Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2021
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to
Commission File No. 1-13881

MARRIOTT INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Delaware	**52-2055918**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**
10400 Fernwood Road Bethesda Maryland	**20817**
(Address of principal executive offices)	**(Zip Code)**

(301) 380-3000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Class A Common Stock, $0.01 par value	MAR	Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 325,683,100 shares of Class A Common Stock, par value $0.01 per share, outstanding at October 22, 2021.

MARRIOTT INTERNATIONAL, INC.
FORM 10-Q TABLE OF CONTENTS

		Page No.
Part I.	Financial Information (Unaudited):	
Item 1.	Financial Statements	
	Condensed Consolidated Statements of Income (Loss)	3
	Condensed Consolidated Statements of Comprehensive Income (Loss)	4
	Condensed Consolidated Balance Sheets	5
	Condensed Consolidated Statements of Cash Flows	6
	Notes to Condensed Consolidated Financial Statements	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	19
	Cautionary Statement	19
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	30
Item 4.	Controls and Procedures	30
Part II.	Other Information:	
Item 1.	Legal Proceedings	32
Item 1A.	Risk Factors	32
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	45
Item 6.	Exhibits	46
	Signature	47

PART I – FINANCIAL INFORMATION

Item 1. *Financial Statements*

MARRIOTT INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)
($ in millions, except per share amounts)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
REVENUES				
Base management fees	$ 190	$ 87	$ 452	$ 341
Franchise fees	533	279	1,270	876
Incentive management fees	53	31	141	43
Gross fee revenues	776	397	1,863	1,260
Contract investment amortization	(21)	(48)	(56)	(94)
Net fee revenues	755	349	1,807	1,166
Owned, leased, and other revenue	241	116	536	445
Cost reimbursement revenue	2,950	1,789	7,068	6,788
	3,946	2,254	9,411	8,399
OPERATING COSTS AND EXPENSES				
Owned, leased, and other-direct	204	134	507	527
Depreciation, amortization, and other	64	53	166	275
General, administrative, and other	212	131	610	579
Restructuring and merger-related charges	4	1	8	5
Reimbursed expenses	2,917	1,683	7,005	6,801
	3,401	2,002	8,296	8,187
OPERATING INCOME	545	252	1,115	212
Gains and other income, net	—	2	6	3
Loss on extinguishment of debt	(164)	—	(164)	—
Interest expense	(107)	(113)	(323)	(333)
Interest income	8	6	22	20
Equity in losses	(4)	(20)	(24)	(54)
INCOME (LOSS) BEFORE INCOME TAXES	278	127	632	(152)
(Provision) benefit for income taxes	(58)	(27)	(1)	49
NET INCOME (LOSS)	$ 220	$ 100	$ 631	$ (103)
EARNINGS (LOSS) PER SHARE				
Earnings (loss) per share - basic	$ 0.67	$ 0.31	$ 1.93	$ (0.32)
Earnings (loss) per share - diluted	$ 0.67	$ 0.31	$ 1.92	$ (0.32)

See Notes to Condensed Consolidated Financial Statements.

MARRIOTT INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
($ in millions)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Net income (loss)	$ 220	$ 100	$ 631	$ (103)
Other comprehensive income (loss):				
Foreign currency translation adjustments	(138)	163	(197)	(87)
Derivative instrument adjustments and other, net of tax	—	(1)	—	2
Total other comprehensive (loss) income, net of tax	(138)	162	(197)	(85)
Comprehensive income (loss)	$ 82	$ 262	$ 434	$ (188)

See Notes to Condensed Consolidated Financial Statements.

MARRIOTT INTERNATIONAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
($ in millions)

	(Unaudited) September 30, 2021	December 31, 2020
ASSETS		
Current assets		
Cash and equivalents	$ 772	$ 877
Accounts and notes receivable, net	2,042	1,768
Prepaid expenses and other	176	180
	2,990	2,825
Property and equipment, net	1,496	1,514
Intangible assets		
Brands	5,987	6,059
Contract acquisition costs and other	2,917	2,930
Goodwill	9,084	9,175
	17,988	18,164
Equity method investments	390	422
Notes receivable, net	141	159
Deferred tax assets	232	249
Operating lease assets	642	752
Other noncurrent assets	627	616
	$ 24,506	$ 24,701
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current portion of long-term debt	$ 579	$ 1,173
Accounts payable	711	527
Accrued payroll and benefits	1,120	831
Liability for guest loyalty program	2,320	1,769
Accrued expenses and other	1,289	1,452
	6,019	5,752
Long-term debt	9,264	9,203
Liability for guest loyalty program	4,176	4,502
Deferred tax liabilities	69	83
Deferred revenue	1,226	1,542
Operating lease liabilities	697	823
Other noncurrent liabilities	2,137	2,366
Stockholders' equity		
Class A Common Stock	5	5
Additional paid-in-capital	5,869	5,851
Retained earnings	9,838	9,206
Treasury stock, at cost	(14,462)	(14,497)
Accumulated other comprehensive loss	(332)	(135)
	918	430
	$ 24,506	$ 24,701

See Notes to Condensed Consolidated Financial Statements.

MARRIOTT INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
($ in millions)
(Unaudited)

	Nine Months Ended	
	September 30, 2021	September 30, 2020
OPERATING ACTIVITIES		
Net income (loss)	$ 631	$ (103)
Adjustments to reconcile to cash provided by operating activities:		
Depreciation, amortization, and other	222	369
Stock-based compensation	138	143
Income taxes	(292)	(289)
Liability for guest loyalty program	54	439
Contract acquisition costs	(143)	(103)
Restructuring and merger-related charges	(5)	(40)
Working capital changes	71	127
Loss on extinguishment of debt	164	—
Deferred revenue changes and other	(95)	1,080
Net cash provided by operating activities	745	1,623
INVESTING ACTIVITIES		
Capital and technology expenditures	(114)	(97)
Dispositions	8	260
Loan advances	(10)	(36)
Loan collections	38	6
Other	(3)	(22)
Net cash (used in) provided by investing activities	(81)	111
FINANCING ACTIVITIES		
Commercial paper/Credit Facility, net	(150)	(2,260)
Issuance of long-term debt	1,787	3,556
Repayment of long-term debt	(2,172)	(1,278)
Issuance of Class A Common Stock	2	—
Debt extinguishment costs	(155)	—
Dividends paid	—	(156)
Purchase of treasury stock	—	(150)
Stock-based compensation withholding taxes	(85)	(100)
Other	12	(9)
Net cash used in financing activities	(761)	(397)
(DECREASE) INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(97)	1,337
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of period [1]	894	253
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of period [1]	$ 797	$ 1,590

[1] The 2021 amounts include beginning restricted cash of $17 million at December 31, 2020, and ending restricted cash of $25 million at September 30, 2021, which we present in the "Prepaid expenses and other" and "Other noncurrent assets" captions of our Balance Sheets.

See Notes to Condensed Consolidated Financial Statements.

MARRIOTT INTERNATIONAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. BASIS OF PRESENTATION

The condensed consolidated financial statements present the results of operations, financial position, and cash flows of Marriott International, Inc. and subsidiaries (referred to in this report as "we," "us," "Marriott," or the "Company"). In order to make this report easier to read, we also refer throughout to (1) our Condensed Consolidated Financial Statements as our "Financial Statements," (2) our Condensed Consolidated Statements of Income (Loss) as our "Income Statements," (3) our Condensed Consolidated Balance Sheets as our "Balance Sheets," (4) our Condensed Consolidated Statements of Cash Flows as our "Statements of Cash Flows," (5) our properties, brands, or markets in the United States and Canada as "U.S. & Canada," and (6) our properties, brands, or markets in our Caribbean and Latin America, Europe, Middle East and Africa, Greater China, and Asia Pacific excluding China regions, as "International." In addition, references throughout to numbered "Notes" refer to these Notes to Condensed Consolidated Financial Statements, unless otherwise stated.

These Financial Statements have not been audited. We have condensed or omitted certain information and disclosures normally included in financial statements presented in accordance with U.S. generally accepted accounting principles ("GAAP"). The financial statements in this report should be read in conjunction with the consolidated financial statements and notes thereto in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, as amended ("2020 Form 10-K"). Certain terms not otherwise defined in this Form 10-Q have the meanings specified in our 2020 Form 10-K.

Preparation of financial statements that conform with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements, the reported amounts of revenues and expenses during the reporting periods, and the disclosures of contingent liabilities. The uncertainty created by the coronavirus pandemic and efforts to contain it ("COVID-19") has made such estimates more difficult and subjective. Accordingly, ultimate results could differ from those estimates.

The accompanying Financial Statements reflect all normal and recurring adjustments necessary to present fairly our financial position as of September 30, 2021 and December 31, 2020, the results of our operations for the three and nine months ended September 30, 2021 and September 30, 2020, and cash flows for the nine months ended September 30, 2021 and September 30, 2020. Interim results may not be indicative of fiscal year performance because of seasonal and short-term variations, as well as the impact of COVID-19. We have eliminated all material intercompany transactions and balances between entities consolidated in these Financial Statements.

NOTE 2. RESTRUCTURING CHARGES

Beginning in the 2020 second quarter, we initiated several regional restructuring plans to achieve cost savings in response to the decline in lodging demand caused by COVID-19. We completed the programs relating to our above-property organization as of year-end 2020. For the property-level programs, including owned and leased properties, we recorded restructuring charges for employee termination benefits in the 2021 first three quarters of $8 million in the "Reimbursed expenses" caption and $1 million in the "Restructuring and merger-related charges" caption of our Income Statements. Cumulative charges incurred for the property-level programs, from the beginning of the programs through September 30, 2021, totaled $258 million. We substantially completed our property-level programs as of September 30, 2021.

Our U.S. & Canada segment recorded $262 million of cumulative charges for above-property and property-level programs from the beginning of the programs through September 30, 2021, of which $7 million was recorded in the 2021 first three quarters.

The following table presents our restructuring liability activity during the period:

($ in millions)	Employee termination benefits
Balance at December 31, 2020	$ 143
Charges	9
Cash payments	(116)
Other	(3)
Balance at September 30, 2021, classified in “Accrued expenses and other”	$ 33

Additionally, as of September 30, 2021, we recorded $35 million of costs related to group medical, dental, and vision benefit coverage provided to eligible former associates and furloughed or part-time associates (and their eligible enrolled dependents) pursuant to the continuation coverage requirements under the Consolidated Omnibus Budget Reconciliation Act of 1985 (“COBRA”) for the April 1, 2021 to September 30, 2021 period. The American Rescue Plan Act of 2021 (“ARPA”) provides for refundable tax credits to employers as reimbursement for such benefit coverage continuation costs, which we have claimed as a tax credit against our Medicare tax obligations for that time period and recorded a receivable as of September 30, 2021 for excess tax credits that we expect to receive through payments from the U.S. Treasury.

NOTE 3. EARNINGS PER SHARE

The table below presents the reconciliation of the earnings and number of shares used in our calculations of basic and diluted earnings per share:

	Three Months Ended		Nine Months Ended	
(in millions, except per share amounts)	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Computation of Basic Earnings Per Share				
Net income (loss)	$ 220	$ 100	$ 631	$ (103)
Shares for basic earnings per share	327.3	325.9	327.0	325.7
Basic earnings (loss) per share	$ 0.67	$ 0.31	$ 1.93	$ (0.32)
Computation of Diluted Earnings Per Share				
Net income (loss)	$ 220	$ 100	$ 631	$ (103)
Shares for basic earnings per share	327.3	325.9	327.0	325.7
Effect of dilutive securities				
Stock-based compensation [(1)]	2.0	0.9	2.1	—
Shares for diluted earnings per share	329.3	326.8	329.1	325.7
Diluted earnings (loss) per share	$ 0.67	$ 0.31	$ 1.92	$ (0.32)

(1) For the calculation of diluted loss per share for the nine months ended September 30, 2020, we excluded stock-based compensation securities of 1.2 million because the effect was anti-dilutive.

NOTE 4. STOCK-BASED COMPENSATION

We granted 0.3 million restricted stock units (“RSUs”) during the 2021 first three quarters to certain officers and employees, and those units vest generally over four years in equal annual installments commencing one year after the grant date. We also granted 0.2 million performance-based RSUs (“PSUs”) in the 2021 first three quarters to certain executives, which are earned, subject to continued employment and the satisfaction of certain performance and market conditions based on the degree of achievement of pre-established targets for 2023 adjusted EBITDA performance and relative total stockholder return over the 2021 to 2023 performance period. RSUs, including PSUs, granted in the 2021 first three quarters had a weighted average grant-date fair value of $140 per unit.

In the 2020 third quarter, as part of our effort to encourage associate retention in response to the severe impact of COVID-19 on our industry and the Company, we accelerated the issuance of RSU awards to certain officers and employees that ordinarily would have been made in the 2021 first quarter. We did not accelerate the issuance of awards for our most senior executives.

We recorded stock-based compensation expense for RSUs and PSUs of $40 million in the 2021 third quarter, $49 million in the 2020 third quarter, $130 million in the 2021 first three quarters, and $134 million in the 2020 first three quarters. Deferred compensation costs for unvested awards for RSUs and PSUs totaled $220 million at September 30, 2021 and $301 million at December 31, 2020.

NOTE 5. INCOME TAXES

Our effective tax rate was 21.1 percent for the 2021 third quarter compared to 21.6 percent for the 2020 third quarter, and 0.2 percent for the 2021 first three quarters compared to 32.0 percent for the 2020 first three quarters. The decrease in our effective tax rate for the first three quarters was primarily due to the current year tax benefit from the release of tax reserves due to the favorable resolution of Legacy-Starwood tax audits.

Our unrecognized tax benefits balance decreased by $131 million to $333 million at September 30, 2021 from $464 million at December 31, 2020, primarily due to the release of tax reserves due to the favorable resolution of Legacy-Starwood tax audits.

Our unrecognized tax benefits balance included $283 million at September 30, 2021 and $410 million at December 31, 2020 of tax positions that, if recognized, would impact our effective tax rate. It is reasonably possible that within the next 12 months we will reach resolution of income tax examinations in one or more jurisdictions. The actual amount of any change to our unrecognized tax benefits could vary depending on the timing and nature of the settlement. Therefore, an estimate of the change cannot be provided. We recognize accrued interest and penalties for our unrecognized tax benefits as a component of tax expenses. Related interest (benefit) expense totaled $(33) million in the 2021 first three quarters and $21 million in the 2020 first three quarters. We accrued interest and penalties related to our unrecognized tax benefits of approximately $52 million at September 30, 2021 and $85 million at December 31, 2020.

We file income tax returns, including returns for our subsidiaries, in various jurisdictions around the world. The U.S. Internal Revenue Service (“IRS”) has examined our federal income tax returns, and as of September 30, 2021, we have settled all issues for Marriott for tax years through 2015 and for Starwood through 2016, the year the acquisition was completed. Our Marriott 2016 through 2020 tax year audits are currently ongoing. Various foreign, state, and local income tax returns are also under examination by the applicable taxing authorities.

We paid cash for income taxes, net of refunds, of $293 million in the 2021 first three quarters and $240 million in the 2020 first three quarters.

NOTE 6. COMMITMENTS AND CONTINGENCIES

Guarantees

We present the maximum potential amount of our future guarantee fundings and the carrying amount of our liability for our debt service, operating profit, and other guarantees (excluding contingent purchase obligations) for which we are the primary obligor at September 30, 2021 in the following table:

($ in millions) **Guarantee Type**	**Maximum Potential Amount of Future Fundings**	**Recorded Liability for Guarantees**
Debt service	$ 20	$ 5
Operating profit	186	116
Other	18	4
	$ 224	$ 125

Our maximum potential guarantees listed in the preceding table include $65 million of guarantees that will not be in effect until the underlying properties open and we begin to operate the properties or certain other events occur.

Contingent Purchase Obligation

Sheraton Grand Chicago. In 2017, we granted the owner a one-time right to require us to purchase the leasehold interest in the land and the hotel for $300 million in cash (the "put option"). In the 2021 third quarter, we entered into an amendment with the owner to move the exercise period of the put option from the 2022 first half to the 2024 first half. If the owner exercises the put option, the closing is expected to occur in the 2024 fourth quarter, and we have the option to purchase, at the same time the put transaction closes, the fee simple interest in the underlying land for an additional $200 million in cash. We account for the put option as a guarantee, and our recorded liability at September 30, 2021 was $300 million.

Starwood Data Security Incident

Description of Event

On November 30, 2018, we announced a data security incident involving unauthorized access to the Starwood reservations database (the "Data Security Incident"). Working with leading security experts, we determined that there was unauthorized access to the Starwood network since 2014 and that an unauthorized party had copied information from the Starwood reservations database and taken steps towards removing it. The Starwood reservations database is no longer used for business operations.

