



**Marriott International, Inc.
Third Quarter 2020
Earnings Conference Call Transcript¹
November 6, 2020**

Operator: Ladies and gentlemen, thank you for standing by, and welcome to Marriott International's Third Quarter 2020 Earnings Conference Call. Today's call is being recorded. I will now turn the call over to Arne Sorenson, president and chief executive officer. Please go ahead, sir.

Arne Sorenson: Good morning everyone and welcome to our third quarter 2020 conference call. Joining me today are Leeny Oberg, executive vice president and chief financial officer, Jackie Burka McConagha, our senior vice president, investor relations and Betsy Dahm, vice president, investor relations.

I want to remind everyone that many of our comments today are not historical facts and are considered forward-looking statements under federal securities laws. These statements are subject to numerous risks and uncertainties, as described in our SEC filings, which could cause future results to differ materially from those expressed in or implied by our comments. Statements in our comments and the press release we issued earlier today are effective only today and will not be updated as actual events unfold. Please also note that, unless otherwise stated, our RevPAR and occupancy comments reflect systemwide, constant currency, year-over-year changes for comparable hotels and include hotels temporarily closed due to COVID-19. You can find our earnings release and reconciliations of all non-GAAP financial measures referred to in our remarks today on our investor relations website.

Before I talk about the quarter, I want to again thank our incredible team of associates around the world who continue to work tirelessly and show true resilience during these challenging times. The power of the Marriott culture has never been more evident, and I am incredibly grateful. I hope everyone joining us today is staying safe and well.

While COVID-19 is still significantly impacting our business, our third quarter results showed meaningful improvement versus the second quarter. Third quarter worldwide RevPAR declined 66 percent, almost 19 percentage points better than last quarter's decline. Globally, 94 percent of our hotels are now open, with 97 percent open in North America.

Our worldwide occupancy levels improved each month during the quarter and continued to close the gap to last year's. We saw a steady climb in demand through August and then the rate of improvement began to plateau towards the end of the quarter in most regions. However, we are pleased with the overall progress we have made since the trough in April.

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

In September our global occupancy reached just over 37 percent, an improvement of 25 percentage points from April's 12 percent. Worldwide RevPAR in September declined 64 percent versus September of last year, over 25 percentage points better than the year-over-year decline in April.

The recovery trajectories have differed greatly by region. The recovery in Greater China, especially in mainland China, has been the strongest. Results have improved meaningfully since February, demonstrating the resiliency of travel when the virus is perceived to be firmly under control. Occupancy in mainland China reached 67 percent in September, a bit ahead of occupancy in September of last year, and an extraordinary improvement from 9 percent occupancy in February.

In 2019, around 75 percent of room nights in mainland China were sourced from domestic guests. Even with strict travel entry requirements limiting visitors from outside the mainland, demand has rebounded strongly across all segments. Leisure transient bookings in the third quarter were over 25 percent ahead of last year's bookings, helped by domestic travelers taking more trips inside the country. Business transient and group bookings have strengthened each month since February, solely from domestic meetings and events, but are still lagging a bit compared to last year. Hong Kong and Macau, which are reliant on visitors from the mainland, are recovering more slowly as travel restrictions are easing, but cumbersome entry procedures are still inhibiting demand.

Demand in the rest of Asia Pacific has also continued to improve, but generally at a much slower pace. Countries are in various stages of reopening, with many still imposing strict travel restrictions. Japan, Australia, New Zealand, South Korea and the Philippines continue to drive performance, helped by quarantine business for travelers entering those countries.

In North America, where 95 percent of room nights in 2019 were sourced from domestic travelers, results in the third quarter were also meaningfully better than the second quarter, though the rate of improvement did slow in September. Third quarter RevPAR declined 65 percent versus the third quarter of last year, with occupancy reaching 37 percent.

During the quarter all chain scales continued to show improvement versus the second quarter, although there were still large variations among hotels and markets. Drive-to leisure demand continued to lead the recovery, particularly for extended stay and resort hotels and for properties in secondary and tertiary markets. Business transient and group bookings in the quarter picked up modestly versus the second quarter, but still remain significantly lower versus last year.

The improvement in demand in Europe, the Middle East and Africa and the Caribbean and Latin America, or CALA, has also been slower than in North America and China. In the last few weeks, rising numbers of cases in many countries in Europe and CALA have led governments to re-impose or extend lockdowns, travel restrictions and social distancing regulations. These

measures discourage international travelers who made up about 40 percent of Europe's room nights and about 60 percent of CALA's room nights in 2019. Compared to CALA and Europe, demand trends have been a bit better in the Middle East and Africa, where international guests have historically made up around 50 percent of room nights. Certain resort properties in Turkey, the UAE and Qatar were particularly strong in the quarter. Currently, 20 percent of hotels are closed in CALA, 26 percent of hotels are closed in Europe, and 9 percent are closed in the Middle East and Africa.

Globally, the plateauing of demand that we saw towards the end of the third quarter has generally continued into the first few weeks of the fourth quarter. Occupancy levels in most regions have remained relatively in-line to slightly better versus September levels, which were marginally ahead of occupancy levels in August.

Booking windows remain very short, and visibility is still limited. Nonetheless, we do expect an easier year-over-year RevPAR comparison in the fourth quarter given our historical seasonality. We usually see a substantial step down in occupancy around the world in November and December as compared to September and October, due to the holidays and relatively less business travel. In 2019, global occupancy was around 5 percentage points lower in November than October, and then December occupancy was another 8 percentage points lower than November. This year, with the leisure segment showing the strongest demand, we could see occupancy levels throughout the fourth quarter remain relatively flat with September and October. As a result, year-over-year RevPAR comparisons could look better in the fourth quarter than they did in the third. Of course, as we have seen to date, results vary greatly by region and can change quickly. And the recent virus resurgences in numerous countries could have a dampening effect on demand.

We know the road to recovery is going to take some time. However, we have been very pleased with the progress we are making across a number of key operational and financial areas.

One of the biggest operational adjustments has been our heightened cleanliness standards. The health and safety of our associates and guests remains a top priority. Throughout the pandemic, we have adjusted our protocols to elevate our cleanliness guidelines and tools, and every property across our portfolio is now required to complete a monthly Commitment to Clean certification. By increasingly leveraging contactless technologies such as mobile and web check-in, mobile key, and mobile chat, we are reimagining the guest stay experience while also amplifying operational efficiencies.

We also continue to roll out innovative, targeted, phased-in marketing strategies. Our messaging emphasizes our heightened cleaning guidelines and safety measures, while appealing to evolving consumer sentiment and travel intent. Many of our recent creative offerings such as Fall for Travel and our October Week of Wonders have been very successful in sparking leisure demand. And at the end of October, we announced our new "Work from Anywhere" packages, which are designed to capture additional revenue driven by the remote work trend.

