



Marriott International, Inc.
First Quarter 2020
Earnings Conference Call Transcript¹
May 11, 2020

Operator: Ladies and gentlemen, thank you for standing by, and welcome to Marriott International's First 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 first quarter 2020 conference call. I hope everyone and their families are safe and healthy during these unprecedented and challenging times. And I would like to send my deepest condolences to those of you who have lost friends or family because of COVID-19. Please know that our thoughts are with you.

Joining me today, from their respective homes, 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 believe this is the first time the Marriott team has not been together in the same room to host this call, and that includes an earnings call from China in 2017 and one during the blizzard of 2010.

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 and year-over-year changes 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.

Let me begin with what is clearly top of mind for all of you – how Marriott is navigating through the extraordinary and continually evolving worldwide impact of COVID-19. This is by far the most significant crisis ever to impact our business. For a company that is 92 years old and has weathered the Great Depression, World War II, and numerous natural disasters around the world, that is saying something.

While the year generally got off to a great start, we saw sudden, sharp declines in occupancy associated with COVID-19, beginning in Greater China in January and then extending around the

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

world. Occupancy continued to deteriorate in March and then stabilized in April, albeit at very low levels, everywhere except for Greater China, where trends are improving.

RevPAR in April fell 90 percent worldwide and in North America as well. April systemwide occupancy was 12 percent both worldwide and in North America. For the week ending May 2, worldwide occupancy was 15 percent, and 20 percent when just looking at comparable hotels that were actually open.

About 25 percent of our hotels worldwide are temporarily closed, with 16 percent of our North American portfolio temporarily closed. Europe is mostly shut down, with just over three-quarters of hotels closed right now.

To state the obvious, we are operating in a very challenging environment. However, the glimmer of good news is that overall, negative trends appear to have bottomed in most regions around the world.

The resiliency of demand is evident in the improving trends in Greater China. New bookings continue to pick up, with demand driven primarily by domestic travelers. Occupancy levels in Greater China are currently just over 30 percent, up from the lows of under 10 percent in mid-February. RevPAR has followed a similar trajectory, currently down around 67 percent year over year, compared to an 85 percent decline in February. Throughout Mainland China, leisure demand was strong for the Chinese Labor Day holiday weekend in early May. Occupancy for that weekend was over 45 percent, with resort markets close to 70 percent.

We have seen examples of demand starting to come back in other areas around the world as well. Last weekend, as some beaches reopened, the Ritz-Carlton Bacara in Santa Barbara and our hotels in Hilton Head, South Carolina, for example, were expected to reach approximately 50 percent occupancy based on reservations on the books.

Limited-service occupancy in the U.S. has increased a bit each week over the past few weeks, showing the most meaningful improvements in drive-to destinations.

Local, state and national governments are trying to manage the tightrope between containing COVID-19 and restarting their economies. There are likely to be some areas that start slower, some faster, and some that open in fits and starts. But our business should improve as restrictions are relaxed.

On the development front, our pipeline increased slightly to a very healthy 516,000 rooms at the end of the first quarter. We opened over 14,000 rooms in the first quarter and, at quarter-end, over 230,000 rooms in our pipeline, or around 45 percent, were under construction. We do expect some hotel openings will be delayed due to COVID-19-related to supply chain issues or local restrictions on construction activity, but at this point, we have not seen more deals than usual dropping out of the pipeline.

The pace of new deal signings overall has slowed a bit as a result of the crisis, but we are encouraged by our current conversations with owners. Many continue to have a clear preference for our portfolio of brands, which posted worldwide RevPAR index gains of 330 basis points in the first two months of the year. Like us, many owners are taking a longer-term view on the market opportunity.

In the first quarter, our Asia Pacific region saw meaningful development activity, with over 9,000 rooms signed, roughly 45 percent more than in the year-ago quarter. And we continue to see strong interest from owners in North America, even though they are not feeling a sense of urgency to get deals across the finish line.

We cancelled our North America monthly development deal approval meeting in March for the first time in more than a decade, to pause and take stock of the environment given the dramatic pace at which COVID-19 was impacting the industry, but have now returned to our usual meeting cadence.

We continue to do what we can across all areas of our business to respond to the current environment. We have issued several updates on the numerous actions we have taken, which have focused on helping our associates, our guests, our hotel owners and franchisees, and the company itself manage through this situation.

While no one can know exactly when and how demand will start to return in each part of the world, Marriott is ready. We have swiftly made significant short-term changes to our business and enhanced our liquidity position, while remaining focused on how to best position ourselves for the recovery and for growth over the longer term.

As global trends have started to stabilize, teams across the company have been diligently monitoring various data points and developing a cross-discipline recovery plan. In addition to tracking the booking and cancellation information and macro-economic indicators, we are also looking at data around COVID-19 testing and cases, and government regulations – all with an eye towards ramping up our business in a thoughtful way as restrictions are lifted and market conditions improve.

We are consulting with our owners to analyze potential market demand and hotel level cash flow to help inform when and how to re-open their hotels. Region-specific marketing strategies are being developed that we plan to roll out in phases as different customer segments and levels of demand return.

A key component of our marketing plans will be leveraging our powerful Marriott Bonvoy loyalty program and focusing on reaching our highly engaged member base and our many Marriott Bonvoy credit card holders. Throughout this crisis, we have continued to communicate with our loyalty members, including with special promotions on our co-brand credit cards in the U.S., such as our offer for six times points on groceries. We have also extended elite benefits. And today,

to help spark demand, we will announce a new promotion to buy gift cards for future hotel stays at a 20 percent discount.

In Greater China, our joint venture with Alibaba has been very helpful in rebuilding demand. A recent spring sale run by Alibaba's Fliggy travel site was very successful and generated terrific near-term bookings. Bookings from Ctrip have also grown significantly over the last few weeks and are up over 15 percent for the first week of May versus the same time last year.

Another key component of our recovery plan is communicating with our guests and associates about our focus on health and safety, and giving them the confidence they need to travel and stay with us. We recently announced enhanced global cleanliness guidelines focused on elevating cleanliness levels and hospitality norms to meet the health and safety challenges presented by the new environment. We are also working to reduce the frequency of contact between associates and guests by continuing to roll out programs such as mobile check-in, mobile key and no contact room service.

I want to take a moment to express my appreciation to our team of associates around the world. Amidst furloughs, reduced work weeks, temporary hotel closures, new cleaning requirements and very lean operations staffing, they continue to inspire me every day. Their constant messages to me of hope and belief in Marriott remind me over and over that we are so fortunate to have the best team in the business.

