bp drop. They are obviously on pins and needles waiting to see what action the Fed takes through the balance of this year.

But I would say to you, availability of debt and an elevated construction cost environment are bigger impediments to driving the sort of construction start volume we saw pre-pandemic than the current level of interest rates.

**David Katz - Jefferies Financial Group Inc.:** So I wanted to ask about leisure, broadly speaking. And just taking in all the information so far through earnings season, can you talk about, sort of areas of strength versus weakness and what the range of levels is that you're seeing, right? And just how broadly that is? Or should we call it flattish just straight across the board which seems unlikely?

**Leeny Oberg:** Sure. So as you heard us say earlier, that Q3 leisure transact was roughly flat to last year, although well for 2019 levels. I think from a chain scale perspective, basically flat or slightly growing with luxury and premium, while really select-service is where you saw a slight decline.

**David Katz - Jefferies Financial Group Inc.:** Understood. And my second question or my follow-up is really around net unit growth much longer term. I think it's fair to say the past few years or post-COVID, anyway, we've seen kind of a broader range of the kinds of base, Sonder being case in point or Bonvoy with MGM that have been added to the NUG process. Tony, how do you see NUG evolving if we look out two, three years? Does that kind of broadening of what NUG is defined as, does that continue to grow over time?

**Tony Capuano:** Yes. So as we said a quarter ago, you should reasonably expect the vast majority of our new units to be the sort of traditional management agreements and franchise agreements that you've seen when you hear Leeny talk about our three-year CAGR 5 percent to 5.5 percent growth in NUG. That is really predicated on that traditional model of management agreements and franchise agrees.

Maybe I'll pull MGM and Sonder apart because they're a bit unique. Everybody seems to lump those together. Sonder is really structured like a very traditional franchise agreement. MGM is different in that we brought together two powerhouse families of brands and to pull those two brands together, necessitated some real creativity in terms of structuring from both sides.

In my prepared remarks, I talked about the really extraordinary momentum that Bonvoy has and so certainly, we'll continue to get inquiries from prospective partners that want to take advantage of that momentum and we'll apply the same rigor and the same lens that we always have in evaluating those opportunities.

**Dan Politzer - Wells Fargo:** I wanted to just double back on the leisure commentary. I mean, obviously, it's been pretty choppy right now and certainly for the fourth quarter. But as you think about 2025 and comparing to this kind of environment we've been in. Is there any expectation or line of sight to may be growing next year as things may be cool down a bit?

**Leeny Oberg:** I'll say a couple of things. I think the reality is we're in the middle of our budget process, which I'm happy to say is very granular and gets down to the property level and exactly what's going on in every environment. I think the broadest comment I would make is, we see 2025 barring some major economic change to be more of the same.

So if you think about, kind of, our back half of our RevPAR this year and how we're looking at 2025, I think you probably see some quite similar trends where when you think BT continues on, group still very strong. We've talked about these upper single digits group pace for next year. And that would then mean that leisure would be up slightly, but also probably not taking a big jump up.

And again, we will be getting much more into that in February when we've gone through the budget. But I would say 2025 looks a whole lot like the back half of 2024 from where we sit today.

**Dan Politzer - Wells Fargo:** Great. That's helpful. And then just for my follow-up, it's more of a housekeeping. The non-RevPAR fees, you mentioned something along the lines of timing in the quarter. I don't know if I missed it, but maybe if you can give us that actual non-RevPAR fees for the third quarter. And are we still on pace for that 9 percent to 10 percent growth in that line item for this year?

**Leeny Oberg:** Yes. The three biggest items there are obviously the credit cards, residential and timeshare. And I think the one that really jumps out is what was going on with the residential

branding fees, which, as you know, can be quite lumpy because if a whole development sells out. So as an example, in Q3 2024, that was \$18 million, while a year ago in Q3, it was \$7 million. So it more than doubled in one quarter.

Credit card fees was the more stereotypical growth and timeshare tends to be fairly flattish given the structure of that contract. So you put it all together, but yes, for the full year, we continue to see the top end of single digits, 9 percent to 10 percent is the right growth rate.

**Michael Bellisario - William Blair & Company:** I just want to go back to one more on cost savings and then zoom out on net unit growth. But any impact to franchise sales or maybe even a reallocation to this team to support a faster organic net unit growth outlook. And then more broadly, zooming out on net unit growth, maybe just an update just on the competitive landscape of where you're winning or not winning deals today.

**Tony Capuano:** Yes. Growing our market share is obviously a top priority for us, and it will continue to be. The growth potential we see across our family of brands, including the more recent entrants in midscale is really strong, and we think we have a really competitive offering to the franchise community. We continue to be optimistic about those growth prospects as you heard Leeny describe. And we certainly think this initiative will add incremental support to that growth.

And then I'm sorry, the second question, Michael.

**Michael Bellisario - William Blair & Company:** Just an update on the broader landscape for conversions and signings where you're winning or not winning deals today?

