Marriott International, Inc.
Second Quarter 2024
Earnings Conference Call Transcript[1]
July 31, 2024

Operator: Good day, everyone, and welcome to Marriott International's Second 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 McConagha: Good morning, everyone, and welcome to Marriott's second 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 good morning, everyone.

We delivered another strong quarter, as travel demand remained robust in most markets around the world, and our net rooms grew by 6 percent year over year. Second quarter global RevPAR rose nearly 5 percent. ADR increased around 3 percent and occupancy reached 73 percent, up about 150 basis points compared to last year's second quarter.

RevPAR rose nearly 4 percent in the U.S. & Canada, benefitting from the shift of the Easter holiday. All chain scales in the U.S. & Canada, from select-service to luxury, posted positive second quarter year-over-year RevPAR growth. RevPAR increased over 7 percent internationally, led by a remarkable 13 percent RevPAR gain in Asia Pacific excluding China, or APEC. APEC benefited from strong macro trends and increased cross-border travel, especially from mainland China. Growth in APEC was broad based, but particularly robust in Japan, where RevPAR rose 21 percent.

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

RevPAR grew nearly 10 percent in the region EMEA, with continued strong regional and cross-border demand, and about 9 percent in the CALA region. To date in 2024, the City Express portfolio has meaningfully outperformed the overall Mexican market, as well as our own internal RevPAR expectations, and Bonvoy penetration at the hotels continued to improve steadily.

RevPAR in Greater China declined roughly 4 percent in the quarter, as macroeconomic pressures led to softer domestic demand. The region was also impacted by an increase in outbound high-end travelers. Positive RevPAR growth in Tier 1 cities, Hong Kong, Macau, and Taiwan was more than offset by declines in all other markets, with Hainan seeing a meaningful RevPAR decline. Despite the adverse market conditions, we outperformed our peers and gained RevPAR index across the region in the second quarter. Our global RevPAR index, which is at a substantial premium, also rose again in the quarter.

As we look ahead to the full year, we are narrowing our global RevPAR range to 3 to 4 percent growth, largely due to anticipated continued weakness in Greater China, as Leeny will discuss in more detail.

On a global basis, in the second quarter we saw RevPAR growth across all three of our customer segments, group, leisure transient, and business transient, with each segment experiencing increases in both room nights and average daily rate.

Group, which comprised 24 percent of worldwide room nights in the quarter, remained the strongest customer segment. Compared to the year-ago quarter, group RevPAR rose 10 percent globally. Full year 2024 worldwide group revenues were still pacing up 9 percent year over year at the end of the second quarter, with a 5 percent increase in room nights and a 4 percent rise in ADR.

Business transient, which contributed 33 percent of global room nights in the second quarter, saw a 4 percent increase in RevPAR. Leisure transient, which accounted for 43 percent of worldwide room nights in the quarter, posted a 2 percent rise in RevPAR.

Within the business transient segment, demand from small- to medium-sized corporates, which now account for nearly 55 percent of business transient room nights, has grown significantly over the last few years. Earlier this month, we announced Business Access by Marriott Bonvoy, a new comprehensive online booking travel program that we launched to ease and expand the booking experience and travel management process for these customers. While it is still early days, this new offering is already seeing great interest, and we are extremely pleased with the initial account sign-ups and users of the platform, both of which have outpaced expectations.

We continue to enhance our powerful Marriott Bonvoy loyalty program, which had over 210 million members at the end of June. We continue to see real success driving enrollments and engagement internationally, in part due to our Bonvoy partnerships with Rakuten in Japan,

Alibaba in China, and Rappi in CALA. Member penetration of global room nights rose again, reaching new record highs in the second quarter, at 71 percent in the U.S. & Canada and 65 percent globally. Our new collaboration with Starbucks is the latest example of how we're connecting our members with people, places, and passions that they love.

We also remain laser-focused on providing our guests with excellent experiences in our hotels, and are pleased with our intent to recommend scores, which have continued to steadily rise.

Our leading global portfolio continues to grow meaningfully faster than overall industry supply, and we added approximately 15,500 net rooms to end the quarter with nearly 1.66 million rooms. Global signing activity has remained strong. Record signings in APEC and Greater China for the first half of the year helped grow our pipeline to over 559,000 rooms around the world.

Conversions, including multi-unit opportunities, remain a significant driver of growth, as owners continue to value the depth and breadth of our brand portfolio and our powerful revenue engines. In the second quarter, conversions represented 37 percent of openings and 32 percent of signings. This conversion activity has been broad based, with hotels converting into 23 different Marriott brands over the last twelve months. While still below 2019 levels, we're also pleased with the continued upward trend in monthly construction starts. In the second quarter, construction starts in the U.S. & Canada rose 40 percent year over year.

