



Marriott International, Inc.
First Quarter 2021
Earnings Conference Call Transcript¹
May 10, 2021

Operator: Good day and thank you for standing by. Welcome to Marriott International's First Quarter 2021 Earnings Conference Call. Today's call is being recorded. I will now turn the call over to Jackie Burka McConagha, Senior Vice President, Investor Relations. Please go ahead.

Jackie Burka: Thank you. Good morning everyone and welcome to Marriott's first quarter 2021 earnings call. On the call with me today are Tony Capuano, our Chief Executive Officer, Leeny Oberg, our Executive Vice President and Chief Financial Officer, and Betsy Dahm, our Vice President of Investor Relations.

I will 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, occupancy and ADR comments reflect systemwide, constant currency results for comparable hotels and include hotels temporarily closed due to COVID-19. RevPAR, occupancy, and ADR comparisons between 2021 and 2019 reflect properties that are defined as comparable as of March 31, 2021, even if they were not open and operating for the full year 2019 or they did not meet all the other criteria for comparable in 2019. 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. As I enter my 26th year with Marriott, I am honored and humbled to be here this morning for my first earnings call as CEO. The senior leadership team and I have worked together for many years. We are all committed to building on Arne's legacy, and advancing the strategy we have put in place to navigate the pandemic, drive towards recovery, and grow our business.

Global RevPAR is currently still substantially below pre-pandemic levels, and certain countries continue to experience concerning levels of COVID cases. Yet more and more people are getting vaccinated every day, and demand is rebounding rapidly in some of our largest regions. Over 95

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

percent of our hotels are open globally and we've seen overall worldwide occupancy improve every month this year.

In March, we saw the largest month over month sequential increase in global occupancy since the beginning of the pandemic. Occupancy reached over 45 percent, up 9 percentage points from occupancy in February. March global RevPAR was down 53 percent compared to March of 2019, 8 percentage points better than February's decline. Global occupancy in April rose again, to around 48 percent. RevPAR for April declined roughly 50 percent compared to the same month in 2019.

We remain very encouraged by the strong recovery in Mainland China. While several markets were impacted by strict government-mandated lockdowns in January and February of this year, demand recovered quickly once COVID cases were under control and restrictions were relaxed. Occupancy in March was 66 percent, almost flat to the same time in 2019.

Importantly, despite limited international travel into mainland China, we saw robust demand from both leisure and business guests in March. Leisure transient room nights were above pre-pandemic levels for the third quarter in a row. Business transient room nights surpassed pre-pandemic levels in March, up 5 percent versus March 2019. While group room nights in March still trailed the same month in 2019, demand in this segment stepped up significantly after restrictions on large gatherings were lifted mid-month.

Seeing trends in Mainland China running near pre-pandemic levels gives us confidence in strong, full recoveries across all customer segments in other regions as conditions improve. We have seen demand pick up quickly and meaningfully in countries with early and swift vaccine rollouts like the U.S, the UAE and Qatar and in places where airlift has improved or travel restrictions have been relaxed like Mexico, Macau and the U.S. Virgin Islands.

While room nights overall are still heavily weighted to leisure, the resilience of demand is clear. And whether it's from conversations with business leaders, customers, friends or family, we know there is a significant amount of pent up demand for all types of travel given that so many trips had to be put on hold over the past year. For example, when the E.U. recently announced that they expect to be open to vaccinated U.S. travelers this summer, our reservation centers saw an immediate surge in call volume.

In the U.S., occupancy has increased swiftly this year with the acceleration of vaccine rollouts. In March, the U.S. and Canada region had the second highest occupancy behind Greater China, at 49 percent. The domestic rebound is still being primarily led by leisure transient demand. Special corporate and group bookings in the U.S. and Canada remain meaningfully below pre-pandemic levels but are slowly recovering. In March, special corporate bookings for all future stays exceeded February's bookings by 25 percent, the largest sequential monthly increase in this customer segment since the pandemic began. And special corporate bookings took another nice leg up in April, improving 13 percent over March.

