



**Marriott International, Inc.**  
**Third Quarter 2023**  
**Earnings Conference Call Transcript<sup>1</sup>**  
**November 2, 2023**

**Operator:** Good day, everyone, and welcome to Marriott International's Third Quarter 2023 Earnings Conference Call. Today's call will be recorded. It is now my pleasure to turn the call over to Jackie McConagha. Please go ahead.

**Jackie Burka McConagha:** Thank you. Good morning, and welcome to Marriott's third quarter 2023 earnings call. On the call with me today are Tony Capuano, our President and Chief Executive Officer, Leeny Oberg, our Chief Financial Officer and Executive Vice President, Development, and Betsy Dahm, our Vice President of Investor Relations.

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

**Tony Capuano:** Thanks, Jackie. Thank you all for joining us today.

We reported terrific third quarter results this morning. Global demand for travel has remained strong, and worldwide RevPAR in the quarter rose 9 percent versus 2022. RevPAR increased over 4 percent in the U.S. & Canada, and 22 percent internationally, driven by significant gains across Asia Pacific. Robust RevPAR growth, combined with nearly 5 percent year-over-year rooms growth, resulted in adjusted EPS of \$2.11, up 25 percent from 2022.

The third quarter tends to see a seasonally higher level of leisure transient travel, which accounted for 45 percent of global room nights during the quarter, about 4 percentage points above the first half of the year. Globally, demand in this segment was again quite strong, with room nights up 7 percent over the 2022 third quarter, leading to 9 percent leisure transient revenue growth. In the U.S. & Canada, leisure revenues rose 4 percent from the year-ago quarter, even as many domestic guests travelled to international locations, particularly in

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<sup>1</sup> Not a verbatim transcript; extraneous material omitted and edited for clarity and misstatements.

Europe and Asia Pacific. In the third quarter, leisure room nights from U.S. and Canadian guests traveling outside the region were up nearly 25 percent over last year, when cross-border travel was still constrained by COVID-related restrictions.

Business transient demand accounted for 32 percent of global room nights in the quarter. While certain industries, like technology and finance, saw nice sequential improvement in demand during the quarter, the overall growth for the segment remains slow and steady, with business transient revenues rising 4 percent versus 2022 in the U.S. & Canada.

Global group room night share stood at 23 percent in the third quarter. Compared to the year-ago quarter, group revenues rose 9 percent globally and 5 percent in the U.S. & Canada. The performance of group coming out of the pandemic has been remarkable, and the segment is expected to continue to be a meaningful driver of revenue growth going forward.

In the U.S. & Canada, fourth quarter 2023 group revenues were pacing up 12 percent year over year at the end of September, leading to full year group revenue pacing up 19 percent. Of course, we have the most visibility into group given the longer booking windows. We're very pleased that, as of the end of the third quarter, U.S. & Canada group revenue on the books for 2024 was pacing up 14 percent versus 2023, driven by a 9 percent rise in room nights and a 5 percent increase in average rate.

Cross-border travel continued to strengthen, helping drive RevPAR growth in the third quarter. Asia Pacific again saw the most meaningful quarterly increase in international visitors, aided by global events like the Women's World Cup and improved airlift. The percent of global room nights from cross-border guests was about 1 percentage point below 2019 levels of approximately 20 percent. The most upside is still expected to come in Asia Pacific, as international airlift to China improves. International airlift in Greater China was roughly 50 percent of 2019 capacity at the end of the third quarter and is expected to improve to around 60 percent by the end of the year.

Turning to our powerful Bonvoy loyalty program, we remain focused on driving membership and fostering engagement with our 192 million members. Through our multi-year, company-wide digital and technology transformation, we are increasingly leveraging the power of our more modern platform to create more seamless, engaging digital experiences for our members. Adoption of our Marriott Bonvoy mobile app, which has become the channel of choice for the majority of our elite members, continues to grow, with third quarter app downloads increasing 19 percent versus the same quarter last year.

We also continue to drive engagement through our Bonvoy collaborations, including Uber, Eat Around Town, and our co-branded credit cards, which are currently in 11 countries. We are very excited about the opportunities our Bonvoy customers will receive from our MGM strategic licensing arrangement, which is now expected to launch in early 2024.

