



# MARRIOTT INTERNATIONAL FOURTH QUARTER 2017 EARNINGS CONFERENCE CALL

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# FORWARD-LOOKING STATEMENTS

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**NOTE ON FORWARD-LOOKING STATEMENTS:** This document contains “forward-looking statements” within the meaning of federal securities laws, including our RevPAR, profit margin and earnings outlook 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 tax rate; 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 or annual report on Form 10-K. Risks that could affect forward-looking statements in this document include changes in market conditions; changes in global and regional economies; supply and demand changes for hotel rooms; competitive conditions in the lodging industry; relationships with clients and property owners; the availability of capital to finance hotel growth and refurbishment; the extent to which we can continue to successfully integrate Starwood and realize the anticipated benefits of combining Starwood and Marriott; changes to our provisional estimates of the impact of the U.S. Tax Cuts and Jobs Acts of 2017; and changes to our estimates of the impact of the new revenue recognition accounting standard. 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 February 14, 2018. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

# **SEIZING THE OPPORTUNITY**

- **More than 6,500 properties**
- **Broad choice from 30 brands**
- **Aspirational destinations**
- **Leading loyalty programs**
- **Effective and efficient sales and marketing channels**
- **Operating know-how delivers high guest satisfaction and hotel profitability for owners and franchisees**



Delta Hotels by Marriott Riverfront, South Sioux City, NE



The Ritz-Carlton, Koh Samui, Thailand



The Westin Chattanooga, TN



Moxy London Stratford



Sheraton Petaling Jaya Hotel, Malaysia

# SUBSTANTIAL ROOMS GROWTH

# SIGNIFICANT BENEFITS OF SCALE

## 2017 ACCOMPLISHMENTS

- Mobile check-in and check-out added to 1,600 hotels
- Global GuestVoice system rollout
- Marriott Moments
- Alibaba joint venture
- House profit margins up 80 bps
- Integration cost savings
  - Procurement
  - OTA commissions
  - Loyalty costs

# POWERFUL LOYALTY PROGRAMS

- Nearly 110 million members
- Member stays represent over half of occupied rooms
- Lower charge-out rate to owners in 2017 and 2018
- Harmonize program terms in 2018
- New credit card agreements with improved terms
- New credit cards expected in 2018



# SIGNIFICANT BENEFITS OF SCALE

## COMING SOON

### Continued cost savings

- Group intermediary savings
- Revenue management focus on profits
- More procurement and benchmarking initiatives
- Lower loyalty costs

# REVPAR RESULTS & OUTLOOK

<b>Systemwide Comparable</b>	<b>2017 Fourth Quarter</b>	<b>2017 Full Year</b>	<b>2018E Full Year</b>
<b>North America</b>	<b>3.9%</b>	<b>2.1%</b>	<b>1% to 2%</b>
<b>Asia Pacific</b>	<b>7.2%</b>	<b>6.8%</b>	<b>Mid-single digit rate</b>
<b>Caribbean &amp; Latin America</b>	<b>5.6%</b>	<b>4.0%</b>	<b>Low-single digit rate</b>
<b>Europe</b>	<b>5.4%</b>	<b>7.2%</b>	<b>Mid-single digit rate</b>
<b>Middle East &amp; Africa</b>	<b>5.7%</b>	<b>2.0%</b>	<b>Flat</b>
<b>International</b>	<b>6.2%</b>	<b>5.9%</b>	<b>3% to 5%</b>
<b>Worldwide</b>	<b>4.6%</b>	<b>3.1%</b>	<b>1% to 3%</b>



# FOURTH QUARTER 2017 AVENDRA SALE & TAX REFORM IMPACT

(\$ millions, except EPS)

## AVENDRA SALE

Marriott Share of Proceeds	\$659
Gain	\$659
Tax on Gain	(\$259)

## TAX REFORM

Transition Tax	(\$745)
Deferred Tax Liabilities	\$159
Other Tax Impact	\$19

## COMBINED IMPACT

Net Income	(\$167)
Diluted EPS	(\$0.45)

# FOURTH QUARTER 2017

(\$ millions, except EPS)

