Note on forward-looking statements: This document contains "forward-looking statements" within the meaning of federal securities laws, including RevPAR, profit margin and earnings trends, estimates and assumptions; the number of lodging properties we expect to add to or remove from our system in the future; our expectations about investment spending; and similar statements concerning anticipated future events and expectations that are not historical facts. We caution you that these statements are not guarantees of future performance and are subject to numerous risks and uncertainties, including those we identify below and other risk factors that we identify in our most recent quarterly report on Form 10-Q. Risks that could affect forward-looking statements in this document include changes in market conditions; the pace of the economy; supply and demand changes for hotel rooms; competitive conditions in the lodging industry; relationships with clients and property owners; and the availability of capital to finance hotel growth and refurbishment. Any of these factors could cause actual results to differ materially from the expectations we express or imply in this document. We make these forward-looking statements as of October 29, 2015. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Marriott

Marriott International, Inc.
Third Quarter 2015
Earnings Conference Call Transcript[1]
October 29, 2015

Operator: Welcome to the Marriott International third quarter 2015 earnings conference call. Today's call is being recorded. At this time for opening remarks and introductions I would like to turn the call over to the executive vice president and chief financial officer, Mr. Carl Berquist. Please go ahead.

Carl Berquist: Good morning, everyone. Welcome to our third quarter 2015 earnings conference call. Joining me today are Arne Sorenson, president and chief executive officer, Laura Paugh, senior vice president, investor relations and Betsy Dahm, senior director, investor relations.

As always, before we get into the discussion of our results, let me first remind everyone that many of our comments today are not historical facts and are considered forward-looking statements under federal securities laws. These statements are subject to numerous risks and uncertainties, as described in our SEC filings, which could cause future results to differ materially from those expressed in or implied by our comments. Forward-looking statements in the press release that we issued last night, along with our comments today, are effective only today, October 29, 2015, and will not be updated as actual events unfold. You can find a reconciliation of non-GAAP financial measures referred to in our remarks on our web site at www.Marriott.com/investor.

So let's get started. Third quarter diluted earnings per share totaled $0.78, 4 cents above the midpoint of our guidance of $0.72 to $0.76. We beat EPS guidance largely due to lower than expected G&A spending, favorable G&A timing, the beneficial impact of a joint venture true-up, and the favorable net impact of share repurchases. These items more than offset weaker than expected incentive fees from hotels in North America and the Middle East.

Third quarter worldwide systemwide RevPAR increased 4.5 percent on a constant dollar basis, 2.2 percent on an actual currency basis. In North America, systemwide RevPAR increased 4.2 percent

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

in the quarter, reflecting the unfavorable holiday pattern and difficult comparisons, evidenced by the fact that over the last two years combined, North America third quarter RevPAR increased 13 percent.

In Europe, systemwide constant dollar RevPAR increased over 9 percent in the third quarter, benefiting from the weak Euro and strong special events in Germany and Amsterdam, as well as greater Middle East travel to Berlin, Munich and London. Travelers from the U.S. made up nearly half of our occupancy improvement in the region.

In the Asia Pacific region, RevPAR rose 5 percent. Strong demand drove India and Indonesia RevPAR up at double-digit rates. RevPAR at hotels in Mainland China increased more than 4 percent, with Shanghai RevPAR up more than 9 percent alone. Mainland Chinese outbound travelers filled hotels in Thailand and Japan in the quarter, but they did not favor Hong Kong, where occupancy rates declined. In Korea, the MERS outbreak earlier in the year continued to constrain lodging demand.

In Africa, RevPAR for our recently acquired Protea hotels in South Africa rose nearly 9 percent systemwide for the quarter. While Protea RevPAR stats are not included in our comparable RevPAR results, they still show the strong performance of this new brand.

For our comparable hotels in the Middle East and Africa region, third quarter RevPAR increased 4 percent, which was lower than expected due to that region's instability and the impact of an unscheduled extended holiday period in September.

Across our managed hotel system, house profit margins benefitted from improved productivity and lower food and utility costs, increasing 40 basis points domestically and 50 basis points worldwide.

Global fee revenues totaled $465 million in the third quarter, 4 percent higher than the prior year. Foreign exchange reduced fee revenue by approximately $8 million. Incentive fees alone were reduced by $4 million from foreign exchange.

Our year-over-year growth in incentive fees reflected strong limited-service performance in North America and the addition of our Delta hotels in Canada, offset by the foreign exchange headwinds, renovation impact, and modest RevPAR growth among significant incentive fee paying hotels, including hotels in Hong Kong and Seoul.

Owned, leased, and other revenue, net of expenses, totaled $54 million in the quarter. Results reflected strong credit card branding fees, offset by the impact of renovations at our Charlotte City Center Marriott hotel and lower year-over-year termination fees.

General and administrative expenses improved to $149 million in the third quarter compared to $172 million in the prior year. Prior year results included a net $4 million Venezuela currency devaluation charge.

Compared to guidance, G&A expense in the 2015 third quarter benefited from solid cost control, lower than expected Delta transition costs, and some favorable timing of initiative spending. For the full year, our G&A spending is roughly on target, 6 percent lower than 2014.

Turning to our fourth quarter outlook, for North America, our long-standing strong group revenue pace in the fourth quarter supports our 5 to 7 percent RevPAR guidance.

Outside North America, we expect fourth quarter RevPAR will increase 3 to 5 percent on a constant dollar basis. Our fourth quarter international outlook is about 100 basis points lower than our last guidance, largely due to political disruption in the Middle East and weaker results in Hong Kong.

Globally, we expect constant dollar systemwide RevPAR will increase 4 to 6 percent for the fourth quarter. Combined with continued unit growth, fourth quarter fee revenue should increase 7 to 9 percent and earnings per share should total $0.74 to $0.78 compared to $0.68 in the prior year.

For the full year 2015, we anticipate EPS will total $3.12 to $3.16, a 23 to 24 percent growth rate over the prior year. Full year adjusted EBITDA could reach more than $1.7 billion for the year, a 13 to 15 percent increase over 2014.

For the full year 2015, investment spending could total $700 million to $800 million, including about $140 million in maintenance spending. We remain disciplined in our approach to capital investments and share repurchase. Year-to-date through the third quarter, we've recycled nearly $800 million in proceeds from asset sales, loan repayments and the like.

Given the considerable amount of capital recycling this year, combined with strong operating cash flow, we expect to return more than $2.25 billion to shareholders through share repurchases and dividends this year, a new record. Year-to-date through today, we've already returned over $2 billion to shareholders.

Now, to talk about our development pipeline and 2016 outlook, let me turn it over to Arne.

Arne Sorenson: Thanks, Carl. Good morning everyone.