As we think about our net rooms growth, full year 2023 growth is now expected to be 4.2 to 4.5 percent, higher than our previous expectation excluding the additional 37,000 MGM rooms. The MGM timing shift does not impact the 3-year net rooms growth CAGR of 5 to 5.5 percent through 2025 that we laid out in our financial model at our September analyst day. We are pleased that, over the next few years, our net rooms growth is anticipated to be squarely in the mid-single digit range.

During the quarter, our pipeline reached a new record high of nearly 557,000 rooms, a record even excluding the MGM rooms. Strong interest in conversions continues, including multi-unit opportunities. Conversions represented 20 percent of signings and nearly 30 percent of openings in the quarter.

As we outlined at our analyst day, we are very excited about the global opportunity for midscale. We have real momentum with the City Express brand in CALA, Four Points Express in Europe, and StudioRes in the U.S., with terrific interest across the development community. We already have ten signed letters of intent for City Express in CALA, nine of which are in new countries for the brand, four signed deals for Four Points Express in Turkiye and in London, and we're in numerous additional discussions for both brands. And while we just recently issued the franchise disclosure documents for StudioRes, we are already in talks for deals in over 300 markets across the U.S. We expect there will be shovels in the ground for StudioRes projects in the next few months.

As a global company, we are keenly aware that we are living in a time of heightened geopolitical tension. We are heartbroken by the devastating loss of so many innocent lives in the Israel - Hamas conflict. Our thoughts are with everyone impacted by this tragic war, as well as the ongoing war in Ukraine, and we remain hopeful for peace.

I will now turn the call over to Leeny to discuss our financial results in more detail.

**Leeny Oberg:** Thank you, Tony.

Our strong third quarter results reflect solid momentum in our business around the world and came in ahead of our expectations. As Tony noted, worldwide RevPAR grew 9 percent, above the top end of our guidance, led by meaningful gains in Asia Pacific. Global occupancy in the quarter reached 72 percent, 3 percentage points higher than a year ago, and global ADR continued to rise, growing 4 percent.

Total company gross fee revenues totaled \$1.2 billion, in line with our guidance, and 13 percent above the prior year quarter. Fees would have been higher given our RevPAR performance, but for the negative impact of the wildfires in Maui, which primarily affected our IMFs.

Total IMFs still grew meaningfully, rising 35 percent, to \$143 million in the quarter. International IMFs rose nearly 60 percent, benefiting from another quarter of significant RevPAR increases in Asia Pacific.

Our non-RevPAR-related franchise fees grew 8 percent to \$208 million, boosted by another strong quarter for our co-brand credit cards, partially offset by lower residential branding fees. Co-brand credit card fees rose 11 percent in the quarter, driven by another quarter of robust global card spend and new card acquisitions.

Our owned, leased and other revenue, net of direct expenses, reached \$70 million in the quarter, given continued improved performance at our owned and leased hotels.

With the operating leverage inherent in our business, adjusted EBITDA rose 16 percent, to \$1.14 billion. After another quarter of meaningful share buybacks, diluted adjusted EPS grew 25 percent year over year, to \$2.11.

Our powerful, asset-light business model continues to generate a large amount of cash, and our capital allocation philosophy has not changed. We're committed to our investment grade rating, investing in growth that is accretive to shareholder value, while returning excess capital to shareholders through a combination of a modest cash dividend and share repurchases.

In the first nine months of this year, we returned \$3.4 billion to shareholders. Over the last seven years, which included two years of no share repurchases as a result of COVID, we have reduced our outstanding share count by 23 percent, while at the same time investing meaningfully in innovation and growth.

Now let's talk about our fourth quarter and full year 2023 outlook, the full details of which are in our earnings press release.

While there is heightened geopolitical risk and continued macroeconomic uncertainty, the consumer is still generally holding up well and our forward bookings through the end of the year in most regions around the world remain solid. We're raising our full year RevPAR guidance to incorporate the better than anticipated third quarter results, as well as higher expectations for the fourth quarter.

In the fourth quarter, RevPAR growth is expected to remain higher internationally than in the U.S. & Canada, where we have seen a return to more normal seasonal patterns, and year-over-year RevPAR growth is stabilizing. We now anticipate fourth quarter RevPAR growth of 3 to 4 percent in the U.S. & Canada and 14 to 16 percent internationally. This would lead to global RevPAR growth of 6 to 7.5 percent in the fourth quarter and 14 to 15 percent for the full year.