	Q4 2017 As Adjusted	Q4 2016 As Adjusted	B/(W)	
<b>Total fees</b>	\$865	\$773	12%	← Unit & RevPAR growth & higher non-property fees
<b>Owned, leased, and other, net</b>	95	109	(13)%	← Sale of 4 hotels
<b>Depreciation, amortization, and other</b>	(72)	(71)	(1)%	
<b>General, administrative, and other</b>	(259)	(234)	(11)%	← Litigation reserves in 2017; favorable litigation settlement in 2016
<b>Operating income</b>	\$629	\$577	9%	
<b>Gains/(losses) and other income</b>	(2)	2	NM	
<b>Net interest expense</b>	(58)	(62)	6%	
<b>Equity in earnings</b>	10	2	400%	
<b>Income before income taxes</b>	\$579	\$519	12%	
<b>Provision for income taxes</b>	(164)	(185)	11%	
<b>Net income</b>	\$415	\$334	24%	
<b>Fully diluted EPS</b>	\$1.12	\$0.85	32%	

# PERFORMANCE VERSUS GUIDANCE

**Fourth Quarter Adjusted Diluted EPS** **\$1.12**

**Guidance as of November 7, 2017** **\$0.98 to \$1.00**

Total fee revenue **\$0.06**

Owned, leased, and other, net **0.01**

General, administrative, and other **(0.03)**

Net interest expense **0.01**

Equity in earnings **0.01**

Provision for income taxes **0.07**

**Outperformance at midpoint** **\$0.13**

RevPAR at top of range, strong margins, higher branding & relicensing fees

Litigation reserves, higher development expenses

Stock compensation tax benefit, favorable mix of business, favorable discrete items

# NEW REVENUE RECOGNITION RULES

	New Rule	Old Rule
1. <b>Contract Investment Amortization</b>	Reduction of Fee Revenue	Included in Depreciation, Amortization & Other
2. <b>Pre-opening Services</b>	Revenues and direct costs are deferred and recognized over the initial term of the management or franchise agreement	Recognized over the pre-opening services period or as the costs were incurred
3. <b>Incentive Management Fees</b>	Recognized to extent it is probable that the fees will not be reversed later in the year	Recognized year-to-date as if the management agreement ended at quarter-end
4. <b>Franchise Application &amp; Relicensing Fees</b>	Deferred and recognized over the initial term of the franchise agreement	Recognized at hotel opening or relicensing
5. <b>Development Costs</b>	Capitalize only incremental costs (paid only if deal is signed) that are specifically related to the deal and amortize over the initial term of the management or franchise agreement	Direct costs of the team working on the deal capitalized and amortized over the initial term of the management or franchise agreement
6. <b>Centralized Programs &amp; Services (Part of Cost Reimbursements and Reimbursed Costs)</b>	Recognize timing differences on income statement	Recognize timing differences on balance sheet

# FIRST QUARTER REVPAR OUTLOOK

Systemwide Comparable	2018E First Quarter
North America	Flat to up 2%
Asia Pacific	Mid-single digit rate
Caribbean & Latin America	Mid-single digit rate
Europe	Mid-single digit rate
Middle East & Africa	Flat
International	3% to 5%
Worldwide	1% to 3%

# 2018 OUTLOOK

(\$ millions, except EPS)

	Full Year 2018E Outlook	Full Year 2018E Excluding the Impact of the New Revenue Standard
<b>Fee revenues</b>	\$3,535 to \$3,620	\$3,560 to \$3,645
<b>Contract Investment Amortization</b>	Approx. \$55	Approx. \$0
<b>Owned, leased and other revenue, net of direct expenses</b>	\$285 to \$295	\$310 to \$320
<b>Depreciation, amortization, and other expenses</b>	Approx. \$230	Approx. \$295
<b>General, administrative, and other expenses</b>	\$935 to \$945	\$925 to \$935
<b>Operating income</b>	\$2,590 to \$2,695	\$2,640 to \$2,745
<b>Gains and other income</b>	Approx. \$45	Approx. \$45
<b>Net interest expense</b>	Approx. \$305	Approx. \$305
<b>Equity in earnings (losses)</b>	Approx. \$40	Approx. \$40
<b>Earnings per share</b>	\$5.11 to \$5.34	\$5.22 to \$5.45
<b>Effective tax rate</b>	22%	
<b>Adjusted EBITDA</b>	\$3,315 to \$3,420	\$3,375 to \$3,480

# 2018 OUTLOOK

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- Excludes P&L impact of Avendra spending, merger-related costs, and timing of centralized programs and services
- \$600 to \$700 million investment spending
- Assumes no further asset sales
- Approximately \$2.5 billion return to shareholders

# QUESTIONS & ANSWERS

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