In June, we signed three marquee luxury conversion deals in the U.S. The renowned Resort at Pelican Hill in Newport Beach, California and The Luxury Collection Hotel Manhattan Midtown have already joined our system. The iconic Turtle Bay Resort in Hawaii is joining The Ritz-Carlton brand today. We are thrilled to welcome these incredible properties, as we further extend our global leading position in the high-value luxury segment.

Our momentum in the midscale space is excellent. Developers are showing significant interest in our new brands in the tier, City Express by Marriott, Four Points Express by Sheraton, StudioRes and our latest transient, conversion-friendly brand in the U.S. In CALA, we continue to sign deals for City Express and are engaged in numerous discussions across the region. Our first Four Points Express opened in Turkey, and over a dozen hotels from our recent multi-unit conversion deal in APEC are expected to join our system later this year. We're also in talks for StudioRes hotels in over 300 markets, and we continue to execute on and pursue numerous types of opportunities, from large area development deals to one-off projects.

Before I turn the call over to Leeny to discuss our financial results, I want to say thank you to all of our associates around the world for the hard work they do each and every day to advance our business and help connect people through the power of travel. Leeny?

Leeny Oberg: Thank you, Tony.

Second quarter gross fee revenues rose 7 percent year-over-year to $1.34 billion. The increase reflects stronger global RevPAR, rooms growth, and higher non-RevPAR-related franchise

fees. Co-branded credit card fees rose 10 percent and residential branding fees were significantly higher than in the same quarter last year, as we continue to benefit from our top position in branded residences globally.

Incentive management fees, or IMFs, totaled $195 million in the second quarter. Growth in these fees was led by mid-teens percentage increases in APEC and EMEA, partially offset by an $8 million decline in Greater China. IMFs in the U.S. & Canada were flat year over year, in part impacted by continued softness in Hawaii.

Second quarter adjusted EBITDA grew 9 percent to $1.32 billion and adjusted EPS increased 11 percent to $2.50.

Now let's talk about our outlook for 2024. Global RevPAR is expected to grow 3 to 4 percent in the third quarter and for the full year. RevPAR growth is expected to remain higher in the vast majority of our international markets than in the U.S. & Canada.

The primary change in our full year outlook is Greater China's updated expectation of negative RevPAR growth for the rest of the year. We expect a continuation of current weak demand and pricing trends in the region, with the third quarter anticipated to see the most meaningful RevPAR decline, as outbound travel accelerates during summer holidays. Note that given Greater China's lower overall average RevPAR compared to the rest of our system, it typically makes up around 7 percent of RevPAR-related fees, although it accounts for 10 percent of open rooms. While we also expect marginally lower full year RevPAR in the U.S. & Canada than we had previously anticipated, in part due to less group business the first two weeks of November given the intense focus on the U.S. Presidential election, overall RevPAR trends in the U.S. & Canada in the back half of the year are expected to remain relatively steady with the first six months of the year.

By customer segment, worldwide RevPAR growth is still anticipated to be driven by another year of strong growth in group revenues, continued improvement in business transient revenues, and slower, but still growing, leisure revenues.

In the third quarter, gross fee growth is expected to be in the 6 to 8 percent range. Our owned, leased and other revenues, net of expenses, are anticipated to be roughly $75 million.

For the full year, gross fees could rise 6 to 7 percent, to $5.1 billion to $5.2 billion. Compared to last quarter's expectations, roughly two-thirds of the reduction is from IMFs, largely from Greater China and select markets in the U.S. & Canada, like Hawaii and Washington, DC. There is also negative currency impact from a still strong dollar; as well as slightly lower than previously expected non-RevPAR-related franchise fees and the timing of hotel openings.

Owned, leased and other revenues, net of expenses, could now total $345 million to $350 million. We now expect full year G&A expense could rise just 1 to 2 percent year over year.

Full year adjusted EBITDA is now expected to rise between 6 and 8 percent, to roughly $4.95 billion to $5 billion. Our 2024 effective tax rate is expected to be just above 25 percent. 2024 adjusted EPS is now expected to be between $9.23 and $9.40.

As Tony mentioned, we're very pleased with the robust signings and openings activity across our global portfolio, demonstrating owners' and franchisees' continued confidence in our brands' performance. We're focused on driving strong growth, and still expect full year net rooms growth of 5.5 to 6 percent.