Expenses and Insurance Recoveries

In the 2021 third quarter, we recorded $4 million of expenses and no accrued insurance recoveries, and in the 2020 third quarter, we recorded a $35 million net reversal of expenses and $4 million of accrued insurance recoveries, related to the Data Security Incident. In the 2021 first three quarters, we recorded $16 million of expenses and $11 million of accrued insurance recoveries, and in the 2020 first three quarters, we recorded a $17 million net reversal of expenses and $24 million of accrued insurance recoveries, related to the Data Security Incident. We received no insurance recoveries in the 2021 third quarter, and we received insurance recoveries of $1 million in the 2020 third quarter, $10 million in the 2021 first three quarters, and $45 million in the 2020 first three quarters. The expenses for the 2021 third quarter primarily included legal costs. We recognize insurance recoveries when they are probable of receipt and present them in our Income Statements in the same caption as the related expense, up to the amount of total expense incurred in prior and current periods. We present expenses and insurance recoveries related to the Data Security Incident in either the "Reimbursed expenses" or "Restructuring and merger-related charges" captions of our Income Statements.

Litigation, Claims, and Government Investigations

Following our announcement of the Data Security Incident, approximately 100 lawsuits were filed by consumers and others against us in U.S. federal, U.S. state and Canadian courts related to the incident. All but one of the U.S. cases were consolidated and transferred to the U.S. District Court for the District of Maryland, pursuant to orders of the U.S. Judicial Panel on Multidistrict Litigation (the "MDL"). The plaintiffs in the U.S. and Canadian cases, who generally purport to represent various classes of consumers, generally claim to have been harmed by alleged actions and/or omissions by the Company in connection with the Data Security Incident and assert a variety of common law and statutory claims seeking monetary damages, injunctive relief, costs and attorneys' fees, and other related relief. Among the U.S. cases consolidated in the MDL proceeding is a putative class action lawsuit that was filed on December 1, 2018 against the Company and certain of our current and former officers and directors, alleging violations of the federal securities laws in connection with statements regarding our cybersecurity systems and controls, and seeking certification of a class of affected persons, unspecified monetary damages, costs and attorneys' fees, and other related relief (the "Securities Case"). The MDL proceeding also included two shareholder derivative complaints that were filed on February 26, 2019 and March 15, 2019, respectively, against the Company and certain of our current and former directors, alleging, among other claims, breach of fiduciary duty, corporate waste, unjust enrichment, mismanagement and violations of the federal securities laws, and seeking unspecified monetary damages and restitution, changes to the Company's corporate governance and internal procedures, costs and attorneys' fees, and other related relief (the "MDL Derivative Cases"). A separate shareholder derivative complaint was filed in the Delaware Court of Chancery on December 3, 2019 against the Company and certain of our current and former officers and directors, alleging claims and seeking relief generally similar to the claims made and relief sought in the other two derivative cases. This case was not consolidated with the MDL proceeding. We filed motions to dismiss in connection with all of the U.S. cases. Our motions to dismiss the Securities Case and the MDL Derivative Cases were granted in June 2021. The plaintiff in the Securities Case has appealed the dismissal, which appeal is still pending, and the plaintiffs in the MDL Derivative Cases have not appealed. Motions to dismiss in the other MDL cases have been denied in part or in whole and these cases remain at varying stages. Our motion to dismiss the Delaware derivative case was granted in October 2021. A putative class action lawsuit brought on behalf of financial institutions has been voluntarily dismissed. The Canadian cases have effectively been consolidated into a single case in the province of Ontario. We dispute the allegations in the lawsuits described above and are vigorously defending against such claims. In April 2019, we received a letter purportedly on behalf of a stockholder of the Company (also one of the named plaintiffs in the Securities Case described above) demanding that our Board of Directors take action against certain of the Company's current and former officers and directors to recover damages for alleged breaches of fiduciary duties and related claims arising from the Data Security Incident. In October 2021, we received a letter purportedly on behalf of another stockholder of the Company (also one of the named plaintiffs in one of the dismissed MDL Derivative Cases described above) demanding that our Board of Directors take action against certain of the Company's current and former officers and directors to recover damages for alleged breaches of fiduciary duties and other claims related to the Data Security Incident or associated disclosures. The Board of Directors has constituted a demand review committee to investigate the claims made in these demand letters, and the committee has retained independent counsel to assist with the investigations. The committee's investigations are ongoing. In addition, on August 18, 2020, a purported representative action was brought against us in the High Court of Justice for England and Wales on behalf of an alleged claimant class of English and Welsh residents alleging breaches of the General Data Protection Regulation and/or the U.K. Data Protection Act 2018 (the "U.K. DPA") in connection with the Data Security Incident. We dispute all of the allegations in this purported action and will vigorously defend against any such claims. On November 5, 2020, the court issued an order with the consent of all parties staying this action pending resolution of another case raising similar issues, but not involving the Company, that is pending before the U.K. Supreme Court.

In addition, numerous U.S. federal, U.S. state and foreign governmental authorities made inquiries, opened investigations, or requested information and/or documents related to the Data Security Incident and related matters, including Attorneys General offices from all 50 states and the District of Columbia, the Federal Trade Commission, the Securities and Exchange Commission, certain committees of the U.S. Senate and House of Representatives, the Information Commissioner's Office in the United Kingdom (the "ICO") as lead supervisory authority in the European Economic Area, and regulatory authorities in various other jurisdictions. With the exception of the ICO proceeding, which was resolved in October 2020, these matters generally remain open. We are in discussions with the U.S. state Attorneys General, the U.S. Federal Trade Commission, and certain regulatory authorities in other jurisdictions to resolve their investigations and requests.

While we believe it is reasonably possible that we may incur additional losses associated with the above described proceedings and investigations related to the Data Security Incident, it is not possible to estimate the amount of loss or range of loss, if any, in excess of the amounts already incurred that might result from adverse judgments, settlements, fines, penalties or other resolution of these proceedings and investigations based on the current stage of these proceedings and investigations, the absence of specific allegations as to alleged damages, the uncertainty as to the certification of a class or classes and the size of any certified class, if applicable, and/or the lack of resolution of significant factual and legal issues.

NOTE 7. LEASES

The following table presents our future minimum lease payments as of September 30, 2021:

($ in millions)	Operating Leases	Finance Leases
2021, *remaining*	$ 43	$ 3
2022	175	14
2023	121	14
2024	114	14
2025	106	14
Thereafter	509	137
Total minimum lease payments	$ 1,068	$ 196
Less: Amount representing interest	(226)	(48)
Present value of minimum lease payments	$ 842	$ 148

The following table presents the composition of our current and noncurrent lease liabilities as of September 30, 2021 and year-end 2020:

($ in millions)	September 30, 2021		December 31, 2020	
	Operating Leases	Finance Leases	Operating Leases	Finance Leases
Current [(1)]	$ 145	$ 7	$ 147	$ 7
Noncurrent [(2)]	697	141	823	146
	$ 842	$ 148	$ 970	$ 153

(1) Operating leases are recorded in the "Accrued expenses and other" and finance leases are recorded in the "Current portion of long-term debt" captions of our Balance Sheets.

(2) Operating leases are recorded in the "Operating lease liabilities" and finance leases are recorded in the "Long-term debt" captions of our Balance Sheets.

As of September 30, 2021, we had entered into an agreement that we expect to account for as an operating lease with a 20-year term for our new headquarters office, which is not reflected in our Balance Sheets or in the table above as the lease has not commenced.

NOTE 8. LONG-TERM DEBT

We provide detail on our long-term debt balances, net of discounts, premiums, and debt issuance costs, in the following table as of September 30, 2021 and year-end 2020:

($ in millions)	September 30, 2021	December 31, 2020
Senior Notes:		
Series L Notes, interest rate of 3.3%, face amount of $173, maturing September 15, 2022 (effective interest rate of 3.4%)	$ 173	$ 173
Series N Notes, interest rate of 3.1%, face amount of $400, redeemed August 9, 2021 (effective interest rate of 3.4%)	—	399
Series O Notes, interest rate of 2.9%, face amount of $450, matured March 1, 2021 (effective interest rate of 3.1%)	—	450
Series P Notes, interest rate of 3.8%, face amount of $350, maturing October 1, 2025 (effective interest rate of 4.0%)	347	346
Series Q Notes, interest rate of 2.3%, face amount of $399, maturing January 15, 2022 (effective interest rate of 2.5%)	399	398
Series R Notes, interest rate of 3.1%, face amount of $750, maturing June 15, 2026 (effective interest rate of 3.3%)	746	745
Series U Notes, interest rate of 3.1%, face amount of $291, maturing February 15, 2023 (effective interest rate of 3.1%)	291	291
Series V Notes, interest rate of 3.8%, face amount of $318, maturing March 15, 2025 (effective interest rate of 2.8%)	328	330
Series W Notes, interest rate of 4.5%, face amount of $278, maturing October 1, 2034 (effective interest rate of 4.1%)	290	290
Series X Notes, interest rate of 4.0%, face amount of $450, maturing April 15, 2028 (effective interest rate of 4.2%)	445	445
Series Z Notes, interest rate of 4.2%, face amount of $350, maturing December 1, 2023 (effective interest rate of 4.4%)	348	348
Series AA Notes, interest rate of 4.7%, face amount of $300, maturing December 1, 2028 (effective interest rate of 4.8%)	297	297
Series BB Notes, floating rate, face amount of $300, matured March 8, 2021	—	300
Series CC Notes, interest rate of 3.6%, face amount of $550, maturing April 15, 2024 (effective interest rate of 3.9%)	574	586
Series DD Notes, interest rate of 2.1%, face amount of $224, maturing October 3, 2022 (effective interest rate of 1.2%)	227	228
Series EE Notes, interest rate of 5.8%, face amount of $600, maturing May 1, 2025 (effective interest rate of 6.0%)	595	1,583
Series FF Notes, interest rate of 4.6%, face amount of $1,000, maturing June 15, 2030 (effective interest rate of 4.8%)	987	986
Series GG Notes, interest rate of 3.5%, face amount of $1,000, maturing October 15, 2032 (effective interest rate of 3.7%)	985	985
Series HH Notes, interest rate of 2.9%, face amount of $1,100, maturing April 15, 2031 (effective interest rate of 3.0%)	1,089	—
Series II Notes, interest rate of 2.8%, face amount of $700, maturing October 15, 2033 (effective interest rate of 2.8%)	693	—
Commercial paper	—	—
Credit Facility	750	900
Finance lease obligations	148	153
Other	131	143
	$ 9,843	$ 10,376
Less current portion	(579)	(1,173)
	$ 9,264	$ 9,203

We paid cash for interest, net of amounts capitalized, of $251 million in the 2021 first three quarters and $234 million in the 2020 first three quarters.

On September 8, 2021, we announced a tender offer (the “Tender Offer”) to purchase certain of our Senior Notes, and on September 23, 2021, we purchased and retired $1 billion aggregate principal amount of our 5.750 percent Series EE Notes maturing May 1, 2025. Because the Tender Offer was oversubscribed as of the early tender time on September 22, 2021, only Series EE Notes were accepted for purchase and no additional Senior Notes were accepted for purchase in the Tender Offer after September 22, 2021. We used the net proceeds from our Series II Notes offering described below and cash on hand to complete the repurchase of such Series EE Notes, including the payment of accrued interest and other costs incurred. As a result of the Tender Offer, in the 2021 third quarter, we recorded a loss of $164 million in the “Loss on extinguishment of debt” caption of our Income Statements.

On September 22, 2021, we issued $700 million aggregate principal amount of 2.750 percent Series II Notes due October 15, 2033 (the “Series II Notes”). We will pay interest on the Series II Notes in April and October of each year, commencing in April 2022. We received net proceeds of approximately $693 million from the offering of the Series II Notes, after deducting the underwriting discount and estimated expenses. We used the net proceeds to fund the Tender Offer, as further described above.

On August 9, 2021, we redeemed all $400 million aggregate principal amount of our Series N Notes due in October 2021.

In March 2021, we issued $1.1 billion aggregate principal amount of 2.850 percent Series HH Notes due April 15, 2031 (the “Series HH Notes”). We will pay interest on the Series HH Notes in April and October of each year, commencing in October 2021. We received net proceeds of approximately $1.089 billion from the offering of the Series HH Notes, after deducting the underwriting discount and estimated expenses, which were made available for general corporate purposes, including the repayment of a portion of our outstanding borrowings under the Credit Facility.

We are party to a multicurrency revolving credit agreement (as amended, the “Credit Facility”) that provides for up to $4.5 billion of aggregate effective borrowings for general corporate needs, including working capital, capital expenditures, letters of credit, acquisitions, and to support our commercial paper program if and when we resume issuing commercial paper. Borrowings under the Credit Facility generally bear interest at LIBOR (the London Interbank Offered Rate) plus a spread based on our public debt rating. We also pay quarterly fees on the Credit Facility at a rate based on our public debt rating. We classify outstanding borrowings under the Credit Facility and outstanding commercial paper borrowings (if any) as long-term based on our ability and intent to refinance the outstanding borrowings on a long-term basis. The Credit Facility expires on June 28, 2024.

In April 2020, we entered into an amendment to the Credit Facility (the “First Credit Facility Amendment”). The First Credit Facility Amendment waives the quarterly-tested leverage covenant in the Credit Facility through and including the first quarter of 2021 (the “Covenant Waiver Period”), adjusts the required leverage levels for the covenant when it is re-imposed at the end of the Covenant Waiver Period, and imposes a new monthly-tested liquidity covenant for the duration of the Covenant Waiver Period. The First Credit Facility Amendment also makes certain other amendments to the terms of the Credit Facility, including increasing the interest and fees payable on the Credit Facility for the duration of the Covenant Waiver Period, tightening certain existing covenants, and imposing additional covenants for the duration of the Covenant Waiver Period. These covenant changes include tightening the lien covenant and the covenant on dividends, share repurchases and distributions, and imposing new covenants limiting asset sales, investments and discretionary capital expenditures.

In January 2021, we entered into two more amendments to the Credit Facility (the “New Credit Facility Amendments,” and together with the First Credit Facility Amendment, the “Credit Facility Amendments”), which extend the Covenant Waiver Period through and including the fourth quarter of 2021 (which waiver period may end sooner at our election), revise the required leverage levels for such covenant when it is re-imposed at the end of the Covenant Waiver Period (starting at 5.50 to 1.00 when the leverage test is first re-imposed and gradually stepping down to 4.00 to 1.00 over the succeeding five fiscal quarters, as further described in the Credit Facility), and increase the minimum liquidity amount under the liquidity covenant that is tested monthly for the duration of the Covenant Waiver Period. The New Credit Facility Amendments also make certain other amendments to the terms of the Credit Facility, including reducing the rate floor for the LIBOR Daily Floating Rate and the Eurocurrency Rate.

NOTE 9. FAIR VALUE OF FINANCIAL INSTRUMENTS

We believe that the fair values of our current assets and current liabilities approximate their reported carrying amounts. We present the carrying values and the fair values of noncurrent financial assets and liabilities that qualify as financial instruments in the following table:

	September 30, 2021		December 31, 2020	
($ in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Senior, mezzanine, and other loans	$ 141	$ 127	$ 159	$ 142
Total noncurrent financial assets	$ 141	$ 127	$ 159	$ 142
Senior Notes	$ (8,242)	$ (8,845)	$ (8,031)	$ (8,941)
Credit Facility	(750)	(750)	(900)	(900)
Other long-term debt	(131)	(134)	(126)	(128)
Other noncurrent liabilities	(411)	(411)	(426)	(426)
Total noncurrent financial liabilities	$ (9,534)	$ (10,140)	$ (9,483)	$ (10,395)

See Note 13. Fair Value of Financial Instruments and the "Fair Value Measurements" caption of Note 2. Summary of Significant Accounting Policies of our 2020 Form 10-K for more information on the input levels we use in determining fair value.