I spent early October in China, attending the HICAP hotel investment conference and visiting hotels around the region. Early October includes Golden Week in China. This year, an estimated 750 million Chinese citizens traveled during that week. Airports, highways, and train stations were packed. Chinese tourism is booming and we are seeing the impact all over the Asia Pacific region, particularly in Japan, Thailand, and Indonesia.

Strong demand at our hotels throughout the region is also driving hotel development, particularly outside of China. Over the last 12 months, our rooms pipeline in the Asia Pacific region has grown 14 percent, with more than half of the region's pipeline expansion coming from outside China. We are seeing growing development interest in our brands in Japan, Indonesia, Korea and Australia, and we opened our first hotel in Taipei in the quarter.

In the Middle East, we are likely to sign a record number of deals in 2015. We just opened the Ritz-Carlton Cairo and plan to open the Palace Hotel in Jeddah as a Ritz-Carlton in 2016. We also recently signed agreements to convert the historic landmark Mena House in Cairo, located near the base of the Pyramids in Giza. After renovations, the property will open partially as a JW Marriott and partly as a Marriott Hotel.

In Africa, integration of the Protea acquisition is nearly complete. Today, we have roughly 100 hotels as a result of the acquisition, with more locations coming. Just this month, the team signed a Marriott Hotel and Marriott Executive Apartments in Johannesburg, our first Marriott branded products in South Africa.

In the Caribbean and Latin America, our pipeline totals nearly 12,000 rooms with a growing number of managed and franchised limited-service hotels in Mexico, Colombia, and Brazil. In fact, with the strength of our pipeline, by 2018 we expect to increase our distribution in the region by 75 percent.

In Europe, our Moxy, Courtyard, AC, and Autograph brands are in particularly high demand. We've added more developers in that region with a focus on secondary and tertiary markets. As a result, our European pipeline has grown by a third in the last 12 months. For the Moxy brand alone, we already have 30 hotels in our European pipeline.

In North America, our development pipeline reached 144,000 rooms at the end of the third quarter, a 20 percent increase over the past 12 months. Our limited-service pipeline in North America reached a record 1,000 hotels at the end of the third quarter. Our AC and Moxy brands are moving fast in North America with attractive locations concentrated in urban markets. Together, these two brands have 82 hotels in the region's pipeline.

Speaking of Moxy, this month I toured a sample room for two Moxy hotels that are expected to open in Manhattan in 2017. You can see a photo on Twitter. It's a very cool room that should resonate with younger, stylish travelers. And those of us who would just like to be.

Marriott continues to garner an outsized share of the new construction in the United States. Once again this quarter, with only a 10 percent share of existing rooms in the U.S., Marriott brands represent more than one-quarter of all new U.S. construction, more than any other company according to Smith Travel.

We are doing well on conversions as well. Globally, across all our brands, year-to-date in 2015, we've converted 33 hotels with 6,000 rooms to our brands. Excluding M&A, we expect conversions will account for over 20 percent of our room additions this year.

We are also starting to see conversions to our Delta brand. We expect the first U.S. project will open later this year in Orlando after a meaningful renovation. We currently have six Delta hotels in our North American development pipeline.

Our Autograph brand just passed its 5th year anniversary and there has been a lot to celebrate. Year to date in 2015, we've added 18 hotels to the brand worldwide, half of them outside the U.S. We expect Autograph will have nearly 100 hotels in the system by year-end 2015, making this one of the fastest brand launches we've ever seen.

Worldwide, given the strength of our pipeline and the hotels that have opened year-to-date, we expect to add 7 to 8 percent more rooms in 2015, including the nearly 10,000-room acquisition of Delta. For 2016, we expect organic growth to accelerate to roughly 8 percent. We expect to remove roughly 1 percent per year from our system in both years. New brand platforms help this growth. Nearly one-third of our newly signed rooms in the last 12 months are in brands we didn't have five years ago and roughly 30 percent are luxury or lifestyle rooms.

Owners agree that our brands have never been in better shape. We estimate owners and franchisees have invested $4 billion in the past five years in hotel renovations. New room designs and lobby innovations enhance the value of our brands to our guests and returns to our owners.

Service innovations are ongoing and Marriott Mobile has taken off. In the past year, our app has been downloaded over 6 million times and reservations through the app are up 27 percent. Mobile check-ins and check-outs have reached nearly 6 million in just over two years. We also continue to introduce new and exciting opportunities for our Marriott Rewards members, including exclusive access to concerts and top entertainment, chances to win once in a lifetime Super Bowl 50 experience and member only NBA events around the world during the NBA Global Games. And, it's working – the Wall Street Journal recently reported survey results that rated Marriott Rewards as the "best" program in the industry.

We're also connecting with consumers and engaging with our customers like never before. At our headquarters, M Live, our real time marketing, brand newsroom, and social media command center has been busier than ever. A dedicated team of marketers reviews social data and conversations in real time, identifying opportunities for our portfolio of 19 brands to engage with guests. We address travel issues, special events and trending topics. In fact, the M Live team is live-tweeting our earnings call right now. We are expanding M Live globally and will be opening up M Live Asia Pacific in Hong Kong next month.

Now, before turning to 2016 RevPAR, let me take a minute to reflect on current demand trends. It's obvious that many of you became anxious about our industry during the third quarter as STR reported softer year-over-year RevPAR numbers. To some extent, the early reaction to our earnings release last night seems to be the same: do the more modest RevPAR numbers we posted in Q3 foretell a weakening of the demand driven growth that began in 2010?

While we cannot be certain about many things, there are powerful reasons to conclude the sky is not falling. We have known since the beginning of the year that the third quarter, with its challenging holiday pattern, would be a weak quarter, particularly for group and business transient travel. The actual results proved that out. Group nights were down modestly from the prior year, as were special corporate rooms.

The best indication that these statistics are driven by calendar and comparison issues, rather than by fundamental demand trends, is found in a few other real data points: as of the end of the quarter, our group business on the books for Q4, for our U.S. managed hotels, is up in excess of 7 percent compared to last year. Our group revenue for all of 2016 is also up over 7 percent compared to year-ago levels for 2015. These strong numbers are not the result of historic bookings only: in the third quarter itself our North American systemwide hotels added in excess of 7 percent more group revenue for all future periods than they did a year ago. And, of course, we continue to post record hotel occupancies.

Similarly, when we look at early returns for the fourth quarter, the data is comforting. Based upon month-to-date figures, we expect RevPAR in the U.S. to be up roughly 6 percent in October.

When all is said and done, what we see seems fairly clear. The demand led recovery that began in 2010 is alive and well. To it, we should see additional growth from existing new unit openings, where Marriott is one of only very few companies that are seeing strong unit growth trends.

So let's talk about our RevPAR outlook for 2016. Our budget process is just beginning, and there are, to be sure, many uncertainties around the world. We aren't prepared to offer EPS guidance yet, but we would like to share our early thinking.