We now expect full year total gross fee revenues could rise 17 to 18 percent, with fourth quarter gross fees benefitting a bit from the higher RevPAR expectation. This is expected to be partially offset by lower expected residential branding fees due to anticipated completion of certain projects slipping into next year, as well as a bit softer results in Israel and surrounding countries.

We've started to see some cancellations and softer demand for our five hotels in Israel, as well as for the 27 hotels in Lebanon, Jordan, and Egypt. Fees for these four countries made up less than 1 percent of total company gross fees in full year 2022. We've not seen a meaningful impact on demand in the rest of the Middle East. We're keeping a close eye on the situation and working closely with our teams on the ground as events unfold.

Total non-RevPAR-related fees are expected to increase around 5 percent for the full year, benefitting from credit card fees rising roughly 10 percent, thanks to robust growth in average spend and in the number of cardholders, partially offset by meaningfully lower residential branding fees this year versus our peak levels in 2022. Residential fees are tied to the sales of new units and tend to be lumpy as projects enter sales and closings phases.

Owned, leased and other, net, is now expected to be around \$330 million for the full year, at the low end of our previous guidance range, primarily due to the restructuring of an existing lease on a hotel in New York that recently flipped to franchise.

We expect 2023 G&A expenses to be around \$935 million, at the high end of our prior range, primarily due to higher compensation and legal expenses, and to a lesser extent, MGM integration costs.

Compared to 2022, full year adjusted EBITDA could increase 19 to 20 percent, and adjusted EPS could rise 27 to 28 percent.

We expect to return between \$4.3 billion and \$4.5 billion to shareholders for the full year 2023. This now assumes full year investment spending of \$900 million to \$950 million, which includes the \$100 million spent on the acquisition of the City Express brand portfolio. As we've discussed, with our major technology transformation, technology spending will be elevated this year and over the next few years, though this investment is overwhelmingly expected to be reimbursed over time.

As we look into 2024, we continue to be enthusiastic about healthy global lodging demand for our brands and our strong pipeline growth. While we are still in the middle of putting together our property budgets for 2024, we believe the modelled global RevPAR range for 2024 of 3 to 6 percent we discussed at September's Security Analyst Meeting is appropriate.

Thank you for your interest in Marriott. Tony and I are now happy to answer your questions.

#### **QUESTION AND ANSWER SESSION:**

**Shaun Kelley - BofA Securities:** Tony and Leeny, I just wanted to maybe start with the development side. Obviously, the pipeline number was very strong. It did look like the in-construction number, I think, slipped very modestly quarter-on-quarter. So could you maybe help -- first of all, just comment, big picture, Tony, on what you're seeing on the development side, particularly in the U.S.? And then secondarily, just have any comments on how we should

expect maybe that in-construction portion to evolve just as, again, the development environment kind of levels off here a little bit.

**Tony Capuano:** Sure. Shaun, I'll try to talk maybe macro and then I might ask Leeny to chime in with some perspective on the financing climate, particularly here in the U.S. and maybe some perspective on Europe because those tend to be the two markets where our development partners rely most heavily on conventional debt financing in the markets where we're seeing the most constriction in the availability of financing for new construction.

With that said, the ebb and flow of under-construction is both good and bad, right, as hotels open, and we had a good quarter of openings, you see under-construction hotels leave the pipeline because they enter the system as opening hotels, and that's good news for us. We have talked over the last couple of quarters about, albeit a steady increase in the number of construction starts, which is good news for us, but that constriction in the debt markets that I talked about, precluding us from getting back to where we were pre-pandemic in terms of the pace of new construction starts, particularly here in the U.S.

At the same time, we are encouraged by the continued increase in the pace of conversion activity, both on individual conversions and portfolio conversions. And I think it's that increased pace, coupled with a steady improvement in construction starts, that gives us confidence in reaffirming the multiyear net unit growth numbers we shared with you last month during the Security Analyst Conference. And maybe with that, I'll ask Leeny to just give a little more color on the financing environment.