Full year investment spending is still expected to total $1 billion to $1.2 billion. As you'll recall, this 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. We look forward to the many benefits we're expecting to accrue from elevating our three major tech platforms.

Our investment spending outlook also incorporates roughly $200 million for our owned/leased portfolio, including renovation spending for the W Union Square in Manhattan and the Elegant portfolio in Barbados. When all renovations are complete, we'll ultimately look to recycle these assets and sign long-term management contracts for these properties.

Our capital allocation philosophy remains the same. We are committed to our investment grade rating, investing in growth that is accretive to shareholder value, and then returning excess capital to shareholders through share repurchases and a modest dividend, which has risen meaningfully over time.

We continue to generate strong levels of cash, including from our loyalty program, and our leverage ratio remains at the low end of our target range of 3 to 3.5 times adjusted debt to adjusted EBITDAR. We currently expect approximately $4.3 billion of capital returns to shareholders for the full year. This factors in the $500 million of required cash in the fourth quarter for the purchase of the Sheraton Grand Chicago.

In closing, we have a lot of momentum in our business and strong growth prospects across our over 30 brands around the world thanks to our terrific team. As we look ahead, we're incredibly optimistic about Marriott's future.

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

Question and Answer Session:

Stephen Grambling - Morgan Stanley: Hey, thanks for taking the question. I guess on the guidance in the second half, it looks like you kind of lowered overall RevPAR by about 50 basis points, the reduction in EBITDA about 2 percent. I realize that a lot of that looks like it's incentive management fee related, but is that the appropriate kind of operating leverage to

consider going forward? And what levers do you have to pull if you were to see the backdrop deteriorate further and try to take additional action?

Leeny Oberg: Sure. Thanks, Stephen. So a couple of things in that question. One is the reality that when we typically talk about 1 point of RevPAR being $50 million to $60 million in fees, that's assuming that that's equally across all markets around the world and doesn't have any FX impact. And so I think you are clearly seeing that the impact of the change in our outlook for Greater China has a disproportionate impact. When I think about Greater China's mix between base fees and IMFs, it's obviously quite different than it is in the U.S. where you have an owner's priority return. So for 1 point of RevPAR in Greater China, that is typically something more like $3 million in fees, which is going to be more heavily weighted towards IMFs than it would be in the U.S. where it would have a dramatically smaller impact. So I think we really have to look at the geography rather than necessarily just thinking about it as being a half point overall because it is overwhelmingly related to Greater China with just a slight, truly a tad bit lower, expectation in the U.S. & Canada.

Stephen Grambling - Morgan Stanley: Got it. That's helpful. Maybe one kind of unrelated, could be related, follow-up is just there was always in these questions around fees per room and how the NUG plus RevPAR translates to overall fees. There's a lot of puts and takes in the quarter, but has anything changed in your thought processes as we look at the longer-term algorithm, as we think about that fees being related to net unit growth plus RevPAR?

Leeny Oberg: Yeah, no, we think you're absolutely right. We believe the algorithm absolutely holds up over time. You do have, as you described, the impact of certain elements changing unevenly. So in this particular situation, it is one market having a potentially large change in expected RevPAR for the rest of the year. But we've talked before about our expectation of fees per key as actually rising over time, especially as we think about also having our rapidly growing non-RevPAR-related fees. So we're very pleased with those continuing trends and do not believe that the fundamental algorithm is any different.

Shaun Kelley - BofA Securities: Hi. Good morning, everyone. Just wanted to start with the RevPAR guidance. So if we kind of take the pieces here, obviously we know where we came in the first half of the year and you've given us color on Q3. I believe in the prepared remarks you said Q3 would be the weakest point for China. But when we kind of do the pieces, I think Q4, the implied guidance is below Q3. So what's driving that sort of weaker Q4? Is it group timing? Is it some other shift? Leeny, you mentioned the election, but I think you also said U.S. is pretty stable. Check the math. But if the math is right, what's driving the weaker Q4? Is there anything in that Q4 run rate anybody needs to be concerned about or aware of?