For North America, we expect systemwide RevPAR will increase at a 4 to 6 percent rate in 2016. As I mentioned, group revenue pace for 2016 is up more than 7 percent, including roughly 3 percent increases in average daily rate.

We expect special corporate rates will rise at a mid-single-digit rate in 2016 for comparable customers, but also expect to improve the mix of our business, increasing the proportion of full-retail rate business in our North American hotels.

STR is forecasting 1.4 percent supply growth in the U.S. in 2016 and 2.2 percent demand growth. With record occupancy in many markets, transient pricing is likely to rise as downtown demand compresses to suburban properties and peak season demand spills over to shoulder periods.

Outside North America, we expect our international systemwide RevPAR will also increase 4 to 6 percent on a constant dollar basis in 2016.

In Europe, weak demand in Moscow and Istanbul are likely to coincide with high supply growth in those markets. In Germany, supply growth should be modest, but fewer fairs in Germany should constrain RevPAR growth. For Paris, RevPAR should strengthen with the Euro Cup in June and July. Strong demand in London and Amsterdam will likely be tempered by tough comparisons to special events in 2015. Given all this, we anticipate that constant dollar RevPAR will increase at a low single-digit rate at our European hotels in 2016. Europe contributed about 7 percent of our fee revenue in 2014.

In Greater China, we expect mid-single-digit RevPAR growth in 2016, reflecting continued economic growth in that market, constrained by weak mainland travel to Hong Kong.

Our Asia Pacific region generated nearly 9 percent of our fee revenue in 2014, with about half coming from outside Greater China. And here, the picture is brighter. South Korea should see much stronger results as hotels in that market face easy comparison to the 2015 MERS outbreak. Similarly, easy comparisons and better economic growth should help Thailand. We expect the Indonesia economy will show strength due to significant infrastructure construction. And we believe growing international arrivals in Japan will drive RevPAR higher in that market. All combined, we anticipate mid-single-digit RevPAR growth in the Asia Pacific region in 2016.

For the Caribbean and Latin America region, we expect strength in Mexico and the Caribbean will drive 2016 RevPAR for the region at a mid-single-digit rate. In 2014, the Caribbean and Latin America represented nearly 5 percent of our fee revenue.

For the Middle East and Africa region, recent demand has been hurt by political instability in some markets and fewer international arrivals from Europe and Russia. For 2016, we are modeling a mid-single-digit RevPAR growth for the region assuming stabilization in Egypt and continued economic growth in Saudi Arabia. The Middle East and Africa region represented 3 percent of our fee revenue in 2014.

We'll have more information to share with you in February. But for now, we are looking at worldwide systemwide RevPAR growth of 4 to 6 percent on a constant dollar basis and unit growth of roughly 8 percent gross, and 7 percent, net. We know these metrics drive meaningful growth in cash flow and earnings and look forward to sharing with you guidance built after our full 2016 budgeting process is complete. For now, we are confident 2016 will be another good year.

We appreciate your interest in Marriott. So that we can speak to as many of you as possible, we ask that you limit yourself to one question and one follow-up.

QUESTION AND ANSWER SESSION:

Felicia Hendrix, Barclays: So Arne, thanks for all the color. Really helpful particularly given all the lodging earnings calls we've been listening to for the past couple of days.

Just had a question on October and we know from STR and we know for some comments that your peers have made, that October was weaker than expected due to lower-than-expected transient demand.

Tough comps aside, I'm just trying to dig into the drivers here. Do you think that what's happened in October is a blip, and why do you think it's slowed? So acknowledging that the visibility in your industry is kind of low, I'm just expect -- wondering if you expect that to improve?

Arne Sorenson: Yes, one of the dangers, of course, of all of this is we've got so much data, and it comes out really currently. So you get Smith Travel coming out every week. You obviously are all struggling to get through one earnings call after another from participants in the lodging industry this week and next week, and I know we're sort of piling up on you. And it makes it seemingly that much more imperative to assess these day to day or week to week figures, which is a little hard to do, of course. And the fact of the matter is, we've got numbers through basically last Sunday, which are the RevPAR numbers we reference when we talk about 6 percent growth in October.

And we can get anecdotal and some information about what's happening during the month on a week to week basis, but it's much better to analyze when the month comes to an end. What we see at this point is not very significant -- transient may be a touch weaker than we would have anticipated, but it's a touch. And again, at 6 percent RevPAR growth, it still feels like a reasonably healthy number.

Obviously, also this morning we've got GDP news with third-quarter GDP out at a sub 2 percent number. We know GDP is highly correlated with demand, and you shouldn't hear our optimism, or I suspect, any of the voices from the industry, suggesting for a minute that we will perform in a way that is disconnected with GDP performance. So that could be a piece of that as well. But I think when we look at it, what we see is still strong appetite for group customers, still strong appetite from our corporate travelers, good performance from the leisure side, particularly when we are in holiday times of the year. And all of those things cause us to believe we should continue to see this RevPAR growth in this pretty healthy mid-single-digit range.

Felicia Hendrix, Barclays: That's really helpful. Thank you. And then just something you said was on group was a good segue, so I'm just wondering, as you said, the group business remains really healthy. And just if you go back from your past experience and you look, think about all the past cycles historically, is it transient that's the leading indicator in the cycle, or is it group?

Arne Sorenson: Well, neither really is a leading indicator, but transient is more or less coincident with GDP. Group would be very much a lagging indicator, at least when you look at groups stayed and paid. And, of course, one of the -- we now look I think a little bit more than we did in prior cycles at group bookings in the quarter. The booking stats will probably be also coincident, I would guess, with the transient numbers. But we still generally think we probably lag GDP numbers by a few months, something like that. Better would be looking at GDP data, I suppose.

Felicia Hendrix, Barclays: Okay. That's helpful, thank you so much.

Harry Curtis, Nomura: Can we look ahead into 2016 and discuss your buyback plans? Your leverage ratio seems to be at the moment at the higher end of the comfort level that you've outlined. And so as part of your response, can you also talk about what your CapEx plans are in 2016 versus 2015? Is there any shot that you can get to over $2 billion worth of share repo in 2016?

Carl Berquist: Well, we haven't done any of our budgets and planning for 2016 yet. So it's a little early to be looking out and trying to predict what our total share buyback would be in 2016.

But I think one thing you've got to remember that we had in 2015, Harry, is we had a lot of asset sales, capital transactions in 2015. Probably to the tune of about $800 million of capital was recycled, and the reality is we don't have a lot on the books today. As far as to sell for next year, as far as our leverage goes, we're sitting right about 3 times when you adjust for leases and guarantees and all that, which is about where we would expect to be as of the end of the third quarter.

But so as far as capital spending next year, right now, you would expect it to be what we average over the last several years. We are all in that $500 million to $700 million range, $600 million to $800 million range. Some years it moves up a little bit, some years it is down little bit. But you can probably count on it being somewhere in that neighborhood.