Our award-winning loyalty program underpins all of our marketing strategies, and we remain focused on engaging with our 145 million Marriott Bonvoy members, including those who are not yet ready for a hotel stay. We have also been highlighting non-hotel stay experiences such as Eat Around Town and Homes and Villas by Marriott International. And in collaboration with American Express and Chase, we have been offering numerous grocery and retail spending accelerators and limited-time offers on our co-branded credit cards. The increased demand amongst our Bonvoy members for our Homes and Villas whole home rentals during the pandemic and the much more modest decline in Chase and Amex Bonvoy card spend compared to the decline in RevPAR are great indicators of the value of the Bonvoy program to our customers.

Another key constituency is our owner and franchisee community. We have had an unprecedented level of engagement with them this year, including weekly webinars in many regions and more frequent interactions with our owner advisory committees. We are deeply committed to working closely together to manage through these challenging times. We remain focused on reducing their costs as much as possible in this environment, as Leeny will discuss during her remarks.

On the development front, we now anticipate net rooms growth of 2.5 to 3 percent in 2020, the high end of our expectation from a quarter ago, reflecting strong openings in the third quarter. This takes into account 1.5 to 2 percent deletions, which is around 50 basis points higher than we estimated in February, primarily due to certain hotels that were already struggling entering 2020 deciding to close permanently due to COVID-19.

Given the current fluid environment, we have more uncertainty than usual on opening dates for many hotels nearing completion. But the good news is that 46 percent of our almost 500,000-room pipeline is currently under construction, with rooms under construction up 6.5 percent from a year ago. Although signings are not as strong as in 2019, they are quite solid considering the extraordinary impact of COVID-19 on our industry.

We believe that many of the rooms that do not open in 2020 as a result of COVID-19 will now likely open in 2021. The pace of openings will likely vary depending on the recovery of lodging demand in specific markets, with heightened uncertainty in markets where airlift is key. We are also encouraged by the increasing number of conversations we are having around conversions. We remain keenly focused on conversion opportunities that are accretive from both a brand and a financial value perspective.

Assuming progress is made in containing the virus, we would expect our gross room additions to accelerate next year compared to our expectations for 2020. We are in the middle of developing our 2021 budget, so it is too soon to give a definitive outlook for rooms deletions for the coming year. It is worth noting that the potential 2021 exit of the 89 hotels owned by Service Properties Trust, which are almost all limited-service properties, would create a short-

term headwind of roughly 1 percent to net rooms growth. But we are confident in our ability to replace many of those first-generation limited-service hotels with brand new updated product.

Finally, as Leeny will discuss in a moment, we have made significant strides in shoring up our financial position to weather this crisis.

While the recovery is going to take longer than anyone would like, we are seeing encouraging signs that demand can be extremely resilient. With the steps we have taken for our customers and owners, the power of Marriott Bonvoy, our strengthened liquidity position, and our incredible team of associates around the world, I am confident that we are very well positioned now and for the future.

And now I will turn the call over to Leeny, our CFO.

Leeny Oberg: Thanks, Arne, very much. I hope all of you on the call are staying safe and well. I'd also like to thank our team of associates for their incredible work this year in making sure Marriott comes through this crisis strong and healthy.

In the third quarter, with global RevPAR down 66 percent, our gross fee revenues totaled \$397 million, a decline of 58 percent versus the year ago quarter. Gross fees were comprised of base management fees of \$87 million, franchise fees of \$279 million and incentive management fees, or IMFs, of \$31 million. Seventy-five percent of IMFs in the quarter were earned at hotels in the Asia Pacific region, where contracts generally have no owner's priority. Over 90 percent of our hotels in Greater China had positive gross operating profit in September, with almost three-quarters generating positive profits for the first nine months of the year. These results are a reflection of the strong rebound in demand and our ability to help our owners control costs.

Within franchise fees, our non-RevPAR related franchise fees were again much more resilient, totaling \$119 million in the third quarter, down 18 percent from the year ago quarter, with credit card fees down 22 percent.

Third quarter G&A improved by 40 percent year over year, primarily reflecting a full quarter of the difficult but necessary steps we took earlier this year in response to COVID-19. These steps included furloughs, reduced work weeks, and meaningful cuts in executive compensation. As RevPAR has improved from the global trough experienced in April, corporate and above property furloughs and reduced work weeks generally ended by late September.

Of course, RevPAR is still well below 2019 levels and expected to take some time to fully recover. With that in mind, we have focused on restructuring our organization to reduce costs on a more sustainable basis at the corporate and above-property level, as well as at the hotel level, so we can operate more efficiently today and going forward.

Our restructuring efforts are anticipated to reduce total corporate and other above-property controllable costs by 25 percent, in line with the expectation we noted last quarter. This includes both classic, corporate G&A, as well as programs and services we provide to the hotels, for which we are reimbursed. We are still working through our budget and exact allocations for 2021. But based on our preliminary estimates, we expect total corporate G&A costs in 2021 could be around 20 percent lower than our original 2020 guidance of \$950 to \$960 million, with expenses for reimbursable programs and services down well over 25 percent. Importantly, we expect the reduction in G&A to be largely sustainable, subject to wage and inflationary increases.

We reported third quarter Adjusted EBITDA of \$327 million, down 64 percent versus the third quarter of last year, and a significant improvement from Adjusted EBITDA in the second quarter of this year. We do have a couple headwinds in the fourth quarter compared to the third quarter Adjusted EBITDA. As we have mentioned, G&A savings will not be as large as in the third quarter, with the return of our work force to full time, and the fourth quarter is a seasonally slower quarter.

At the hotel level, as part of our cost mitigation efforts, we conducted a thorough review of all reimbursable programs and services in order to reduce the associated costs to our hotels. This work went beyond the naturally lower fees charged in this environment given that the majority are billed based on a percent of hotel revenues. Our work has led to significantly lower expenses for the hotels. While some savings are volume-related given fewer associates, transactions and the like, others reflect a real reduction in program rates. For example, after providing a discount this year on certain fixed, mandatory fees paid by all of our hotels around the world, we have worked to provide a meaningful discount on these same fees in 2021 as well. Of course, we have also significantly cut our expenses associated with providing programs and services, given the lower expected levels of reimbursements from the hotels.

As we noted last quarter, we have been able to reduce breakeven profitability rates at our managed properties by 3 to 5 percentage points of occupancy. As you might imagine, we are applying this same disciplined approach to our owned and leased properties as well.

We have also been allowing owners to access FF&E reserves for working capital and have extended the waiver of required funding of these FF&E funds through the end of March 2021, with lender consent where applicable. Additionally, we worked with our U.S. managed hotels to file for CARES Act tax credits, which led to refunds of \$119 million, which should help support our hotels' working capital positions.