**Tony Capuano:** Yes. I mean I think in Leeny's prepared remarks, she talked a little bit about that. The momentum that we continue to see in conversions is really encouraging, both single asset and multi-unit. And maybe I think I said this a quarter or two ago, but I'll reiterate it. I think it's a combination of factors. I think we have as strong a portfolio of conversion-friendly brands as we've had in my 30 years with the company.

I think the teams are much more focused on removing friction from the conversion process. And Leeny has dedicated resources in each of the continents that are singularly focused on driving conversion volume. And so we expect that conversion activity to continue at pace.

**Duane Pfennigwerth - Evercore ISI:** You answered parts of this in previous questions, but I just wanted to hit you with a high-level macro question. If you look at demand growth in the U.S. this year, room night growth compared to headline GDP growth. Has there been anything surprising about the way that has played out? And as you think about 2025, which segments do you think could be better in sync with headline GDP growth, whatever that ends up being?

**Leeny Oberg:** So I'll start and then have Tony jump in. I do think part of what we saw in 2024 is continued normalization in the U.S. & Canada. So, for example, in leisure, you've definitely got

in Q3, year-to-date, actually, leisure nights are flat to a year ago in the U.S. & Canada. Overall RevPAR is also year-to-date roughly flat in the U.S. in leisure.

And that, I really ascribed to quite a bit of normalization. As you think about people kind of coming out of COVID and frankly, wanting to go anywhere, anytime, kind of no matter what to make sure that they were able to get their travel done. And I think that is normalizing a bit. While what you also saw was business transient group kind of filling in to make up for where that slowdown was happening.

So you actually look overall, and overall, in Q3, you saw room nights for year-to-date in the U.S. & Canada up 1 percent and ADR up 2 percent. So in that regard, I think you continue to see a healthy series of demand. We believe that going forward, you're going to continue to see travel be a priority for our customers, whether it is group, BT, or leisure.

And of course, it has a relationship to the macroeconomic environment. That's been proven in our industry cycle in and cycle out. But we would expect to continue to see, with a strong economy, strong demand for our business.

**Tony Capuano:** And, Duane, part of your question was around anything that's been a surprise. I don't know that I would characterize it as a surprise. But the continued strength quarter over quarter, year over year of group is a really encouraging sign. I mean we spent all of us spend a lot of time with both corporate and association meeting planners and the appetite they have for group meeting just continues to be at the high end of our expectations, and it's really encouraging.

And as I mentioned in my open, particularly given the composition of our portfolio and our significant lead in our group hotel portfolio, that's a really terrific trend for our business.

**Smedes Rose – Citi:** You mentioned 2025 maybe sort of looking RevPAR-wise kind of similar to the back half of 2024, I think, which is kind of generally what we're hearing kind of from other companies and industry prognosticators. And I'm just wondering in that kind of the scenario, is there just anything we should keep in mind relative to capital return expectations we should just think about?

I know you had some property purchases this year you mentioned, which I guess won't repeat next year, but anything we should just bear in mind when you think about forecasting that?

**Leeny Oberg:** Yes. As I was saying in my comments, our philosophy is exactly the same. Which is we are a growth company. We are all about investing in valuable growth for the enterprise and continuing to take market share around the world. We are blessed with a business model that produces more cash than we need to provide that growth.

And so from that perspective, we would expect to continue to stay very solidly in the investment grade leverage range and return excess capital to our shareholders.

**Smedes Rose – Citi:** Okay. And then I just wanted to ask you, again, you mentioned sort of the ground lease purchases. And I think there's sort of a view that next year we could see sort of some pickup in hotel transaction activity. Would you hope to bring some of your owned assets to market next year?

I mean, is that coming back and just sort of maybe more focus now? I know it's a small portfolio, but just kind of wondering your updated thoughts there?

**Leeny Oberg:** So certainly, all the time. The reality is we're looking at that all the time and evaluating what makes the most sense. As you've heard us talk about the W Union Square as well as the Elegant portfolio in Barbados, we are nearing the end of the renovation of those properties and obviously, would look to take advantage of what we expect to be very strong performance on the part of that portfolio and that hotel.

And so as we move forward, depending on the financing environment and the appetite between as always, buyers and sellers, we will take advantage of that. So we're always searching for that.

**Lizzie Dove - Goldman Sachs Group, Inc.:** I was just wondering if you could give a little bit of a pulse check on the consumer. I know Tony you mentioned last quarter and then it skipped intra-quarter, just a little bit of pullback on ancillary spend, food and beverage, spa, things like that. I'm curious how that has evolved and ever since that period of time and what your kind of expectation is going forward?

**Tony Capuano:** Yes. Thank you, Lizzie. Of course, we spend an enormous amount of time in looking at the consumer from every possible angle. But I'll go to the ancillary spend since that was a topic we talked about a quarter ago. When you look globally, you almost have to bifurcate it and look at food beverage for meetings and events versus food and beverage and outlets and lounges.

Food beverage for meetings and events continues to be quite strong. We are seeing a little bit of pullback on outlets and lounges. Still growing, and growing materially, but maybe not quite as strong as we saw.

The one thing I would tell you, though, is we're not seeing that weakness in spending from customers of luxury hotels. When you look at outlets and lounge revenue for the third quarter at our luxury hotels. Now this excludes Greater China for some of the reasons we discussed earlier.