The recovery is not going to happen uniformly across all regions, and it is not going to occur overnight. It may take longer than any of us would like and we will likely operate a bit differently going forward. But we have taken the steps necessary to position the company to manage through this crisis successfully and travel will rebound. Our people, our solid financial footing, our 30 industry-leading brands and our #1 Marriott Bonvoy loyalty program continue to point toward a brighter future.

Before I turn the call over to Leeny, I want to share some organizational news. Dave Grissen, our current head of the Americas, has decided to step down from his position as Group President, The Americas in the first quarter of 2021 after a 36-year career with Marriott. Dave and I started talking about his potential retirement last year, but neither he nor I felt the time was right to finalize any retirement. As we moved into 2020, and increasingly turned toward questions around how we will rebuild our business and our company on the other side of COVID-19, it became obvious that we needed our new leaders to be fully engaged in this process. Dave will be with us through Q1, allowing for a smooth and thoughtful transition, but he will be missed by all of us, and we wish him all the best as he ventures into the next phase of his life. Dave, thank you for your extraordinary contributions to Marriott.

Starting in 2021, we will remain organized in a continent structure, but our global lodging business will be consolidated under two fantastic veteran leaders. Liam Brown, the current Head of EMEA, will oversee North America. And Craig Smith, our current Head of Asia Pacific, will oversee all international regions outside of North America. Liam and Craig are excellent

executives and bring tremendous leadership skills to their new posts. They have been key members of our leadership team for many years and will continue to be in the years ahead. My congratulations to both of them.

Our last organizational update is a particularly important one to me. Although we take the next two years to implement and appropriately celebrate the leadership of Bill Marriott, we wanted to share with you that Mr. Marriott has informed our Board of Directors that he plans to transition to the role of Chair Emeritus in 2022. Bill has been fully engaged in Marriott's work for as long as I have been alive, and he remains a daily source of contact and inspiration to me. In the midst of COVID-19, I talk to him every day. While our conversations today are focused on a crisis we are fighting, they are of a piece with the ongoing conversations that we have had, day in and day out, ever since the summer of 1992 when we first met at the tail end of another crisis, the first Gulf War and the recession that followed. To state the obvious, we will celebrate Bill Marriott for his contributions to this company, to its associates and to the industry between now and his transition to Chair Emeritus in two years. For now, Bill, let me say thank you. To me, you are a boss, a mentor, a friend and truly family. I cannot imagine a time without your partnership and friendship, and I pray that there are many more years ahead for us.

In anticipation of Bill's transition to the Chair Emeritus role, we expect that David Marriott will join our Board of Directors next year. David is well-suited to serve on our board, and I know he will bring not only his operations and sales experience, but also his deep understanding of Marriott's culture to Board-level conversations and decision-making. One other quick point, and I know we are giving you a peak into our forward-looking plans. When David joins the Marriott Board, we expect that he would step down at that time as an executive of Marriott. I look forward to working with David as a Director and then Chair for many years to come.

And now I will turn the call over to Leeny for more details on our finances.

Leeny Oberg: Thank you, Arne. I hope all of you and your families are staying healthy and safe. I also want to thank our teams around the globe for their dedication and tireless efforts during these unprecedented times.

Worldwide RevPAR was down 22.5 percent for the quarter, driven by the sharp 60 percent global RevPAR decline in March.

First quarter gross fee revenues totaled \$629 million, comprised of \$214 million of base management fees and \$415 million of franchise fees. Under the terms of our contracts, our portfolio of managed hotels earned \$64 million of incentive management fees, or IMFs, in the first quarter. However, under accounting rules, we can only recognize IMFs to the extent that the full year forecast supports that these fees will not be reversed later in the year. At this point, there is significant uncertainty around full year performance, so we did not recognize any IMFs in the quarter.

Within franchise fees, other non-RevPAR related fees totaled approximately \$140 million, up 5 percent from a year ago, primarily driven by stable year over year credit card and timeshare branding fees as well as higher year-over-year residential branding fees. Adjusted EBITDA of \$442 million included \$79 million of bad debt expense and guarantee reserves related to COVID-19.

Given the uncertainty around the timing and trajectory of a recovery, we are unable to provide our normal quarterly and full year P&L guidance. Instead, I thought it would be helpful to talk through a modeling scenario for our monthly run rate of major sources and uses of cash in the current environment, with worldwide RevPAR down roughly 90 percent and also provide you with some modeling sensitivities. Note that this is just one scenario and not an estimate of actual results.

Marriott's overall cash flow is easiest to describe in two broad categories. The first category is classic cash flow at the corporate level, which is basically EBITDA less cash interest expense, cash taxes, and investment spending. The second category relates to our cost reimbursement revenues and reimbursed expenses, which represent the costs that we charge out to our owners and franchisees to cover the programs and services we provide to them.

Starting with corporate cash, at these extraordinarily low levels of RevPAR, we assume net cash outflows of roughly \$90 to \$95 million per month. That's assuming cash sources of around \$60 to \$65 million and cash uses of about \$155 million per month. The cash inflows are base management and franchise fees and other non-RevPAR related franchise fees. Given we are not currently recognizing any incentive fees due to the uncertainty around full year results, it's easiest to model RevPAR related base management and franchise fees based on 2019 actuals. If you adjust those for unit growth and a 90 percent decline in RevPAR, the result is roughly \$20 to \$25 million of fees a month per point of RevPAR. Also, as a sensitivity for you, the impact of a one-point change in RevPAR would be roughly \$2 million of fees a month. As RevPAR climbs back closer to prior year levels, obviously, the improvement in fees per point of RevPAR grows significantly.

In this scenario, the remaining \$40 million per month of fees is expected to come primarily from other non-RevPAR-related franchise fees, mainly credit card branding fees, residential branding fees and timeshare royalty fees, all of which are much more stable.

Assuming RevPAR is down 90 percent, we expect that corporate cash outflows could total approximately \$155 million per month. Compared to our 2020 budget, we have reduced our cash run rate for corporate G&A by 30 percent excluding bad debt, to about \$40 million per month. And we have eliminated or deferred around 45 percent of our original investment spending forecast of \$700 to \$800 million for the full year, bringing our investment spending to roughly \$35 million per month. The remaining \$80 million per month includes cash interest expense, cash tax payments, and the monthly cash outflows for our owned, leased hotel portfolio in this exceedingly low RevPAR environment.

The second category of cash flows relates to the revenues and expenses for the programs and services that we provide to our hotels, for which we are entitled to reimbursement. As you know, our spend and reimbursement for hotel level programs and services are meant to net to zero over time, yet there can be timing differences between dollars we spend and dollars we collect. I will break this second category of cash flows into two buckets. The first is the cash flow related to the Marriott Bonvoy program and the second is the timing of all our other programs and services.