Harry Curtis, Nomura: Very good. And then as a follow-up, Arne, if you could talk about there's an interesting disconnect between the performance and the base fees and the performance of the management fees or the franchise fees in the third quarter. And if you could talk a little bit about the reasons behind that. And to the extent as you're signing new management contracts, are they at similar rates than your historic contracts?

Arne Sorenson: Yes, to answer the second question first is a resounding yes. A couple of things going on in this. If you look at the combined base management and franchise fees, obviously they are both driven by rooms revenues or gross revenues at the hotels. And when you look at actual dollar RevPAR in unit growth, you get a sort of implied growth of about 8.5 percent, something like that in fees, and what we reported was a bit over 9 percent.

Now the 9 percent I'm using, by the way, is adjusted for the special items that were called out in the press release. So if you look at the press release description of base management and franchise fees, you see in there the year-over-year numbers for some deferred fee collections, year-over-year numbers for relicensing fees and the foreign FX impact.

So you put those things together, you get the kind of growth, maybe even a little bit better, than you would have expected from our unit growth and our RevPAR growth. Why a little bit better? Because sometimes you get some ramping in franchise fees. So, as they get to year two or year three or year four, they're going up a little bit, more than what they were before.

But that also is good confirmation about your second question, Harry, which is the percentages we're getting on these contracts for base and for franchise fees are remaining quite strong and stable, if not even growing a little bit.

And then you get to your question about -- I think what you were also asking maybe was about really the difference in RevPAR between managed and franchise hotels. Is that right, Harry, or were you asking something else?

Harry Curtis, Nomura: No, no, that's right.

Arne Sorenson: And I think there it's really a question of mix. We tend to be on average bigger in the managed portfolio than in the franchise portfolio. We tend to be more group reliant in the managed portfolio than in the franchise portfolio, and we tend to be more urban, more business destination in managed versus franchise. And all of those things play out with the weaker, relatively weaker group in Q3 and relatively weaker business, special corporate business in Q3, which relatively depresses the managed RevPAR numbers compared to the franchise.

Harry Curtis, Nomura: Got it. Thanks very much.

Robin Farley, UBS: Great. So I had a question about the unit growth. You talked about the 8 percent. It looks like it's down about 50 basis points from the last call, and I know the release mentioned some delays in openings. And so, just kind of doing the math on that 50 basis points maybe slipping into 2016, is that when you talk about accelerating unit growth in 2016, would that still be the case if it weren't for the property openings kind of delayed? I guess mathematically it looks like that shift to 50 basis points is what makes 2016 accelerate.

Arne Sorenson: Yes, good question, Robin. Good morning. We have had I don't know whether the 50 basis points is right. Maybe Carl or Laura can check this as I talk about this for a minute. But we have had some openings shift from late 2015 we think into 2016. As we have scrubbed those, we think very few of those are projects that are actually at risk long-term, but there has been some slippage.

I think there are different reasons for that, different parts of the world. As I mentioned, I was in China a couple of weeks ago. China conditions obviously have been less bullish in many aspects of their economy in the last quarter or so, and I think it's causing folks to rush a little less to get things completed. And as a consequence, we'll see some of those deals open in 2016 that we initially expected to open in 2015. And there are always some dynamics around the world where things take a little bit longer than maybe we initially anticipated.

That net net could be positive for 2016, but I suspect we're also anticipating that the same dynamic will occur in 2016. So the bulk of the reason for our 8 percent organic growth number gross in 2016 is less about shifting of openings and more simply about the maturing of the pipeline.

So at 8 percent, you're talking about roughly 60,000 rooms opening in 2016. Recall we signed 100,000 new rooms in calendar year 2014, and this year we are obviously not done yet. But I suspect the numbers are going to be close to that figure. And so if anything, we should see that 2017 and 2018 we continue to perform at good, if not even growing gross opening numbers.

Robin Farley, UBS: Okay. That's great. Thank you.

Bill Crow, Raymond James: A couple of questions, Arne. First of all, I think that what has happened in the investment space here is that investors are demanding actual proof that the cycle is not ending as opposed to taking it on faith when we hear commentary by you and Chris and other people. And I think over the last week we've kind of shifted our expectations of proof into the first quarter of next year given October commentary. Is there anything we need to be aware of the first quarter next year? Very difficult comps, maybe holiday shifts, and anything else that might further delay this evidence that things are healthy?

Arne Sorenson: New Year's Day is on January 1 in 2016.

Bill Crow, Raymond James: Yes, yes.

(laughter)

Laura Paugh: Easter will fall on a Sunday.

Arne Sorenson: No, I don't -- it's a good question, and you can tell from my quip that maybe I don't know for certain about that. When we look at group bookings by quarter for next year, I mentioned we are up a bit over 7 percent. We are a tiny little bit weaker than average in Q1 in the 5 percent to 6 percent range. Q2 is a bit stronger than the average for the full year.

And then it looks like and we have to go look at the calendar -- but it looks like we're having a bit of a shift back of the fall holidays in favor of Q3 and maybe a little bit against Q4 because we've got a sort of gonzo set of numbers on the books for Q3 and a relatively weaker set of numbers on the books for Q4. When you average them all out again, we come up well above 7 percent for group bookings. That all suggests to me that the calendar issues are probably of significance more likely in Q3 and Q4 than in Q1 and Q2.

Bill Crow, Raymond James: Great. That's helpful. The follow-up question really revolves around the development pipeline. We are seeing construction costs and labor costs, land costs increasing pretty dramatically across other parts of the real estate sectors. What are your developers telling you? What is the cost inflation out there, and how might that impact the growth of your pipeline?

Arne Sorenson: I mean they are certainly seeing both land and construction cost inflation. I think it varies significantly by market. The urban big destinations are seeing more of that is our sense than the suburban markets. And remember, a lot of our U.S. pipeline is this thousand hotels we talked about in our limited-service brands. Some of those are urban projects like most of the ACs and Moxys that are getting underway now, but many of those are still in secondary and tertiary markets. And I think the cost pressure there is meaningfully less.

The other thing you have got to keep in mind is projects still starting out withstanding that pressure because you have both the benefits of continued relatively cheap debt, and you've got better returns because the results from these hotels are getting better every quarter.

Bill Crow, Raymond James: Okay. Thank you.

Shaun Kelley, Bank of America: So, Arne, I'm going to apologize in advance for nitpicking on something so small, but just flag the comment and I think you sense the investor fear out there around some of the near-term data points. So in the Q4 outlook, you made the comment that right now based on what you see, you're looking like you're probably closer to the low end of your range. And I was curious with it sounds like October coming in at 6 percent, if you could elaborate at all on that. And again, this is just in the spirit of people who are I think really looking for any real-time read on what's going on.

Arne Sorenson: It's a fair question, and I think somebody put out the note -- I don't remember who it was last night -- that if you thought you were at the lower end of that 5 to 7 percent, why didn't you just come out with a different number?