These measures, combined with our aggressive collection efforts, have been quite effective. The vast majority of our owners and franchisees continue to pay their bills on time or are on short-term payment plans. Despite the current environment, only a small number of hotels have gone into foreclosure this year, as lenders have been relatively patient to date. And with only a handful of exceptions, the few hotels that are in foreclosure or receivership are retaining our flag. In North America, our management and related agreements generally protect us and,

historically, we have held onto most franchise agreements as well when properties go into foreclosure.

Last quarter we laid out a cash burn scenario with RevPAR down 70 percent that indicated a monthly cash burn rate of around \$85 million, or \$255 million a quarter at that RevPAR decline. Our actual cash burn for the third quarter was around flat, much better than the model would have shown, even including severance payments of around \$60 million in the quarter that were not included in the model. We were pleased that total fees came in higher than our \$2 to \$2.5 million of monthly fees per RevPAR point sensitivity would have predicted with RevPAR for the quarter down 66 percent, primarily due to higher incentive management fees. The other major drivers of our neutral cash burn were better owned/leased results, lower G&A costs, strong working capital management and robust loyalty program cash flows.

The model we provided last quarter should still be useful as we think about potential monthly cash burn in the fourth quarter, with a couple updates. We still expect the sensitivity of a one-point change in RevPAR on our fees would be in the \$2 to \$2.5 million per month range. As we have seen, the sensitivity is not completely linear given the variability of IMFs and does not include the impact of changes in credit card fees. We expect that continued strong collections of receivables should again help minimize our working capital outlays in the fourth quarter.

Investment spending for the full year is now expected to be slightly below the low end of our prior expectation of \$400 to \$450 million, and significantly below our original forecast of \$700 to \$800 million at the beginning of the year. This is another example of the strong progress we have made in reducing cash outlays in the current environment. The variance versus last quarter's expectation is primarily due to the timing of key money payments and additional reductions in systems spending.

There are also two timing-related items to highlight which will impact our cash flow in the fourth quarter. In October our working capital was impacted by the funding of our 2019 company match to associates' 401(k) plan contributions, which totaled around \$130 million. That payment usually occurs earlier in the year. Also, cash interest payments will be roughly \$100 million higher in the fourth quarter than in the third quarter due to the timing of when payments are due.

Through the first three quarters of 2020, with year-over-year RevPAR down an unprecedented 59 percent through September 30, we have demonstrated our ability to adapt quickly. And we have confirmed the power of our asset light business model. Our cash from operations less capital expenditures has been positive year to date.

At the end of the third quarter our net liquidity was approximately \$5.1 billion, representing roughly \$1.5 billion in available cash balances plus \$3.6 billion undrawn on our revolver. The substantial increase in liquidity from the prior quarter reflects our August \$1 billion bond issuance maturing in 2032. Most of those proceeds were used to pay down a portion of our

revolver balance. We believe our liquidity position and resilient cash flow from operations comfortably position us to meet our short- and long-term obligations.

In closing, while the timing of a full recovery is unpredictable, we are confident that COVID-19 will eventually be contained, and that travel will come back quickly. We look forward to welcoming new and returning guests to our hotels before too long.

Thank you for your time this morning. We will now open the line for questions.

QUESTION & ANSWER SESSION:

Shaun Kelley - BofA Merrill Lynch: So just to start off, you covered a lot of ground in the prepared remarks, so thank you for all that. Could we hit on the net unit growth commentary for next year a little bit more deeply? I think, Arne, you talked about a couple of the puts and takes around the SVC terminations being a bit of a drag, but what else could factor in?

And just broadly speaking, do you expect to see some level of maybe elevated terminations relative to -- or exits -- system exits relative to past behavior just given the environment we're in? Or do you think these can start to normalize? And in this comment, could you give any thoughts around particularly just maybe the health and status of the Starwood legacy portfolio?

Arne Sorenson: All right. Well, there's a lot in that, and let me start, maybe, by saying it's still a little early, obviously. There's a lot of uncertainty out there because of the pandemic.

I think we were pleased to see in Q3 the increase in openings again compared to Q2. I think in Q2, to some extent, even as projects were ready to reopen, either restrictions precluded it or the total lack of business precluded it or just the uncertainty in the environment precluded it. And so, to get to about 19,000 rooms opening in Q3, I think, is a sign that at least for projects that are under construction and nearing completion, those will open.

And I think that -- that's what gives us the most optimism about not just Q4, but looking into 2021 that we should see -- obviously, all of this depends on the virus - but that we should see these projects that are under construction open as scheduled, if you will, over the course of the next couple of years, something like that, but very much including 2021.

The deletion side of the equation is harder. And of course, there's an offsetting potential upside, which is conversions. Both depend a little bit on what happens with properties that are under trouble and what happens with change in ownership or change in capital structure for existing hotels.

Some of what we've lost year to date are, as we mentioned in the prepared remarks, hotels that entered the COVID-19 pandemic already under financial pressure and simply did not make sense to reopen or certainly not to reopen under their current positioning. And I suspect we'll

see some of that next year. Besides SVC, I don't -- we don't have a number for it yet. We're obviously just in the process of trying to build our budget. Our teams are dealing with owners all around the world.

I think, by and large, on the positive side, conversions into our system and on the negative side, deletions from our system, will become clearer as ownership of hotels change hands or as the new capital stacks are put in place. And I suspect that will begin to occur more in 2021 than it is doing right now.

Shaun Kelley - BofA Merrill Lynch: And maybe just as a follow-up on the same topic would just be, are there a large number of these sort of, let's call it, cross single guarantee type contracts out there? Is the SVC situation pretty unique? I mean, just any color you can provide on those types of structures.

Arne Sorenson: Yes. SVC is very unusual. I mean, the -- those portfolios were initially put in place with HPT 20 years ago, maybe 25 years ago, something like that, and they were initially a lease structure or a lease-like structure. They've evolved since to be sort of a management structure, but with a capped guarantee.

That structure was redone with SVC earlier this year. We were quite optimistic that, actually, it was done in a way that would bode well for long term, including getting substantial additional new capital into those assets to bring them up to standard. And of course, the pandemic had profound impact to that.

We are in discussions with SVC today about the possibility of renewing that. I think the -- based on what we heard, including as recently as yesterday from that team, they seem to be hardwired to make those hotels Sonestas. We, of course, don't know exactly how Sonesta would perform. But looking at the ROI from assets that have Sonesta flag versus ours, it looks like that ROI is roughly half. And it's a little bit surprising to us that the separate stockholder and debt holder interest in SVC could be furthered by converting those to Sonesta's brand as opposed to the dramatically stronger brands that are on those hotels today.