Cash flows into the loyalty program from hotels and our co-brand credit card issuers as members earn points. The cash outflows for Bonvoy are the payments made to hotels when members redeem points, as well as the costs of running the program, including marketing. This year we expect to have much lower redemption expenses in terms of both volume of nights and the rate paid for those stays given lower occupancies. At the current low occupancy rates, we estimate that we will generate several hundred million dollars of cash from the loyalty program this year, or \$45 million of cash benefit a month. This does not include the cash we recently received from our co-brand credit card issuers.

That leaves the remainder of our cost reimbursement revenues and reimbursed expenses. The largest bucket is the direct pass-through of payroll and other operational costs at our hotels, primarily for our North American managed hotels. In 2019, these costs were around 75 percent of the more than \$16 billion of GAAP reimbursed expenses. So far this year we have reduced these pass-through costs by around two-thirds. These expenses are generally repaid to us within days and, in 2019, managed owners reimbursed us with very little exception or delay. At this point, a very small fraction of these managed hotels are delayed in paying us.

Apart from these hotel-level costs and loyalty, the remaining reimbursed expenses in 2019 supported mandatory programs and services we provide to our hotels. They cover brand sales and marketing funds, our reservations system, property management systems, and the like. About two thirds of the amounts charged to hotels to cover these costs, which are also included in cost reimbursement revenues, vary based on hotel level revenues or program usage, with the remaining being a fixed charge per hotel or per key. That lines up well with our costs to provide these services, which are also about two-thirds variable and one-third fixed.

With the significant cost cuts and changes we have implemented in this low RevPAR environment, we believe that the cost reimbursement revenues due would cover our reimbursed expenses. But there could be some cash timing mismatch given the systems fee discount and payment deferral we provided for April and May, as well as owners and franchisees extending their payables a bit. In this very low demand scenario, we could see roughly \$100 million a month of higher working capital usage before considering the loyalty cash inflows.

The net cash outflow for all programs and services, including the positive cash flow from loyalty, could be around \$55 million a month, which brings the total company cash use to roughly \$145 to \$150 million a month. It's worth noting that in April, despite the 90 percent decline in RevPAR,

the company's cash burn rate was significantly better than that estimate. And, of course, as trends improve, the cash burn rate should improve as well.

I want to remind you that what you look on the P&L for cost reimbursement revenue and reimbursed expenses, it will look a bit different than the cash flows I described. This is primarily due to the accounting for the loyalty program, which requires that as cash is received, it goes onto our balance sheet as deferred revenue with no immediate impact on the P&L.

We have been focused on preserving liquidity and shoring up our cash position. In mid-April we issued \$1.6 billion of five-year senior notes, and last week we raised another \$920 million through amendments to our co-brand credit card deals. We also eliminated dividends and share repurchases until further notice. Our current cash and cash equivalent amounts on hand is around \$3.9 billion. If you add to that cash the undrawn capacity on our revolver of \$1.3 billion, which we paid back on May 1, and deduct around \$900 million of commercial paper currently outstanding, our net liquidity today is roughly \$4.3 billion. We know the recovery could take a while, but we are confident we have the liquidity we need to manage through this situation, including paying back near-term debt maturities.

We have made solid progress in mitigating the impact of COVID-19 on our business and are prepared for the wide range of scenarios that could play out. We feel confident that we will come through this successfully and look forward to traveling and welcoming all of you at our hotels. Thank you for your time this morning. We will now open the line for questions.

QUESTION AND ANSWER SESSION:

Shaun Kelley - BofA Merrill Lynch: I was trying to type about as fast as I've ever typed to get through the discussion you just gave. So, thank you for all the detail, and hope everyone is doing well. Leeny, maybe to start with a high-level one to just digest everything you kind of gave us, and do really appreciate that. Could you give us a sense on maybe just the broader franchise and management system at this point? What have been some of the asks by the owner community at this point as we think through what their own kind of cash level needs may be? And specifically, if you could give any color on the percentage or number of either managed or franchised hotels that are sort of asking for either fee deferrals or fee relief at this stage.

Leeny Oberg: So, a couple of things. First, I'll remind everybody once again that a huge proportion of our fees that we charge are revenue-based, so there is an automatic decline that has happened as a result of the drop in RevPAR. So that if you think about it, for the mandatory programs and services that we charge, when you also include the deferral and the 50 percent discount that we gave in April and May, there's actually very little due at the moment on the mandatory programs and services. At the managed hotels in North America, we have also, as I talked about, dropped payroll incredibly, as well as all the operating costs of the hotels.

So of course, you do have owners as -- just as we too are thinking about how we are managing our payables. Everybody is trying to manage their cash as best they can. But I will say, our owners and franchisees are paying their bills. We have a really very, very small fraction of our hotels that are having trouble paying at the moment. And then, except for a bit of extended payable terms that you can see. Otherwise, it's really all systems go for the moment. And as I said, in April, we actually saw, relative to those numbers I gave, really, a fairly dramatically better situation than the one that I gave you. But we wanted you to have the benefit of our cash planning, so that we are making sure that no matter the situation that we're able to manage through it.

Joseph Greff - JP Morgan Chase & Co.: Just with respect to your hotel owners, do you have a sense in North America how many of them accessed federal loans, relief programs? And then my second question is, can you estimate what you think maybe breakeven occupancies are for your North American -- full-service North American select-service hotels and, I guess, in that breakeven occupancy threshold, what ADRs are you assuming there?

Arne Sorenson: So, let -- there's a lot we don't know about the details of our owners' access of the Payroll Protection Program and other government support. Obviously, we're in touch with them, and we hear back. We think that there are hundreds of hotels that have successfully applied for those -- the Payroll Protection Program. How many of them have actually received the dollars is a little harder for us to keep track of. And the percentages that have been approved are in the 50 to 60 percent range, if you include the select-service hotels. Select-service hotels obviously tend to be, more clearly, small business than full-service hotels. But for each hotel owner, there tends generally to be eligibility under some of these programs to get the kind of support that the government is intended to apply. We continue to work with them to try and navigate through that.

I think the other thing that's important is what we hear anecdotally from our owners in North America is that lenders have been reasonably accommodating as well. And so you put those things together and then you put the collaboration that Leeny has just described between Marriott and our owners, which includes very much our cutting above-property costs, including classic programs that are paid for by the system, and then work at deferring brand standards and initiatives and working to tap -- defer FF&E spending and to tap FF&E dollars and those sorts of things. And generally, we think the -- while there's pressure all around, we think overwhelmingly that the system is surviving so far. Obviously, it will get tougher the longer it lasts, but we do think we're at bottom. And I think we're likely to see some release in pressure as we go forward, as demand incrementally begins to return.