And, you know, one of the fundamental points here is we provide a range so that we can sort of contemplate a relevant but a potential difference in the way the actual numbers ultimately come in. And we don't torture ourselves and we don't torture our teams to try and change those models every time you get a new weekly data point.

We do -- October is the most significant month of the three months in the quarter. So that 6 percent number, if it ultimately comes to pass, is a comforting one. By the time you get into December, you've got less group reliance and much more transient reliance, which makes it a little harder to predict. And as a consequence, it's a little harder for us to sit here and say we can guarantee you what the December numbers are going to be because a lot of that depends on transient business that has yet to show up.

December is, of course, by contrast the weakest of the three months in the quarter because you slip more and more into non-travel periods and leisure times. We would expect, though, that leisure business is going to be healthy both from Thanksgiving and the end of the year holidays because you've got -- that's what we've seen over the course of the year.

Shaun Kelley, Bank of America: Great. I appreciate that. My follow-up is sort of a bigger picture question. But obviously all year long and really for pretty much the entire cycle, you guys have been very active on the stock buyback side of the capital return. But as we approach, at least by duration standards, mid in later part of the cycle and we continue to hear a lot about strategic alternatives elsewhere in the sector, I'm kind of curious for is there a time at which you start to think about perhaps dialing back and preserving some cash for opportunities that might emerge on the consolidation landscape? And maybe at a high level, if you could talk about how you are thinking about that, it would be great.

Arne Sorenson: Yes, we've obviously participated at least in a small way in some consolidation over the last few years. Although those deals have always been like $200 million deals, nothing terribly significant. And we've obviously done some things around real estate particularly as a way of getting some of the new brands off the ground, the three EDITION hotels we developed being the most significant of those.

All of you have heard us talk in the past about not only being willing but in some respects being eager to use our investing capacity to invest in growing in our business. If we can do it in a way that creates value for our shareholders, which means not simply chasing whatever the market prices are that are out there, and it certainly does not mean doing real estate deals if our real estate partners are aggressive about doing real estate deals and delivering the growth to us in the organic way that we love so much.

You know, Carl mentioned our leverage ratios at the end of Q3 were about 3 times. I think technically they were at 2.93 times or something like that.

Carl Berquist: Yes, just a little lower.

Arne Sorenson: And so even though we've been really aggressive in buying back our stock, we thought it was a stunning buy in Q3, which was one of the reasons the numbers were so big that we reported this morning. We are by no means over-levered. We still have a machine that produces lots of cash, and we think we've got the ability to both be aggressive in buying back stock in the years ahead, but also be aggressive in whatever opportunities pop up if they pop up to participate in growing our business through our use of capital.

Shaun Kelley, Bank of America: Thank you very much.

Joe Greff, JPMorgan: Figuring out the phone is almost as difficult as forecasting RevPAR correctly. But when you think about 2016, I know you characterized it, Arne, as sort of early thinking on 2016. When you think about the performance of the incentive management fees in 2016 versus 2015, would you say they have a sort of more historical base trend or relationship with RevPAR, particularly given the relatively easy year-over-year comparison in 2015? And then further on the net unit growth forecast for 2016, how are you thinking about that in terms of full-service versus select-service? Thanks.

Arne Sorenson: So let's see, incentive fee growth -- if you think about, let's just think together about 2016 versus 2015 because we don't really have a number to give you and won't until we get through our budgeting process. Obviously, incentive fees have been impacted meaningfully by FX this year. Hopefully we will not have that same pronounced impact next year, which would suggest that more of the constant dollar RevPAR growth, as opposed to the actual dollar RevPAR growth, should be coming through and helping that incentive fee number grow.

We have had weakness in some big incentive fee markets this year in the U.S., New York and Washington, outside in markets like Hong Kong, Seoul and some of the Middle Eastern markets. We would -- is New York going to be a meaningfully different story in 2016 than 2015? I wouldn't think so. I think we will continue to see in New York, very high occupancy, good strong rates and in absolute terms a very healthy market. But it's a market that we will continue to see supply growth, and as a consequence, we wouldn't put that at the average level of RevPAR growth for the U.S. for example today.

Washington group bookings look better next year, which is a little bit unusual because usually an election year in Washington is not a great year for the hotel business because the politicians are out on the hustings. But the group business, I think if I remember right, is up in the 5 percent to 6 percent range from Washington. So Washington might be a little bit better than it's been in the past.

Seoul will be better, I would think, assuming they don't have the MERS crisis. They do still struggle with a -- their dominant company is Samsung, which is responsible for nearly half of their economic GDP, I think, and Samsung is in a very competitive place today. But it will be interesting to see how they perform.

Japan should perform well. The team in Hong Kong is not certain what the fate for that market looks like. Certainly there has been much less inbound business from China in 2015, which has had an impact on our China numbers and particularly our incentive fees.

I don't know that there's much that we can look at that will help us decide whether that's going to do better or worse in 2016, and that will be relevant to fees.

But sort of going through all of that, I would think that the numbers for incentive fee growth will be better than what we've seen this year. But we'll still have dependency on where exactly is that RevPAR growth coming through, and it is coming through in the markets, which are bigger incentive fee contributions than others.

Joe Greff, JPMorgan: Great. Thank you.

Laura Paugh: So the other question was about full-service versus limited --

Arne Sorenson: Other question about full-service versus limited-service openings. I would think rough order of magnitude that it's 50/50-ish U.S. versus rest of the world in openings, maybe 55, maybe a little over 50 in the U.S. and a little bit less in the rest of the world. Of the U.S. portion, I think it's something like 80/20, maybe even a little higher than 80/20 in favor of limited-service hotels. So it's still a relatively rare full-service opening.

We do have, and again I don't remember off the top of my head what full-service hotels are well under construction now and opening next year. But I suspect we've got a couple of big ones that are getting near opening by the end of next year.

Laura Paugh: Joe, you might also take a look at our analyst day last year. In Carl Berquist's presentation, we showed you the relative market sensitivity of incentive fees.

Arne Sorenson: By geographic market.

Laura Paugh: By geographic market, yes.

Joe Greff, JPMorgan: Thank you very much.

Ryan Meliker, Canaccord: Most of my questions have been answered. The one thing I wanted to kind of get some color on was it looks like Moxy and AC have 82 hotels signed. That's obviously a pretty sizable chunk for new brands to the U.S. Can you give us some color on, are you guys offering any incentives, are you doing anything to really drive those brands? Obviously, we've seen some competitors try to launch new brands in ground-up developments here in the U.S., and they haven't gotten that many openings in 10 years.

So what do you think you're doing differently that's really leveraging that to drive those, and also is there more upside for more new build brands in your portfolio?