Group bookings for the U.S. and Canada also continued to pick up, as meeting planners are increasingly optimistic about the recovery and are feeling more confident that they can plan events, especially in 2022 and beyond. At the end of the first quarter, group revenue on the books for 2022 was down less than 15 percent compared to pre-pandemic levels, as compared to group revenue on the books as of the end of the first quarter of 2019 for 2020. Perhaps more importantly, rates for group room nights booked in the first quarter for 2022 and 2023 are currently 6 percent and 10 percent, respectively, above pre-pandemic levels, demonstrating that we are not trading rate for occupancy.

Turning to our other regions, demand continues to improve in the Middle East and Africa. March occupancy reached 45 percent, driven primarily by local leisure staycations, sporting events and room blocks for medical personnel related to vaccine rollouts.

The recoveries across Asia Pacific Excluding China, or APEC, and the Caribbean and Latin America, or CALA, have been more uneven. In APEC, strong demand in Australia and the Maldives has been offset by rising COVID cases in other countries like India and Japan. In CALA, while many resort properties are enjoying strong demand, especially from U.S. leisure travelers, urban markets remain challenged.

In Europe, given rising COVID cases and strict restrictions in many countries, 25 percent of the region's hotels are currently closed, and the recovery has been much more muted.

Our marketing teams are employing localized and personalized marketing strategies that utilize our direct channels to help capture more leisure, as well as "bleisure" travel, as the lines between work and home blur. We are especially focused on leveraging our powerful Marriott Bonvoy loyalty program and on enhancing the platform through new, expanded collaborations that help make the program even stickier for our 150 million members.

Interacting with our members who are not yet ready to stay in a hotel has been a priority for us throughout the pandemic. Our co-branded credit card holders have been particularly engaged, and new cardholder acquisitions are improving as well. Helped by popular spending incentives, first quarter global credit card spending was down just 5 percent versus the first quarter of 2019. We continued to grow our global co-brand portfolio with the recent introduction of new cards in South Korea and in Mexico, bringing the total number of countries with co-brand cards to seven. The early results from these recent launches have been excellent and are a strong testament to the power of our brands and the Bonvoy platform in markets around the world.

Another way Bonvoy members have been engaging with us is through the whole home rental platform, Homes and Villas by Marriott International, or HVMI. While HVMI does not have a material impact on our financials, it is complementary to our portfolio of hotel brands. With roughly 30,000 listings, it continues to grow and is a popular way for members to earn and redeem points. We also recently announced a new program with Uber allowing members in the U.S. to earn loyalty points in high-frequency activities like ride hailing and food delivery. Early engagement for this program has been quite strong.

The health and safety of our guests and associates is extremely important to us. We first rolled out our elevated cleanliness standards over a year ago. Since then we have continued to evolve our contactless experience and leverage technologies such as mobile and web check-in and mobile key to help meet the changing needs of our guests while also driving productivity. We are currently testing contactless arrival kiosks and contactless grab-and-go marketplaces at several select-service properties across the U.S. as part of our efforts to further streamline our operations and enhance the guest experience.

Over the past year, we've ramped up engagement with our owner and franchisee community through multiple channels of communication. We have worked very hard to help owners lower their costs and maximize hotel operating margins in this low occupancy environment. We continue to work closely to align on priorities as we navigate the recovery together.

Turning to development, our pace of signings has picked up and is dramatically better than it was for much of last year. Our conversion activity was particularly strong in the quarter. As we talked about on our last call, in February we signed a conversion deal in CALA for approximately 7,000 all-inclusive rooms, positioning us to be a top 10 player in the popular and fast-growing all-inclusive space. Given our impressive roster of conversion friendly brands and the meaningful benefits associated with being part of the Marriott system, we expect our momentum around conversions will continue.

We added over 23,500 rooms to our system in the first quarter, 60 percent more than the first quarter of last year. Thirty-one percent of the rooms added were from conversions, the highest percent in any quarter over the last six years.

Looking ahead to the full year, we still expect gross rooms growth could accelerate to approximately 6 percent and net rooms growth could be roughly 3 to 3.5 percent. While we, and the industry, are still seeing some delays in construction starts, 45 percent of our industry-leading pipeline of approximately 491,000 rooms is already under construction. Our net rooms growth expectation includes a one-time 100 basis points headwind from the 88 Service Properties Trust, or SVC, hotels that left our system in the first quarter. We look forward to replacing the mostly limited-service, first generation SVC hotels with newer product and are already in active discussions for new deals in nearly three-quarters of the portfolio's markets.