The breakeven occupancy question is an interesting one. The -- in a way, you could look at our portfolio in the United States. And remember, April, RevPAR down roughly 90 percent. And say, "Well, why are only 16 percent of the hotels closed?" Because it's got -- at those sorts of numbers, there are many more hotels that are losing dollars than that are closed, and that's true. But the question is, do they lose -- the question is not so much, do they make money by staying open, but the question at the moment is, do they lose less by staying open. And our general calculation is that, by the time you get to 10 percent occupancy or so, you're probably better off

from a purely financial perspective to stay open, that the losses will be lower than the losses associated with being closed. And remember, when you're closed, you've still got labor costs for some labor that is required. You've still got heating and cooling. You've got security. You've got other costs that cannot be avoided. And so, it doesn't -- there's not a closing scenario that gets you instantly to a breakeven level. You're still losing money on that. I think when you look at what is a cash breakeven, obviously, it's going to depend a little bit on select-service versus full-service and the level of services provided. The level of services provided in hotels with light occupancy today is less than the level of services that were provided before COVID-19 showed up. Think about food and beverage as an example, which is likely to be significantly truncated today compared to what it was just a few months ago. But broadly, you're going to probably break even at 30 percent or so occupancy in the select brands and maybe 40 percent occupancy in the full-service brands. But again, still do better by being open at occupancy levels, which are lower than that than you would do by being closed.

The last point I think I'd make on this is not just in terms of RevPAR, but in terms of hotel closings/openings. April seems to have defined the bottom. And when we look at the last couple of weeks, there have not been significant movements in the number of closed hotels. But most days, we're seeing one or two or three more hotels reopen than we are seeing hotels closed. And if anything, as we see demand start to crawl back, as restrictions are released, I think the trend line now is towards more openings, not towards more closings.

Patrick Scholes - SunTrust Robinson Humphrey, Inc.: Wonder if you could give out some thoughts about potential recovery. Do you see at this point groups returning in the back half of the year? Your thoughts on corporate fly-to demand and then any early indications of summer leisure. I know it's just sort of tough to figure out, but interested in your thoughts.

Arne Sorenson: Well, I think what we've got to say here is probably not incrementally all that new from what others in the industry have been saying in the last few weeks and what we've been saying actually the last few weeks. It's obvious we got a global phenomenon underway that is sort of stunning in its breadth. We've talked about China a little bit, and China does appear to be recovering and holding. I know there's lots of debate about whether or not there is a resurgence of the virus in China. We've got tens of thousands of associates working in our hotels and basically have a way of tapping into that community and listening to both their sentiment and, to some extent, the data. And by and large, what we hear there is reassuring. That, in fact, demand is coming back and the virus spread does not appear to be profound. That doesn't tell us for certain where it's going in the next few months, but there is something that's encouraging there.

When you go around the world, you're going to see a different dynamic in various parts of the world. I think in Europe, Europe, unlike China and the United States, is meaningfully more dependent on long-haul travel. You think about Europe as being a destination for vacationers from all around the world who want to see those great European cities. And because it's dependent on air and long haul, I suspect it will be probably the slowest to get back to the kind of levels that we enjoyed before COVID-19. Advantages of China and the United States are they're

both domestic markets. Even in normal times, the U.S. is about 95 to 96 percent U.S. travel, with only four to five percent, in total, dependent on inbound travel from the rest of the world. And by the way, Mexico and Canada are both big source markets, and they're obviously fairly close. Sometimes, those are drive to inbound business. Sometimes, their flight, obviously.

Looking at the U.S., which maybe where your question is focused, we obviously see the drive to markets as being the strongest. You can see that in the -- even the data we showed on select brands in the prepared comments are performing better. And I think that's both leisure and, to some extent, it is sort of local or regional business, a business that is dependent on the car. And I think that will come back the most. I think we'll see some cities perform better. So, a couple of contrasts here. New York may be the stickiest because of its density and its reliance on mass transportation, which creates some sense of risk. And so, we would suspect -- and also, maybe a little bit their dependence on international travel, which is higher than the U.S. as a whole. But go to a market like San Antonio or even Chicago where there is much more likelihood that people can drive in, in the summertime, be outside, enjoy Lake Michigan or enjoy the outdoor destinations, and I think we will see those markets perform better and faster. The slowest bit of business to come back will certainly be group. And we hear from our group customers that they want to get back to a place where they can bring people together, but they obviously want to do that in a way which is safe. And that depends on some things, which we can influence, like the protocols we use around cleanliness and meetings in the hotels, and we've got great work underway there. On the meeting side, it will include probably lower density in our hotels. In other words, more square footage being used for per head at a meeting than would have been the case beforehand. Maybe sadly, we've got the capacity to do that. But there are parts of this which we won't be able to control. And to the extent, those meetings are dependent on air travel, it's not just going to be how does the plane itself feel, and the airlines, I think, are making good progress there, but how is it getting through the airports, and can you get through the security lines in a way that makes sense.

I think the -- on balance, you've heard this a little bit from the industry data which is out there. I think what we're seeing across the United States is folks are tiptoeing out of their homes a bit more the last few weeks. We're probably seeing occupancy click up a point a week or something like that the last few weeks. That's not enough to put a stake on the ground and declare that we've got momentum towards a recovery given how low the numbers actually are. But it does tell you that the early travelers, which are going to be drive-to leisure, local, domestic are interested in sort of getting out there and reliving their lives. And if they can do that and, over time, build confidence collectively, we can build confidence in the safety that we can enjoy if we're out of our homes, that will get better and better. If, on the other hand, restrictions are released and the virus spread surges, and we can't have that confidence as consumers, it will not be just a question of what the government restrictions are, but it will be a question of what that confidence level is, and that will make the recovery slower.

Thomas Allen - Morgan Stanley: Can you just give us an update on how you're thinking about net unit growth?

Arne Sorenson: Well, we're watching it, I think, is the right answer. The -- obviously, we're a month and a half into the extraordinary crisis outside of China and a couple of months longer than that in China. In various parts of the world, construction was essentially banned. In some markets, it was an essential services that was allowed to continue. Beyond that, you've got some question about hotels that were ready to open and whether or not the final furniture supply was in hand or not, or whether it was dependent on the global supply chain, which itself slowed down. I think we can say with a relatively high level of confidence that the overwhelming majority of hotels, which were scheduled to open in 2020, would have been very far along in their construction. And they will still make sense to open, assuming some kind of reasonable assumptions around recovery. And so, while there will be delay in getting them opened, we would expect that they will open. Whether that delay is a number of months or a number of quarters probably will depend a little bit on those supply chain dynamics, construction restrictions, which, by and large, have been released. I mean I think California banned construction for a period of time, and I think construction is now back on in California.