Arne Sorenson: Yes, that's two or three questions, but thank you Ryan. I think the AC story is the one that I think is easiest to sort of boast about a little bit, but not just from a perspective of Marriott's role, but the perspective of the way that has evolved with our partners in the United States, and none of this is new, of course. We bought AC a few years ago thinking it would broaden our distribution in Spain where we were weak. We thought we were getting a brand and an operating company at a relatively low point in the economic cycle, and both of those things caused us to think it was a deal worth doing and we did it.

We didn't think at the time -- it shows you maybe how dense we are, but we didn't think at the time that AC was at all relevant to markets like the United States. We thought maybe we could get some growth in other markets in Europe, but nothing really beyond there. And it took -- to some extent, it took our franchisees, some of whom had been to Spain and seen these hotels, to come back and say, you know what you ought to grow AC in the United States, we'd love to grow it with you. And what they saw was a lifestyle upscale hotel that could fit nicely within our brand and our strategy to grow a lifestyle portfolio of brands.

And so they pushed us, and we ultimately thought that was a brilliant idea and so we launched it. But in many respects, we launched it with our partners. And what they see is a brand that fits wonderfully in our lineup already. They know how our brands perform.

They -- we did very detailed work on costing this with what the model rooms should look like and what the general approach to the operating model and public space was. And in short, it became clear that this was a project that broadly penciled. So folks could get in, build it at fairly economic terms and drive strong projected cash flow returns.

So while we haven't been out there trying to grow AC for very long, we've got five open as we speak and a very strong pipeline, and if anything, that momentum is building a net pipeline.

Moxy, to some extent, is a similar story, but it's a year behind AC. So we obviously started that as a brand-new brand in Europe with significant -- two significant partners there. We are off to a good start in Europe, and similarly our folks in the United States said this is pretty interesting. Why don't you think about bringing it here? And so we've done that.

Now for neither of them are we doing anything significant in terms of promotion. I know that some of the early Moxy deals are in Manhattan, and we are participating in a few of those with some mezzanine debt financing, which is not dramatically unusual in a market like Manhattan, but it probably was maybe a little bit more necessary because it was a brand-new brand. But other than that, I can't think of any incentives that we've applied to that.

Carl Berquist: Nothing unusual.

Arne Sorenson: In terms of your last question, is there more upside for more new brands, hopefully one day yes, but we have nothing that we've got up our sleeves at the moment in terms of new organic brand launches in the United States.

Ryan Meliker, Canaccord: How about any holes in the portfolio that you think might be filled nicely by incremental tuck-in acquisitions like you've done recently with Gaylord and Delta and Protea?

Arne Sorenson: Yes, I think many of the deals we've done recently give us a broader distribution in markets where we've been weak. And so the brands are as much geographic as they are completion of gaps in the brand lineup. We don't see many gaps in the brand lineup, but hopefully we will see opportunity in the years ahead to continue to grow in some geographic markets where we are relatively less distributed, and some of that growth may come with brands that we don't already have.

Ryan Meliker, Canaccord: All right. Thanks, Arne.

Steven Kent, Goldman Sachs: Just a couple of questions. First, the Autograph Collection had relatively weak RevPAR growth of 1.6 percent, while independent hotel RevPAR in the third quarter was strong. Is this what we should expect from Autograph? I think there are some larger properties there that might be moving that around, but maybe you could explain that.

And second question is, what sort of markets are you seeing new supply in? Where would you -- what would you call out -- major cities or major geographic regions?

Arne Sorenson: Yes, so a couple of things here. The reference to Smith Travel independent hotels, I think it's really important to know that Smith Travel independent hotels is not a portfolio -- not a segment of the industry, which is a lot like the Autograph brand. Look at the average rates and average occupancy of that segment as reported by Smith Travel, and you'll see that they are posting significantly lower rates and significantly lower occupancy than upper upscale or luxury or even upscale for that matter. Independents in that report are mostly about hotels that no longer can carry a quality brand and so have in some way fallen off of it or in some way are operating in markets which are different than the typical market. So I don't think that comparison fits.

Now at the same time, Autograph is -- well, it's grown quickly. It's a relatively small portfolio. We have in the Cosmopolitan, for example, in Las Vegas a 3,000 room hotel that is a -- can have a significant impact to the RevPAR numbers that we report year-over-year. We know when we look at the way the Autograph Collection is performing, that that portfolio has taken about 10 points of RevPAR index since converting from being independent to being part of Marriott's Autograph Collection. And so, we are absolutely certain we are driving outsized market results with the conversion of those hotels to our brands.

Question two from Steve?

Steven Kent, Goldman Sachs: It's about supply.

Arne Sorenson: Manhattan would be the first, of course, New York. We -- that market has seen 30 percent of their supply growth over the last handful of years. I suspect we will see continuing supply growth in New York for the next few years, and so that would be one. I think Miami is certainly in the luxury space. It has seen supply growth, and I suspect we'll see some more of it in the next couple of years. But probably not in a way that is as dramatic as what's happened in New York.

Carl, any other U.S. cities you can think of?

Carl Berquist: Oh, U.S., nothing like New York…

Arne Sorenson: Nothing that comes to mind as significant. Then you get overseas, of course, Dubai, and some of the Middle Eastern markets are significant with supply growth. We call that Istanbul. Istanbul and Turkey have seen significant supply growth. I think those two places would be the ones that come top of mind.

Thomas Allen, Morgan Stanley: Sorry if I missed this, but any color on how corporate rate negotiation is going for next year? And then also Hilton touched a little bit high level on recent OTA negotiations. Can you give any color if you've had similar? Thank you.

Arne Sorenson: We did have in our prepared remarks some comments about special corporate rates for next year. We think mid-single-digit RevPAR growth, so on the same range as the RevPAR range we provided for the full shop.

I suspect we'll see that some -- we continue to call some of the lower rated special corporate business. We've done that a little bit in the last few years. I think we've been probably as aggressive as any in the industry in both driving those rates and to some extent being willing to take a little bit more risk by saying to some of the lower rated special corporate accounts that we're simply not going to take you in, and we hope that you will come back and participate in our hotels at rack rate. And I suspect we'll do some more of that next year. But it's still early in the process, and so I would take that as directional comments not necessarily as something that's totally proven but mid-single-digit.

What was the next…?

Thomas Allen, Morgan Stanley: OTAs.

Arne Sorenson: Yes, our comments would be a bit like Hilton's yesterday. There's nothing that we can publish specifically about the results of negotiations. We do think that the kinds of principles they've talked about are the same sorts of things we've talked about, which is we want to make sure we have as much ability to yield our rooms on various channels so that at fuller occupancy times we have a contractual right not to have every room available on every channel, no matter how expensive those channels are for us.

We also want to make sure that we've got the ability to do what we've been doing, which is deliver value to Marriott Reward members booking directly with us, which we've done through free Wi-Fi and other tools like that in the past year or two. And so we continue to pursue similar kinds of philosophical aims and feel like we're making good progress on that.