But again, that seems to be the direction they're heading, and so our expectations would be that those hotels would leave the system. We do not think there is anything comparable to that that remains in the system.

Shaun Kelley - BofA Merrill Lynch: Thank you for all the clarity.

Leeny Oberg: Also, just worth noting one addition that it's -- when you think about the impact on fees, it's quite minimal related to that portfolio. I think total fees in 2020 this year are expected to be \$10 million to \$15 million from those hotels.

Joseph Greff – JP Morgan Chase & Co.: Arne, you mentioned in your comments for next year in terms of gross room additions for that to accelerate next year, and part of that confidence is some of the rooms that would have opened in 2020 are being pushed out to open in 2021.

To what extent are the ones that you would have thought a year ago to open in 2021 will be pushed out to beyond 2021 to 2022? And does that room addition -- gross room addition acceleration comment from you take that into account? And is there typically visibility in stuff that gets pushed out? So, if something wouldn't hit in 2021 right now, would Marriott in November of 2020 have a good sense of that?

Arne Sorenson: Yes. It's a fair question. And I think, generally, we would say that everything in that pipeline has gotten extended by at least a few months. Undoubtedly, that's a little bit of an overstatement, but when we deal with -- think about the end of the first quarter and the second quarter of this year with business sort of functionally disappearing in many markets around the world, including restrictions on lots of activity that has happened in those markets, the uncertainty and those restrictions certainly caused many, many, many projects to slow down, even if they were already under construction.

And so, I think it's a fair point to say that if in January of 2020, we targeted a June of 2021 opening, that opening could well have slipped by a few months. We do have a team that is out there working with our development partners and trying to make sure they understand what is under construction and what the status of that construction and what the forecast of opening is for obvious reasons.

I think, on the very positive side here, the 45 percent or so of the rooms that are in the pipeline that are under construction, 230,000 rooms roughly, we can all have an extraordinarily high level of confidence that those hotels are going to open.

I think you get beyond that to the hotels that are not under construction yet, and I think we're going to have to watch that. I think they are real projects. They're -- in many respects, the land is owned and controlled. They've been designed. They've been approved by us and by our partners. We have signed contracts for the overwhelming majority of them. But if construction hasn't started, each one of those partners is going to make a decision about "What do I get for building in a weaker environment, which I might save something on construction costs, and what do I potentially lose in committing myself to a project that may open in a market that is harder for me to predict and underwrite today?"

Our experience from prior crises is that most of the projects which are not under construction, overwhelmingly, will ultimately open, but the delay in those openings could be not just some quarters, but some years, particularly for the higher-end luxury or full-service projects that may take some time to get financed to get underway.

So, on balance, I think we would say we can have a reasonably high level of confidence that the gross openings will step up next year. Again, this is based on reasonable assumptions on what

happens with COVID-19. But it's a little bit too soon for us to give you really precise numbers about it.

Joseph Greff – JP Morgan Chase & Co.: That's helpful. And then as a follow-up, Leeny, your mutual cash burn in 3Q was impressive, and you mentioned working capital management was a contributor to it besides the EBITDA upside. To what extent do you think working capital can be a source of positive contribution to cash flow, operating cash flow, free cash flow next year?

Leeny Oberg: Well, one of the big questions is around loyalty. If you remember, Joe, last year, we actually had loyalty as a use of cash relative to strong redemptions throughout the system. And this year, it's been a bit of the opposite.

Now the reality is I actually would expect next year that, that stabilizes a bit as we continue to rebound from the low levels of demand that we are. So that while I would expect meaningfully more redemptions, they won't be quite at the same peak prices that they were at 2019.

So, from that perspective, I would expect that loyalty is not as large a source of cash as this year, but also not like 2019 either. And so when I think about it overall, we're still kind of early days as we go through the budgeting process, but I would not see it as a major source, but also not a major use of cash next year as we think about from a working capital perspective.

Robin Farley - UBS Investment Bank: Great. I wonder if you can talk a little bit about sort of your owners have talked about saving -- permanent cost reductions from changing brand standards. I just wonder if you can talk about sort of how permanently is that really because, right now, okay, you don't need a doorman on duty or you don't need a 24-hour shuttle to the airport, but won't those come back? So how permanent are they really? And also, when you have 30 brands, do you lose some of what distinguishes the brands if you -- if some of those brand standards do change permanently?

Arne Sorenson: Good question, Robin. The -- I think what we want to do is have as many of the savings as we've been able to find and implement, be long-lasting, to state the obvious. I think there are some, and your question illustrates a few of them.

I mean, food and beverage service, I think, would be one that's on the top of my list, maybe even before a doorman. We have in -- particularly in the markets in which demand is the weakest, we have fairly limited, sometimes dramatically limited food and beverage service, and that's not going to be satisfactory to most guests when we get back to a normal demand environment.

Guests can be quite sympathetic and empathetic during a tough, tough time. But when we get back to something that feels a little bit more normal, they're going to expect the full services, particularly from a full-service hotel that they have come to anticipate.

Having said that, I think we will see some things in keyless entry. I think we will see some things in the staffing models that we have been experimenting with. I think some of the above-property costs that have been cut, and Leeny can talk a little bit about that, we think will stick and stay for a while. I mean, our estimates today I think are -- we've probably reduced breakeven occupancy by 3 to 5 points, something like that, depending on the brand.

At the end of the day, though, we've got to make sure that the guest is satisfied with the experience that they're getting. And you're right, it is going to vary a little bit from brand to brand and segment to segment. Obviously, the advantages, of course, on the higher-end segments is we'll see rate begin to move at some point up to, even as the cost move forward a little bit.

Net-net, we'd expect that what we've done should deliver some long-lasting margin improvement. It's a little too soon to be able to tell you what that number will be.

Robin Farley - UBS Investment Bank: And then maybe just as a quick follow-up on the conversation about conversions. I know in the release you mentioned the percent of conversions is -- 1,400 out of the 19,000 rooms opened -- so still a pretty small percent because, obviously, that was all pre-COVID. Can you talk about the signings in the quarter? What percent of those are conversions? Or did you see that go up during the quarter for signings?

Arne Sorenson: Yes, and I don't have that number. I know that the team is talking -- having significantly more conversations around conversions than they've had in the past. The one quarter signings don't necessarily make a huge amount of difference. I'm aware of a few significant ones that are underway now, and the team of transactors that are working on them are hoping that they get done in the fourth quarter. Whether that happens or not, of course, is another question.

We've gone back and looked at our conversions experience through the cycles. Obviously, we knew this is of interest not just to you, but to us as well. And you can see, even in the last two years before COVID, we had -- of our openings in 2019, 18 percent were conversions. But the year before, in 2018, it was 12 percent.