And just the owner's sense about -- obviously, there's less urgency to get opened, but whether it's more logical to get -- to be open or to defer opening. It is likely we will have fewer new hotel openings than we assumed before COVID-19 in 2020. Whether that's down by half or down by a 1/4, we'll have to watch. I think it's still way too early to identify. I do think that most of the hotels that were scheduled to open in 2020 will ultimately open into our system. And the same, I think, can be said for certainly most of the first half of 2021 openings as well.

Smedes Rose - Citigroup Inc.: I wanted to ask you guys, and others have made pronouncements around what cleaning will look like in hotels in kind of a post-COVID world as you reopen, just how do you think about just the overall labor cost at a hotel going forward. Do you think that they'll ultimately stay about the same? Or do you see significant increases or decreases from here?

Arne Sorenson: Well, that's -- it's going to be very interesting, I think, to watch. I think in the early stages, obviously, we're going to have less F&B service, for example. I think we're likely to have either fewer restaurants open, fewer meetings and the staffing that's associated with meetings, probably a difference in the approach to buffets and some of those sorts of things. So, I suspect, in the early quarters, it's going to be more grab and go and prepackaged material. Vary a little bit, obviously, by segment and by market around the world, but I think those things would generally tell you that for the balance of 2021 -- or excuse me, 2020, labor costs as a percentage of revenues are probably likely to be lower.

I think when you look longer term, it's going to be interesting. Certainly, in the first stage, we would expect that digital check-in, think about using your phone as a key or checking in at a kiosk, will be important, both to protect associates and to protect guests. I think there will be a relatively greater effort in housekeeping between guests than there was before to make sure that those rooms are virus-free, to the extent we can be certain of that. I suspect there could be relatively less services provided during stay, however, and those things may offset each other a little bit. But obviously, we'll work our way through that in the best case we kind of can. A long-

winded way of saying, I think, in the near term, certainly, labor costs will be less. And obviously, we'll be looking longer term at making sure that we meet what our guest expectations are and that the services provided are the services that are needed by our guests. And also making sure that our owners get back to a place where their investments make sense and where their financial well-being is good for the long term.

Smedes Rose - Citigroup Inc.: Okay. Can I just ask you one more, too? I mean, do you think, I guess, particularly in North America, as maybe some owners struggle to get reopened or maybe have difficulty working with their banks, I mean, does Marriott -- would you see more of a lending capacity or potentially putting out guarantees for debt to some of the owners with maybe on a short-term basis? Or is that sort of not on the table right now?

Arne Sorenson: Leeny, you got that?

Leeny Oberg: Yes, I do. Yes, I think, as you know, we typically really use our capital to propel our growth. Now we do, obviously, from time to time, will work with an owner in a specific situation, particularly when there's reinvestment going into a property, as we have done with Host, for example. But I think, broadly speaking, we have reimbursables. We expect to get paid. We provide those programs and services, and the owners have an obligation to pay us. So while there is an ongoing dialogue and, we certainly, as you've seen from all of our efforts to reduce our costs as well as to defer the payment of some mandatory required fees, then wanting to be understanding about the situation, but, at the same time, I would not expect to see that we would be doing extensive, either guarantees or loans to deal with this.

Harry Curtis - Nomura Securities Co. Ltd.: Leeny, just a quick follow-up on that question. As you think about your development going forward, does this crisis really change the way that you approach key money and mezz loans given the reserve that you've -- not the reserve, but the impairment charge that you took today?

Leeny Oberg: So, first of all, on the impairment charge, if you think about the biggest chunks of the impairment charge today, two of them were related to leases. They are leases that have been around. And as you know, with the lease accounting change, we have these assets on our books called right-of-use assets that extend over the life of the lease. So frankly, they really don't relate to the classic sort of giving of key money with that. And frankly, there was one impairment charge that we took this quarter that we mentioned, the \$14 million, that's on a very large portfolio of limited-service hotels. And as part of that transaction, there was an agreement by the owner to spend hundreds of millions of dollars to reinvent those properties. So quite frankly, still a transaction that, within the broader scheme of keeping up our portfolio and making them competitive, make a ton of sense.

Now I think, in general, as you think about what we have to invest in our pipeline, it's actually fairly small. It tends to be that on the more complex, higher-end projects that we, at the margin, are going to have a little bit more capital in than if it's on a kind of small priced limited-service hotel. But I think, fundamentally, we still view that the way that we approach investing in deals to

be appropriate. Now at the same time, I will say, we are obviously cognizant of kind of where we are from a liquidity standpoint, as well as rebuilding the business over the next few years. So, when we think about, for example, our restrictions that we have put into our revolver covenant waiver, we're obviously going to keep very closely -- very close watch on the amounts of investment that we're spending. But I think, from a fundamental approach, we still feel really good about the value that we are driving with these key money type of investments.

Harry Curtis - Nomura Securities Co. Ltd.: Arne, maybe you can respond to the second question, which is, as you imagine the recovery two to three years from now, and the house profit margin that was generated across your portfolio in 2019, you've walked through some of the gives and takes on higher and lower expenses, is it unrealistic to think that you can get there in the next two or three years, assuming the same level of occupancy?

Arne Sorenson: Get back to the same level of profit per room you're talking about?

Harry Curtis - Nomura Securities Co. Ltd.: Exactly.

Arne Sorenson: Yes, yes. The -- I don't think it's -- it's certainly not unrealistic to try, and I think we will work hard at that, if not getting back to the same levels, getting to even better levels. I do think that the -- in the first instance, the recovery -- top line recovery, obviously, is really important to this as well as what we do on the cost side. Top line recovery in the first instance is going to be COVID-19 driven. What is the sense of government restriction that gets in the way of our business? And what is the sense of sort of remaining concern or anxiety about the spread of the virus that dampens down demand? And the recovery from that is going to depend significantly on the progress of the virus, the development of vaccine, development of other treatments, maybe ubiquity of testing, all the things that are being talked about every day and endlessly every day.

I think beyond that, the question about the top line is going to be driven by the economy. And none of us knows how severe the economic hangover will be when the fear of COVID-19 recedes. But there is every reason to suspect that there may be some stickiness to a weaker demand environment, at least for a period of time, simply because of GDP activity. And so those things, I think, are both important from a top line perspective.

From a cost perspective, we will obviously do the kinds of things that we're going to do. To the extent the top line is depriving us dollars per room of revenue, that challenge becomes a little bit more significant. But I think, as we move our way down the recovery and we see revenue per room come back, we have a fighting chance of getting profits growing back, too.

Anthony Powell - Barclays Bank PLC: A question on, I guess, supply growth. So, do you expect this event to have an impact on how lenders approach construction financing? Do you expect them to maybe require more equity and require more cash reserves? And could that be kind of a long-term headwind to the disruption over time?