**Leeny Oberg:** Yes, sure. So a couple of comments overall, Shaun. One is just a reminder that the under construction component of our pipeline, also very typically includes conversions that may be going through some element of renovation before they open. And so it's not quite the same as pre-Covid, which had a lower percentage of conversions for the company overall. So as we've talked about before, we would expect, for example, perhaps roughly 30 percent of the openings in 2024 to be from conversions, which means they can be in the pipeline a bit differently than the classic new-build timing for being in the pipeline. So I think that the nature of the under-construction pipeline could be perhaps a little bit different than pre-Covid.

But as Tony was describing, you've clearly got the reality that in Asia Pacific and a number of other markets, there is meaningfully less dependence on the debt markets. And those markets are seeing much more stereotypical signings and progress into rooms under construction. While in the U.S., what you see is that there is clearly still an open financing market for strong brands, strong market locations, demonstrated developer success. And in those, we are absolutely continuing to see that the financing is happening and that the rooms are getting under construction.

The main difference, I would say, is they're taking a bit longer to actually get under construction. But as we, kind of, look going forward, the ones that are getting under construction are moving forward and then opening right on time.

So as Tony said, overall, we're pleased to see the net rooms growth, for example, that we actually raised a bit for 2023 are reflecting continued strong demand for our brands and also rooms getting finished and open, as well as really strong signings going into the pipeline. So overall, we're actually quite pleased on the new rooms front.

**Stephen Grambling - Morgan Stanley:** I would love if you could put a little bit more meat on the bone for the 2024 RevPAR commentary. Specifically, if you can give any color on how you're thinking through North America versus other regions and how these assumptions may impact incentive management fees or other fees into next year?

**Leeny Oberg:** Yes, sure. Thanks very much. As I've mentioned in my comments, we continue to feel good about the 3 percent to 6 percent range that we discussed at the Security Analyst Meeting. It's worth noting, however, Stephen, that we are smack in the middle of the process of building the budgets at the hotel level and moving up. So we're not prepared to give kind of formal guidance at this point.

But when we look broadly speaking, at seeing continued demand for travel. And as we talked about in the U.S., we would expect that, that will remain in this more normalized seasonal patterns that we've now come to see. You've seen our guidance for Q4 being 3 percent to 4 percent, which reflects that.

But we've got some basic strong fundamentals. Low supply growth for several years, which looks to continue to be the way going into 2024 and that's reflected in our higher percentage of conversions. And we do expect to see another year of strong growth in our special corporate rate on top of very strong growth in that rate in 2023. As we talked about in seeing our group pace, which is up 14 percent, that's actually got strong both rooms growth, as well as strong rate growth in the U.S., which does also bode well for continued sustainability in ADR.

And I'll probably throw in one extra, which is that in luxury you probably remember, we talked about that having in Q2, our RevPAR was down ever so slightly in our luxury U.S. & Canada properties. Just down by 1 percent in Q2. But that actually moved positive again in Q3 and was actually up 2 percent.

So if I put all those together and, of course, this does depend greatly on the overall macroeconomic conditions, and we will need to see where that goes. But given what we look at right now, we continue to feel good about the fundamentals.

**Smedes Rose - Citigroup Inc.:** Given those comments you've made with, sort of like, kind of a peek into 2024, I just wanted to ask you about maybe how we should think about capital return. I mean is it fair to assume that you would try to reach at least the levels seeing this year and maybe more given the cash flow. The average levels still remain below longer-term targets.

**Leeny Oberg:** I think at this stage of the game, since we're really working through all of the budget work and kind of looking at investment spending, et cetera. Again, the broad guidelines that we provided at the Security Analyst Meeting remain consistent. You will remember that we talked about an expectation of having the Sheraton Grand Chicago put to Marriott in 2024, which will be a use of cash, we would expect at the end of 2024, and that was on top of the investment spending levels that were more normalized.

But I think the philosophy, Smedes, remains exactly the same. Which is to say, we do like where we are in terms of our credit ratios being at the lower end of our adjusted debt to adjusted EBITDAR. And would expect to remain in that territory given the various, kind of, uncertainties that are out there.

But other than that, the basic equation that you have seen us use for quite a number of years, I would expect to be similar, which would then result in substantial amounts of capital being returned to our shareholders.

**David Katz - Jefferies LLC:** I wanted to ask something a bit more strategic because there's been so much noise around the lower-end chain scales and the competitive landscape there and the competition for conversions and the launch of new brands, et cetera, that we've all heard. I'd love to talk about your strategy and where you are focusing more of your resources competitively. And is that just based on the assets that you have, is that strategic thought? Where are you putting more of your attention into your growth?