And so, you can see a little bit -- the obvious fact here, which is even in a very similar economic environment, these things can be a little bit lumpy and a little bit hard to predict. We're in the teens for most of the last decade or so. And conversions as a percentage of our openings were highest coming out of the Great Recession, and they got -- 2011 was higher than 2010, 2012 was higher than 2011, 2013 was higher than 2012. And as a percentage, they peaked in 2013, but the number of rooms we opened as conversions in 2014 was higher yet again.

And so, I -- again, this is what we said before, but we would expect conversion activity to increase certainly in terms of discussions starting now. We would expect that the more substantial increase in terms of actually opening into our system will depend a bit on the --

what the new ownership structures or financial structures for hotels that cause those folks to be able to look to the future and say, "I now know what I want to do with that hotel."

Patrick Scholes - Truist Securities, Inc.: With the layoff in corporate levels, sales staff and also property-level sales staff, should we interpret that as your belief that it's going to be a long, slow recovery for your group business? And also related to that, what are some of the -- or how is your group business tracking for next year?

Arne Sorenson: Yes. Our group business for next year is about -- down about 30 percent. It won't surprise you to know that the first quarter is the worst by far in terms of group business on the books. And as you get farther into the year, the decline is meaningfully less than that 30 percent number.

What does that tell you? It tells you that folks are still optimistic about holding their meetings, that COVID-19 will allow them to hold their meetings as you get further into 2021. I think we are optimistic, as are many, that we could have a vaccine, or two maybe, approved by the end of this calendar year and could see it start to get broadly distributed by -- sometime in the first half, maybe it's the latter part of the first half, but sometime in the first half of 2021. And as that takes hold, we're optimistic that group business will come back.

I think what we're seeing in group today, and I think you heard this from other companies in the industry, there is group business. Obviously, it's stronger in China, but come back to the United States for a second. The group business in hotels in the United States is not a lot like the group that I think we all first think of, which is corporate group and association business and the like. I think the group business we have today is much more likely to be health care workers or somehow connected with the COVID-19 pandemic itself or things that are more leisure-focused. That could be some athletic groups. It could be some larger family groups, that sort of thing, and the core corporate business is still pretty weak.

I don't think you should read too much into the efforts we've made to manage our costs in the sales space. Obviously, those costs are borne by the system of hotels that are out there. We have got to make sure that we are managing those costs in a way that meets the level of reimbursement that can come in there. And we're doing our best to do that and to make sure we continue to call on the customers that we know are important to us and important to the recovery.

We'd be optimistic, I think, if COVID-19 goes the way we think, that we will start to see this group business that's on the books hang tight and ultimately come to pass. And we'll start to see meaningfully more bookings when that -- when those vaccines start to take effect.

Stephen Grambling - Goldman Sachs Group, Inc.: Just had a bit more of, I guess, a strategic question related to the loyalty program. You've mentioned the strength in Bonvoy and corresponding credit cards. What are you learning from how consumers are engaging with the

program in this difficult time that could drive changes to further differentiate the brand in a recovery and potentially even lead to stronger conversions and/or development in the future?

Arne Sorenson: Conversions and development, you're talking about hotel development or back to credit cards in the Bonvoy program?

Stephen Grambling - Goldman Sachs Group, Inc.: I mean, it's really all together because I feel like, if you're creating additional value and differentiation for the consumer, ultimately, that drives stronger RevPAR and development opportunities in the future.

Arne Sorenson: Yes, yes. Well, I think the -- we mentioned a bit of this in the prepared remarks, but the -- we've been actually quite pleased with the performance of the credit card portfolio during this crisis. And probably worth starting with that because you would wonder about how well that would do, an affinity card for travel in a market which there is very little travel.

But what we've seen is that folks are still aspiring to travel, dreaming about travel, eager to get back on the road. And as a consequence, when we've -- with our credit card partners done things around grocery or done things around restaurants or around hardware, the card has performed extraordinarily well. And the Bonvoy membership, I think, has continued to engage with us in a way that's pretty powerful.

I think if you go back to before the pandemic, what we saw was a continued increase year over year on the number of Bonvoy members as a percentage of the total business in our hotels.

And one of the frustrating things, we've talked about this a quarter ago, about the timing of this pandemic is as we got into the second half of 2019, particularly the Starwood integration work was behind us, the systems work was behind us, the new Bonvoy program was launched, and we could see, whether it was in RevPAR index or in loyalty penetration or other data we look at very carefully, really powerful momentum towards sort of proving the value of those programs.

I don't have any doubt but that we will get back to that. It will come back stronger, obviously, the sooner people get back on the road and know that travel is going to be a part of the way they live their lives. But when they do, they will find that they've got a credit card program, they'll find that they've got a broad portfolio of destinations to stay at, including the biggest portfolio of hotels around the world, clearly the strongest in the luxury and lifestyle and resort and urban space, plus other things like Eating Around Town and Homes & Villas and other things that we still are working on and hope to get launched before too long.

Leeny Oberg: The only other thing I'd add, Stephen, is the kind of the digital experience. If you think about travelers today, if they are traveling, the contactless element of the experience is all the more important, and that has all driven through the Bonvoy app. So, as you see more and more people signing up for that experience, that again gets them more invested, and they really have an opportunity to see what Bonvoy can do for you.

Stephen Grambling - Goldman Sachs Group, Inc.: Makes sense. That's helpful. I guess, one unrelated follow-up on the -- just at the hotel level from a profitability standpoint. What are you learning from reopened hotels that can inform when incentive management fees could come back in fuller force in North America?

Arne Sorenson: Leeny, do you want to take that?

Leeny Oberg: Yes, sure. Again, I think the reality is that we are in a position now where, in many cases, you've got for a full-service hotel, it is better to be open than closed, not in all cases, but in most cases, but that is really about kind of what is the least bad. So, we're still a very long way from, obviously, occupancy levels that get us to IMFs because, overwhelmingly in the U.S., you've got owner's priorities.

But at the same time, I'll say, with the reduction in cost structure that I do think that it will help us, as we come back to get to incentive fees earlier than perhaps we were before COVID, because of all the work that we've done on the cost structure. I think the other side of that is obviously wage pressures, and I don't see any sign of those actually going away. I think what we obviously have done is try across every single discipline of our hotels to improve our efficiency and to improve ways that can drive more to the bottom line.

So I do think it's -- certainly that we will hold on to a bunch of these savings in a sustainable way, but I think the wage pressure element on a full-service hotel is obviously going to be -- with those being, call it, 40 percent of your cost structure of a hotel, that's going to be a big element of how quickly we get back.