Leeny Oberg: I'll start, and then, Arne, feel free to add on. So, I think, first of all, let's talk about what's already under construction. The financial institutions today are in vastly better health than they were back in the Great Recession. And as Arne was saying earlier, these deals still make sense. They're under construction. There's no reason to think that they won't get finished as the final supplies are delivered and they have the ability to open. Now could it be that they open a bit later to -- depending on the environment for demand? Sure. But again, from everything we hear anecdotally, as well as see -- I don't know if you noticed around your towns that construction actually is one of the few businesses that you can actually still see a fair amount going on. And so as you then think about the pipeline of new deals, I think that clearly is one that there's more question around. And that there is likely to be at least a bit more of a wait-and-see attitude by the lenders on committing to new deals. However, the one thing I will say is that, as you think about, if they are going to lend, who they're going to lend to, it has kind of classically been the case that the stronger brands get the financing when deals are getting done. And I would expect, with all that you've heard around what we're doing related to cleanliness and making sure that the guests know the standards that they can expect our hotels to have when they come, that, that will continue to be one of the strong points that our brands have when a developer goes to consider getting a loan.

And the other thing I'll say is, the conversations that our developers are having continue a pace. Obviously, conversion activity is up right now, as we think about those conversations as well as then continuing on new construction. These are folks who are looking for the longer term. And from a longer-term perspective, they still view it quite strongly.

Anthony Powell - Barclays Bank PLC: Got it. And you mentioned, Arne, that you saw some good RevPAR index gains in January and February. How do you maintain that momentum in this kind of environment? Is that something you can even focus on? And looking maybe to early next year in a downturn scenario, what tools do you have to continue to grow RevPAR index?

Arne Sorenson: Well, we call that Marriott Bonvoy. I think, as of the end of the quarter, we're at 142 million members or something like that. And I think the program remains a powerful tool for us to drive loyalty of travelers to our brands. And we'll continue to stay focused on making sure that program is strong and is relevant to folks, both as they travel and when they're not traveling. And I think that will be the principal tool in our toolkit.

Beyond that, of course, it's the questions that are sometimes related, sometimes mutually reinforcing of that, but it is the breadth of distribution. It is hotels that continue to inspire people when they dream about travel, which is often about resort destinations and about luxury and lifestyle hotels, not exclusively, but that certainly is a piece of that, and I think our portfolio there is extraordinarily strong.

And then questions about how do we go to market with the sales force and how do we make sure we're delivering the kind of operational excellence which Marriott has long been known for. I think all of those things will remain tools that we rely on. We're disappointed, obviously, by COVID-19 for so many reasons. But partly, the momentum that we had built in the latter part of

2019 and which continued into 2020 with -- as we mentioned, 330 basis points of index growth in January and February, which are massive numbers for a portfolio of our size, speak very well for our ability to get back there and rebuild that momentum. There's nothing about COVID-19 which should disrupt that momentum in the years ahead.

Robin Farley - UBS Investment Bank: Great. I wanted to follow up on what you mentioned earlier about unit growth, and I understand the new construction uncertainty of kind of how much of that will get to lead. But I'm wondering if you could talk about the conversions and what level of interest you may be seeing, especially given that some owners out there, not in your system, are probably under some pressure. And can -- how much could conversions offset some of the slower growth in new units? And how quickly could they get into your pipeline? And then just as a point of comparison on the same topic, if you could tell us a little bit more about how in the last downturn that may have -- it seems like conversion is obviously uptick in a downturn, and how much did that offset changes and maybe what your decline in new unit growth?

Arne Sorenson: So, the -- Leeny, you may have this data top of mind. I'm not sure I do. But if you look through cycles, and this will be directional, not probably as concrete as you'd like, Robin. In a weaker environment, conversions go up. They go up for us. They go up for their stronger brands because not every hotel can perform as well in a weaker environment. And so, we're already seeing conversations pop up where folks are looking at, "Oh my goodness. How do I get this hotel reopened? And don't I need a pipeline of customers in a loyalty program today more than I needed one six months ago or three months ago?" And so, all of that will help. I think, at the same time, it's fair to say that while conversions step up in a weaker environment, new builds step down, and they probably step down at least as much as the conversions step up. And so we would -- if you look at 2010, '11, '12, the hotels that were under construction before the Great Recession continued to open into our system. But we had not signed hotels -- new hotels in '09 and '10 at the kind of pace that we had before the Great Recession hit. And so, we end up with a percentage unit growth, even with the benefit of conversions, which is certainly not higher than what we would have had before and, if my recollection serves, would, on average, have been a little bit lower. I think when we look now into the next period of time, I think our brands are stronger. I think the portfolio is stronger. I think the momentum with the loyalty program and our index numbers are stronger, all of which will bode well for conversion activity as, by the way, is the depth of the decline in performance of the industry as a whole, which gives that much more motivation, I think, for owners to move.

At the same time, as Leeny has just gone through, I think we're going to see that, while the banks are much stronger than they've been in the prior crisis, they will inevitably pause and require more equity or get to see whether or not we can get more clarity before they're going to provide the kind of financing commitments that they were providing before COVID-19 hit. Put all those things together, and I suspect we'll find opportunities here, but we will be less likely to be seeing an increase near term in net rooms openings into our system than a decrease. Leeny, do you disagree?

Leeny Oberg: No, I totally agree. The only thing I'll add, Robin, is one of the differences between now and the Great Recession is our strong portfolio of soft brands and, frankly, the interest that we're seeing in those brands around the world. So, the conversion vehicles that we have now as compared to 12 years ago I do think are meaningfully stronger, which I think is helpful. I think the financing realities are going to stay the same, so that's kind of we're going to have to -- if somebody is looking for financing or refinancing to do a deal, we'll have to work through that in the demand environment with COVID.

But I do think that we've got the right portfolio of brands kind of across all 30, and we definitely are seeing increasing conversions. But as Arne said, if you're looking at kind of normally, maybe 15 percent to 20 percent of your room openings or conversion, and then let's say that number goes up to 1/3, that still is not going to offset what you're seeing in terms of the slowdown in new construction.

Robin Farley - UBS Investment Bank: No. Great. That makes sense. And maybe just one small follow-up. Just if you think about sort of last year or something typical, what percent of your conversions were from the soft brands, which, like you said, something you didn't have in the last downturn?

Leeny Oberg: In North America, it's going to be overwhelmingly that way. So if you think about in full-service that -- the full-service rooms that we opened maybe about, call it, 25 percent, 20 percent of our room openings in North America, because limited-service is such a big chunk in our current pipeline. Not of the existing stock, but of the room openings. They're going to overwhelmingly be soft brand, either new build or conversions. So, I'd say we can get you the specific numbers, but a good percentage.