Thomas Allen, Morgan Stanley: Okay. And then just a quick follow-up, on other Asia Pacific, you said you expected that to be up mid-single-digits next year, but all your commentary seems pretty positive. I just wanted to see if I'm missing something?

Arne Sorenson: No, I mean mid-single-digit we would say is reasonably positive.

Thomas Allen, Morgan Stanley: I guess compared to other regions, other regions you have kind of highlighted there's some gives and takes versus other Asia Pacific it was all pretty positive. And I mean using your peer, Hilton again, they, I think, guided more to the higher end of the range.

Arne Sorenson: Yes, one thing important to keep in mind, China is obviously a significant market when it comes to the region as a whole. Probably roughly half of our total distribution in Asia Pacific is in greater China. We talked about Hong Kong being weak-ish. We talked about Q3 China numbers being relatively good, particularly in markets like Shanghai at plus 9.

But when you look at China, you see different stories from place to place. And it's really important to keep in mind that portfolios of hotels depending on their maturity can have reported numbers in a quarter, which are very different.

The longer somebody has been in China with broad distribution, the fewer ramping hotels they'll have. Ramping meaning newly comparable. And so when we look at our numbers in greater China this year, we see less contribution to our RevPAR growth from ramped hotels than we have in most of the last few years because our portfolio has gotten to be quite sizable.

But we still see that we have grown RevPAR index in China by 4 to 5 points in 2015 alone, building on top of some great years in the past so that our RevPAR index is now in the 125 range, which is a huge premium over competing hotels in the market.

A long-winded way of saying, our RevPAR at mid-single-digit next year for China is still a very strong number. We will be even more mature in China with hotels that we've got open than we were this year, and so we'll have less of that ramping effect.

Smedes Rose, Citigroup: I just wanted to circle back on your third-quarter RevPAR performance in North America at 4.2 percent. I understand the whole industry was impacted by the calendar shifts and things that have been spoken about. But your RevPAR gains were so far below what Smith Travel put up for the third quarter and below the other companies that we've reported, and I was just wondering if you could comment on any kind of market share shift or maybe concentration that maybe hurt you more than others or anything you're seeing along those lines?

Arne Sorenson: Absolutely. I think it's perfectly fair question. It shouldn't surprise you to know that when we look at market share, which is the best measure to look at -- it's not in comparison against Smith Travel, I'll talk about that in second. But when you look at market share numbers, we lost a little bit of market share in Q3 in exactly the kinds of hotels that you would expect. Group business was weak, and therefore, our convention center hotels, which we have more of than most of the industry by a significant measure, were hotels that lost a bit of market share. Why? Because often a big 1,500 or 2,000-room hotel will have within its competitive set hotels which are meaningfully smaller and, therefore, are less reliant on group business than the market -- than we are. And so if you adjust for that and a bit of renovation activity, we see our performance as being roughly comparable to the market.

Now when you compare it with Smith Travel, Smith Travel is reporting every single hotel open in a given market and how that RevPAR compared to what happened in the past. We report RevPAR only for comp hotels. So those are hotels that have got two years' worth of stabilized comparative performance. And when you do that, you are taking the fastest-growing RevPAR year-over-year RevPAR growth hotels out of a comparative point.

So we have tried to calculate what our RevPAR would be if we use Smith Travel numbers, and basically those growth numbers would be a point to 2 higher than what our reported numbers are.

Smedes Rose, Citigroup: That's very helpful. Thank you.

Patrick Scholes, SunTrust: First question, when you think back to the scenarios that you gave on your investor day a year and a half ago, would you look back and say that, for example, net income, excuse me, net income for 2017 at this point looks on target, conservative or aggressive? And, also, other metrics, such as incentive management fees. I guess if you were to go back in time, you would say, wow, these are too conservative given what's happened and what we expect or they are in line with those original expectations. And again I understand that that wasn't guidance, it was just scenarios, but if you could give some thought on that?

Arne Sorenson: I'd suspect we find some things that are a bit better and some things that are bit worse. But all-in-all it's probably still a model which is relevant. Now we should be careful in saying that. I don't want to communicate for a second that we've got a brand new three-year model which is sitting at my right which shows that the numbers for 2017 are the same as what we published for you last year. But just thinking about the drivers, I would think that unit growth is probably a bit stronger than what we had.

I would think that the share repurchase activity that we've done and the impact of that is a bit better than what we had in that model. In other words, not only have we bought significantly, but we probably bought at marginally better pricing than we had in that model. And earlier. And so I think both those things are positives.

RevPAR itself, I'd have to go back and look at that -- look at the forecasts we used.

Laura Paugh: We were at 4 percent to 6 percent.

Arne Sorenson: We were at 4 percent to 6 percent, and we kind of tapered the RevPAR growth just because we thought with each year of economic recovery we should obviously expect a bit less. But I would think we are maybe not far off, certainly within the same broad range. So put all those -- by the way, incentive fees, my guess could be a bit lighter. Because when you look at what we will actually report in incentive fee growth this year, substantially impacted by FX, which we would not have anticipated when we did that model that we published for you a year ago. I suspect we would see FX impact on fees generally being tougher and probably the incentive fee growth numbers being a bit weaker than what we had in that model. But put all those things together, I suspect you're probably still with the relevant model.

Patrick Scholes, SunTrust: Okay. And then my follow-up question, when we think about incentive management fee growth for next year, you know let's just hypothetically say currency neutral in a currency neutral scenario and let's say occupancy is flat next year, what level of ADR growth would you need to have in order to at least be flat year-over-year for incentive management fees?

Arne Sorenson: I don't know that I can give you that. I mean I think in the U.S., you probably need to have 3 percentage RevPAR growth.

Carl Berquist: 2 to 3 percent, I would think just to break even.

Arne Sorenson: 3 percent to have flat margins. Flat margins on 3 percent revenue growth means your incentive fees are growing 3 percent.

Patrick Scholes, SunTrust: Ok.

Arne Sorenson: You get to the rest of the world, the formulas differ, and by the way, in the rest of the world, we'll have a number of full-service hotels that are in year two or three or four of their operation, which means they're probably growing faster. And hopefully if you've got flat FX, we will see reasonably healthy IMF fee growth next year. But we are going a little far afield here in the sense that we're building on things that we really need to go through our budgeting process in order to give you something…

Carl Berquist: It’s a little more complicated…

Arne Sorenson: …to give you something that's more reliable.

Patrick Scholes, SunTrust: Ok. Mind if I sneak one last question in?

Arne Sorenson: You can give it a try.

Patrick Scholes, SunTrust: Okay. Just what is your income sensitivity, what is the latest income sensitivity to one additional point of net room growth? I know you've given that in the past. What is that currently?

Arne Sorenson: Net room growth or net RevPAR growth?