Anthony Powell - Barclays Bank PLC: You mentioned that business travel in China has lagged leisure, despite the virus being under much greater control there. Is there anything to read into from that in terms of the potential recovery in the U.S. or other markets?

Arne Sorenson: No, I don't think so. I mean, I -- the -- obviously, we talked about occupancy being higher than it was a year ago, and so that's a really good sign. But beneath that total, you've got two things that are happening.

One is that business transient travel and group travel is still a bit softer than it was last year. And the second is you've got the Chinese travel business that used to go abroad staying home, which is driving those leisure numbers meaningfully higher. Remember, we had in February 9 percent occupancy in China, country entirely shut down. And even today, now, we have occasionally a flare-up in a market in which the Chinese government response is to essentially shut down that market and test everybody in the market for COVID-19. And they've managed, at least in two or three circumstances, to sort of nip that in the bud, if you will, and get those markets reopened and get going again.

They have had an impact to us, probably less than 1 point or so on RevPAR, but a little bit of an impact as they roll forward. But it's just a reminder that even in China, where there's a much broader sense that COVID-19 is under control, it is not irrelevant yet. And until it becomes irrelevant, I suspect we will see a little bit of relative weakness in business transient and group, albeit they are dramatically stronger than what we're seeing in the United States, which, of course, would be the next strongest big market. You get to Europe and the rest of Asia Pacific, it's probably weaker yet.

Anthony Powell - Barclays Bank PLC: Understood. And you've mentioned a few times the relative strength of Homes & Villas over the summer, but it still seems like that you view that as more of an amenity versus a core business. Is there an opportunity for you to maybe grow the inventory there and grow that business a bit more dramatically given the demonstrated, I guess, popularity of the offering that you've seen?

Arne Sorenson: Yes. And it is -- we are growing it. As we've talked about from the beginning, though, our effort here is a whole home product. And obviously, if you look at our urban markets in -- globally, but particularly in the United States, you would see that we've got tremendous hotel capacity and extraordinarily little demand in those markets. Partly that's because offices remain closed in too many of those markets. You don't have business transient travel. You may not have much leisure travel because people are more inclined to go to resort destinations or other destinations.

So, we will remain focused, I think, on whole home, warm weather, ski country, resort destinations. I am quite convinced that, that will continue to grow substantially, and it will be a nice complementary feature to the traditional hotel business for us.

Anthony Powell - Barclays Bank PLC: Could you work with the developers to maybe build new inventory in those markets, like ski resorts or warm weather? Or is that -- is it mainly going to be finding existing inventory?

Arne Sorenson: It will be both. We have had conversations with some of our good partners about exactly what you're talking about, which is building new inventory, if you will, in some of those resort markets.

Leeny Oberg: Anthony, just one follow-up on your comment about business travel is to remember that in the ballpark of a quarter of the travel in China in our hotels is from international business, from outside China. So, the fact that business nights, yes, they are down, but again, you're also having the impact that you're not getting the travelers from outside China coming in.

So, all things considered, I would -- although it's a little -- not quite as robust as leisure, because people are not traveling outside China, it's still quite robust a recovery on the business side.

David Katz - Jefferies LLC: Arne, as you talk to your business peers, we obviously are all very focused on this business travel element. Do you think the collective wisdom is that the gating factor is entirely therapeutic? Or is that sort of one component of maybe a larger set of strategies to get the likes of me out and traveling again? What are you hearing?

Arne Sorenson: Well, I mean, I think there are three things. And obviously, the most urgent and most impactful will be what happens with COVID-19. Clearly, travel has plummeted because of the risks associated with it and the way those have impacted, either through formal restrictions or informal restrictions. Think about airline capacity, international travel, all of those sorts of things. That impact has been very profound. And we will have, I think, a meaningful step-up in group and business transient travel the moment that COVID-19 risk recedes from sort of the threatening horizon, if you will.

I think once that happens, there are two other things that we're going to have to pay attention to. One is what's the state of the underlying economy. And as we've all watched for years and years and years, demand in our industry does correlate well with the strength of the economy. And my guess is we're going to see an economy which has got some lingering weakness because of small businesses being closed, many probably not able to reopen, relatively higher levels of unemployment around the world, a number of factors that it will take some time for us to work our way through.

And then I think the third is what happens as a function of remote work, the digital tools we've all learned to use even more than we used before to meet with each other and stay connected in a time in which we can't be out, maybe can't even be in our offices, let alone traveling. And there, of course, you've got significant conversation about how much of that will impact long-term travel trends.

That last piece, to some extent, is similar to the conversations we participated in during the Great Recession and even when the tech bubble burst in early 2001 and 9/11 followed and the travel recession we had then. And what generally we saw is that in the few years following, most of that group and most of that business transient travel comes back. Not all of it. If you look at 20 years' worth of mix for the industry, and including for Marriott, we have seen a couple of points, maybe 2 or 3 points shift from business transient and group combined towards leisure.

I suspect we'll continue to see that in the years ahead, as leisure remains probably a pretty powerful driver of demand. But we'll get through -- we'll see business transient move to -- the fact of the matter is people love to travel. They love to travel both for themselves personally, and they love to travel for work. It's often the most interesting and the place they're going to learn the most. And we'll see the lion's share of that come back, even if it's not every single night from every single company that we do business with. Did that answer your question, David?

David Katz - Jefferies LLC: It largely does. If I can follow it up, just specifically around the COVID piece of your answer and the need for a vaccine to be a gating factor to mitigate the risks of COVID. Are you hearing from any of your peers about sort of interim steps or alternative strategies in conjunction with or instead of a vaccine? Just trying to think about whether we're sitting around waiting for one single event or a series of things just from what you're hearing.

Arne Sorenson: Yes. I mean, I think -- I do spend a lot of time talking to our big customers, sometimes through The Business Roundtable, sometimes in other -- on one-on-one context. And I'd hesitate to speak for the corporate world globally, but I do think there is an increasing sense that, with each passing month, we lose a little bit more in terms of the connective tissue between our people in companies, in all sorts of different industries.

And, I think, as a consequence, and when you're talking about collaboration or innovation or strategic conversations, that maybe is most obvious that those are the things that are harder to do through a Teams call or through some sort of digital tool. And so, I think there is a sense that when we can safely do it, we should start to probably more significantly open offices and bring people back to work.

That is made difficult by a resurgence of the virus today. I think we're talking about some days with over 100,000 new cases in the United States. And it's made difficult by the school situation, which, some markets, they're open. Some markets, they're closed. In many markets, they're hybrid. And employers are trying to work their way through that process.

But I am hopeful that we will -- even before the vaccine is broadly distributed -- we will start to see offices opened up with social distancing, with mask wearing and probably with reduced density. But starting to get to a place where it's at least a step towards a more normal environment. It has to be done safely, but I think it can be done safely because I don't think the office environment is a particularly risky one. I don't think it's probably as risky as the grocery store for that matter. We will start to see, I think, some positive impact in our business from that, too. And that could precede the vaccine.