Leeny Oberg: Yeah, thank you, Shaun, and you're right. We can point out that kind of an interesting distinction there between Q3 and Q4. With China only being roughly 10 percent of our rooms, that impact of the lowest quarter in the back half of the year being Q3 doesn't have that much of an impact on Q4. What's going on on Q4 is as we described that we are seeing a bit lower group bookings specifically in Q4 around the election, which is having an impact on

the expectations for U.S. & Canada in Q4 versus Q3. So as we described when we look at the entire back half of the year, we do expect to see really a similar sort of RevPAR growth number as you see in the first half of the year. And then on top of that, you've got your other international markets just continuing to normalize. So when I look at the first half of APEC and EMEA and CALA, I would expect that their back half is a little bit lower. And so in that regard, as you move towards Q4, you continue to see additional normalization, although still quite strong RevPAR in those markets. And you put all that together and that's where you get the bit lower outlook for RevPAR in Q4 than Q3.

Tony Capuano: And maybe just to add a little more context to that, Shaun. Obviously we knew there was an election this year and baked what we've seen as historical softness. But when you look back over prior election cycles, we tended to see a little bit of group softness the week of election. Given for the unique attributes of this election cycle, we're seeing that bleed into the week after the election as well. So it's from a group perspective, about half of November is feeling the impact on the group side.

Shaun Kelley - BofA Securities: Great, thanks. And just as my follow-up just to kind of hit on China specifically. Obviously, I think you gave us a little bit of the heads-up that this was softening last quarter. The real question, though, I expect we'll get some, is this bleeding it all into the development side, right? The signings and the development side was a highlight for the quarter broadly, but what do you see on the ground there? And is that softness at all starting to impact developer conversations or signing conversations in Greater China?

Tony Capuano: It's a great question and it's sort of an interesting riddle. As you heard in my prepared remarks, we had record signings in the first half of the year in China. I think it's really about the long-term prospects in China. Our owner community, certainly the SOEs there, continue to believe in the long-term dynamics of travel, and continue to both sign and start constructing them. So we really have seen no slowdown at all on that front. In fact, it's interesting, we signed 63 select-service deals in the first half of the year in China. Almost half of those are expected to open within 12 months. So as we look at the pace, we ask the same question as you. Are we stacking paper or are we signing deals that are going to materialize as openings? And the pace of construction is really encouraging.

Leeny Oberg: And the only thing I'll add is that I think with our continued strength in RevPAR index in Greater China, especially as you see demand softening over the past six months or so, we have seen increased owner appetite for being with the really strong brands that we have and across the full range of brands. So we're really pleased to see, kind of from the limited-service segment all the way up through luxury, the really strong demand for the brands, including conversions in China. I think really demonstrating that it's frankly in the weaker times that sometimes the brands can prove the most powerful.

Smedes Rose - Citigroup Inc.: Hi, thank you. You mentioned some weakness in Hawaii and I just was wondering, are you seeing it across all regions or is it maybe more isolated in Maui

with what's been going on there? And is it sort of leisure or is it sort of group consensus meetings? What's sort of driving relative weakness in that region?

Leeny Oberg: Yeah, sure, Smedes, and yes, I think, I think Maui is definitely still seeing the slowest recovery. You still have the reality that the dollar is very strong, and Hawaii has always been a very popular place for Japanese travelers. And so overall in Hawaii, we've still not seen the level of Japanese travelers back in the state. But obviously, the tragedy in Lahaina has clearly had a huge impact on the island. And while we were there with Tony, with the senior team, a couple of weeks ago, and there's been fabulous progress, and it is really coming along well. But clearly still that island in particular is having a slower recovery than the other parts of Hawaii. But Hawaii overall is still feeling the impact of the strong dollar.

Smedes Rose - Citigroup Inc.: Okay. And then I just wanted to ask you, you mentioned that IMF fees were flat in North America. Can you just remind us, what percentage of your system in North America is currently paying IMF?

Leeny Oberg: Sure, absolutely. So interestingly, it's the same percentage as a year ago in the second quarter. Twenty-six percent of the hotels in the U.S. are paying incentive fees in the second quarter. And just as a reference point, in Greater China, we went from 86 percent to 80 percent. So you see that really large delta given the structure of the management agreements. Overall for managed contracts for Marriott, we went from 62 percent paying incentive fees last year in the second quarter to 61 percent this year. So you can see that in the U.S. it's fairly steady and more limited to certain pockets geographically that weren't quite as strong.

Joe Greff - J.P. Morgan Chase & Co: Good morning, everybody. Your gross fee guidance for the full year is lowered by about $50 million to $100 million versus what you gave in May. I was hoping you could break that out between the net impact from China, the election impact in the U.S., and FX.