But if you look at our global luxury portfolio ex-China, we actually saw spending in outlets and lounges in the luxury portfolio, up 2 percent, which was the same increase we saw a quarter ago. So we'll continue to watch it, but that's pretty encouraging for us.

**Lizzie Dove - Goldman Sachs Group, Inc.:** Got it. That's helpful. And then going back to the fee side of things, you mentioned the renovation headwind and the timing of the residential branding fees. As you move into 2025, is that expected to kind of normalize? Will those renovations be kind of broadly complete? Just curious how we should think about the kind of cadence there.

**Leeny Oberg:** Well, yes and no. Yes, on the ones that are finishing up, but we've always got hotels going under renovation. And we obviously will be carefully looking at that as we go through the budgeting process and looking at our fee guidance for next year. I don't expect, Lizzie, that it would impact things meaningfully.

**Chad Beynon - Macquarie Bank:** Tony, you mentioned that the convention business or the pacing for 2025 looks pretty good in terms of room nights and ADR. I was wondering if you could elaborate a little bit more. Are you seeing the same companies just kind of renew or add another convention? Or are you actually seeing growth in some of the businesses or industries that hadn't come back fully from a group standpoint?

**Tony Capuano:** Yes. Thanks for the question, Chad. I would say both. We are seeing companies who have been traveling and meeting, building out their calendar of meetings. And we are seeing some of our partners, who perhaps were on pause, starting to schedule.

And I think some of that is driven by -- I mean this is a wonderful problem to have, but the availability of dates and space. Particularly if you're a larger group, you're having to peer further and further into the future to find dates and space to accommodate those meetings.

**Chad Beynon - Macquarie Bank:** Great. And then secondly, just on City Express. I know that you began offering the product in North America, and we heard from one of your competitors that they were seeing some deletions in those areas. So it's certainly a good area for conversion or new build. But could you talk about any initial demand for this product here in the U.S.?

**Tony Capuano:** Yes. The demand is quite strong. We had people banging on the door saying, "Would you please announce the name so we can start signing deals?" And we're already seeing franchise applications come in. We're seeing deals get approved. As I mentioned, I think, in my opening remarks, we hope to open the first couple in the next couple of months.

So exactly what we would have expected. We're seeing strong interest from both our strong portfolio of existing franchise partners. And I think our entry into the midscale gives us an opportunity to tap into a group of franchisees who perhaps we've not grown with in the past.

**Conor Cunningham - Melius Research:** There's a lot of noise, obviously, with the corporate travel from the election, and I think there was some calendar noise in October. But if you could just strip back a lot of those one-time items like what's your general sense of overall corporate travel spend? It seems like it's simply positive and continue to kind of grind up. But just any thoughts there would be helpful.



**Tony Capuano:** Yes. I mean grind is not a bad word, but it's slow and steady. In the last number of quarters, as we've talked about in each of the calls, we are encouraged by virtue of the fact that we continue to see RevPAR growth quarter over quarter in the business transient segment.

And to me, one of the most encouraging facets of that recovery is on the big corporates. It's been several years since we already got back to above pandemic levels of travel from the small- and medium-sized companies, but the continued growth and the continued return to the road by the big corporates is an encouraging facet of the recovery.

**Conor Cunningham - Melius Research:** Okay. And then maybe the 219 million members, I think you mentioned on Bonvoy. What's the direct contribution now or what's OTA and just any thoughts there?

**Leeny Oberg:** Yes. So OTA is quite steady. So direct bookings are still in the low 70 percent, and that's really quite consistent. And I would say close to 40 percent overall are digital. So that part consistent. The OTAs 12 percent to 13 percent has also been quite consistent. The place that has had at the margin slightly higher, has been the GDS, which is really more of a reflection of continued return of the larger corporations doing their bookings.

But could I say otherwise, great continued movement from the phone and in person to digital, but also overall, a very steady sort of low 70s percent for direct bookings.

**Tony Capuano:** Great. Well, again, thank you for your interest in Marriott. Thanks for your questions today. For a whole host of reasons, it's going to be a busy week for all of us, but we appreciate your interest, and we'll look forward to speaking with you next quarter. Have a great day.

-- End --

**Note on forward-looking statements:** All statements in this document are made as of November 4, 2024. We undertake no obligation to publicly update or revise these statements, whether as a result of new information, future events or otherwise. This document contains "forward-looking statements" within the meaning of federal securities laws, including statements related to our RevPAR, rooms growth and other financial metric estimates, outlook and assumptions; shareholder returns; our growth prospects and our development pipeline; owner and franchisee demand for our brands; our comprehensive initiative to enhance our effectiveness and efficiency across the company, including related plans and goals, anticipated charges and cost reductions, and other expected or potential benefits and outcomes; and similar statements concerning anticipated future events and expectations that are not historical facts. We caution you that these statements are not guarantees of future performance and are subject to numerous evolving risks and uncertainties that we may not be able to accurately predict or assess, including the risk factors that we describe in our Securities and Exchange

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