Before I turn the call over to Leeny to talk about our financials in more detail, I want to say that our hearts are with everyone who has lost colleagues, friends or family because of COVID-19. We have all witnessed the devastation caused by this pandemic, and it is hard to see the alarmingly high number of COVID cases in too many countries today.

I also want to recognize our amazing team of associates around the world, who have worked tirelessly throughout these uncertain times. I couldn't be prouder of their dedication, determination, and resilience during this crisis. They have redefined what it means to truly take care of each other and our guests.

I do believe that Marriott will continue to see improving global trends, and that we can all look ahead with real optimism. We are seeing wonderful signs that demand for travel is undeniably resilient. While some regions will recover faster than others, based on the progress we have seen to date, I am confident that it is not a question of if demand will return to pre-COVID levels, it is really only a question of when. Leeny?

Leeny Oberg: Thank you, Tony.

We were pleased with the pace of continued recovery in our business during the first quarter, particularly in the U.S. In the first quarter, global occupancy was 38 percent, and RevPAR declined 59 percent compared to the first quarter of 2019, and 46 percent compared to the first quarter of 2020. Our gross fee revenues totaled \$445 million for the quarter, down 29 percent compared to the year ago quarter. Franchise fees of \$306 million declined only 26 percent year over year, with our non-RevPAR-related fees proving to be particularly steady. They totaled \$141 million in the first quarter, up slightly over the year ago quarter.

Credit card branding fees were \$81 million, down only 12 percent year over year, and we are also seeing strong performance in our branded residences business, where fees were \$11 million higher than a year ago. Incentive management fees, or IMFs, were \$33 million in the quarter. Around 45 percent of our IMFs were earned in Asia Pacific, mostly from hotels in Greater China.

In the first quarter, which has traditionally been the seasonally lowest quarter of the year, Adjusted EBITDA was \$296 million. G&A improved by 22 percent versus the first quarter of last year, primarily due to \$50 million of lower bad debt expense and \$14 million of lower guarantee reserves. Expenses in the 2021 first quarter included \$14 million of additional non-recurring executive compensation related to leadership changes.

As Tony mentioned, we have been working closely with our hotel owners to right-size costs at our hotels given their low occupancy levels. We are pleased that we have been able to reduce hotel breakeven occupancy levels significantly. Many of our initiatives to streamline operations and improve productivity, such as more efficient management staffing levels at many of our managed hotels, will remain in place after the pandemic and should help offset wage inflation. Additionally, we are currently assessing post-COVID renovation and brand standards, with a view towards finding more ways to improve hotel profitability while preserving the quality and experiences guests expect of our brands when they stay with us.

While the operating environment has been quite challenging for more than a year, we have been pleased that the vast majority of our hotels continue to pay their bills. We have even seen the number of hotels on payment plans come down meaningfully over the last several months as occupancy has improved.

Turning to our cash flow, even in this low RevPAR environment, cash provided by operating activities was \$27 million in the quarter. That amount reflects, in part, the impact of roughly \$90

million of reduced cash payments from the co-brand credit card companies. As you may remember, the company received \$920 million of cash in May 2020 as part of amendments to our credit card agreements, and we will therefore see lower cash payments for the remainder of 2021 through 2023. If you add back that roughly \$90 million, and also subtract capital and technology expenditures, loan advances and other investing activities of \$39 million in the quarter, the company generated positive cash flows of around \$78 million.

We have been very pleased with the strength of our cash generation throughout the pandemic. It's a clear reflection of our ability to quickly and effectively adapt our business, and a real testament to the power of our asset light business model.

At the end of the first quarter our net liquidity improved to approximately \$4.7 billion, representing \$600 million in available cash balances plus \$4.1 billion of unused borrowing capacity on our revolver. During the quarter we increased our weighted average debt maturity with a 10-year \$1.1 billion bond issuance that has a 2.85 percent coupon and we also retired \$750 million of senior notes.