Leeny Oberg: Yeah, so let's do this. IMFs are definitely two-thirds of that. And I would say if you're looking at that, a solid half, if not a bit more, is from Greater China. Now you've got to get into how much is the RevPAR versus how much is FX, and there is a bit of both. Then you're also looking in IMFs at some in the U.S., which let's call it, broadly speaking, roughly $10 million, from various markets not performing as well as we expected a quarter ago. Then you've got also FX overall is affecting both some base fees and IMFs. So to separate it out, you get a bit into kind of which element are you describing. But I would say that China is the biggest impact on the change in IMFs, which is two-thirds of the overall $75 million in reduction. And then you've got a bit from the U.S. and a bit from FX. Obviously, the lower RevPAR globally has a little bit of impact, and then truly ever so slightly is related to non-RevPAR-realted fees.

Joe Greff - J.P. Morgan Chase & Co: Great. I think, Tony, your prepared remarks talk about construction starts in the U.S. and Canada of 40 percent year over year. And we're hearing that from others as well. Can you talk about construction starts outside the U.S., how that has been trending?

Tony Capuano: Yeah, of course. So as I said, here in the U.S., up about 40 percent, which is really encouraging. In Greater China, I might refer to the comment I made earlier. Again, in China, as you know, oftentimes projects that come to us are well under construction. So we tend to look more at what percentage of those deals might open within 12 months of signing. And to see nearly half in greater China is really encouraging. In APEC, there are still some challenges getting projects financed, and there's a continued wait for a little easing in the interest rate environment. And in EMEA, you've got a similar circumstance. Financing is continuing to be a bit of an impediment. But despite everything I just described between all of the regions that we talked about, construction starts on a global basis are up that same number about 40 percent.

And the other thing I would tell you is the combination of some improvement in construction start activity and continued really strong performance on the conversion side, we've now had 27 straight quarters with about 200,000 rooms or more under construction. So even with really strong openings, we continue to see those starts fuel the under-construction pipeline.

David Katz - Jefferies LLC: Hi, good morning, everyone. Thanks for taking my questions. What I wanted to do was just get a little further insight on the NUG guidance broadly speaking, which is the same. And the makeup of that NUG where we're focused on, let's say, the MGM deal, which is a sort of different kind of fee structure than what you have. And should we be looking at that NUG in that pipeline through a more updated lens where there are going to be more of those kinds of deals in there? And just thinking about how we model fees in response to that NUG over time, if my question is clear enough?

Tony Capuano: Yeah, it is. And I think the short answer is, I don't think it should cause you to think materially differently about our NUG, about the value of our NUG, about our fee structures. MGM was an extraordinarily exciting and unique opportunity to bring two powerhouse sets of brands together and that caused us to be creative on the deal structure. But the vast majority, almost the entirety of the pipeline, fits squarely in our traditional approach to managed and franchise deals.

Leeny Oberg: The only thing I would add, David, is that we are really pleased with the number of multi-unit deals that we're signing. But overwhelmingly, they're multi-unit franchise or managed deals that are typical, but they just represent an owner wanting to sign a number of properties up with Marriott rather than a onesie or a twosie. So in that regard, it's great for our growth, and we're really pleased with the continuation of those relationships. But they don't represent a fundamental change in the nature of the agreement.

David Katz - Jefferies LLC: That's really, really helpful. Can -- while we're on the subject, as my follow-up, could we just touch on the MGM deal and talk about how it's going? Any data points or anything like that would be helpful? Thanks.

Tony Capuano: Yeah. The short answer is, it's really going great. I talked to Bill not long ago. I think, from both companies' perspectives, we are elated at the volume of both transient and group leads that are coming through our systems. The number of folks that are considering linking their MGM Rewards and Marriott Bonvoy accounts, the number of groups that are unique groups that are now available to the MGM portfolio. So I think on all fronts, we are thrilled.

Brandt Montour - Barclays Bank PLC: Good morning, everybody. Thanks for taking my question. So I want to talk about group pace for 2025. Have you guys seen that pace remain consistent? Has it strengthened or softened quarter over quarter? And have you seen any booking hesitation from large groups for 2025 in relation to the election and the uncertainty around the election?

Tony Capuano: Yeah. So good questions. As I mentioned in my prepared remarks, the forward bookings for the balance of 2024 are consistent with last quarter with about 9 percent improvement. As we look ahead, right now, 2025 is pacing at 9 percent, which is a little erosion from last quarter. But most of the change is due to pace in room nights. Some of that is around the length of time that folks are booking now, but group continues to be a standout.

Brandt Montour - Barclays Bank PLC: And then just a second question on owned and leased. It looks like the 2Q came in nicely ahead of plan and you raised the full year. Maybe just highlight which region stood out there and then the second half outlook for owned and how that squares with your broader sort of shifting in thoughts for that portfolio? Thanks.