**Tony Capuano:** Great question. Maybe the way I would answer that is, I'd like to describe those discussions as never being binary. We don't look at it and say, let's pivot our focus away from our luxury leadership, for instance, towards focus on midscale. They are not mutually exclusive.

As I mentioned in my opening remarks, we are very excited about the early returns of the focused resources we've put against our entry into midscale. The fact that we're already seeing letters of intent signed for City Express, even in almost ten new countries. That we've got signed deals very early in the launch of Four Points Express, and we've got hundreds of identified markets for StudioRes, almost as the ink is drying on the FDD here in the U.S.

And so that's extraordinarily exciting for us. But that does not require us to hit the pause button on extending our lead in the very valuable luxury segment. And so that's a long-winded way of saying our strategy is to continue to strengthen our leadership position in luxury and upper upscale, while expanding our growth potential in a new segment for us, which is midscale.

And so as we've rolled out midscale, you've got products like City Express, which I think at least initially, will be largely new-build. I think the same is true for StudioRes.

On the other hand, if you look at a platform like Four Points Express, we think there are extraordinary opportunities to roll out conversions under that platform. And as we mentioned



during the analyst presentation, we will continue to look at every market we operate in and determine - is there an opportunity for midscale? And if so, is it a new-build opportunity, a conversion opportunity or both?

**David Katz - Jefferies LLC:** I would ask about the midscale stuff just to be clear that you're not finding that you have to do more either in hard and soft costs in order to capture deals there and the competition level is not intensifying meaningfully or noticeably there at all, right?

**Tony Capuano:** No. I mean, obviously, it's early. But what I will tell you is we have a pretty extraordinary group of franchise partners who are brimming with excitement about our entry into this tier. And we're engaged with them on every continent talking about opportunities for midscale. So we don't find ourselves from a deal term perspective or a capital participation perspective doing anything out of the ordinary.

**Robin Farley - UBS Investment Bank:** I wanted to ask about unit growth next year, and I know you're not giving specific guidance yet. But if we used the CAGR when you thought MGM was going to be in 2023, it kind of implied that each of the next two years would be in the 4 percent to 5 percent range. So with MGM kind of shifting into 2024, would something then in that sort of 6 percent to 7.5 percent range, right, just kind of adding MGM into 4 percent to 5 percent? Is that the range we should think about for unit growth next year?

**Leeny Oberg:** Sure. So thanks, Robin. As we talked about in our comments and at the Security Analyst Meeting, I think when you've got a deal like MGM or City Express, things can be a little lumpy in terms of the specific year-over-year rooms growth. And so I do think it's much more important to be looking more broadly at the 2- to 3-year CAGR sort of numbers. And there, clearly, with the 2.4 percent higher room count that was a result of MGM. That's obviously going to help 2024's number a lot. And you saw that our 2023 number came down, although it actually went up apart from MGM compared to a quarter ago.

So I think the main thing I would focus on is that we continue to feel really good about the 5 percent to 5.5 percent net rooms growth over the 2022 through 2025 time period. And we will, obviously, as we get to full budget details when we get to February, we'll be more specific. But I think, again, the basic earnings equation and growth model of the company is exactly as we described in September at the Security Analyst Meeting.

**Robin Farley - UBS Investment Bank:** Okay. I guess, so it sounds like you're saying your expectations for unit growth outside of MGM for next year have not changed, right? Is that the conclusion?

**Leeny Oberg:** Again, as I described, we have talked about continuing to feel very confident about the 3-year 5 to 5.5 percent and are pleased to see the 2023 number move up a quarter of a point compared to a quarter ago. But we are in the middle of that process as we speak, and we'll be able to be more specific when we get to February.

**Richard Clarke - Sanford C. Bernstein & Co.:** Just firstly, on the incentive management fees. It looks like in the North American market, down just 23 percent. Those look like those are down year-on-year. Is that all down to this Hawaii effect? Maybe you can just clarify exactly what that effect was? Or is there some other discretion in there about how much you've accrued for the quarter. And if I can add a little follow-up, I just want to know if the MGM delay has that any impact on anything other than the NUG guidance, i.e., has that impacted your EBITDA guidance for Q4 as well?