NOTE 10. ACCUMULATED OTHER COMPREHENSIVE LOSS AND STOCKHOLDERS' EQUITY

The following tables detail the accumulated other comprehensive loss activity for the 2021 first three quarters and 2020 first three quarters:

($ in millions)	Foreign Currency Translation Adjustments	Derivative Instrument and Other Adjustments	Accumulated Other Comprehensive Loss
Balance at year-end 2020	$ (139)	$ 4	$ (135)
Other comprehensive loss before reclassifications [(1)]	(197)	—	(197)
Reclassification adjustments	—	—	—
Net other comprehensive loss	(197)	—	(197)
Balance at September 30, 2021	$ (336)	$ 4	$ (332)

($ in millions)	Foreign Currency Translation Adjustments	Derivative Instrument and Other Adjustments	Accumulated Other Comprehensive Loss
Balance at year-end 2019	$ (368)	$ 7	$ (361)
Other comprehensive (loss) income before reclassifications [(1)]	(87)	12	(75)
Reclassification adjustments	—	(10)	(10)
Net other comprehensive (loss) income	(87)	2	(85)
Balance at September 30, 2020	$ (455)	$ 9	$ (446)

(1) Other comprehensive (loss) income before reclassifications for foreign currency translation adjustments includes intra-entity foreign currency transactions that are of a long-term investment nature, which resulted in gains of $30 million for the 2021 first three quarters and losses of $21 million for the 2020 first three quarters.

The following tables detail the changes in common shares outstanding and stockholders' equity (deficit) for the 2021 first three quarters and 2020 first three quarters:

(in millions, except per share amounts)

Common Shares Outstanding		Total	Class A Common Stock	Additional Paid-in-Capital	Retained Earnings	Treasury Stock, at Cost	Accumulated Other Comprehensive Loss
324.4	Balance at year-end 2020	$ 430	$ 5	$ 5,851	$ 9,206	$ (14,497)	$ (135)
—	Net loss	(11)	—	—	(11)	—	—
—	Other comprehensive loss	(155)	—	—	—	—	(155)
1.2	Stock-based compensation plans	(30)	—	(64)	—	34	—
325.6	Balance at March 31, 2021	$ 234	$ 5	$ 5,787	$ 9,195	$ (14,463)	$ (290)
—	Net income	422	—	—	422	—	—
—	Other comprehensive income	96	—	—	—	—	96
—	Stock-based compensation plans	44	—	43	1	—	—
325.6	Balance at June 30, 2021	$ 796	$ 5	$ 5,830	$ 9,618	$ (14,463)	$ (194)
—	Net income	220	—	—	220	—	—
—	Other comprehensive loss	(138)	—	—	—	—	(138)
0.1	Stock-based compensation plans	40	—	39	—	1	—
325.7	Balance at September 30, 2021	$ 918	$ 5	$ 5,869	$ 9,838	$ (14,462)	$ (332)

Common Shares Outstanding		Total	Class A Common Stock	Additional Paid-in-Capital	Retained Earnings	Treasury Stock, at Cost	Accumulated Other Comprehensive Loss
324.0	Balance at year-end 2019	$ 703	$ 5	$ 5,800	$ 9,644	$ (14,385)	$ (361)
—	Adoption of ASU 2016-13	(15)	—	—	(15)	—	—
—	Net income	31	—	—	31	—	—
—	Other comprehensive loss	(378)	—	—	—	—	(378)
—	Dividends ($0.48 per share)	(156)	—	—	(156)	—	—
1.2	Stock-based compensation plans	(55)	—	(89)	—	34	—
(1.0)	Purchase of treasury stock	(150)	—	—	—	(150)	—
324.2	Balance at March 31, 2020	$ (20)	$ 5	$ 5,711	$ 9,504	$ (14,501)	$ (739)
—	Net loss	(234)	—	—	(234)	—	—
—	Other comprehensive income	131	—	—	—	—	131
0.1	Stock-based compensation plans	44	—	42	—	2	—
324.3	Balance at June 30, 2020	$ (79)	$ 5	$ 5,753	$ 9,270	$ (14,499)	$ (608)
—	Net income	100	—	—	100	—	—
—	Other comprehensive income	162	—	—	—	—	162
—	Stock-based compensation plans	46	—	45	—	1	—
324.3	Balance at September 30, 2020	$ 229	$ 5	$ 5,798	$ 9,370	$ (14,498)	$ (446)

NOTE 11. CONTRACTS WITH CUSTOMERS

Our current and noncurrent liability for guest loyalty program increased by $225 million, to $6,496 million at September 30, 2021, from $6,271 million at December 31, 2020, primarily reflecting an increase in points earned by members. This includes a $171 million reclassification from deferred revenue to the liability for guest loyalty program as a result of points that were earned during the period by members using our U.S.-issued co-brand credit cards, which were prepaid by the financial institutions in 2020. The increase was partially offset by $1,338 million of revenue recognized in the 2021 first three quarters, that was deferred as of December 31, 2020. The current portion of our liability for guest loyalty program increased compared to December 31, 2020 due to higher estimated redemptions in the short-term.

Current and noncurrent deferred revenue decreased by $299 million, to $1,568 million at September 30, 2021, from $1,867 million at December 31, 2020, primarily as a result of $241 million of revenue recognized in the 2021 first three quarters that was deferred as of December 31, 2020, as well as the reclassification from deferred revenue to the liability for guest loyalty program, which we discuss above. The decrease was partially offset by an increase in franchise application and relicensing fees.

Our allowance for credit losses increased to $221 million at September 30, 2021 from $207 million at December 31, 2020, primarily reflecting our provision for credit losses. Our provision for credit losses totaled $1 million in the 2021 third quarter and $24 million in the 2021 first three quarters.

NOTE 12. BUSINESS SEGMENTS

Beginning in the 2021 first quarter, we modified our segment structure due to a change in the way our chief operating decision maker evaluates results and allocates resources within the Company, resulting in the following two operating segments, both of which meet the applicable accounting criteria for separate disclosure as a reportable business segment: U.S. & Canada and International. We revised the prior period amounts shown in the tables below to conform to our current presentation.

We evaluate the performance of our operating segments using "segment profit/loss" which is based largely on the results of the segment without allocating corporate expenses, income taxes, indirect general, administrative, and other expenses, merger-related costs, or most above-property restructuring charges. We assign gains and losses, equity in earnings or losses, direct general, administrative, and other expenses, and other restructuring charges to each of our segments. "Unallocated corporate and other" includes a portion of our revenues (including license fees we receive from our credit card programs), fees from vacation ownership licensing agreements, revenues and expenses for our Loyalty Program, general, administrative, and other expenses, restructuring and merger-related charges, equity in earnings or losses, and other gains or losses that we do not allocate to our segments.

Our chief operating decision maker monitors assets for the consolidated Company but does not use assets by operating segment when assessing performance or making operating segment resource allocations.

Segment Revenues

The following tables present our revenues disaggregated by segment and major revenue stream for the 2021 third quarter, 2020 third quarter, 2021 first three quarters, and 2020 first three quarters:

	Three Months Ended September 30, 2021		
($ in millions)	U.S. & Canada	International	Total
Gross fee revenues	$ 478	$ 156	$ 634
Contract investment amortization	(15)	(6)	(21)
Net fee revenues	463	150	613
Owned, leased, and other revenue	93	134	227
Cost reimbursement revenue	2,450	337	2,787
Total reportable segment revenue	$ 3,006	$ 621	$ 3,627
Unallocated corporate and other			319
Total revenue			$ 3,946

	Three Months Ended September 30, 2020		
($ in millions)	U.S. & Canada	International	Total
Gross fee revenues	$ 201	$ 89	$ 290
Contract investment amortization	(43)	(5)	(48)
Net fee revenues	158	84	242
Owned, leased, and other revenue	36	63	99
Cost reimbursement revenue	1,392	212	1,604
Total reportable segment revenue	$ 1,586	$ 359	$ 1,945
Unallocated corporate and other			309
Total revenue			$ 2,254

($ in millions)	Nine Months Ended September 30, 2021 U.S. & Canada	International	Total
Gross fee revenues	$ 1,101	$ 375	$ 1,476
Contract investment amortization	(41)	(15)	(56)
Net fee revenues	1,060	360	1,420
Owned, leased, and other revenue	185	320	505
Cost reimbursement revenue	5,810	854	6,664
Total reportable segment revenue	$ 7,055	$ 1,534	$ 8,589
Unallocated corporate and other			822
Total revenue			$ 9,411

($ in millions)	Nine Months Ended September 30, 2020 U.S. & Canada	International	Total
Gross fee revenues	$ 720	$ 226	$ 946
Contract investment amortization	(76)	(18)	(94)
Net fee revenues	644	208	852
Owned, leased, and other revenue	155	250	405
Cost reimbursement revenue	5,686	727	6,413
Total reportable segment revenue	$ 6,485	$ 1,185	$ 7,670
Unallocated corporate and other			729
Total revenue			$ 8,399

Segment Profit and Loss

	Three Months Ended		Nine Months Ended	
($ in millions)	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
U.S. & Canada	$ 485	$ 66	$ 972	$ 188
International	86	11	142	(179)
Unallocated corporate and other	(194)	157	(181)	152
Interest expense, net of interest income	(99)	(107)	(301)	(313)
(Provision) benefit for income taxes	(58)	(27)	(1)	49
Net income (loss)	$ 220	$ 100	$ 631	$ (103)

Item 2. ***Management’s Discussion and Analysis of Financial Condition and Results of Operations***

Cautionary Statement

All statements in this report are made as of the date this Form 10-Q is filed with the U.S. Securities and Exchange Commission (the “SEC”). We undertake no obligation to publicly update or revise these statements, whether as a result of new information, future events or otherwise. We make forward-looking statements in Management’s Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in this report based on the beliefs and assumptions of our management and on information available to us through the date this Form 10-Q is filed with the SEC. Forward-looking statements include information related to the possible effects on our business of the coronavirus pandemic and efforts to contain it (“COVID-19”), including the performance of the Company’s hotels; Revenue per Available Room (“RevPAR”), occupancy and other demand and recovery trends and expectations; the nature and impact of contingency plans, restructuring plans and cost reduction plans; rooms growth; our expectations regarding the receipt of certain credits and refunds under certain U.S. federal legislation; our expectations regarding our ability to meet our liquidity requirements; our expectations regarding COVID-19’s impact on our cash from operations; our capital expenditures and other investment spending expectations; other statements throughout this report that are preceded by, followed by, or include the words “believes,” “expects,” “anticipates,” “intends,” “plans,” “estimates,” “foresees,” or similar expressions; 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 risks and uncertainties we describe below and other factors we describe from time to time in our periodic filings with the SEC. Risks that could affect our results of operations, liquidity and capital resources, and other aspects of our business discussed in this Form 10-Q include the duration and scope of COVID-19, including the availability and distribution of effective vaccines or treatments; the pandemic’s short and longer-term impact on the demand for travel, transient and group business, and levels of consumer confidence; actions governments, businesses and individuals have taken or may take in response to the pandemic, including limiting, banning, or cautioning against travel and/or in-person gatherings or imposing occupancy or other restrictions on lodging or other facilities; the impact of the pandemic and actions taken in response to the pandemic on global and regional economies, travel, and economic activity, including the duration and magnitude of the pandemic’s impact on unemployment rates and consumer discretionary spending; the ability of our owners and franchisees to successfully navigate the impacts of COVID-19; the pace of recovery when the pandemic subsides and any dislocations in recovery as a result of resurgences of the pandemic; general economic uncertainty in key global markets and a worsening of global economic conditions or low levels of economic growth; the effects of steps we and our property owners and franchisees have taken and may continue to take to reduce operating costs and/or enhance certain health and cleanliness protocols at our hotels; the impacts of our employee furloughs and reduced work week schedules, our voluntary transition program and our other restructuring activities; competitive conditions in the lodging industry and in the labor market; relationships with customers and property owners; the availability of capital to finance hotel growth and refurbishment; the extent to which we experience adverse effects from data security incidents; and changes in tax laws in countries in which we earn significant income.

As discussed in this Form 10-Q, COVID-19 is materially impacting our operations and financial results. COVID-19, and the volatile regional and global economic conditions stemming from it, and additional or unforeseen effects from the COVID-19 pandemic, could also give rise to or aggravate the other risk factors that we identify within Part II, Item 1A of this report, which in turn could materially adversely affect our business, liquidity, financial condition, and results of operations. Further, COVID-19 may also affect our operating and financial results in a manner that is not presently known to us or that we currently do not consider to present significant risks to our operations.

BUSINESS AND OVERVIEW

We are a worldwide operator, franchisor, and licensor of hotel, residential, and timeshare properties under numerous brand names at different price and service points. Consistent with our focus on management, franchising, and licensing, we own very few of our lodging properties. We discuss our operations in the following reportable business segments: U.S. & Canada and International.

We earn base management fees and, under many agreements, incentive management fees from the properties that we manage, and we earn franchise fees on the properties that others operate under franchise agreements with us. In most markets, base management and franchise fees typically consist of a percentage of property-level revenue, or certain property-level revenue in the case of franchise fees, while incentive management fees typically consist of a percentage of net house profit after a specified owner return. For our hotels in the Middle East and Africa, Asia Pacific excluding China, and Greater China regions, incentive management fees typically consist of a percentage of gross operating profit without adjustment for a specified owner return. Net house profit is calculated as gross operating profit (also referred to as "house profit") less non-controllable expenses such as property insurance, real estate taxes, and capital spending reserves. Additionally, we earn franchise fees for use of our intellectual property, including fees from our co-brand credit card, timeshare, and residential programs.

Starwood Data Security Incident

On November 30, 2018, we announced a data security incident involving unauthorized access to the Starwood reservations database (the "Data Security Incident"). The Starwood reservations database is no longer used for business operations.

We are currently unable to estimate the range of total possible financial impact to the Company from the Data Security Incident in excess of the expenses already incurred. However, we do not believe this incident will impact our long-term financial health. Although our insurance program includes coverage designed to limit our exposure to losses such as those related to the Data Security Incident, that insurance may not be sufficient or available to cover all of our expenses or other losses (including fines and penalties) related to the Data Security Incident. We expect to incur significant expenses associated with the Data Security Incident in future periods, primarily related to legal proceedings and regulatory investigations (including possible additional fines and penalties), increased expenses and capital investments for information technology and information security and data privacy, and increased expenses for compliance activities and to meet increased legal and regulatory requirements. See Note 6 for additional information related to expenses incurred in the 2021 third quarter and 2021 first three quarters, insurance recoveries, and legal proceedings and governmental investigations related to the Data Security Incident.

Performance Measures

We believe Revenue per Available Room ("RevPAR"), which we calculate by dividing room sales for comparable properties by room nights available for the period, is a meaningful indicator of our performance because it measures the period-over-period change in room revenues for comparable properties. RevPAR may not be comparable to similarly titled measures, such as revenues, and should not be viewed as necessarily correlating with our fee revenue. We also believe occupancy and average daily rate ("ADR"), which are components of calculating RevPAR, are meaningful indicators of our performance. Occupancy, which we calculate by dividing occupied rooms by total rooms available (including rooms in hotels temporarily closed due to issues related to COVID-19), measures the utilization of a property's available capacity. ADR, which we calculate by dividing property room revenue by total rooms sold, measures average room price and is useful in assessing pricing levels. Comparisons to the prior periods are on a constant U.S. dollar basis. We calculate constant dollar statistics by applying exchange rates for the current period to the prior comparable period.

We define our comparable properties as our properties that were open and operating under one of our brands since the beginning of the last full calendar year (since January 1, 2020 for the current period) and have not, in either the current or previous year: (1) undergone significant room or public space renovations or expansions, (2) been converted between company-operated and franchised, or (3) sustained substantial property damage or business interruption, with the exception of properties closed or otherwise experiencing interruptions related to COVID-19, which we continue to classify as comparable. The RevPAR comparisons between 2021 and 2019, which we discuss under the “Impact of COVID-19” caption below, reflect properties that are defined as comparable as of September 30, 2021, even if in 2019 they were not open and operating for the full year or did not meet all the other criteria listed above.

Impact of COVID-19

COVID-19 continues to have a material impact on our business and industry. However, the recovery of both global demand and ADR continued during the 2021 third quarter, led primarily by robust leisure demand. The spread of the COVID-19 Delta variant constrained the pace of the recovery in the 2021 third quarter beginning in August, particularly for business transient travel. We began to see improving trends for business transient demand again at the beginning of the 2021 fourth quarter and expect such demand could continue to gradually strengthen as more workers return to the office and travel again. Group demand continued to improve during the 2021 third quarter compared to the 2021 second quarter, though it still remains below pre-pandemic 2019 levels. We are encouraged by the swift improvement in ADR, which in the 2021 third quarter returned to pre-pandemic 2019 levels in certain U.S. and International markets, and are optimistic about the continued global recovery. Although the recovery of global lodging demand is underway, COVID-19 will continue to have a material negative impact on our future results for a period of time that we are currently unable to predict.