Leeny Oberg: Sure. As you know, our owned lease portfolio is a bit disparate around the world, and so it can depend on certain markets. Obviously, in Europe business has been good. And so those results are strong. But it also contains termination fees in that category. And I think the reality is the outlook for termination fees is a bit higher than it was a quarter ago. It's as you noted, a very modest change in the overall guidance. So we're pleased with how well the hotels are doing in that portfolio. We've got a little bit of renovation impact that goes on. But otherwise, overall, really consistent view of the results in that segment with a little bit more termination fees.

Daniel Politzer - Wells Fargo Securities, LLC: Hey, good morning, everyone. Thanks for taking my question. In terms of the unit growth, certainly pacing well, and you've given a lot of color in terms of both China as well as ex-China. But as we think about kind of the exit pace for this year and the setup for next year, to what degree do you have confidence in achieving that 5 to 5.5 percent CAGR that you laid out at your Analyst Day last year?

Leeny Oberg: So first of all, it won't surprise you. We're not ready to talk about specifics for next year, but we certainly continue to believe that the 5 to 5.5 percent guidance that we gave in September of 2023 is appropriate. Whether we've got a specific budget that looks at a number that is higher or not, we will get there as we move through the process. The thing I'd like to point out is conversions and also the adaptive reuse numbers that Tony talked about

relative to Greater China. Given that we are looking at roughly 30 percent of our room openings coming from conversions and then the adaptive reuse numbers that we've talked about, I think we do continue to see a great horizon of near-term openings over the next 18 months around the world. Tony pointed out the three luxury conversions that opened this year in the U.S., and those were in-the-year-for-the-year conversions for the company. So those deals were signed this year and opened this year. So from that perspective, we do continue to feel really good about the demand for the brands. And then we talked a little bit about the uptick in construction starts, and I think you put that together and that bodes well for the company's continued net rooms growth.

Daniel Politzer - Wells Fargo Securities, LLC: Got it. Thank you. And then I think, Leeny, you mentioned that leisure is still growing, albeit slowly. Can you maybe unpack that a bit and talk a little bit about the underlying trends there, either by chain scale or booking window or any changes you've seen in that customer base?

Leeny Oberg: Yeah, sure. You're right. We saw leisure grow 2 percent and while that's clearly nothing like group that was at 10 percent, it's still encouraging given they came out of COVID rapid fire and with huge increases in RevPAR. So very pleased. Global leisure nights were up 2 percent. ADR was up 1 percent. And even the U.S. & Canada leisure RevPAR was up 1 percent.

And when you look at the various segments, global luxury resorts were up 4.1 percent in terms of RevPAR and U.S. luxury resorts were up almost 1 percent. So while I think there is, at the margin, a hair more caution from the U.S. customer, we do see that there continues to be very strong demand on the leisure front. The other thing I'd point out is that we clearly are seeing a stronger performance in the upper chain scales than compared to the lower chain scales. And you're seeing that throughout the industry as well. So when you look at premium and luxury, that overall is stronger than it is in the lower chain scales.

Tony Capuano: And, Dan, just to provide a little more context. I mean Leeny referenced the strength we've seen in leisure. Remind yourself, leisure was the fastest customer segment to recover. And over the last five years, RevPAR in the leisure segment is up 40 percent. And so to continue to see quarter-over-quarter improvement in leisure RevPAR on the shoulders of that sort of recovery for us is quite encouraging.

Leeny Oberg: And the last thing I'll say is we do expect for the full year, while it will be relatively the slower growing segment compared to group and BT, we still do expect it to be up for the full year as well.

Bill Crow - Raymond James & Associates, Inc.: Hey, good morning. If I could just start with a follow-up on that last question. Are you seeing the sluggishness at the low end creeping into higher income levels at this point?

Leeny Oberg: No, not really. I think one thing that's just interesting is that ancillary spend around the world, U.S. & Canada, and frankly, all of the other regions, ancillary spend was a hair

softer than we anticipated. And I think it does show that the consumer, in general, is perhaps being a bit more judicious about the fancy dinner or going on that extra trip when they're on a vacation. And that is really the only thing. It's not trade down in any meaningful way. And as we pointed out, the resort RevPAR was sturdy. But that's really the only item that I can point to.

Tony Capuano: Yeah, I think, Bill, the empirical data that supports Leeny's observation, when you looked in the quarter at occupancy improvement by quality tier, luxury was actually the tier that had the best improvement at almost 2.5 points of occupancy year over year. And so, again, that high-end consumer continues to show real resilience and real appetite for travel. I think the one thing we're watching is what Leeny pointed out, and that's the ancillary spend.