Patrick Scholes, SunTrust: No room, 1 additional point of percentage point of room growth in say 2016 is worth how much in net income? For example, you know you said you've given the outlook. What was it 6 percent or around 7 percent?

Arne Sorenson: All I would do is say that's worth 1 point increment in fees and probably the admin -- if your base model has got admin in it, you probably don't need to add any admin to go with that. So that drops down and run it through your normal tax rate that Carl has got in the P&L model, and that would be your number.

Patrick Scholes, SunTrust: Okay. Perfect. Thank you.

Vince Ciepiel, Cleveland Research: I wanted to circle back to corporate. I'm curious about the tone of your discussions with corporate customers during rate negotiation season. Do you get a sense that their plans consist of stepping up, maintaining or reducing travel as we head into next year?

Arne Sorenson: I think it's maybe stable to up a bit. We don't hear a regular commentary that would suggest that they're going to try and cut back on travel. At the same time, it probably shouldn't surprise you that not many special corporate people come in in the context of a negotiation and say we're going to dramatically increase our volume next year. But I think on balance we see continued good tone in that group of customers.

Vince Ciepiel, Cleveland Research: That's helpful. Thanks. And then second on the topic of OTAs, could you provide an update on how the Trip partnership is progressing?

Arne Sorenson: It's off to a very good start, but we're not going to share any statistics with you yet. Whether and how we do in the future, we'll have to see.

We announced it I don't remember precisely the date…

Laura Paugh: May.

Arne Sorenson: I would think about the beginning of the third quarter, maybe a little bit before. We didn't actually go live on Trip Advisor until we were well into the third quarter. So we don't have a full quarter yet worth of results, but we like what we're seeing.

Vince Ciepiel, Cleveland Research: Great. Thanks.

Jeff Donnelly, Wells Fargo: Arne, you were telling us recently a more aggressive cancellation policy has benefited occupancy. Can you estimate for us how much that might have helped occupancies, and maybe what plans you have for 2016 to broaden either the hotels that applies to or any plans to expand that policy to be even more restrictive?

Arne Sorenson: Yes, we followed most of our competitors. I don't know if I can tell you exactly where every single person is, but we saw most of our competitors move to a 24-hour cancellation window from a same-day cancellation window. And we did the same thing roughly first of the year, if I remember right.

And what we've seen that is particularly gratifying is a reduction in the number of folks that get walked. So that is a little bit different point than the one you raised. So in the past, with same-day cancellations, you actually didn't know who's going to show up into your hotel until the day ended. And as a consequence, you had hotels all over the place trying to say, all right, we know that some percentage of our customers won't show up because they've got free ability to cancel until the last minute. And so let's do some overbooking in order to make sure that we've got guests to fill those rooms if somebody cancels.

And we've seen that because of this 24-hour cancellation rule, we've got a lot of that walk business down, which is obviously not something that anybody likes if you are being forced to walk.

The other thing what we see is we've got high occupancy days, meaning days above 96 percent that are 5 percent more of those days than we did a year ago. And I think that's also driven by this. I think for those that were less aggressive about overbooking and risking having to walk folks, they've now got that much more clarity to put business on the books and drive the occupancy even higher.

But I think also this is driven by good healthy demand as well, so it's not purely a function of the cancellation policy.

Jeff Donnelly, Wells Fargo: Thanks. And just I'm curious what are the industry and economic variables that maybe push you to the top or bottom end of your 4 percent to 6 percent outlook for the U.S. market next year? Are there specific thresholds to GDP or other variables you need to see?

Arne Sorenson: No, I don't think so, no. I think about demand and GDP as being correlated. So the better GDP is the better chance we have it being toward the higher end of that.

Carl Berquist: It's actually on transient.

Jeff Donnelly, Wells Fargo: And maybe just one last question on advertising costs. I'm just curious, as you ramp M Live and others social media channels, can you curtail more traditional advertising channels, or is it all kind of incremental at this point?

Arne Sorenson: No, that's what we are doing. We have essentially a fixed percentage that is contributed to pay for sales and marketing initiatives from hotels. We do have more dollars coming in because of the number of units that we're adding to the system, but we are not increasing the charge-out rate in given hotels. We are spending it in areas that we haven't spent in the past to do things like make movies and do social media and all sorts of fun stuff, which we think actually is succeeding very well. But we are -- to find dollars to do that, we're having to spend less in some areas that we've spend money on before. That would certainly include traditional TV advertising.

Chris Agnew, MKM Partners: You talked about your share of U.S. supply growth versus room share. Can you provide same data points for Europe and Asia? I know that encapsulates a lot of different stories, but can you give us a broad overview, and also what is industry supply growth in Europe and Asia, if you can share that? Thank you.

Arne Sorenson: Yes, those are all good questions, Chris, and I think you're going to stump us here on the last question.

We do -- this is a little bit different measure than you talked about, but we do try and track in Asia Pacific our market share of new deals that the industry signs. And it's a little hard to get, but a number of our principal competitors are willing to share through a clearinghouse. I mean how many deals did you sign in the quarter across particular regions of the world, and we think we are doing great.

That we've got -- this is not the industry as a whole necessarily this will probably be the bigger lodging companies, and what share of the total signings of all those companies do we have? And we think in a market like Asia Pacific where we have been certainly in the full-service and luxury tiers where we are most focused in that part of the world that we are in first or second quarter after quarter and that our share is dramatically higher than our current distribution.

So that's an example of the kind of data that we see that causes us to believe that we are seeing some of the same kind of dynamics that we see in the United States where the data is much more available. In the United States, you've got both STR and Lodging Econometrics that look at essentially all new industry deals, and it gives us all an ability to both have a third-party measure it but also look at it with our own eyes.

Europe, I don't have, at least not top of mind, quite the same insight, but our teams see that our pipeline is growing well, and we think the brands are competing well. So I'm sure we are taking meaningfully more share in the development side than we have of the existing hotel distribution.

Chris Agnew, MKM Partners: Thanks and maybe just one more, hopefully a quick one. Can you give us any color on transient demand maybe by source demand in terms of different industries? Thanks.

Laura Paugh: I don't have that. If you give us a call, we can help you with that.

Arne Sorenson: Yes, give a call. The only thing I think we know is that the weakness in oil makes some markets like Houston weaker than other markets. And obviously you can identify which markets that the industry segment is most relevant to, and there we see some customers that are under pressure, and we see demand trends which are weaker than in the rest of the world.

But if you look at technology, you look at finance, both significant customers of ours and what you see is good health. And I actually think that the data around RevPAR by market is less about the industry of customers than it is about supply in some of those markets. The demand trends still remain quite strong.

Chris Agnew, MKM Partners: Thank you.

Arne Sorenson: Thank you all very much for your time this morning. We appreciate your interest in Marriott and look forward to welcoming you into our hotels as you travel.

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