Worldwide comparable systemwide RevPAR improved 118.4 percent in the 2021 third quarter compared to the 2020 third quarter. In the 2021 first three quarters, worldwide comparable systemwide RevPAR improved 42.2 percent compared to the 2020 first three quarters, reflecting the combination of year-over-year RevPAR growth in the 2021 second and third quarters and year-over-year RevPAR declines in the 2021 first quarter as most regions, with the exception of Greater China, had a solid start in 2020 and COVID-19 only began to have a significant impact worldwide late in the 2020 first quarter. Compared to pre-pandemic levels for the same periods in 2019, comparable systemwide RevPAR declined 19.9 percent and 38.1 percent in our U.S. & Canada segment, 40.7 percent and 52.9 percent in our International segment, and 25.8 percent and 42.3 percent worldwide in the 2021 third quarter and first three quarters, respectively. Overall, worldwide comparable systemwide occupancy and constant dollar ADR in the 2021 third quarter increased compared to both the 2021 first and second quarters, and worldwide comparable systemwide constant dollar ADR was down only 4.4 percent in the 2021 third quarter compared to the 2019 third quarter. In the U.S. & Canada, demand grew in the 2021 third quarter, compared to the 2021 second quarter, driven by strong leisure demand at our luxury and resort hotels and in tertiary markets. Occupancy peaked in July before decreasing slightly in August and September due to seasonality as well as the COVID-19 Delta variant. Urban destinations, where we have a large presence in the U.S. & Canada, continue to lag the recovery, though they also saw demand rise during the 2021 third quarter compared to the 2021 second quarter. In other parts of the world, RevPAR continues to vary greatly by geographic market, and demand is heavily impacted by the number of COVID-19 cases, vaccination rates, and the nature and degree of government restrictions. In the 2021 third quarter, comparable systemwide RevPAR improved compared to the 2021 second quarter in all our regions except for Greater China where the recovery was temporarily constrained beginning in August 2021 as a result of government restrictions in response to COVID-19 outbreaks in several regions.

We continue to take measures to mitigate the negative financial and operational impacts of COVID-19 for our hotel owners and our own business. At the corporate level, we remain focused on limiting our corporate general and administrative costs and are being disciplined with respect to our capital expenditures and other investment spending. As previously announced, share repurchases and cash dividends have been suspended until business conditions further improve and until permitted under our Credit Facility. As of September 30, 2021, we have substantially completed restructuring plans to achieve cost savings specific to our company-operated properties. In addition, we continue to work with owners and franchisees to minimize their cash outlays while also focusing on guest experience. The steps we continue to take include adjusting renovation requirements for certain properties; deferring certain hotel initiatives and accountability for brand standard audits for hotel owners and franchisees; supporting owners and franchisees who are working with their lenders to utilize furniture, fixtures, and equipment (FF&E) reserves to meet working capital needs; and waiving required FF&E funding through 2021. We also continue to limit the reimbursed expenses we incur on behalf of our owners and franchisees to provide centralized programs and services, such as the Loyalty Program, reservations, marketing and sales, which we generally collect through cost reimbursement revenue on the basis of hotel revenue or program usage.

We have seen industry labor shortages causing challenges in hiring or re-hiring for certain property-level positions primarily in certain high-demand U.S. markets, and in response we have enhanced our recruitment and retention efforts.

We continue to evaluate the availability of stimulus tax credits under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), the Taxpayer Certainty and Disaster Tax Relief Act of 2020 enacted as part of the Consolidated Appropriations Act, 2021 ("Relief Act"), the American Rescue Plan Act of 2021 ("ARPA"), and other legislation. As of October 22, 2021, we have received Employee Retention Tax Credit ("ERTC") refunds from the U.S. Treasury totaling $170 million, including $119 million in 2020 and $51 million in 2021. In 2020 and 2021, we passed through $94 million and $23 million, respectively, of these refunds to the related hotels that we manage on behalf of owners. We have received from the U.S. Treasury substantially all expected ERTC refunds based on applications that we have submitted as of October 22, 2021. Additionally, as of September 30, 2021, we have received or expect to receive, through Medicare tax offsets and payments from the U.S. Treasury pursuant to ARPA, a total of $35 million as reimbursement for the cost of health coverage continuation provided to eligible former associates and furloughed or part-time associates (and their eligible enrolled dependents) in accordance with requirements under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") for the period of April 1, 2021 to September 30, 2021. Finally, in the 2021 first three quarters, we received subsidies totaling $22 million from German government COVID-19 assistance programs for certain of our leased hotels and equity method investments in Germany.

The impact of COVID-19 on the Company remains fluid, as does our corporate and property-level response. We expect to continue to assess the situation and may implement additional measures to adapt our operations and plans to address the implications of COVID-19 on our business. The overall operational and financial impact is highly dependent on the breadth and duration of COVID-19 and could be affected by other factors we are not currently able to predict.

System Growth and Pipeline

At the end of the 2021 third quarter, our system had 7,892 properties (1,463,692 rooms), compared to 7,642 properties (1,423,044 rooms) at year-end 2020 and 7,579 properties (1,413,654 rooms) at the end of the 2020 third quarter. The increase compared to year-end 2020 reflects gross additions of 397 properties (65,932 rooms) and deletions of 148 properties (25,281 rooms), including 88 properties from a primarily select-service portfolio which left our system in the 2021 first quarter. Approximately 23 percent of our 2021 first three quarters gross room additions were conversions. We expect full-year 2021 total gross rooms growth of approximately 6.0 percent and net rooms growth of approximately 3.5 percent.

At the end of the 2021 third quarter, we had nearly 477,000 rooms in our development pipeline, which includes more than 206,000 hotel rooms under construction and roughly 25,000 hotel rooms approved for development but not yet under signed contracts. Over half of the rooms in our development pipeline are outside U.S. & Canada.

Properties and Rooms

At September 30, 2021, we operated, franchised, and licensed the following properties and rooms:

	Managed		Franchised/Licensed		Owned/Leased		Total	
	Properties	Rooms	Properties	Rooms	Properties	Rooms	Properties	Rooms
U.S. & Canada	700	226,835	4,930	704,785	26	6,483	5,656	938,103
International	1,323	334,068	782	159,532	39	9,288	2,144	502,888
Timeshare	—	—	92	22,701	—	—	92	22,701
Total	2,023	560,903	5,804	887,018	65	15,771	7,892	1,463,692

Lodging Statistics

The following tables present RevPAR, occupancy, and ADR statistics for comparable properties. Systemwide statistics include data from our franchised properties, in addition to our company-operated properties.

	Three Months Ended September 30, 2021 and Change vs. Three Months Ended September 30, 2020					
	RevPAR		Occupancy		Average Daily Rate	
	2021	vs. 2020	2021	vs. 2020	2021	vs. 2020
Comparable Company-Operated Properties						
U.S. & Canada	$ 115.57	258.3 %	56.8 %	36.3 % pts.	$ 203.46	29.1 %
Greater China	$ 67.15	(1.8)%	54.6 %	(6.8)% pts.	$ 122.94	10.5 %
Asia Pacific excluding China	$ 34.57	37.1 %	33.2 %	9.1 % pts.	$ 104.22	(0.6)%
Caribbean & Latin America	$ 81.73	257.1 %	46.4 %	28.2 % pts.	$ 175.95	40.6 %
Europe	$ 104.65	215.8 %	47.1 %	28.8 % pts.	$ 222.03	22.5 %
Middle East & Africa	$ 72.42	90.7 %	50.8 %	24.2 % pts.	$ 142.46	(0.1)%
International - All (1)	$ 68.32	64.2 %	46.3 %	12.3 % pts.	$ 147.63	20.5 %
Worldwide (2)	$ 89.88	140.8 %	51.1 %	23.3 % pts.	$ 175.96	31.0 %
Comparable Systemwide Properties						
U.S. & Canada	$ 100.19	134.7 %	63.5 %	27.1 % pts.	$ 157.78	34.7 %
Greater China	$ 63.41	(4.0)%	52.7 %	(7.8)% pts.	$ 120.28	10.3 %
Asia Pacific excluding China	$ 40.46	37.6 %	36.1 %	10.9 % pts.	$ 112.14	(4.1)%
Caribbean & Latin America	$ 70.07	317.5 %	45.7 %	29.8 % pts.	$ 153.41	45.2 %
Europe	$ 92.75	177.7 %	46.7 %	26.3 % pts.	$ 198.64	21.0 %
Middle East & Africa	$ 68.19	93.3 %	50.3 %	23.8 % pts.	$ 135.45	2.1 %
International - All (1)	$ 67.53	76.3 %	45.9 %	14.9 % pts.	$ 147.04	19.2 %
Worldwide (2)	$ 90.32	118.4 %	58.2 %	23.4 % pts.	$ 155.21	30.6 %

	Nine Months Ended September 30, 2021 and Change vs. Nine Months Ended September 30, 2020					
	RevPAR		Occupancy		Average Daily Rate	
	2021	vs. 2020	2021	vs. 2020	2021	vs. 2020
Comparable Company-Operated Properties						
U.S. & Canada	$ 84.70	50.1 %	43.7 %	15.2 % pts.	$ 193.80	(1.9)%
Greater China	$ 67.33	49.8 %	55.8 %	15.4 % pts.	$ 120.73	8.4 %
Asia Pacific excluding China	$ 34.38	(14.6)%	32.3 %	2.3 % pts.	$ 106.51	(20.8)%
Caribbean & Latin America	$ 68.54	39.9 %	40.0 %	13.0 % pts.	$ 171.46	(5.5)%
Europe	$ 54.26	32.4 %	28.2 %	5.6 % pts.	$ 192.41	6.1 %
Middle East & Africa	$ 68.11	35.0 %	46.3 %	12.0 % pts.	$ 147.14	(0.1)%
International - All (1)	$ 56.24	27.5 %	41.3 %	9.2 % pts.	$ 136.23	(1.1)%
Worldwide (2)	$ 69.24	39.2 %	42.4 %	11.9 % pts.	$ 163.35	— %
Comparable Systemwide Properties						
U.S. & Canada	$ 76.20	47.9 %	53.4 %	16.1 % pts.	$ 142.59	3.4 %
Greater China	$ 64.10	46.8 %	54.3 %	14.4 % pts.	$ 118.03	7.9 %
Asia Pacific excluding China	$ 37.29	(10.9)%	33.7 %	3.3 % pts.	$ 110.55	(19.6)%
Caribbean & Latin America	$ 56.61	45.2 %	38.4 %	13.5 % pts.	$ 147.39	(5.7)%
Europe	$ 47.88	26.3 %	27.8 %	4.5 % pts.	$ 172.23	5.6 %
Middle East & Africa	$ 62.93	36.0 %	45.3 %	11.7 % pts.	$ 139.07	1.0 %
International - All (1)	$ 52.14	25.7 %	38.9 %	8.5 % pts.	$ 133.90	(1.7)%
Worldwide (2)	$ 68.94	42.2 %	49.1 %	13.8 % pts.	$ 140.51	2.2 %

(1) Includes Greater China, Asia Pacific excluding China, Caribbean & Latin America, Europe, and Middle East & Africa.

(2) Includes U.S. & Canada and International - All.

CONSOLIDATED RESULTS

Our results in the 2021 third quarter and 2021 first three quarters continued to be impacted by COVID-19. See the "Impact of COVID-19" section above for more information about the impact to our business during the 2021 third quarter and 2021 first three quarters, and the discussion below for additional analysis of our consolidated results of operations for the 2021 third quarter compared to the 2020 third quarter and for the 2021 first three quarters compared to the 2020 first three quarters.

Fee Revenues

($ in millions)	Three Months Ended September 30, 2021	September 30, 2020	Change 2021 vs. 2020		Nine Months Ended September 30, 2021	September 30, 2020	Change 2021 vs. 2020	
Base management fees	$ 190	$ 87	$ 103	118 %	$ 452	$ 341	$ 111	33 %
Franchise fees	533	279	254	91 %	1,270	876	394	45 %
Incentive management fees	53	31	22	71 %	141	43	98	228 %
Gross fee revenues	776	397	379	95 %	1,863	1,260	603	48 %
Contract investment amortization	(21)	(48)	27	56 %	(56)	(94)	38	40 %
Net fee revenues	$ 755	$ 349	$ 406	116 %	$ 1,807	$ 1,166	$ 641	55 %

The increases in base management and franchise fees in the 2021 third quarter and 2021 first three quarters primarily reflected higher RevPAR due to the ongoing recovery in lodging demand from the impacts of COVID-19, unit growth ($33 million and $72 million, respectively), higher co-brand credit card fees ($33 million and $65 million, respectively), and higher residential branding fees ($15 million and $31 million, respectively).

The increases in incentive management fees in the 2021 third quarter and the 2021 first three quarters primarily reflected higher profits at certain managed hotels due to the ongoing recovery in lodging demand from the impacts of COVID-19.

The changes in contract investment amortization in the 2021 third quarter and the 2021 first three quarters are primarily due to lower impairments of investments in management and franchise contracts.

Owned, Leased, and Other

($ in millions)	Three Months Ended September 30, 2021	September 30, 2020	Change 2021 vs. 2020		Nine Months Ended September 30, 2021	September 30, 2020	Change 2021 vs. 2020	
Owned, leased, and other revenue	$ 241	$ 116	$ 125	108 %	$ 536	$ 445	$ 91	20 %
Owned, leased, and other - direct expenses	204	134	70	52 %	507	527	(20)	(4)%
Owned, leased, and other, net	$ 37	$ (18)	$ 55	306 %	$ 29	$ (82)	$ 111	135 %

Owned, leased, and other revenue, net of direct expenses increased in the 2021 third quarter primarily due to net stronger results driven by the ongoing recovery in lodging demand from the impacts of COVID-19. The increase in the 2021 first three quarters primarily reflected net stronger results driven by the ongoing recovery in lodging demand from the impacts of COVID-19, higher termination fees of $26 million, and $18 million of subsidies under German government COVID-19 assistance programs for certain of our leased hotels.

Cost Reimbursements

($ in millions)	Three Months Ended September 30, 2021	September 30, 2020	Change 2021 vs. 2020		Nine Months Ended September 30, 2021	September 30, 2020	Change 2021 vs. 2020	
Cost reimbursement revenue	$ 2,950	$ 1,789	$ 1,161	65 %	$ 7,068	$ 6,788	$ 280	4 %
Reimbursed expenses	2,917	1,683	1,234	73 %	7,005	6,801	204	3 %
Cost reimbursements, net	$ 33	$ 106	$ (73)	(69)%	$ 63	$ (13)	$ 76	585 %

Cost reimbursements, net (cost reimbursement revenue, net of reimbursed expenses) varies due to timing differences between the costs we incur for centralized programs and services and the related reimbursements we receive from hotel owners and franchisees, primarily driven by our Loyalty Program. Over the long term, our centralized programs and services are not designed to impact our economics, either positively or negatively.

The decrease in cost reimbursements, net in the 2021 third quarter primarily reflects Loyalty Program activity, including higher program expenses and lower net revenue as a result of higher redemption costs. The increase in cost reimbursements, net in the 2021 first three quarters primarily reflects higher revenues for our centralized programs and services, partially offset by the Loyalty Program activity discussed above.

Other Operating Expenses

	Three Months Ended				Nine Months Ended			
($ in millions)	September 30, 2021	September 30, 2020	Change 2021 vs. 2020		September 30, 2021	September 30, 2020	Change 2021 vs. 2020	
Depreciation, amortization, and other	$ 64	$ 53	$ 11	21 %	$ 166	$ 275	$ (109)	(40)%
General, administrative, and other	212	131	81	62 %	610	579	31	5 %
Restructuring and merger-related charges	4	1	3	300 %	8	5	3	60 %

Depreciation, amortization, and other expenses decreased in the 2021 first three quarters primarily due to prior year operating lease impairment charges.

General, administrative, and other expenses increased in the 2021 third quarter primarily due to higher compensation costs compared to our 2020 cost reduction measures, which included reducing executive compensation, implementing reduced work weeks for many of our corporate associates, and furloughing a substantial number of associates. The increase in the 2021 first three quarters primarily reflected higher compensation costs compared to our 2020 cost reduction measures discussed above and higher legal expenses ($19 million), partially offset by a lower provision for credit losses ($75 million).

Non-Operating Income (Expense)

	Three Months Ended				Nine Months Ended			
($ in millions)	September 30, 2021	September 30, 2020	Change 2021 vs. 2020		September 30, 2021	September 30, 2020	Change 2021 vs. 2020	
Gains and other income, net	$ —	$ 2	$ (2)	(100)%	$ 6	$ 3	$ 3	100 %
Loss on extinguishment of debt	(164)	—	(164)	nm*	(164)	—	(164)	nm*
Interest expense	(107)	(113)	6	5 %	(323)	(333)	10	3 %
Interest income	8	6	2	33 %	22	20	2	10 %
Equity in losses	(4)	(20)	16	80 %	(24)	(54)	30	56 %

* Percentage change is not meaningful

In the 2021 third quarter, we recorded a loss on extinguishment of debt due to the Tender Offer discussed in Note 8.