Bill Crow - Raymond James & Associates, Inc.: Yeah. Okay, thanks. If I could just follow up with a quick one about the balance of travel between inbound and outbound international. This was supposed to be the summer where it kind of equaled out and that's not happening. Can you just update us on your thoughts on how you see that recovery playing out, especially inbound into the United States?

Leeny Oberg: Yeah. So, interestingly, inbound is about the same as it was prior to COVID. Your 4 to 5 percent of the nights in the U.S. are from cross-border. And it's the same as usual where big cities like New York and Miami continue to get outsized presence from cross-border travel. But they also continue to be from the markets like Canada and Mexico coming to the U.S.

As we look at going to other markets, we are seeing that we've gone a hair higher than 2019 levels. Almost 20 percent of our business around the world is cross-border. Now, part of that, the reality is, we've got more international rooms than we had in 2019. But you continue to see with the strong U.S. dollar, you continue to see great travel from U.S. travelers, for example, going to Japan, going to Europe. Middle Eastern travelers traveling to many other countries. So I think the global nature of travel is only increasing, which from our perspective is fabulous.

Ari Klein - BMO Capital Markets: Yeah, so just China has been a sizable outsourcer of travel demand globally and, based on the commentary, that piece still appears to be holding. Why do you think that that's the case? And is that something you expect to change given the broader weakness in China?

Leeny Oberg: So I'll give you a couple of facts and also a reminder that a year ago, you were just starting to see Chinese travelers leaving the country. So one of the big differences in Q2 is there was meaningfully better airlift out of China to other parts of the world. Now while the U.S. airlift is still not back to where it was, overall they're about 75 percent back to where they were in terms of airlift to other countries and particularly to other countries in Asia Pacific.

So, no doubt our Asia Pacific hotels outside of Greater China benefited from the higher income travelers in China wanting to go outside of China now that frankly it was a freer opportunity to do so on the heels of the recovery from COVID. So we are seeing that.

I will say that the travel to and from the U.S. is definitely not back to the levels that it was. And we do continue to expect to see really strong outbound demand from Greater China. But I will point you again to the overall macroeconomic picture there in Greater China, which has frankly meant that overall levels of travel spend have not recovered as fast as perhaps might have been expected.

Tony Capuano: The only thing I would add, Ari, the other catalyst we've seen is the Chinese government has been more and more aggressive in striking visa deals with preferred destinations, removing one more layer of friction for outbound Chinese travelers, especially at the high end. And we're seeing that particularly in our results across APEC.

Ari Klein - BMO Capital Markets: Thanks for that. And then just on the 40 percent increase in U.S. construction starts, is there any notable difference between the starts on select-service hotels versus full-service hotels?

Leeny Oberg: No. Our pipeline, as you might imagine, is overwhelmingly limited-service in any event. And most of the full-service deals that we're doing are conversions. So this is quite similar to 2019, where they're overwhelmingly select-service new builds.

Robin Farley - UBS Investment Bank: Great. Thank you. Just going back to the topic of unit growth, you talked about the increase in construction starts. But if you look at sort of overall under-construction as a percent of pipeline, it's still, I want to say it's at 37 percent, still quite a bit lower than historic. So I'm just wondering, you mentioned China's not the issue there. Is it a lot of projects that are sitting that haven't gotten the financing or is it actually churn and like projects falling out, new projects coming in, so that percent of under-construction isn't necessarily ticking up. Just any color around that. Thanks.

Tony Capuano: Yeah, it's definitely not churn. I mean we continue to see kind of historic low levels of dropout from the pipeline. I think here in the U.S., while we're encouraged by that pickup of 40 percent. It's a bit ironic because when you talk to the lenders, often the hospitality component of their commercial real estate portfolios are the best subset of that portfolio. But the availability of construction debt is still relatively constricted to where we were in a pre-pandemic situation. And as a result, we're not back to where we were pre-pandemic in terms of shovels in the ground. Trends are going the right direction, but we're just not all the way back yet.

Robin Farley - UBS Investment Bank: Okay. Thank you. And just as a follow up, looking at 2025, and I know you haven't guided specifically, but you had that sort of two-year guidance that kind of implies for 2025, that conversions will kind of accelerate, I think, as a percent of new units next year. And I think conversions are already a greater contributor to your net unit growth than historic. Just looking at that 30 percent that you're at, maybe you can refresh this. Maybe that's, I'm not remembering that right. But if you're already at sort of that higher than historic percent, help us think about what dynamics you're expecting that will sort of drive incremental conversions of percent of total for 2025. And because there's acceleration overall in your unit

growth expectation, it's not just acceleration in percent of total acceleration in absolute units as well. Thanks.