David Katz - Jefferies LLC: Okay. If I can ask one more very short follow-up. You commented earlier in your remarks about conversions and accepting or embracing those that are financially accretive and brand accretive. If you could just color us -- because all conversions are clearly not created equal beyond the financial impact, how you think about that brand accretive concept beyond just RevPAR index and the like?

Arne Sorenson: Yes. So -- and I'm not sure you can even find out what we all do because we don't necessarily publish it. I think some of our -- some players in the industry are compensating their folks simply for adding units. Our compensation tools basically are to reward folks for units that deliver value. So, an NPV calculation is a big part of our compensation scheme for the folks on our team that are out there helping us grow.

We've also got our brand and operators that are involved in making sure that the products we bring on meet brand standards. And typically, that will come home to roost for a conversion in what does the property improvement plan look like for a pre-existing hotel in order to put one of our flags on it. And we want to make sure that -- obviously, we want to make sure we're growing. We're really interested only in growing if it's delivering value. We're about creating value. We're not about simply adding rooms that have no value.

But we know long term that the reinforcing aspect of the power of growth depends on the strength of the brands. And so, we've got to make sure that we are getting the kind of quality that represents the brand well. So, all three of those things could be very much in the mix. And if we can't be satisfied that all three of those exist, we're not going to take that product.

Thomas Allen - Morgan Stanley: So, it was helpful calling out in the prepared remarks that over 90 percent of hotels in China had positive gross operating profit in September. Do you have that percentage by region or for your broader portfolio? And how has it anticipated to trend?

Leeny Oberg: So yes, I don't have it for you by region. Obviously, it's not going to surprise you. We've got big chunks of hotels still closed in CALA and Europe. And with RevPAR down in the 70 percent, so it's an extremely difficult process for them.

In the U.S., I'll work on getting you some numbers. But obviously, it's going to be a far lower sort of percentage. But again, I think it shows you in China the remarkable resilience of both the profits and the revenues from a demand perspective.

Thomas Allen - Morgan Stanley: I guess, a bigger question, Leeny, is that, like, I mean, on the surface, I mean, I think people view that this is going to be a relatively -- I mean, in the short term, it's a very deep downturn. And then there's some concerns it's going to be a long recovery. And hotels may be seeing negative operating profits for a prolonged period of time. Which, on the surface, a lot of people feel like will lead to closures, maybe not now, but once maybe debt maintenance deferrals are put off. What gives you confidence like that, that's not going to be the case?

Leeny Oberg: Yes. So, a couple things. First, again, I think you do have to look back at how -- you do have to look at China as being somewhat helpful in kind of evaluating how things can come back. So, I don't think -- although we haven't seen it everywhere else, I think it is instructive.

And then, for example, when you've seen in the luxury occupancy at the resorts, you've clearly seen that the leisure demand has moved that up quite nicely. When you see the Ritz-Carlton brand, for example, had 27 percent occupancy in the third quarter in North America, and we've talked before about how breakeven occupancy can be around 40, and that's still with RevPAR for Ritz-Carlton being down 64 percent. So, all of that to be said is I think it can rebound fairly quickly.

I think if you look back and see what happened in the Great Recession, you also had the most complex hotels dramatically impacted by a massive drop in demand. And what you saw is while it took a little bit of time, they did get through it. They did get through to, generally, not being foreclosed upon and getting back to strong profits and, in many cases, incentive fees for us.

So I -- while I appreciate -- we all appreciate that this is going to take longer than any of us would like, I think the most -- the guiding light I know that we see is how quickly, when people feel comfortable about travel, how quickly demand returns.

And frankly, rate, all things considered, rate has held up fairly well when you think about big picture where things are. So, for example, when you see a quick pop to demand in a drive-to luxury resort, you actually see that rate stays in pretty good shape. And again, I think we've worked on the cost structure at the hotels to be able to take up some of the slack that have been created from the demand side.

So, I -- you're right about it will depend based on how long this takes. But generally speaking, the hotels are in better shape from a leverage standpoint than they were at the last go-round. I do think the lenders have been quite patient. And as -- I think when we get some ability to travel that the demand is going to come back fairly quickly.

Smedes Rose - Citigroup Inc.: You've covered a lot of ground this morning, but I just wanted to ask you just kind of longer term, when free cash does start to reaccelerate more meaningfully, are there any changes in the way that you're thinking about the leverage levels that you'd like to attain? Or would you just -- should we expect that you'll just really focus on reducing debt? Or maybe how do you think about returning to a dividend program or some sort of repurchase program?

Leeny Oberg: Sure. Thanks, Smedes. I would love to be thinking about those questions. I think, for the moment, that's still a little ways off. This will obviously depend on how quick RevPAR comes back.

And we've got -- as you know, we've got leverage ratios that we want to get back in line, certainly on our revolver covenant. To even consider share repurchase and dividends, we need to get back to 4x to be able to even consider that.

So, I think it's a ways off in terms of actual planning. I think one of the things that you know we've been focused on is really thinking about our debt maturity stack. And so that is one of the things that we've done that is more permanent and I think will hold us in good stead, as we think about kind of managing our cash flow. When you're not looking at having quite as much in commercial paper, which is so short term and so much more subject to a crisis like this, that, obviously, with stretching out our maturities a bit, that will be helpful.

But I think we want to be strong investment grade. We want to continue to be in that range, but we also will obviously be working hard to generate that excess cash flow to consider what to do with it.

We've liked the mix of dividends -- of a modest dividend and share repurchase for the flexibility and for the kind of modest ongoing return to the shareholders. And I suspect that we will continue to like that. But exactly where we want to peg the leverage, I think, will absolutely depend on the pace of this recovery and the timing of it.

Arne Sorenson: Let me throw one thing in on this if I can. The -- what Leeny said is exactly right. There's obviously been a fair amount of conversation in policy circles about whether repurchasing stock is somehow a sign of a bad behavior by corporate America or by businesses around the world.

And in the context of Marriott, we have been buying back stock for decades, 40 years, 45 years maybe, something like that. And it is because -- not because we are uninterested in growing our business or investing in the economy or in our people, but because the business produces cash. And in the fullness of time, we often find that we do not have attractive enough investments to use all of the capacity. And, as a consequence, we believe it's our shareholders' money and should be returned to shareholders, either through dividends or share repurchases.

And while Leeny's comments about let's take this one step at a time and see how the recovery and EBITDA comes back, and -- we'll continue to monitor this in terms of appropriate debt ratios and the like and the maturity ladder of the debt that we have, all of those things are extremely important.