David Katz - Jefferies LLC: I just wanted to pose a strategic issue. When you sort of think about growing your business going forward in the context of this event and other events you've been through, how do you think about the hurdle rates of taking on a hotel as a management contract versus a franchise with a third-party operator? And sort of calibrating all of the risks and returns associated with all that given where we are? And this may be a larger question for another day, but I thought I'd pose it anyway.

Arne Sorenson: Yes. It's a fair question and, obviously, one that has been raised a few times. I think there are obvious differences between management and franchise. The franchise model is dramatically more prevalent in the lower segments of the industry. Franchising is also dramatically more prevalent in the U.S. than it is in other markets around the world. And there are obviously different reasons for those distinctions. One is that the farther up the chain scale you go, the more likely you're getting into group, the more likely you're getting into luxury, the greater premium is placed on operational expertise. And by no means do I mean to suggest that there aren't franchisees that have expertise that is able to do that, but not all franchisees do. And in some markets of the world, those franchisees, by and large, have not existed yet. I think that there is room for us to consider whether in some of the lower segments, we have more management than we need to have, whether we've had a sort of a cultural bias towards

management that is unnecessary. At the same time, I think the power of the luxury brands, the power of the lifestyle brands, the power in the group space, the power in food and beverage, I for one, wouldn't trade that away. I think that is something that is going to drive the stickiness of the loyalty program, drive aspirational travel, drive higher-end travel, which will continue to be strong. And we want very much to keep that as a prominent and industry-leading part of our portfolio and would not trade Marriott's model for being purely in the lower segments. There might be a different risk profile there, but there's also a different upside that's there.

Wesley Golladay - RBC Capital Markets: Can you talk about what drove the \$65 million of bad debt expense this quarter?

Leeny Oberg: Yes, sure. As you know, the new accounting standard called CECL, better known as CECL, does it a little bit differently than the way that bad debt was done for us before. And it's an accounting standard that everybody out there has got to follow. And before, for us, it was truly writing them off once it was very clear that the receivable was absolutely uncollectible. The requirement now is a little bit more as you think about like a classic loan portfolio for a bank, where it has to have, obviously, what you reflect as uncollectible, but also an estimate of future expected losses. So, it requires that you go and you're looking at your past history of your receivables and making an estimate based on performance of where they will prove out. And so, you actually are taking a classic loan loss provision against that base of receivables as well as when you've actually got a specific receivable that's deemed uncollectible. So, as you can see in the number that we've talked about, the \$65 million as part of what was in G&A this quarter, that obviously is meaningfully impacted by COVID-19. So, it's got whatever ones that we very specifically deem uncollectible, but also given the environment and estimate of future expected losses.

Bill Crow - Raymond James & Associates, Inc.: One for each of you. Leeny, is there any risk to collecting what is owed from the timeshare business?

Leeny Oberg: I'm sure they're listening to this call, so I would say no. No, I think that, as you know, is overwhelmingly a fixed charge. And we feel great about our partner, Marriott Vacations Worldwide, and we do not believe that there is risk associated with that fee.

Bill Crow - Raymond James & Associates, Inc.: Okay. And then, Arne, bigger picture. Any change given the current dynamics to your investment, your commitment to Homes & Villas?

Arne Sorenson: No, I don't think so. The amount of money we've invested in Homes & Villas is really very modest. You're talking about a handful of millions of dollars, something like that, to get the business up and running. And I think the way we've positioned that business, which is the higher end of the home sharing space, sort of skewing towards whole home and luxury, which is quite different from a traditional hotel product and has different dynamics, I think, too, in a COVID-19 environment because you're not really sharing a part of a home, and you're ending up in a place, which I think can be -- where we can deliver the kind of professional services that we'd

like to deliver would suggest there's still opportunity for that. It is, as a consequence, I think, something that we'll continue to pay attention to.

Bill Crow - Raymond James & Associates, Inc.: Do you think it will ramp back up similar to the way the hotels are ramping up?

Arne Sorenson: Yes, I would think so. I mean it's obviously a tiny business for us by comparison to what we're doing. And it is leisure focused -- more leisure focused than our hotel business is. I don't -- there could be some modest differences in the way that the ramp occurs. I wouldn't think they're very dramatic though.

Michael Bellisario - Robert W. Baird & Co.: Just one quick question for you. I think you mentioned payment deferrals and 50 percent fee discounts, but that was, I think, just for April and May. When do you decide -- or what gets you to offer the same concessions for, say, June and July, for example, or maybe even longer? What are you looking for? What do you have to see? What do you have to hear from franchisees?

Leeny Oberg: Well, again, I think, as I talked about before, we've done a remarkable job of being able to reduce our cost down to this level where we were able to offer this and still feel like we'll be able to recoup our expenses in providing these kind of basic mandatory programs and services. So, I don't expect at this point that we would be looking at offering a further discount.

Michael Bellisario - Robert W. Baird & Co.: And then what's the timing or your expected timing for recouping those fees?

Leeny Oberg: Well -- sorry. Yes, September.

Carlo Santarelli - Deutsche Bank: Just a quick one from me. Arne or Leeny, what percentage of your occupied room nights in 2019 were from guests originating from a flight?

Arne Sorenson: We've asked that question, too. The -- you may have noticed that when you check into a hotel, we actually don't typically ask people how they came. And so, we've looked at this a little bit based on other data sources. And it won't surprise you to learn that it varies dramatically from market to market. The select brands in the United States are going to be much less dependent on fly-to business than some markets, where, basically, you can't get there unless you fly. Think about the Canary Islands as an example. Our estimates is it's probably half, something like that. But again, in a way, you've got to be careful about a global average because it hides dramatic variation within it.

Carlo Santarelli - Deutsche Bank: That's helpful. And then if I could, just one quick follow-up. With respect to the -- I guess, it's \$900 million of commercial paper outstanding right now. The next payments on that are due -- have you any kind of sense of when that...

Leeny Oberg: Yes. Mostly, in the third quarter.

Jared Shojaian - Wolfe Research: Can you tell me what percentage of your pipeline is under contract or approved, but has not yet begun construction? And Arne, you mentioned you haven't really seen an unusual amount of deals drop from the pipeline. Are you surprised by that? And I guess a lot of the conversation today seems to be around financing availability going forward. But from an owner's perspective, the economics of building today are certainly very different. So, I guess, why wouldn't we see a lot of that particular segment of the pipeline go away, the segment that has not begun construction?

Arne Sorenson: That's right, construction. So, I think the number we shared with you, and jump in here, team, if I'm remembering this wrong, 230,000 of the 516,000 are under construction.

Leeny Oberg: That's right.

Arne Sorenson: So that's, what, 40 percent, something like that. 45 percent, maybe.

Leeny Oberg: Yes, yes, yes.