Tony Capuano: Yeah. So again, as Leeny pointed out earlier, we're not quite ready to put a stake in the ground on specific guidance for 2025, but we continue to see conversion volume at 30-plus-percent of both signings and openings. It feels like our momentum in conversions is accelerating, and it's really encouraging to see the way the owner and franchise community is gravitating towards the strength of our revenue engines.

Patrick Scholes - Truist Securities, Inc.: Great. Good morning, everyone. My first question, how would you describe your visibility as far as bookings in China as opposed to the U.S.? Even more granular, what would you say the typical booking window looks like for China versus over here? Thank you.

Tony Capuano: Yeah. So, I think our visibility is pretty good but the booking window is historically short right now. And so that's making it challenging for us to look much beyond the end of this year. Right now we are seeing very, very short-term booking window, kind of one to three days versus what we see around most of the rest of the world is closer to 20 days.

Patrick Scholes - Truist Securities, Inc.: Okay. Thank you. And then a different topic here. I'm wondering if you could give us an update on your recent trends for spending key money to make development happen. Thank you.

Tony Capuano: Of course. It's a trend that we analyze quite a bit ourselves. And so I'm going to give you a couple statistics. We're only halfway through 2024. So I'm going to compare 2019 to 2023 full year. It's interesting, the percentage of deals in full year 2023 that required key money is actually a bit lower than what we saw in 2019. And similarly, the amount of key money offered in deals that had key money in 2023 was almost 10 percent lower than what we saw in 2019.

Now to be sure, there's a couple other trends below the surface of those encouraging statistics. To be sure, the environment is becoming more and more competitive and we continue to apply the same lens we've always applied, which is in deals that are strategic and have significant fee upside, that's when we consider leveraging the company's balance sheet. And number two, back in 2019, I don't know the precise statistic, but the bulk of the key money we deployed would have been in the upper upscale and luxury. And I think now you are seeing, selectively, the opportunity or the need to deploy key money or other capital tools lower in the quality tier framework.

Michael Bellisario - Robert W. Baird & Co. Incorporated: Thanks. Good morning, everyone. First question, just to follow up on the ancillary spend. Is the lower non-RevPAR-related fee outlook, is that being driven by lower card spending? And then are you also seeing that softer ancillary spend within the group segment, or is that comment just specific to leisure transient?

Leeny Oberg: Yeah, no. So good questions. I would say the lower ancillary spend is across the board. So a little bit, only a little bit, but a little bit everywhere, both leisure as well as group. And then on the non-RevPAR-related spend, overall we are still seeing credit card spend go up very nicely. We're still looking at credit card fees being up 10 percent in 2024. It is the average spent that has moderated a little bit in terms of a typical card holder in the U.S., but again, only a very, very small amount.

And just as a reminder, the ancillary spend is related to credit card spend because obviously people use their credit cards to buy these things, but our ancillary revenues are going to come through the RevPAR line because those are earned at hotels. The non-RevPAR-related fees are entirely a function of what's going on, obviously, in residential and timeshare and in the credit cards. And that's where, to your point, we're seeing average spend moderate a bit. But again, overall, credit card spend will go up very nicely because we're really pleased with the adding of new card holders to our portfolio.

Michael Bellisario - Robert W. Baird & Co. Incorporated: Got it. Understood. And then just one follow up just on your lower end chain scales. You've noted a lot of discussions and signings, but where are you at with shovels in the ground, say, for StudioRes? And then are you still focused on the multi-unit development deals? And then when do you switch to single asset deals? Thank you.

Leeny Oberg: Yeah. So as we spoke about before, we are really pleased with the large number of multi-unit conversion deals that we've had under discussion and in some cases closed around the world. So that is great. And then we've talked about specifically in the midscale as having over 300 hotels under discussion with multi-unit developers. And we are seeing more of them actually put the shovels in the ground.

Tony Capuano: Great. Well, as always, thank you again for your interest in Marriott. I hope you enjoy the balance of the summer. Hope you're out on the road, and we'll look forward to speaking to you next quarter. Thanks.

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Note on forward-looking statements: All statements in this document are made as of July 31, 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 Marriott Bonvoy program; our development pipeline; owner preference for our brands; 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

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