Interest expense changed in the 2021 first three quarters, primarily due to lower Credit Facility and commercial paper average borrowings and interest rates, offset by higher interest on Senior Note issuances, net of maturities.

Equity in losses changed in both the 2021 third quarter and the 2021 first three quarters, primarily due to the ongoing recovery in lodging demand from the impacts of COVID-19.

Income Taxes

	Three Months Ended				Nine Months Ended			
($ in millions)	September 30, 2021	September 30, 2020	Change 2021 vs. 2020		September 30, 2021	September 30, 2020	Change 2021 vs. 2020	
(Provision) benefit for income taxes	$ (58)	$ (27)	$ (31)	(115)%	$ (1)	$ 49	$ (50)	(102)%

Our tax provision changed in the 2021 third quarter, compared to our tax provision in the 2020 third quarter, primarily due to the increase in operating income ($66 million). The change was partially offset by a current year tax benefit from the loss on extinguishment of debt ($42 million).

Our tax provision changed in the 2021 first three quarters, compared to our tax benefit in the 2020 first three quarters, primarily due to the increase in operating income ($174 million) and a lower tax benefit from impairment charges ($37 million). The change was partially offset by the current year release of tax reserves due to the favorable resolution of Legacy-Starwood tax audits ($118 million) and a current year tax benefit from the loss on extinguishment of debt ($42 million).

BUSINESS SEGMENTS

Our segment results in the 2021 third quarter and 2021 first three quarters continued to be impacted by COVID-19. See the "Impact of COVID-19" section above for more information about the impact to our business during the 2021 third quarter and 2021 first three quarters and the discussion below for additional analysis of the operating results of our reportable business segments.

	Three Months Ended				Nine Months Ended			
($ in millions)	September 30, 2021	September 30, 2020	Change 2021 vs. 2020		September 30, 2021	September 30, 2020	Change 2021 vs. 2020	
U.S. & Canada								
Segment revenues	$ 3,006	$ 1,586	$ 1,420	90 %	$ 7,055	$ 6,485	$ 570	9 %
Segment profit	485	66	419	635 %	972	188	784	417 %
International								
Segment revenues	621	359	262	73 %	1,534	1,185	349	29 %
Segment profit (loss)	86	11	75	682 %	142	(179)	321	179 %

	Properties				Rooms			
	September 30, 2021	September 30, 2020	vs. September 30, 2020		September 30, 2021	September 30, 2020	vs. September 30, 2020	
U.S. & Canada	5,656	5,501	155	3 %	938,103	920,282	17,821	2 %
International	2,144	1,987	157	8 %	502,888	470,617	32,271	7 %

U.S. & Canada

Third Quarter

U.S. & Canada 2021 third quarter segment profit increased primarily due to:

- $277 million of higher gross fee revenues, primarily reflecting higher comparable systemwide RevPAR driven by increases in both ADR and occupancy as well as higher profits at certain managed hotels due to the ongoing recovery in lodging demand from the impacts of COVID-19 and unit growth;
- $52 million of higher cost reimbursement revenue, net of reimbursed expenses;
- $32 million of higher owned, leased, and other revenue, net of direct expenses, primarily reflecting net stronger results at owned and leased properties due to the ongoing recovery in lodging demand from the impacts of COVID-19;
- $28 million of lower contract investment amortization, primarily reflecting lower contract impairment charges; and
- $28 million of lower restructuring and merger-related charges.

First Three Quarters

U.S. & Canada 2021 first three quarters segment profit increased primarily due to:

- $381 million of higher gross fee revenues, primarily reflecting higher comparable systemwide RevPAR driven by increases in both occupancy and ADR and higher profits at certain managed hotels due to the ongoing recovery in lodging demand from the impacts of COVID-19, unit growth, and higher residential branding fees;
- $128 million of higher cost reimbursement revenue, net of reimbursed expenses;
- $109 million of lower depreciation, amortization, and other expenses, primarily reflecting prior year operating lease impairment charges;

- $47 million of higher owned, leased, and other revenue, net of direct expenses, primarily reflecting net stronger results at owned and leased properties due to the ongoing recovery in lodging demand from the impacts of COVID-19;
- $40 million of lower general, administrative, and other expenses, primarily reflecting lower provision for credit losses and reserves for guarantee funding;
- $35 million of lower contract investment amortization, primarily reflecting lower contract impairment charges; and
- $28 million of lower restructuring and merger-related charges.

International

Third Quarter

International 2021 third quarter segment profit increased primarily due to:

- $67 million of higher gross fee revenues, primarily reflecting higher comparable systemwide RevPAR driven by increases in both ADR and occupancy due to the ongoing recovery in lodging demand from the impacts of COVID-19; and
- $19 million of higher owned, leased, and other revenue, net of direct expenses, primarily reflecting net stronger results due to the ongoing recovery in lodging demand from the impacts of COVID-19;

partially offset by:

- $18 million of higher general, administrative, and other expenses.

First Three Quarters

International 2021 first three quarters segment profit, compared to the 2020 first three quarters segment loss, primarily reflected:

- $149 million of higher gross fee revenues, due to higher profits at certain managed hotels and higher comparable systemwide RevPAR driven by an increase in occupancy due to the ongoing recovery in lodging demand from the impacts of COVID-19, unit growth, and higher residential branding fees;
- $63 million of higher cost reimbursement revenue, net of reimbursed expenses;
- $60 million of higher owned, leased, and other revenue, net of direct expenses, primarily reflecting net stronger results at owned and leased properties due to the ongoing recovery in lodging demand from the impacts of COVID-19, higher termination fees, and subsidies under German government COVID-19 assistance programs for certain of our leased hotels; and
- $28 million of lower general, administrative, and other expenses, primarily reflecting lower provision for credit losses.

STOCK-BASED COMPENSATION

See Note 4 for more information.

LIQUIDITY AND CAPITAL RESOURCES

Our long-term financial objectives include diversifying our financing sources, optimizing the mix and maturity of our long-term debt, and reducing our working capital. At the end of the 2021 third quarter, our long-term debt had a weighted average interest rate of 3.4 percent and a weighted average maturity of approximately 6.7 years. Including the effect of interest rate swaps, the ratio of our fixed-rate long-term debt to our total long-term debt was 0.8 to 1.0 at the end of the 2021 third quarter.

In response to the negative impact COVID-19 had on our cash from operations in 2020 and in the 2021 first three quarters, which we expect to continue to be negatively impacted, we remain focused on preserving our financial flexibility and managing our debt maturities. We remain focused on limiting our corporate general and administrative costs, reimbursed expenses we incur on behalf of our owners and franchisees, and our capital expenditures and other investment spending. Share repurchases and dividends remain suspended until business conditions further improve and until permitted under our Credit Facility. In the 2021 first three quarters, we issued $1.8 billion aggregate principal amount of senior notes, redeemed all $400 million aggregate principal amount of our Series N Notes, and repurchased and retired $1 billion aggregate principal amount of our Series EE Notes maturing in 2025, which we discuss further under the "Sources of Liquidity - Senior Notes Issuances, Redemptions, and Repurchases" section below and in Note 8.

We monitor the status of the capital markets and regularly evaluate the effect that changes in capital market conditions may have on our ability to fund our liquidity needs. We currently believe the Credit Facility, our cash on hand, and our access to capital markets remain adequate to meet our liquidity requirements.

Sources of Liquidity

Our Credit Facility

Our Credit Facility provides for up to $4.5 billion of aggregate borrowings for general corporate needs, including to support our commercial paper program if and when we resume issuing commercial paper. Borrowings under the Credit Facility generally bear interest at LIBOR (the London Interbank Offered Rate) plus a spread based on our public debt rating. We also pay quarterly fees on the Credit Facility at a rate based on our public debt rating. We classify outstanding borrowings under the Credit Facility as long-term based on our ability and intent to refinance the outstanding borrowings on a long-term basis. The Credit Facility expires on June 28, 2024. As of September 30, 2021, we had total outstanding borrowings under the Credit Facility of $0.8 billion and remaining borrowing capacity of $3.7 billion.

The Credit Facility contains certain covenants, including a financial covenant that limits our maximum Leverage Ratio (as defined in the Credit Facility, and generally consisting of the ratio of Adjusted Total Debt to EBITDA, each as defined in the Credit Facility, and subject to additional adjustments as described therein). On April 13, 2020, we entered into an amendment to the Credit Facility (the "First Credit Facility Amendment") under which the covenant governing the permitted Leverage Ratio is waived through and including the first quarter of 2021 (the "Covenant Waiver Period"), and the required leverage levels for such covenant are adjusted once re-imposed at the end of the Covenant Waiver Period (starting at 5.50 to 1.00 when the leverage test is first re-imposed and gradually stepping down to 4.00 to 1.00 over the succeeding seven fiscal quarters, as further described in the Credit Facility). The First Credit Facility Amendment also imposes a monthly-tested minimum liquidity covenant for the duration of the Covenant Waiver Period and makes certain other amendments to the terms of the Credit Facility, including increasing the interest and fees payable on the Credit Facility for the duration of the Covenant Waiver Period, tightening certain existing covenants and imposing additional covenants for the duration of the Covenant Waiver Period, including restricting dividends and share repurchases.

On January 26, 2021, we entered into two more amendments to the Credit Facility (the "New Credit Facility Amendments," and together with the First Credit Facility Amendment, the "Credit Facility Amendments"), which extend the Covenant Waiver Period through and including the fourth quarter of 2021 (which waiver period may end sooner at our election), revise the required leverage levels for such covenant when it is re-imposed at the end of the Covenant Waiver Period (starting at 5.50 to 1.00 when the leverage test is first re-imposed and gradually stepping down to 4.00 to 1.00 over the succeeding five fiscal quarters, as further described in the Credit Facility), and increase the minimum liquidity amount under the liquidity covenant that is tested monthly for the duration of the Covenant Waiver Period. The New Credit Facility Amendments also make certain other amendments to the terms of the Credit Facility, including reducing the rate floor for the LIBOR Daily Floating Rate and the Eurocurrency Rate.

Our outstanding public debt does not contain a corresponding financial covenant or a requirement that we maintain certain financial ratios. We currently satisfy the covenants in our Credit Facility, including the liquidity covenant under the Credit Facility.

Senior Notes Issuances, Redemptions, and Repurchases

On September 8, 2021, we announced a tender offer (the "Tender Offer") to purchase certain of our Senior Notes, and on September 23, 2021, we purchased and retired $1 billion aggregate principal amount of our 5.750 percent Series EE Notes maturing May 1, 2025. Because the Tender Offer was oversubscribed as of the early tender time on September 22, 2021, only Series EE Notes were accepted for purchase and no additional Senior Notes were accepted for purchase in the Tender Offer after September 22, 2021. We used the net proceeds from our Series II Notes offering described below and cash on hand to complete the repurchase of such Series EE Notes, including the payment of accrued interest and other costs incurred. As a result of the Tender Offer, in the 2021 third quarter, we recorded a loss of $164 million in the "Loss on extinguishment of debt" caption of our Income Statements.

On September 22, 2021, we issued $700 million aggregate principal amount of 2.750 percent Series II Notes due October 15, 2033 (the "Series II Notes"). We will pay interest on the Series II Notes in April and October of each year, commencing in April 2022. We received net proceeds of approximately $693 million from the offering of the Series II Notes, after deducting the underwriting discount and estimated expenses. We used the net proceeds to fund the Tender Offer, as further described above.

On August 9, 2021, we redeemed all $400 million aggregate principal amount of our Series N Notes due in October 2021.

On March 5, 2021, we issued $1.1 billion aggregate principal amount of 2.850 percent Series HH Notes due April 15, 2031 (the "Series HH Notes"). We will pay interest on the Series HH Notes in April and October of each year, commencing in October 2021. We received net proceeds of approximately $1.089 billion from the offering of the Series HH Notes, after deducting the underwriting discount and estimated expenses, which were made available for general corporate purposes, including the repayment of a portion of our outstanding borrowings under the Credit Facility.

Commercial Paper

Due to changes to our credit ratings as a result of the impact of COVID-19 on our business, we currently are not issuing commercial paper. As a result, we have had to rely more on borrowings under the Credit Facility and issuance of senior notes, which carry higher interest costs than commercial paper.

Uses of Cash

Cash, cash equivalents, and restricted cash totaled $797 million at September 30, 2021, a decrease of $97 million from year-end 2020, primarily reflecting Senior Notes repayments, net of issuances ($368 million), cash paid for debt extinguishment costs associated with the Tender Offer ($155 million), Credit Facility repayments, net of borrowings ($150 million), capital and technology expenditures ($114 million), and financing outflows for employee stock-based compensation withholding taxes ($85 million), partially offset by net cash provided by operating activities ($745 million).

Net cash provided by operating activities decreased by $878 million in the 2021 first three quarters compared to the 2020 first three quarters, primarily due to the prepaid cash received under the amendments to our co-brand credit card agreements in the 2020 first three quarters, partially offset by the net income recorded in the 2021 first three quarters (adjusted for non-cash items and the loss on extinguishment of debt).

Our ratio of current assets to current liabilities was 0.5 to 1.0 at the end of the 2021 third quarter. We have significant borrowing capacity under our Credit Facility should we need additional working capital.

Capital Expenditures and Other Investments

We made capital and technology expenditures of $114 million in the 2021 first three quarters and $97 million in the 2020 first three quarters. We expect capital expenditures and other investments will total approximately $525 million to $550 million for the 2021 full year, including capital and technology expenditures, loan advances, contract acquisition costs, and other investing activities (including approximately $180 million for maintenance capital spending and our new headquarters).

Share Repurchases

We did not repurchase any shares of our common stock in the 2021 first three quarters. As of September 30, 2021, 17.4 million shares remained available for repurchase under Board approved authorizations. We do not anticipate repurchasing additional shares until business conditions further improve, and are prohibited from doing so for the duration of the Covenant Waiver Period under our Credit Facility, with certain exceptions.

Dividends

We did not declare any cash dividends in the 2021 first three quarters. We do not anticipate declaring cash dividends until business conditions further improve, and are prohibited from doing so for the duration of the Covenant Waiver Period under our Credit Facility.

Contractual Obligations and Off-Balance Sheet Arrangements

As of the end of the 2021 third quarter, there have been no significant changes to our "Contractual Obligations" table, "Other Commitments" table, or "Letters of Credit" paragraph in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," of our 2020 Form 10-K, other than the changes in debt described in the "Sources of Liquidity" section above. See Note 8 for more information on our total debt.

At September 30, 2021, projected Deemed Repatriation Transition Tax payments under the U.S. tax legislation enacted on December 22, 2017, commonly referred to as the 2017 Tax Cuts and Jobs Act, totaled $349 million.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect reported amounts and related disclosures. We have discussed those policies and estimates that we believe are critical and require the use of complex judgment in their application in our 2020 Form 10-K. We have made no material changes to our critical accounting policies or the methodologies or assumptions that we apply under them.

Item 3. ***Quantitative and Qualitative Disclosures About Market Risk***

Our exposure to market risk has not materially changed since December 31, 2020. See Item 7A. Quantitative and Qualitative Disclosures About Market Risk in our 2020 Form 10-K for more information on our exposure to market risk.

Item 4. ***Controls and Procedures***

Disclosure Controls and Procedures

We evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of the end of the period covered by this quarterly report under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer. Management necessarily applied its judgment in assessing the costs and benefits of those controls and procedures, which by their nature, can provide only reasonable assurance about management's control objectives. You should note that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and we cannot assure you that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective and operating to provide reasonable assurance that we record, process, summarize, and report the information we are required to disclose in the reports that we file or submit under the Exchange Act within the time periods specified in the rules and forms of the SEC, and to provide reasonable assurance that we accumulate and communicate such information to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions about required disclosure.

Changes in Internal Control Over Financial Reporting

We made no changes in internal control over financial reporting during the 2021 third quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. ***Legal Proceedings***

See the information under the "Litigation, Claims, and Government Investigations" caption in Note 6, which we incorporate here by reference. Within this section, we use a threshold of $1 million in disclosing material environmental proceedings involving a governmental authority.

In May 2020, we received a notice from the District Attorneys of the Counties of Placer, Riverside, San Francisco and San Mateo in California asserting that nine properties in California have failed to comply with certain state statutes regulating hazardous and other waste handling and disposal. We are cooperating with the District Attorneys' requests for information and have entered into a tolling agreement with the District Attorneys. Management does not believe that the ultimate outcome of this matter will have a material adverse effect on the Company.