Arne Sorenson: In that range. And so that's the concrete number we can give you. I think what happens with this balance that are not under construction over the course of the next couple of years, there's a few things to bear in mind here. One is that hotels are not entering that pipeline until typically they have been worked for a substantial period of time. It could be a year on average, although I'm guessing here a little bit, where an owner is identifying a site, doing a detailed work about how much it's going to cost to build it, doing pro formas about what the returns are going to be, and it is not -- even though it may not be under construction, it is something which is very serious. We're not putting deals in our pipeline, for example, just because somebody shows up and says, "I want to build a Courtyard in X market, but I haven't identified the site yet" or "I haven't -- I don't have a sort of a specific deal to get done." And when viewed in that context, I don't think it is at all surprising that 60 days into a crisis like this one, that has a fairly uncertain path out, that people are being tentative about making permanent decisions about killing deals that they've worked on for a period of time.

I think the second thing to bear in mind is, while we certainly have suffered a substantial hit in terms of top line performance, we will all be looking together to see what the best thinking can be about when that top line comes back. And for hotels that have not yet been built, what is the advantage that it's available to me if I can get it financed at lower construction costs. And if I'm not open, and I'm not going to be open for the two or three years that I need to be under construction, which may coincide with the weaker demand environment and also the weaker construction environment, my deal actually may be a decent deal. And I may decide to pursue it. I probably won't accelerate my construction until I get smarter about thinking that through. But there will be upsides, as well as downsides, associated with this weakness from projects that are not yet under construction.

Jared Shojaian - Wolfe Research: Okay. Just a point of clarification, if I may. So, you did give the number 45 percent, that's under construction. But that other 55 percent, are some of that conversions? Or are you saying that all that 55 percent is...

Leeny Oberg: Yes, yes. I can give you that. So roughly 16,000 are pending conversion. And then, as we said in the press release, about 24,000 are approved, but not yet signed. All the rest are new build, pending construction starts. So, call it roughly 240,000, broadly speaking.

Richard Clarke - Sanford C. Bernstein & Co.: So, the first one is just your view on rate. You've talked about offering a 20 percent discount for prepaid vouchers, but your rate is down just 1 percent in the last quarter on the hotels where you control it. But just how much you're willing to flex the rate to drive incremental demand.

Arne Sorenson: Well, I think we'll watch that, obviously. We want to make sure that we're not dropping rate to chase demand, which is not there. And that, obviously, does nothing for us. At the same time, we compete in an industry, which is highly distributed in terms of its pricing. And this is one of the challenges that we bear perpetually. People view us as, "Okay. You're the largest hotel company in the world. Doesn't that give you pricing power?" Well, the fact of the matter is, even as the largest hotel company in the world, we only got -- what's our global distribution, Leeny, 14 percent, 15 percent, something like that, of all rooms in the world, and a significant number...

Leeny Oberg: 7 percent globally, 16 percent -- North America is 16 percent.

Arne Sorenson: North America.

Leeny Oberg: 3 percent rest of the world.

Arne Sorenson: The -- and many of those rooms are priced by our franchisees, not priced by Marriott. And so, we will -- we're not going to push rates down by any means. We're going to do everything we can to make sure that we're maintaining pricing power. But there will be price competition in our industry, too, as we try and get demand energized and coming back into the system. And we'll do the best we can to make the kinds of judgments that need to be made.

Richard Clarke - Sanford C. Bernstein & Co.: And just a quick follow-up, if I may. Just the comment on incentive fees. You booked none this quarter, despite receiving some. Just whether I can understand how -- I wonder what process would you refund the incentive fees you receive. And what assumptions are you making to book none in the first quarter?

Leeny Oberg: A. So as you know, you basically are looking every month at the expectation of the performance against the budget, and so -- and against a target, depending on what the contract requires. So, if there's an owner's priority, then you need to have exceeded that but, again, based on that month's performance, expectations. The issue, however, becomes you don't actually technically earn it at the end of the year until you see what the full year performance is. So based

on, for example, January and February, which were really terrific and really strong performance, we clearly were clicking along, doing well and, as I said, would have locked in early on \$64 million of incentive fees. However, even despite Greater China starting to really feel some impact in February and March. But when we look, knowing as we enter into April, that you're looking at 90 percent decline in RevPAR, our comfort that we can feel secure that we won't have to give those back is not great enough for us to feel like that we can recognize them as income.

Richard Hightower - Evercore ISI Institutional Equities: So, can you just help us understand the implied cost of capital for the \$900-odd million of -- coming incrementally from the credit card agreements? Just help -- I know there's a lot of assumptions in there, but just help us understand that as a source versus other sources of capital.

Leeny Oberg: Sure. So, let me do this and then, Arne, obviously, jump in. The -- think about it this way that as people spend on their credit cards, the -- our credit card issuers pay us an agreed amount of money based on that credit card spend. And that is to compensate us for, obviously, being a part of the Bonvoy program and also for being able to affiliate with the Marriott brands. So, when you think about that kind of amount over a number of years, there's kind of an expectation about how much you could be collecting in revenues from the credit card companies. And basically, it's getting some of it upfront. So, what will happen over the next several years is what they will pay us, based on the amount of credit card spend, will be moderately a modest amount less than they otherwise would have paid us. So, if you think about it from a kind of classic cost of capital, it's extremely efficient and economic for Marriott to have. It also doesn't have, obviously, any of the classic characteristics of debt in terms of required repayment terms, et cetera. So, it's really, again, overwhelmingly a reflection of monies that we received earlier that then will get essentially paid back by them paying us less than they otherwise would have over the next several years.

Arne Sorenson: And the cost is less than our last bond deal.

Leeny Oberg: Meaningfully.

Arne Sorenson: Thank you all very much for your time this morning. The -- we appreciate, obviously, your interest in us and in the recovery of Marriott and the industry. Wishing nothing but the best, as we work our way through this challenging time as a business, as an industry and as a society. But know that we'll be there to welcome you as soon as you get back on the road with bells on. Thank you.

Leeny Oberg: Thank you very much.

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Note on forward-looking statements: All statements in this document are made as of May 11, 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 booking estimates and trends; our development pipeline, room openings, and conversions; our liquidity expectations; our uses of cash from our recent capital raises; 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 Annual Report on Form 10-K and our Current Report on Form 8-K dated April 14, 2020. Risks that could affect forward-looking statements in this document include the duration and scope of COVID-19, including whether and to what extent a resurgence of the virus could occur after the pandemic initially subsides; 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 take in response to the pandemic, including limiting or banning travel and/or in-person gatherings; 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 COVID-19's impact on unemployment rates and consumer discretionary spending; the ability of our owners and franchisees to successfully navigate the impacts of COVID-19; the pace of recovery when the pandemic subsides; 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; 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.