**Leeny Oberg:** You're a little muddled on the kind of the actual call on kind of some of your some of the words. So let me try to see what I can do with what you asked.

Let's just talk broadly speaking on IMFs, which is to say that overall for the company, we are up meaningfully in U.S. & Canada year-to-date Q3, \$194 million compared to \$221 million for the full year in 2022. So I would say we're going to end up higher and meaningfully higher than in 2019.

And we were impacted, as we talked about, from the Maui fires in our IMFs by close to \$10 million, which obviously are going to impact your IMFs. So, when I think about the percentage of hotels that are earning incentive fees in the U.S. & Canada, we had -- let's see, year-to-date, U.S. & Canada is 31 percent, and that compares to year-to-date in 2022, of 26 percent. And so I think from that standpoint, we're really pleased with the margin work that's been done in the U.S. and frankly, around the world.

The only other thing I'll point out is that IMFs for the year at \$537 million year-to-date are higher than IMS for the full year in 2022 already just through three quarters. So again, the margins there I think, show really well.

**Tony Capuano:** And then Richard, I think on your second question, if I heard it right, the way you ought to think about the brief delay and the integration of MGM is the way you described it, if I can hear you clearly. Which is that's principally an impact on the timing of the NUG impact. The impact on fees or EBITDA, if that was your question, is to minimis.

**Chad Beynon - Macquarie Research:** Just in terms of the group booking trends, I believe you said 9 percent for 2024 in terms of the number of rooms. We're still trying to get a sense if some of the current and future bookings are deferred or catch-up, or if this is becoming kind of the new norm, kind of the foundational level. So any color in terms of multiyear bookings maybe into 2025 or if you've been able to kind of crack that code if this is the new base level of group.

**Leeny Oberg:** I'll talk about a couple of stats, and then Tony may want to add anything kind of from a more broad perspective. Just one thing that's worth noting is that group is back to being about the same percentage of our business that it was pre-COVID. So very squarely for almost 1/4 of the business is related to group. So I think you are seeing it normalizing there.

And the numbers that we've talked about in U.S. & Canada, up 14 percent. That's obviously on a business that is really settled down into more normal seasonal pattern rather than still having lots of revenge travel.

I think one of the interesting things is there, while some of the special corporate business has not returned in exactly the same form that it was pre-COVID, I think there is also the reality that companies are recognizing the value of getting together and are doing it in groups, maybe not in quite the same way they were doing some business transient.

So when you look at the overall proportion of the business, it is really leisure and business transient that was swapped a little bit while group remains quite consistent to the way it was pre-COVID.

**Tony Capuano:** And maybe the only other color I would add, while it doesn't speak to 2025. In my opening remarks, I talked about group revenue growth in the quarter, both globally and for the U.S. & Canada. And as Leeny and I have been traveling around the world, I mean, one of the things that's really encouraging is this continued forward booking strengths we're seeing in group is not simply a U.S. & Canada phenomenon. We're seeing strong pickup around the world.

**Michael Bellisario - Robert W. Baird & Co.:** I just want to dig into group a little bit more. Could you maybe pull out corporate group meetings and incentive travel? And are you seeing the same strength there? And is there any change maybe in the booking window that reflects some more of the layoff announcements that we've seen recently more broadly?

**Leeny Oberg:** No particular trends of notice relative to, kind of, your point about more kind of some trends in companies. We do have longer group booking windows overall which, reflect the fact that people are finding that the hotels are full and then they need to get their groups on the books. So that part remains consistent.

I would not say that we see any kind of notable difference between leisure group and business group, either kind of in the past several months or, frankly, over the last several years. There is a steady diet of both of those.

**William Crow - Raymond James & Associates, Inc.:** Tony, there's a difference between normalization in leisure demand and the consumer weakening. And I guess, given your broad scope across price points and globally, where are you seeing the consumer weaken?

**Tony Capuano:** Well, on a macro basis, we continue to see fairly consistent strength in the consumer. We've seen a little bit of trade down. We obviously compete across price points. But as Leeny pointed out in response to one of the earlier questions, in the third quarter, we saw some strength in rate in the luxury tier, which suggests that maybe that's an ebb and flow as opposed to a multi-quarter trend.

We do think there is a value-driven consumer that perhaps we were not capturing before, which is one of the reasons we're so enthusiastic about entering the midscale tier for the first time. We think that's a segment of the traveling public that perhaps we have been priced out of capturing fully in the past.