From time to time, we are also subject to other legal proceedings and claims in the ordinary course of business, including adjustments proposed during governmental examinations of the various tax returns we file. While management presently believes that the ultimate outcome of these other proceedings, individually and in aggregate, will not materially harm our financial position, cash flows, or overall trends in results of operations, legal proceedings are inherently uncertain, and unfavorable rulings could, individually or in aggregate, have a material adverse effect on our business, financial condition, or operating results.

Item 1A. ***Risk Factors***

We are subject to various risks that make an investment in our securities risky. The events and consequences discussed in these risk factors could, in circumstances we may or may not be able to accurately predict, recognize, or control, have a material adverse effect on our business, liquidity, financial condition, and results of operations. In addition, these risks could cause results to differ materially from those we express in forward-looking statements contained in this report or in other Company communications. These risk factors do not identify all risks that we face; our operations could also be affected by factors, events, or uncertainties that are not presently known to us or that we currently do not consider to present significant risks to our operations.

Risks Relating to COVID-19

COVID-19 has had a material detrimental impact on our business and financial results, and such impact could continue and may worsen for an unknown period of time.

COVID-19 has been and continues to be a complex and evolving situation, with governments, public institutions and other organizations imposing or recommending, and businesses and individuals implementing, at various times and to varying degrees, restrictions on various activities or other actions to combat its spread, such as warnings, restrictions and bans on travel or transportation; limitations on the size of in-person gatherings; closures of, or occupancy or other operating limitations on, work facilities, lodging facilities, food and beverage establishments, schools, public buildings and businesses; cancellation of events, including sporting events, conferences and meetings; and quarantines and lock-downs. COVID-19 and its consequences have dramatically reduced travel and demand for hotel rooms, which has and will continue to impact our business, operations, and financial results. The extent to which COVID-19 impacts our business, operations, and financial results will depend on the factors described above and numerous other evolving factors that we may not be able to accurately predict or assess, including the duration and scope of COVID-19; the availability and distribution of effective vaccines or treatments; COVID-19's impact on global and regional economies and economic activity, including the duration and magnitude of its impact on unemployment rates and consumer discretionary spending; its short and longer-term impact on the demand for travel, transient and group business, and levels of consumer confidence; the ability of our owners and franchisees to successfully navigate the impacts of COVID-19; and how quickly economies, travel activity, and demand for lodging recovers after the pandemic subsides.

COVID-19 has subjected our business, operations and financial condition to a number of risks, including, but not limited to, those discussed below:

- ***Risks Related to Revenue***: COVID-19 has negatively impacted, and will in the future negatively impact to an extent we are unable to predict, our revenues from managed and franchised hotels, which are primarily based on hotels' revenues or profits. In addition, COVID-19 and its impact on global and regional economies, and the hospitality industry in particular, has made it difficult for hotel owners and franchisees to obtain financing on attractive terms, or at all, and increased the probability that hotel owners and franchisees will be unable or unwilling to service, repay or refinance existing indebtedness. This has caused, and may in the future continue to cause, some lenders to declare a default, accelerate the related debt, foreclose on the property or exercise other remedies, and some hotel owners or franchisees to declare bankruptcy. If a significant number of our management or franchise agreements are terminated as a result of bankruptcies, sales or foreclosures, our results of operations could be materially adversely affected. Hotel owners or franchisees in bankruptcy may not have sufficient assets to pay us termination fees or other unpaid fees or reimbursements we are owed under their agreements with us. Even if hotel owners or franchisees do not declare bankruptcy, the impact of COVID-19 has affected the timely payment of amounts owed to us by some hotel owners and franchisees, and could in the future impact the ability or willingness of hotel owners and franchisees to fund working capital or pay us other amounts that we are entitled to on a timely basis or at all, which would adversely affect our liquidity. If a significant number of hotels exit our system as a result of COVID-19, whether as a result of a hotel owner or franchisee bankruptcy, failure to pay amounts owed to us, a negotiated termination, the exercise of contractual termination rights, or otherwise, our revenues and liquidity could be materially adversely affected. COVID-19 has also materially impacted, and could in the future materially impact, other non-hotel related sources of revenues for us.

- ***Risks Related to Owned and Leased Hotels and Other Real Estate Investments***: COVID-19 and its impact on travel has reduced demand at many hotels, including our owned and leased hotels and properties owned by entities in which we have an equity investment. As a result, many of our owned and leased hotels and properties in which we have an investment are not generating revenue sufficient to meet expenses, which is adversely affecting our income and could in the future more significantly adversely affect the value of our owned and leased properties or investments. In addition, we have seen and could in the future see entities in which we have an investment experience challenges securing additional or replacement financing to satisfy maturing indebtedness. As a result of the foregoing, we have recognized, and may in the future be required to recognize, significant non-cash impairment charges to our results of operations.

- ***Risks Related to Operations***: As a result of COVID-19 and its impact on travel and demand for hotel rooms, we took certain steps to reduce operating costs and improve efficiency, including implementing furloughs and reduced work weeks for certain associates, implementing a voluntary transition program, eliminating a significant number of above-property and on-property positions, and modifying food and beverage offerings and other services and amenities. Such steps could have significant negative impacts on our operations, guest loyalty or owner preference, and our reputation, market share and profits may suffer as a result. In addition, if we or our hotel owners or franchisees are unable to access capital to make physical improvements to our hotels, the quality of our hotels may suffer, which may negatively impact our reputation and guest loyalty, and our revenue and market share may suffer as a result. We have received claims, demands and requests from associates and from labor unions that represent our associates and may face additional demands, whether in the course of our periodic renegotiation of our collective bargaining agreements or otherwise, for additional compensation, healthcare benefits or other terms as a result of COVID-19 or related to our restructuring activities, which could lead to increased costs or disruptions. COVID-19 could also negatively affect our internal control over financial and other reporting, as many of our personnel have departed the Company as a result of our voluntary transition program and position eliminations, and our remaining personnel are often working from home. In addition, new processes, procedures, and controls could be required to respond to changes in our business environment.

- ***Risks Related to Expenses***: COVID-19 has caused us to incur additional expenses and may cause us to incur significant additional expenses in the future which are not fully reimbursed or offset by revenues. For example, we have already incurred certain expenses related to furloughs, our voluntary transition program, and position eliminations. Claims by associates or others in respect of our restructuring activities could result in significant increased costs, fines, litigation or other proceedings, and increased risk of damage to our reputation. In addition, COVID-19 could make it more likely that we have to fund shortfalls in operating profit under our agreements with some hotel owners or fund financial guarantees we have made to third-party lenders for the timely repayment of all or a portion of certain hotel owners' or franchisees' debt related to hotels that we manage or franchise, beyond the amounts funded or the additional guarantee reserves recorded in 2020 and the first three quarters of 2021. COVID-19 also makes it more likely our hotel owners or franchisees will default on loans we have made to them or will fail to reimburse us for guarantee advances. Our ability to recover loans and guarantee advances from hotel operations or from hotel owners or franchisees through the proceeds of hotel sales, refinancing of debt, or otherwise may also affect our ability to recycle and raise new capital. Even in situations where we are not obligated to provide funding to hotel owners, franchisees, or entities in which we have a noncontrolling interest, we may choose to provide financial or other types of support to certain of these parties, which could materially increase our expenses. While governments have and may continue to implement various stimulus and relief programs, it is uncertain to what extent existing programs will be effective in mitigating the impacts of COVID-19 and, with respect to future programs, to what extent we or our hotel owners or franchisees will be eligible to participate and whether conditions or restrictions imposed under such programs will be acceptable. As a result of COVID-19, we and our hotel owners and franchisees have experienced and could continue to experience other short or longer-term impacts on costs and, in turn, profits.

- ***Risks Related to Growth***: Our growth has been, and may continue to be, harmed by COVID-19 and its various impacts as discussed above. Many current and prospective hotel owners and franchisees are finding it difficult or impossible to obtain hotel financing on commercially viable terms. In addition, COVID-19 has caused and may continue to cause construction delays due to government restrictions and shortages of workers or supplies. As a result, some of the properties in our development pipeline have not entered or may not enter our system when we anticipated, or at all. We have seen, and may continue to see, opening delays and a decrease in the rate at which new projects enter our pipeline, and we may see an increase in the number of projects that fall out of our pipeline as a result of project cancellations or other factors. These effects on our pipeline have reduced and will continue to reduce our ability to realize fees. We have seen and expect we could potentially see more existing hotels exit our system as a result of COVID-19, and a significant number of such exits could negatively impact the overall growth of our system and our business prospects.

- ***Risks Related to Liquidity***: Beginning in the first quarter of 2020, we took various actions to preserve financial flexibility, repay maturing debt and manage our debt maturities in light of the impact on global markets resulting from COVID-19, including making significant borrowings under our $4.5 billion Credit Facility, completing offerings of $5.4 billion aggregate principal amount of senior notes, and completing two debt tender offers. We may be required to raise additional capital again in the future to fund our operating expenses and repay maturing debt. In 2020, we raised $920 million of cash through amendments to agreements with the U.S. issuers of our co-brand credit cards associated with our Loyalty Program, and this option to raise capital will likely not be available again to us in the near future and has reduced and will in the future reduce the amount of cash we receive from these card issuers, which may increase the need for us to raise additional capital from other sources. In addition, we have seen increases in our cost of borrowing as a result of COVID-19 and such costs may increase even further for a time we are unable to determine. If we are required to raise additional capital, our access to and cost of financing will depend on, among other things, conditions in the global financing markets, the availability of sufficient amounts of financing, our prospects, our credit ratings, and the outlook for the hotel industry as a whole, and such financing may not be available to us on terms consistent with our expectations. As a result of COVID-19, credit agencies have downgraded our credit ratings. If our credit ratings were to be further downgraded, or general market conditions were to ascribe higher risk to our credit rating levels, our industry, or our Company, our access to capital and the cost of debt financing will be further negatively impacted. The interest rate we pay on many of our existing debt instruments, including the Credit Facility and some of our senior notes, is affected by our credit ratings. Accordingly, a further downgrade may cause our cost of borrowing to further increase. Additionally, certain of our existing commercial agreements may require us to post or increase collateral in the event of further downgrades. In addition, our latest amendments to our Credit Facility increase the minimum liquidity we are required to maintain for the duration of the waiver period as discussed in Note 8, and the terms of future debt agreements could include more restrictive covenants, or require incremental collateral, which may further restrict our business operations or cause future financing to be unavailable due to our covenant restrictions then in effect. Also, if we are unable to comply with the covenants under our Credit Facility, the lenders under our Credit Facility will have the right to terminate their commitments thereunder and declare the outstanding loans thereunder to be immediately due and payable. A default under our Credit Facility could trigger a cross-default, acceleration, or other consequences under other indebtedness, financial instruments, or agreements to which we are a party.

COVID-19, and the volatile regional and global economic conditions stemming from COVID-19, as well as reactions to future pandemics or resurgences of COVID-19, could also give rise to, aggravate, and impact our ability to allocate resources to mitigate the other risks that we identify below, which in turn could materially adversely affect our business, liquidity, financial condition, and results of operations. Further, COVID-19 may also affect our operating and financial results in a manner that is not presently known to us or that we currently do not consider to present significant risks to our operations.

Risks Relating to Our Industry

Our industry is highly competitive, which may impact our ability to compete successfully for guests with other hotel properties and home sharing or rental services. We operate in markets that contain many competitors. Each of our hotel brands and our home rental offering competes with major hotel chains, regional hotel chains, independent hotels, and home sharing and rental services across national and international venues. Our ability to remain competitive and attract and retain business and leisure travelers depends on our success in distinguishing the quality, value, and efficiency of our lodging products and services, including our Loyalty Program, direct booking channels, and consumer-facing technology platforms and services, from those offered by others. If we cannot compete successfully in these areas or if our approach is subject to challenge, our operating margins could contract, our market share could decrease, and our earnings could decline. Further, new lodging supply in individual markets could have a negative impact on the hotel industry and hamper our ability to maintain or increase room rates or occupancy in those markets.

Economic downturns and other global, national, and regional conditions could further impact our financial results and growth. Because we conduct our business on a global platform, changes in global, national, or regional economies, governmental policies (including in areas such as trade, travel, immigration, healthcare, and related issues), and geopolitical and social conditions impact our activities. Our business is impacted by decreases in travel resulting from weak economic conditions, changes in energy prices and currency values, political instability, heightened travel security measures, travel advisories, disruptions in air travel, and concerns over disease, violence, war, or terrorism.

As discussed in "Risks Relating to COVID-19," our performance has been materially affected by some of these conditions and could be further materially affected if these conditions worsen, arise in the future, or extend longer than anticipated, or in other circumstances that we are not able to predict or mitigate. Even after COVID-19 subsides, our business, markets, growth prospects, and business model could continue to be materially impacted or altered.

Risks Relating to Our Business

Operational Risks

Premature termination of our management or franchise agreements could hurt our financial performance. Our hotel management and franchise agreements may be subject to premature termination in certain circumstances, such as the bankruptcy of a hotel owner or franchisee, the failure of the hotel owner or franchisee to comply with its payment or other obligations under the agreement, a failure under some agreements to meet specified financial or performance criteria which we fail or elect not to cure, or in certain limited cases, other negotiated contractual termination rights. Some courts have also applied agency law principles and related fiduciary standards to managers of third-party hotel properties, including us (or have interpreted hotel management agreements to be "personal services contracts"). Property owners may assert the right to terminate management agreements even where the agreements provide otherwise, and some courts have upheld such assertions about our management agreements and may do so in the future. When terminations occur for certain of these or other reasons, we may need to enforce our right to damages for breach of contract and related claims, which may cause us to incur significant legal fees and expenses. We may have difficulty collecting damages from the hotel owner or franchisee, and any damages we ultimately collect could be less than the projected future value of the fees and other amounts we would have otherwise collected under the management or franchise agreement. A significant loss of these agreements could hurt our financial performance or our ability to grow our business.

Disagreements with owners of hotels that we manage or franchise may result in arbitration or litigation or delay implementation of product or service initiatives. Consistent with our focus on management and franchising, we own very few of our lodging properties. The nature of our responsibilities under our management agreements to manage each hotel and enforce the standards required for our brands under both management and franchise agreements may be subject to interpretation and will, from time to time, give rise to disagreements, which may include disagreements over the need for or payment for new product, service or systems initiatives, the timing and amount of capital investments, and reimbursement for operating costs, system costs, or other amounts. We have seen and may continue to see an increase in such disagreements in the current environment and such disagreements may become more likely in the future during other periods when hotel returns are weaker. We seek to resolve any disagreements to develop and maintain positive relations with current and potential hotel owners, franchisees, and real estate investment partners, but we cannot always do so. Failure to resolve such disagreements has resulted in arbitration or litigation, and could do so in the future. If any such dispute resolution process results in an adverse outcome, we could suffer significant losses, our profits could be reduced, or our future ability to operate our business could be constrained.

An increase in the use of third-party Internet services to book online hotel reservations could adversely impact our business. Some of our hotel rooms are booked through Internet travel intermediaries such as Expedia.com, Priceline.com, Booking.com, Travelocity.com, and Orbitz.com, as well as lesser-known online travel service providers. These intermediaries initially focused on leisure travel, but now also provide offerings for corporate travel and group meetings. Although our Best Rate Guarantee and Member Rate programs have helped limit guest preference shift to intermediaries and greatly reduced the ability of intermediaries to undercut the published rates at our hotels, intermediaries continue to use a variety of aggressive online marketing methods to attract guests, including the purchase by certain companies of trademarked online keywords such as "Marriott" from Internet search engines such as Google, Bing, Yahoo, and Baidu to steer guests toward their websites (a practice that has been challenged by various trademark owners in federal court). Our business and profitability could be harmed to the extent that online intermediaries succeed in significantly shifting loyalties from our lodging brands to their travel services, diverting bookings away from our direct online channels, or through their fees, increasing the overall cost of Internet bookings for our hotels. In addition, if we are not able to negotiate new agreements on satisfactory terms when our existing contracts with intermediaries (which generally have 2- to 3- year terms) come up for renewal, our business and prospects could be negatively impacted in a number of ways. For example, if newly negotiated agreements are on terms less favorable to our hotels than the expiring agreements, or if we are not able to negotiate new agreements and our hotels no longer appear on intermediary websites, our bookings could decline, our profits (and the operating profits of hotels in our system) could decline, and customers and owners may be less attracted to our brands. We may not be able to recapture or offset any such loss of business through actions we take to enhance our direct marketing and reservation channels or to rely on other channels or other intermediary websites.