I do think we will get back fairly quickly back towards a place where we have excess financial resources that belong to our shareholders, and that through dividends and share repurchases, we will continue to get it back to them.

Smedes Rose - Citigroup Inc.: Okay. Good. I just wanted to ask you, too, just circling back on the SVC, assuming those rooms do come out of the system. So, I assume that, that lifts a lot of territorial restrictions. And just given that it is a big chunk, and you sort of talked about this on your opening remarks, but what would be sort of the strategy, I guess, to replace rooms in those markets sooner rather than later?

I'm not really familiar where the hotel specifically are. But do you -- would you expect to kind of have a very focused, I don't know, conversation with the developers or even conversion opportunities in those markets to kind of replace your presence there faster rather than -- sooner rather than later?

Arne Sorenson: Our development team has already looked at that list, and they are obviously going to be focused on the markets where they are convinced hotels will make good economic

sense. And we'll be talking to the appropriate partners in those markets to see whether or not we can add something there quickly.

Now they will be new builds. So obviously, it -- and we are in a pandemic. So, it's not like they won't be opening in the first quarter of 2021, but I suspect they'll move fairly quickly.

Leeny Oberg: And without getting too far into conversations, we've already received some phone calls on that very topic from some of our partners. So, I think you can expect there will be some near-term opportunities.

Smedes Rose - Citigroup Inc.: Okay. I mean, just sort of on that, I mean, are developers -- do you have just a sense in general of how developers are able to access financing now? Or kind of what sort of changes are you seeing?

Leeny Oberg: So I think, obviously, you've got the reality that our large multi-unit partners and our lenders are assessing the situation and trying to kind of figure out the health of their own assets, right, whether it's the loans or the hotels they own. And so that is, in some cases, requiring that they take a bit of a pause. But at the same time, these are, in many cases, folks who are thinking over the longer term and who do have access to capital to get things going.

So again, as you've seen, we've clearly had a drop in signings. We've had lenders clearly waiting on sidelines, but it's not to say that all activity has stopped. And certainly, some of our larger diversified owners, they've got the ability to continue to move forward, looking at pieces of land and starting the process in talking to us and putting deals together.

So, the conversations certainly get going. I think it's, as you've seen, certainly on the financing front, kind of putting pen to paper and getting committed capital on some deals has slowed. But the conversations absolutely continue, and the business has had downturns before -- it's a cyclical business - and will again. So, I think this is sometimes when there can be some great opportunity, but to really see things pick up in a meaningful way will take that there's more resolution around the COVID situation.

Richard Clarke - Sanford C. Bernstein & Co.: Just a quick question on the reimbursed costs. It looks like you're profitable on that line in Q3. You're talking about making a 25 percent cost saving in there. What will actually happen to the costs you save in there? Does that benefit the owners? Are you going to be able to cut their fees? Or will you reinvest that in marketing? Or does Marriott benefit somehow from that?

Leeny Oberg: Right. Well, we benefited from it indirectly. We benefited from the standpoint that, obviously, we need to make sure that what we charge for our programs and services is competitive in a variety of RevPAR scenarios. And as you know, many, many of our charges are actually based on hotel level revenues, so they're percentage of sales. So, we've got to make sure that our costs also flex with those changes.

So first and foremost, it -- ultimately, on the reimbursement, it is a net neutral goal. What you're trying to do over time is to match your costs to your revenues, but also make sure that what you're charging the properties is competitive. And so, you're right that you see it's positive. But again, that's overwhelmingly due to loyalty. And as I talked before earlier, that really does flex a bit, depending on what's going on with redemption volume. We do basically manage it over time to be neutral, as well as all the other programs and services that we charge the hotels for.

Richard Clarke - Sanford C. Bernstein & Co.: Okay. So just to clarify, in future years, the costs you'll need to spend there will go down by 25 percent, but you should be able to recover the revenues you make in that line.

Leeny Oberg: I was going to say we -- since so many of the charges that we're charging them flex with revenues, I've got to reduce my cost by that 25 percent because, remember, I can't charge them as much.

So when we talk about many of those costs that are above-property related to programs and services, that is a function of knowing that -- as you think about, for example, next year, we're likely to enter into the year not meaningfully different from where we are now, unless there's some unbelievable piece of news.

So again, we're just making sure that our cost structure matches what we, by contract, are able to charge the owners. So that 25 percent savings is really designed to match what we're charging the owners, but also to try to find ways, as I said in my comments, to actually reduce the rate that we're charging for programs and services, which will then show up in higher hotel profits over time, which should make us more competitive as a manager and franchisor. Is that - does that address your question?

Richard Clarke - Sanford C. Bernstein & Co.: I get it now. That makes sense. If I can just ask one very quick clarification. On the front of your release today, you talk about a number of hotels that you've opened from other brands. Does that include from independents as well? Or is it just from alternative brand operators?

Arne Sorenson: It's from independents as well.

Leeny Oberg: It's from -yes, it's from any -- yes, any independent or other brands.

Arne Sorenson: All right. Well, thank you all very much for your time and attention this morning. I was thinking as the questions were asked by so many of you how much we miss you. It's great to hear your voices.

Leeny Oberg: So true.

Arne Sorenson: We hope you're all navigating through this time well. We obviously can't wait for so many reasons to see you in person again soon. And between now and then, we wish you nothing but the best.

Obviously, if there are questions that we didn't get to this morning, feel free to call the team, and we'll be in touch to make sure you got the information you need to have. But thank you all. Be well.

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Note on forward-looking statements: All statements in this document are made as of November 6, 2020. We undertake no obligation to publicly update or revise these statements, whether as a result of new information, future events or otherwise. This document contains "forward-looking statements" within the meaning of federal securities laws, including statements related to the expected effects on our business of the COVID-19 pandemic and efforts to contain it (COVID-19); future performance of the company's hotels; RevPAR, occupancy and demand estimates and trends; our development pipeline, room additions, terminations and net rooms growth; our liquidity expectations; 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 those we identify below and other risk factors that we identify in our Securities and Exchange Commission filings, including our most recent Quarterly Report on Form 10-Q. Risks that could affect forward-looking statements in this document include the duration and scope of COVID-19, including the location and extent of resurgences of the virus and the availability of effective treatments or vaccines; its 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 or banning 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 its 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 or effective treatments or vaccines become available; 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 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 implemented during portions of 2020, our voluntary transition program and our other restructuring activities; competitive conditions in the lodging industry; relationships with clients and property owners; the availability of capital to finance hotel growth and refurbishment; the extent to which we experience adverse effects from data

security incidents; and changes in tax laws in countries in which we earn significant income. Any of these factors could cause actual results to differ materially from the expectations we express or imply in this document.