But beyond that, we continue to see strength really across the consumer. The one thing that's going to be really interesting to watch. I think I mentioned in my opening remarks, that we're within a percentage point of getting back to pre-pandemic levels of cross-border travel. And you'll recall, we had lots of good conversations back and forth in 2019 about emerging middle classes in markets around the world and their appetite for cross-border travel. Much of the recovery we've seen in international markets has been on the shoulders of domestic demand.

And as international airlift recovers, one of the things we're watching closely is how strong is that middle-class consumer and how strong has their appetite for cross-border travel recovered.

I realize that's a bit of a reambling answer. But I mean, we're watching the strength of the consumer around the world. And most of what we're seeing is either encouraging or wait and see. And I think wait and see applies to that cross-border question, but the early returns are encouraging.

**Leeny Oberg:** The only thing I would add is that if this trend around experiences versus goods, which we continue to see a really positive element of demand. So whether it is for music concerts or professional sports games or for youth athletics or all of those pieces of people's lives, that continues to be a great driver of demand for travel and really is quite global. So again, kind of a realization on the part of people that travel as a fundamental part of life and one that is very much appreciated.

**Tony Capuano:** And Bill, just to build on that point. As we talk to our credit card partners, who obviously have rich consumer spending data, the trend that Leeny just described was much more prevalent in the younger generations pre-pandemic. When you look at current credit card spending data, it appears that that's a trend that really spans generations now, which is obviously great news for our business.

**Conor Cunningham, Melius Research LLC:** I just wanted to talk a little bit about your expectation for a recovery in large managed corporate. You talked about solid gains in lagging industries in the third quarter. Just curious on how your long-term expectation has changed on large managed? Like I realize that small and medium has been quite strong, but is a full recovery in large managed still possible at this point?

**Tony Capuano:** Yes. So we've had a version of this conversation in the past. It often starts with a question, do you think business travel is permanently impaired? And I'll give you a version of the answer I've given in the past, which is I absolutely don't think travel is permanently impaired. I just think it's going to look a little different.

The small and medium we've talked about ad nauseum. That has been recovered now for a number of quarters and continues to show strength. There are a number of factors that are impacting some of the big corporates, whether that be concerns they have about macroeconomic conditions, whether that be sustainability goals that they've set for themselves, whatever it might be, it is having some impact on the pace at which their travel volumes recover.

But we're seeing offsets to that impact on the strengths that you heard Leeny describe in group. We're also seeing offsets in the amount of blended travel that's driving, for instance, the extraordinary recovery we saw on Sundays and Thursdays. And so I think the day of the week looks a little different. The segments look a little different. But the overall volumes are quite encouraging.

**Meredith Jensen, HSBC:** I was wondering if you could discuss a little bit about partnerships like Rappi and is that kind of collaboration might be a model for additional partnerships that we'll see going forward? And any color you could give to that and how that might compare to others.

**Tony Capuano:** Yes. Great question. The short answer is I hope so. Bonvoy is such an extraordinarily powerful platform for us. It's a platform that strengthens the connectivity to our guests, ties together the breadth of our brand portfolio. And partnerships like Rappi give us greater stickiness with the platform and allow us to connect more deeply. In the case of Rappi, in markets like Latin America.

They have to make sense for both sides to be obvious, but Bonvoy gives us a terrific opportunity to explore, create and take advantage of those sorts of partnerships. And so we will absolutely continue to look for those sorts of opportunities.

Great. Well, thank you again for all your interest and great questions this morning. We appreciate your continued interest in Marriott and look forward to seeing you on the road. Have a great afternoon.

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**Note on forward-looking statements:** All statements in this document are made as of November 2, 2023. We undertake no obligation to publicly update or revise these statements, whether as a result of new information, future events or otherwise. This press release and the accompanying schedules contain "forward-looking statements" within the meaning of federal securities laws, including statements related to our RevPAR, rooms growth and other financial metric estimates, outlook and assumptions; travel and lodging demand trends and expectations; our development pipeline and growth 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 the risk factors that we describe in our Securities and Exchange Commission filings, including our most recent Annual Report on Form 10-K or Quarterly Report on Form 10-Q. Any of these factors could cause actual results to differ materially from the expectations we express or imply in this document.