Our growth strategy depends upon attracting third-party owners and franchisees to our platform, and future arrangements with these third parties may be less favorable to us, depending on the terms offered by our competitors. Our growth strategy for adding lodging facilities entails entering into and maintaining various arrangements with property owners. The terms of our management agreements and franchise agreements for each of our lodging facilities are influenced by contract terms offered by our competitors, among other things. We cannot assure you that any of our current arrangements will continue or that we will be able to enter into future arrangements, renew agreements, or enter into new agreements in the future on terms that are as favorable to us as those that exist today.

The significance of our operations outside of the U.S. makes us susceptible to the risks of doing business internationally, which could lower our revenues, increase our costs, reduce our profits, disrupt our business, or damage our reputation. A significant number of rooms in our system are located outside of the U.S. and its territories, which exposes us to certain challenges and risks, many of which are outside of our control, and which could materially reduce our revenues or profits, materially increase our costs, result in significant liabilities or sanctions, significantly disrupt our business, or significantly damage our reputation. These challenges and risks include: (1) compliance with complex and changing laws, regulations, and government policies that may impact our operations, such as foreign ownership restrictions, import and export controls, trade restrictions, and health and safety requirements; (2) compliance with U.S. and foreign laws that affect the activities of companies abroad, such as competition laws, cybersecurity and privacy laws, data localization requirements, currency regulations, national security laws, trade and economic sanctions, and other laws affecting dealings with certain nations; (3) the difficulties involved in managing an organization doing business in many different countries; (4) uncertainties as to the enforceability of contract and intellectual property rights under local laws; and (5) rapid changes in government policy, political or civil unrest, acts of terrorism, war, pandemics or other health emergencies, border control measures or other travel restrictions, or the threat of international boycotts or U.S. anti-boycott legislation.

Any failure by our international operations to comply with anti-corruption laws or trade sanctions could increase our costs, reduce our profits, limit our growth, harm our reputation, or subject us to broader liability. We are subject to restrictions imposed by the U.S. Foreign Corrupt Practices Act and anti-corruption laws and regulations of other countries applicable to our operations, such as the U.K. Bribery Act. Anti-corruption laws and regulations generally prohibit companies and their intermediaries from making certain payments to government officials or other persons to influence official acts or decisions or to obtain or retain business. These laws also require us to maintain adequate internal controls and accurate books and records. We operate properties in many parts of the world where corruption is common, and our compliance with anti-corruption laws may potentially conflict with local customs and practices. The compliance programs, internal controls, and policies we maintain and enforce to promote compliance with applicable anti-bribery and anti-corruption laws may not prevent our associates, contractors, or agents from materially violating these laws and regulations. We are also subject to trade sanctions and regulations administered by the U.S. Office of Foreign Assets Control, the U.S. Department of Commerce, and other U.S. government agencies, and by authorities in other countries where we do business. The compliance programs, internal controls, and policies we maintain and enforce to promote compliance with applicable sanctions and regulations may not prevent our associates, contractors, or agents from materially violating these rules. The U.S. or other countries have in the past and could in the future impose additional sanctions at any time against any country in or with which, or against persons or entities with whom, we do business. Depending on the nature of the sanctions imposed, our operations in the relevant country or with the relevant individual or entity could be restricted or otherwise adversely affected. Any violations of anti-corruption laws and regulations or trade sanctions could result in significant civil and criminal penalties, disruption to our business, damage to our reputation, or lawsuits or regulatory actions. In addition, the operation of these laws and regulations or an imposition of further restrictions in these areas could have a material negative impact on our existing operations or our ability to pursue development opportunities, which could reduce our revenues and profits.

Exchange rate fluctuations and foreign exchange hedging arrangements could result in significant foreign currency gains and losses and affect our business results. We earn revenues and incur expenses in foreign currencies as part of our operations outside of the U.S. Accordingly, fluctuations in currency exchange rates may significantly increase the amount of U.S. dollars required for foreign currency expenses or significantly decrease the U.S. dollars we receive from foreign currency revenues. We are also exposed to currency translation risk because the results of our non-U.S. business are generally reported in local currency, which we then translate to U.S. dollars for inclusion in our Financial Statements. As a result, exchange rate changes between foreign currencies and the U.S. dollar affect the amounts we record for our foreign assets, liabilities, revenues and expenses, and could have a negative effect on our financial results. To the extent that our international operations continue to grow, our exposure to foreign currency exchange rate fluctuations will grow. We enter into foreign exchange hedging agreements with financial institutions to mitigate exposure to some of the foreign currency fluctuations, but these efforts may not be successful. These hedging agreements also do not cover all currencies in which we do business, do not eliminate foreign currency risk entirely for the currencies that they do cover, and involve costs and risks of their own in the form of transaction costs, credit requirements, and counterparty risk.

Our business depends on the quality and reputation of our Company and our brands, and any deterioration could adversely impact our market share, reputation, business, financial condition, or results of operations. Many factors can affect the reputation and value of our Company or one or more of our properties or brands, including our ability to protect and use our brands and trademarks; our hotels' adherence to service standards; our approach to matters such as food quality and safety, guest and associate safety, health and cleanliness, managing and reducing our carbon footprint and our use of scarce natural resources, supply chain management, and diversity, human rights, and support for local communities; and our compliance with applicable laws. Reputational value is also based on perceptions, and broad access to social media makes it easy for anyone to provide public feedback that can influence perceptions of us, our brands, and our hotels, and it may be difficult to control or effectively manage negative publicity, regardless of whether it is accurate. While reputations may take decades to build, negative incidents can quickly erode trust and confidence, particularly if they result in adverse mainstream and social media publicity, governmental investigations, proceedings or penalties, or litigation. Negative incidents could lead to tangible adverse effects on our business, including lost sales, boycotts, reduced enrollment and/or participation in our Loyalty Program, loss of development opportunities, adverse government attention, or associate retention and recruiting difficulties. Any material decline in the reputation or perceived quality of our brands or corporate image could affect our market share, reputation, business, financial condition, or results of operations.

Actions by our franchisees and licensees or others could adversely affect our image and reputation. We franchise and license many of our brand names and trademarks to third parties for lodging, timeshare, and residential properties, and with respect to our credit card programs. Under the terms of their agreements with us, these third parties interact directly with guests and others under our brand and trade names. If these third parties fail to maintain or act in accordance with applicable brand standards; experience operational problems, including any data or privacy incident involving guest information or a circumstance involving guest or associate health or safety; or project a brand image inconsistent with ours, then our image and reputation could suffer. Although our agreements with these parties provide us with recourse and remedies in the event of a breach, including termination of the agreements under certain circumstances, it could be expensive or time-consuming for us to pursue such remedies and even if we are successful in pursuing such remedies, that may not be sufficient to mitigate reputational harm to us. We also cannot assure you that in every instance a court would ultimately enforce our contractual termination rights or that we could collect any awarded damages from the defaulting party.

Collective bargaining activity and strikes could disrupt our operations, increase our labor costs, and interfere with the ability of our management to focus on executing our business strategies. A significant number of associates at our managed, leased, and owned hotels are covered by collective bargaining agreements. If relationships with our organized associates or the unions that represent them become adverse, then the properties we operate could experience labor disruptions such as strikes, lockouts, boycotts, and public demonstrations. Numerous collective bargaining agreements are typically subject to negotiation each year, and our ability in the past to resolve such negotiations does not mean that we will be able to resolve future negotiations without strikes, disruptions, or on terms that we consider reasonable. Labor disputes and disruptions have in the past, and could in the future, result in adverse publicity and adversely affect operations and revenues at affected hotels. In addition, labor disputes and disruptions could harm our relationship with our associates, result in increased regulatory inquiries and enforcement by governmental authorities, harm our relationships with our guests and customers, divert management attention, and reduce customer demand for our services, all of which could have an adverse effect on our reputation, business, financial condition, or results of operations.

In addition, labor regulation and the negotiation of new or existing collective bargaining agreements could lead to higher wage and benefit costs, changes in work rules that raise operating expenses and legal costs, and could impose limitations on our ability or the ability of our third-party property owners to take cost saving measures during economic downturns. We do not have the ability to control the negotiations of collective bargaining agreements covering unionized labor employed by the operators of our franchised properties. Increased unionization of our workforce, new labor legislation, or changes in regulations could disrupt our operations, reduce our profitability, or interfere with the ability of our management to focus on executing our business strategies.

Our business could suffer if we cannot attract and retain associates or as the result of the loss of the services of our senior executives. We compete with other companies both within and outside of our industry for personnel. We have experienced challenges hiring for certain on-property positions due to various factors, such as increasing wage expectations and competition for labor from other industries, and these circumstances could continue or worsen in the future to an extent and for durations that we are not able to predict. If we cannot recruit, train, develop, and retain sufficient numbers of associates, we could experience significant negative impacts on our operations, associate morale and turnover, guest satisfaction, or our internal control environment. Insufficient numbers of associates could also limit our ability to grow and expand our businesses. Labor shortages have resulted and could continue to result in higher wages and initial hiring costs, increasing our labor costs and labor costs at our hotels, which could reduce our revenues and profits. In addition, the efforts and abilities of our senior executives are important elements of maintaining our competitive position and driving future growth, and the loss of the services of one or more of our senior executives could result in challenges executing our business strategies or other adverse effects on our business. The impact of COVID-19 on the hospitality industry, and actions that we and others in the hospitality industry have taken and may take in the future with respect to our associates and executives in response to COVID-19, have adversely affected and may in the future continue to adversely affect our ability to attract and retain associates and executives.

Risks relating to natural or man-made disasters, contagious diseases, violence, or war have reduced the demand for lodging, which has adversely affected our revenues. We have seen a decline in travel and reduced demand for lodging due to so-called "Acts of God," such as hurricanes, earthquakes, tsunamis, floods, volcanic activity, wildfires, and other natural disasters, as well as man-made disasters and the spread of contagious diseases in locations where we own, manage, or franchise properties and areas of the world from which we draw a large number of guests, and these circumstances could continue or worsen in the future to an extent and for durations that we are not able to predict. Actual or threatened war, terrorist activity, political unrest, civil or geopolitical strife, and other acts of violence could have a similar effect. As with the effects we have already experienced from the COVID-19 pandemic, any one or more of these events may reduce the overall demand for lodging, limit the room rates that can be charged, affect our growth, and/or increase our operating costs, all of which could adversely affect our profits. If a terrorist event or other incident of violence were to involve one or more of our branded properties, demand for our properties in particular could suffer disproportionately, which could further hurt our revenues and profits.

Insurance may not cover damage to, or losses involving, properties that we own, manage, or franchise, or other aspects of our business, and the cost of such insurance could increase. We require comprehensive property and liability insurance policies for our managed, leased, and owned properties with coverage features and insured limits that we believe are customary. We also require our franchisees to maintain similar levels of insurance. Market forces beyond our control may nonetheless limit the scope of the insurance coverage we, our hotel owners, or our franchisees can obtain, or our or their ability to obtain coverage at reasonable rates. Certain types of losses, generally of a catastrophic nature, such as earthquakes, hurricanes and floods, terrorist acts, pandemics, or liabilities that result from incidents involving the security of information systems, may result in high deductibles, low limits, or may be uninsurable, or the cost of obtaining insurance may be unacceptably high. As a result, we, our hotel owners, and our franchisees may not be successful in obtaining insurance without increases in cost or decreases in coverage levels, or may not be successful in obtaining insurance at all. For example, over the past several years following the severe and widespread damage caused by natural disasters, coupled with continued large global losses, the property, liability and other insurance markets have seen significant cost increases. Also, due to the data security incident involving unauthorized access to the Starwood reservations database, which we initially reported in November 2018 (the “Data Security Incident”), and the state of the cyber insurance market generally, the costs for our cyber insurance increased with each of our renewals over the last several years, and the cost of such insurance could continue to increase for future policy periods. Further, in the event of a substantial loss, the insurance coverage we, our hotel owners, or our franchisees carry may not be sufficient to pay the full market value or replacement cost of any lost investment or in some cases could result in certain losses being totally uninsured. As a result, our revenues and profits could be adversely affected, and for properties we own or lease, we could lose some or all of the capital that we have invested in the property and we could remain obligated for guarantees, debt, or other financial obligations.

If our brands, goodwill, or other intangible assets become impaired, we may be required to record significant non-cash charges to earnings. As of September 30, 2021, we had $18.0 billion of goodwill and other intangible assets. We review goodwill and indefinite-lived intangible assets for impairment annually or whenever events or circumstances indicate impairment may have occurred. Estimated fair values of our brands or reporting units could change if, for example, there are changes in the business climate, unanticipated changes in the competitive environment, adverse legal or regulatory actions or developments, changes in guests’ perception and the reputation of our brands, or changes in interest rates, operating cash flows, or market capitalization. Because of the significance of our goodwill and other intangible assets, any future impairment of these assets could require material non-cash charges to our results of operations, which could have a material adverse effect on our reported financial condition and results of operations.

Development and Financing Risks

While we are predominantly a manager and franchisor of hotel properties, our hotel owners and franchisees depend on capital to buy, develop, and improve hotels, and they may be unable to access capital when necessary. Both we and current and potential hotel owners and franchisees must periodically spend money to fund new hotel investments, as well as to refurbish and improve existing hotels. The availability of funds for new investments and improvement of existing hotels by our current and potential hotel owners and franchisees depends in large measure on their ability to access the capital markets, over which we have little control. Obtaining financing on attractive terms has been, and may in the future be further, constrained by the capital markets for hotel and real estate investments. In addition, owners of existing hotels that we franchise or manage may have difficulty meeting required debt service payments or refinancing loans at maturity.

Our ability to grow our management and franchise systems is subject to the range of risks associated with real estate investments. Our ability to sustain continued growth through management or franchise agreements for new hotels and the conversion of existing facilities to managed or franchised Marriott brands is affected, and may potentially be limited, by a variety of factors influencing real estate development generally. These include site availability, financing availability, planning, zoning and other local approvals, and other limitations that may be imposed by market and submarket factors, such as projected room occupancy and rate, changes in growth in demand compared to projected supply, territorial restrictions in our management and franchise agreements, costs of construction, demand for construction resources, and other disruptive conditions in global, regional, or local markets.

Our renovation activities expose us to project cost, completion, and resale risks. We occasionally acquire and renovate hotel properties, both directly and through partnerships and other business structures with third parties. This presents a number of risks, including that: (1) weakness in the capital markets may limit our ability, or that of third parties with whom we partner, to raise capital for completion of projects; (2) properties that we renovate could become less attractive due to decreases in demand for hotel properties, market absorption or oversupply, with the result that we may not be able to sell such properties for a profit or at the prices or time we anticipate, or we may be required to record additional impairment charges; and (3) construction delays or cost overruns, including those due to general market conditions, shortages or increased costs of skilled labor and/or materials, lender financial defaults, or so-called "Acts of God" such as earthquakes, hurricanes, floods, or fires may increase project costs. We could face similar risks to the extent we undertake development activities again in the future.

Our owned properties and other real estate investments subject us to numerous risks. We have a number of owned and leased properties, which are subject to the risks that generally relate to investments in real property. We may seek to sell some of these properties over time; however, equity real estate investments can be difficult to sell quickly and COVID-19 has disrupted the transaction markets for some hospitality assets. We may not be able to complete asset sales at prices we find acceptable, or at all. Moreover, the investment returns available from equity investments in real estate depend in large part on the amount of income earned and capital appreciation generated, if any, by the related properties, and the expenses incurred. A variety of other factors also affect income from properties and real estate values, including local market conditions and new supply of hotels, availability and costs of staffing, governmental regulations, insurance, zoning, tax and eminent domain laws, interest rate levels, and the availability of financing. Our real estate properties have been, and could in the future be, impacted by any of these factors, resulting in a material adverse impact on our results of operations or financial condition. If our properties continue to not generate revenue sufficient to meet operating expenses, including needed capital expenditures, our income could be further adversely affected, and we could be required to record additional significant non-cash impairment charges to our results of operations.

Risks associated with development and sale of residential properties associated with our lodging properties or brands may reduce our profits. We participate, through licensing agreements, in the development and sale of residential properties associated with our brands, including residences and condominiums under many of our luxury and premium brand names and trademarks. Such projects pose further risks beyond those generally associated with our lodging business, which may reduce our profits or compromise our brand equity, including risks that: (1) weakness in residential real estate and demand generally may reduce our profits and could make it more difficult to convince future project developers of the value added by our brands; (2) increases in interest rates, reductions in mortgage availability or the tax benefits of mortgage financing or residential ownership generally, or increases in the costs of residential ownership could prevent potential customers from buying residential products or reduce the prices they are willing to pay; and (3) residential construction may be subject to warranty and liability claims or claims related to purchaser deposits, and the costs of resolving such claims may be significant.

More hotel projects in our development pipeline may be cancelled or delayed in opening, which could adversely affect our growth prospects. We report a significant number of hotels in our development pipeline, including hotels under construction, hotels subject to signed contracts, and hotels approved for development but not yet under contract. The eventual opening of such pipeline hotels and, in particular, the approved hotels that are not yet under contract, is subject to numerous risks, including the risks described above in the risk factors entitled "Our ability to grow our management and franchise systems is subject to the range of risks associated with real estate investments" and "COVID-19 has had a material detrimental impact on our business and financial results, and such impact could continue and may worsen for an unknown period of time; Risks Related to Growth." We have seen construction timelines for pipeline hotels lengthen due to various factors, including competition for skilled construction labor, challenges related to financing, disruption in the supply chain for materials, and the impact of COVID-19 generally, and these circumstances could continue or worsen in the future. Accordingly, we cannot assure you that all of our development pipeline will result in new hotels entering our system, or that those hotels will open when we anticipate.

Losses on loans or loan guarantees that we have made to third parties impact our profits. At times, we make loans for hotel development, acquisition or renovation expenditures when we enter into or amend management or franchise agreements. From time to time we also provide third-party lenders with financial guarantees for the timely repayment of all or a portion of debt related to hotels that we manage or franchise, generally subject to an obligation that the owner reimburse us for any fundings. We have suffered losses, and could suffer losses in the future, when hotel owners or franchisees default on loans that we provide or fail to reimburse us for loan guarantees that we have funded.

If owners of hotels that we manage or franchise cannot repay or refinance mortgage loans secured by their properties, our revenues and profits could decrease and our business could be harmed. The owners of many of our managed or franchised properties have pledged their hotels as collateral for mortgage loans that they entered into when those properties were purchased or refinanced. If those owners cannot repay or refinance maturing indebtedness on favorable terms or at all, the lenders could declare a default, accelerate the related debt, and foreclose on the property, or the owners could declare bankruptcy, as we have seen in the past and could see in the future. Such foreclosures or bankruptcies have in the past and could in the future, in some cases, result in the termination of our management or franchise agreements and eliminate our anticipated income and cash flows, which could have a significant negative effect on our results of operations.

Changes affecting the availability of the London Interbank Offered Rate ("LIBOR") may have consequences that we cannot yet fully predict. We are a party to various agreements, such as our Credit Facility, and other instruments where obligations by or to us are calculated based on or otherwise dependent on LIBOR. In March 2021, the U.K. Financial Conduct Authority confirmed its intention to cease publication of the one week and two month USD LIBOR tenors and all tenors for EUR, CHF, JPY and GBP LIBOR after December 31, 2021 and to cease publication of all other USD LIBOR after June 30, 2023. At this time, it is difficult for us to predict the full effect of any changes from LIBOR to an alternative benchmark rate upon or prior to the cessation of publication, the phase out of LIBOR generally, or the establishment and use of particular alternative benchmark rates to replace LIBOR. There is uncertainty about how we, the financial markets, applicable law, and the courts will address the replacement of LIBOR with alternative benchmark rates for contracts that do not include fallback provisions to provide for such alternative benchmark rates. In addition, any changes from LIBOR to an alternative benchmark rate may have an uncertain impact on our cost of funds, our receipts or payments under agreements that reference LIBOR, and the valuation of derivative or other contracts to which we are a party, any of which could impact our results of operations and cash flows.

Technology, Information Protection, and Privacy Risks

Any disruption in the functioning of our reservation systems could adversely affect our performance and results. We manage global reservation systems or use third-party service providers' reservation systems that communicate reservations to our properties from individuals who book reservations directly with us online, through our mobile apps, through our telephone call centers, or through intermediaries like travel agents, Internet travel websites, and other distribution channels. The cost, speed, accuracy, and efficiency of our reservation systems are critical aspects of our business and are important considerations for hotel owners when choosing our brands. Our business may suffer if we fail to maintain, upgrade, or prevent disruption to our reservation systems. Disruptions in or changes to our reservation systems could result in a disruption to our business and the loss of important data.

A failure to keep pace with developments in technology could impair our operations or competitive position. The lodging industry continues to demand the use of sophisticated technology and systems, including those used for our reservation, revenue management, property management, human resources and payroll systems, our Loyalty Program, and technologies we make available to our guests and for our associates. These technologies and systems must be refined, updated, and/or replaced with more advanced systems on a regular basis, and our business could suffer if we cannot do that as quickly or effectively as our competitors or within budgeted costs and time frames. We also may not achieve the benefits that we anticipate from any new technology or system, and a failure to do so could result in higher than anticipated costs or lower guest satisfaction or could impair our operating results.

We are exposed to risks and costs associated with protecting the integrity and security of Company, associate, and guest data. In the operation of our business, we collect, store, use, and transmit large volumes of data regarding associates, guests, customers, owners, licensees, franchisees, and our own business operations, including credit card numbers, reservation and loyalty data, and other personal information, in various information systems that we maintain and in systems maintained by third parties, including our owners, franchisees, licensees, and service providers. The integrity and protection of this data is critical to our business. Our guests and associates also have a high expectation that we, as well as our owners, franchisees, licensees, and service providers, will adequately protect and appropriately use their personal information. The information, security, and privacy requirements imposed by laws and governmental regulation, our contractual obligations, and the requirements of the payment card industry are also becoming more stringent in many jurisdictions in which we operate. Our systems and the systems maintained or used by our owners, franchisees, licensees, and service providers may not be able to satisfy these changing legal and regulatory requirements and associate and guest expectations, or may require significant additional investments or time to do so. We have incurred and may in the future incur significant additional costs to meet these requirements, obligations, and expectations, and in the event of alleged or actual noncompliance, we may experience increased operating costs, increased exposure to fines and litigation, and increased risk of damage to our reputation and brand.

The Data Security Incident, and other information security incidents, could have numerous adverse effects on our business. As a result of the Data Security Incident, numerous lawsuits were filed against us, as described further in Note 6. We may be named as a party in additional lawsuits and other claims may be asserted by or on behalf of guests, customers, hotel owners, stockholders, or others seeking monetary damages or other relief related to the Data Security Incident. A number of federal, state, and foreign governmental authorities have also made inquiries, opened investigations, or requested information and/or documents related to the Data Security Incident, including under various data protection and privacy regulations. Responding to and resolving these lawsuits, claims, and/or investigations has resulted in fines and other expenses, such as the fine imposed by the Information Commissioner's Office in the United Kingdom (the "ICO") as discussed in our 2020 Form 10-K, and could result in material additional fines or remedial or other expenses. These fines and other expenses may not be covered by insurance. Other governmental authorities investigating or seeking information about the Data Security Incident may impose undertakings, injunctive relief, consent decrees, or other civil or criminal penalties, which could, among other things, materially increase our costs or otherwise require us to alter how we operate our business. Significant management time and Company resources have been, and will continue to be, devoted to the Data Security Incident. Future publicity or developments related to the Data Security Incident, including as a result of subsequent reports or regulatory actions or developments, could have a range of other adverse effects on our business or prospects, including causing or contributing to loss of consumer confidence, reduced consumer demand, reduced enrollment and/or participation in our Loyalty Program, loss of development opportunities, and associate retention and recruiting difficulties. Insurance coverage designed to limit our exposure to losses such as those related to the Data Security Incident may not be sufficient or available to cover all of our expenses or other losses (including the final fine imposed by the ICO and any other fines or penalties) related to the Data Security Incident. In addition, following our March 31, 2020 announcement of an incident involving information for approximately 5.5 million guests that we believe may have been improperly accessed through an application using the login credentials of two franchise employees at a franchise property (the "Unauthorized Application Access Incident"), various governmental authorities opened investigations or requested information about the incident, and two lawsuits were filed against us related to the incident which have since been dismissed or otherwise resolved. The Unauthorized Application Access Incident or publicity related to it could negatively affect our business or reputation.

Additional cybersecurity incidents could have adverse effects on our business. We have implemented security measures to safeguard our systems and data, and we intend to continue implementing additional measures in the future, but, as we have seen in the past, our measures may not be sufficient to maintain the confidentiality, security, or availability of the data we collect, store, and use to operate our business. Measures taken by our service providers or our owners, franchisees, licensees, other business partners or their service providers also, as we have seen in the past, may not be sufficient. Efforts to hack or circumvent security measures, efforts to gain unauthorized access to, exploit or disrupt the operation or integrity of our data or systems, failures of systems or software to operate as designed or intended, viruses, "ransomware" or other malware, "supply chain" attacks, "phishing" or other types of business communications compromises, operator error, or inadvertent releases of data have impacted, and may in the future impact, our information systems and records or those of our owners, franchisees, licensees, other business partners, or service providers. Our reliance on computer, Internet-based, and mobile systems and communications, and the frequency and sophistication of efforts by third parties to gain unauthorized access or prevent authorized access to such systems, have greatly increased in recent years. Our increased reliance on cloud-based services and on remote access to information systems in response to COVID-19 increases the Company's exposure to potential cybersecurity incidents. We have experienced cyberattacks, attempts to disrupt access to our systems and data, and attempts to affect the operation or integrity of our data or systems, and the frequency and sophistication of such efforts could continue to increase. Any additional significant theft of, unauthorized access to, compromise or loss of, loss of access to, or fraudulent use of guest, associate, owner, franchisee, licensee, or

Company data could adversely impact our reputation and could result in legal, regulatory and other consequences, including remedial and other expenses, fines, or litigation. Depending on the nature and scope of the event, future compromises in the security of our information systems or those of our owners, franchisees, licensees, other business partners, or service providers or other future disruptions or compromises of data or systems could lead to an interruption in or other adverse effects on the operation of our systems or those of our owners, franchisees, licensees, other business partners, or service providers, resulting in operational inefficiencies and a loss of profits, and could result in negative publicity and other adverse effects on our business, including lost sales, loss of consumer confidence, boycotts, reduced enrollment and/or participation in our Loyalty Program, litigation, loss of development opportunities, or associate satisfaction, retention and recruiting difficulties, all of which could materially affect our market share, reputation, business, financial condition, or results of operations.

Because we have experienced cybersecurity incidents in the past, additional incidents or the failure to detect and appropriately respond to additional incidents could magnify the severity of the adverse effects on our business. The techniques used to obtain unauthorized access, disable or degrade service, or sabotage information systems change frequently, can be difficult to detect for long periods of time, and can involve difficult or prolonged assessment or remediation periods even once detected, which could also magnify the severity of these adverse effects. We cannot assure you that all potential causes of past significant incidents have been identified and remediated; additional measures may be needed to prevent significant incidents in the future. The steps we take may not be sufficient to prevent future significant incidents and as a result, such incidents may occur again. Although we carry cyber insurance that is designed to protect us against certain losses related to cyber risks, that insurance coverage may not be sufficient or available to cover all expenses or other losses (including fines) or all types of claims that may arise in connection with cyberattacks, security compromises, and other related incidents. Furthermore, in the future such insurance may not be available on commercially reasonable terms, or at all.

Changes in privacy and data security laws could increase our operating costs and increase our exposure to fines and litigation. We are subject to numerous, complex, and frequently changing laws, regulations, and contractual obligations designed to protect personal information. Non-U.S. data privacy and data security laws, various U.S. federal and state laws, payment card industry security standards, and other information privacy and security standards are all applicable to us. Significant legislative, judicial, or regulatory changes have been and could be issued in the future. Compliance with changes in applicable data security and privacy laws and regulations and contractual obligations, including responding to investigations into our compliance, has increased and may in the future increase our operating costs, and may restrict our business operations, increase our exposure to fines and litigation in the event of alleged noncompliance, and adversely affect our reputation. Following the Data Security Incident, certain regulators also opened investigations into our privacy and security policies and practices. As a result of these investigations, we could be exposed to significant fines and remediation costs in addition to those imposed as a result of the Data Security Incident, and adverse publicity related to the investigations could adversely affect our reputation.

Changes in laws could adversely affect our ability to market our products effectively. We rely on a variety of direct marketing techniques, including email marketing, online advertising, and postal mailings. Any further restrictions in laws such as the proposed ePrivacy Regulation (EU) and the proposed Bill C-11 for the Digital Charter Implementation Act 2020 (Canada), various U.S. state laws, or new federal or state laws on marketing and solicitation or international privacy, e-privacy, and anti-spam laws that govern these activities could adversely affect the continuing effectiveness of email, online advertising, and postal mailing techniques and could force further changes in our marketing strategy. If this occurs, we may not be able to develop adequate alternative marketing strategies, which could impact the amount and timing of our sales of certain products. We also obtain access to potential guests and customers from travel service providers or other companies with whom we have substantial relationships, and we market to some individuals on these lists directly or by including our marketing message in the other companies' marketing materials. If access to these lists were to be prohibited or otherwise restricted, our ability to develop new guests and customers and introduce them to our products could be impaired.

Governance Risk

Delaware law and our governing corporate documents contain, and our Board of Directors could implement, anti-takeover provisions that could deter takeover attempts. Under the Delaware business combination statute, a stockholder holding 15 percent or more of our outstanding voting stock could not acquire us without Board of Directors' consent for at least three years after the date the stockholder first held 15 percent or more of the voting stock. Our governing corporate documents also, among other things, require supermajority votes for mergers and similar transactions. In addition, our Board of Directors could, without stockholder approval, implement other anti-takeover defenses, such as a stockholder rights plan.

Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

(a) Unregistered Sale of Securities

None.

(b) Use of Proceeds

None.

(c) Issuer Purchases of Equity Securities

(in millions, except per share amounts)

Period	Total Number of Shares Purchased	Average Price per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [1]	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs [1]
July 1, 2021 - July 31, 2021	—	$ —	—	17.4
August 1, 2021 - August 31, 2021	—	$ —	—	17.4
September 1, 2021 - September 30, 2021	—	$ —	—	17.4

[1] On February 15, 2019, our Board of Directors increased our common stock repurchase authorization by 25 million shares. As of September 30, 2021, 17.4 million shares remained available for repurchase under Board approved authorizations. We repurchase shares in the open market and in privately negotiated transactions. We do not anticipate repurchasing additional shares until business conditions further improve, and are prohibited from doing so for the duration of the Covenant Waiver Period under our Credit Facility, with certain exceptions.

Item 6. ***Exhibits***

We have not filed as exhibits certain instruments defining the rights of holders of the long-term debt of Marriott pursuant to Item 601(b)(4)(iii) of Regulation S-K promulgated under the Exchange Act, because the amount of debt authorized and outstanding under each such instrument does not exceed 10 percent of the total assets of the Company and its consolidated subsidiaries. The Company agrees to furnish a copy of any such instrument to the Commission upon request.

Exhibit No.	Description	Incorporation by Reference (where a report is indicated below, that document has been previously filed with the SEC and the applicable exhibit is incorporated by reference thereto)
3.1	Restated Certificate of Incorporation.	Exhibit No. 3.(i) to our Form 8-K filed August 22, 2006 (File No. 001-13881).
3.2	Amended and Restated Bylaws.	Exhibit No. 3.(ii) to our Form 8-K filed February 25, 2021 (File No. 001-13881).
*10.1	Amendment to the Marriott International, Inc. Executive Deferred Compensation Plan, executed August 18, 2021.	*Filed with this report.*
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a).	*Filed with this report.*
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a).	*Filed with this report.*
32	Section 1350 Certifications.	*Furnished with this report.*
101	The following financial statements from Marriott International, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2021, formatted in Inline XBRL: (i) the Condensed Consolidated Statements of Income (Loss); (ii) the Condensed Consolidated Statements of Comprehensive Income (Loss); (iii) the Condensed Consolidated Balance Sheets; and (iv) the Condensed Consolidated Statements of Cash Flows.	*Submitted electronically with this report.*
101.INS	XBRL Instance Document - the instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.	*Submitted electronically with this report.*
101.SCH	XBRL Taxonomy Extension Schema Document.	*Submitted electronically with this report.*
101.CAL	XBRL Taxonomy Calculation Linkbase Document.	*Submitted electronically with this report.*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.	*Submitted electronically with this report.*
101.LAB	XBRL Taxonomy Label Linkbase Document.	*Submitted electronically with this report.*
101.PRE	XBRL Taxonomy Presentation Linkbase Document.	*Submitted electronically with this report.*
104	The cover page from Marriott International, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2021, formatted in Inline XBRL (included as Exhibit 101).	*Submitted electronically with this report.*

* Denotes compensatory plan

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MARRIOTT INTERNATIONAL, INC.

November 3, 2021

/s/ Felitia Lee

Felitia Lee
Controller and Chief Accounting Officer
(Duly Authorized Officer)