As we look ahead to the rest of 2021, assuming continued progress with vaccinations and an improving consumer and macro-economic environment in many regions around the world, we believe that the pace of the global recovery will continue to accelerate. While trends will vary by region, we expect overall leisure demand will strengthen further into the summer months. In the U.S. and Canada, reservations at our resort hotels are particularly strong. Booked transient room nights for stays 30 days out or more are now over 60 percent above 2019 levels. And on top of that, rates are almost 20 percent above 2019 levels. Occupancy on the books for our resorts in the region is higher relative to the same time in 2019 for every month through the end of the year. We believe business transient and group will continue to slowly improve for now. And then business demand could really accelerate in the fall as more businesses re-open, with business transient returning faster than group given the lead time that is generally required for booking group business.

As we think about the cadence of RevPAR recovery, ADR is also a key factor. It's encouraging to see that where demand has rebounded swiftly, ADR has come back quickly as well. In March, Hainan, the popular resort market in China, achieved occupancy of 79 percent, driving ADR 40 percent above 2019 levels and resulting in March RevPAR over 1.5 times higher than 2019 levels. Here in the U.S., occupancy across our 34 luxury resorts rose to 59 percent in March, leading to ADR up 26 percent over March of 2019. Similarly, certain resort properties in Caribbean destinations such as the Ritz-Carlton St. Thomas and The Ritz-Carlton Reserve Dorado Beach in Puerto Rico, saw record first quarter ADR as a result of sudden surges in occupancy.

While we feel optimistic about the recovery trajectory ahead, there is still too much uncertainty around timing to be able to give specific RevPAR or earnings guidance. But I will again provide color on specific items where we do have some visibility.

Starting with the top line, at current RevPAR levels, for full year 2021, we expect the sensitivity of a one-point change in RevPAR versus 2019 RevPAR on our fees could be between \$35 and \$40 million per year. Please note that given the nominal level of RevPAR in 2020, the impact of a one percentage point change in 2021 RevPAR compared to 2020 could be more like \$15 to \$20 million. As we have seen, the relationship is not linear given the variability of IMFs and the inclusion of non-RevPAR related franchise fees. For us to start earning meaningful levels of IMFs in the U.S. and other markets where IMFs stand aside to owner priorities, we will still need to see significant improvement in RevPAR. We expect our non-RevPAR related fees to continue to show the impact of improved credit card spending and strong fees from our branded residences.

We now expect full year G&A to be at the top end of the range we shared last quarter, or roughly \$800 million, primarily due to the additional non-recurring executive compensation associated with our recent changes in leadership and higher outside legal fees. This is significantly lower than G&A in 2019, and I will also note that the cash component of G&A will be meaningfully below this range given non-cash stock compensation.

Interest expense is still anticipated to be roughly \$430 million for the full year. Full year cash taxes are now expected to be \$300 to \$325 million.

Another element related to our company's cash flow is the loyalty program. As leisure demand has accelerated and been particularly strong for our resort properties, we have seen loyalty redemption nights pick up nicely. We expect this trend could continue, as our Bonvoy members are excited to travel again. Even if redemptions do increase, given our focus on carefully controlling program administrative costs, we anticipate that full year cash flows from the loyalty program could be positive before factoring in the reduced payments we will receive from the credit card companies. After factoring in these reduced payments, which are expected to effectively repay around one-third of the total \$920 million we received in 2020, cash flows from loyalty could be modestly negative.

Our expectation for 2021 investment spending has not changed. Full year investment spending excluding amounts expected to be reimbursed over time is anticipated to total \$375 to \$450 million for the year. We anticipate another \$200 million of investment spending that is expected to be reimbursed over time. This would lead to total investment spending of \$575 to \$650 million, as compared to \$375 million in 2020. As a reminder, approximately \$220 million of the total spending in 2021 is for maintenance capital and our new headquarters. Total investment spending includes capital and technology expenditures, loan advances, contract acquisition costs, and other investing activities.

In closing, we are pleased with our progress so far this year and are increasingly confident that the pace of recovery will improve significantly from here. We hear from so many people who are eager to get back on the road, and we look forward to welcoming more and more guests at our hotels.

We will now open the line for questions.

QUESTION AND ANSWER SESSION:

Joseph Greff - JPMorgan Chase & Co.: Tony, you're probably the best guy at Marriott to ask this question, given your background in development. But can you just talk about your medium-term views on full-service urban development in the U.S. and how long that takes to recover?

And then maybe related to that, can you talk about within the net rooms growth outlook for this year, if you wanted to kind of break it out between -- on a global basis between managed and franchise, that would be helpful to us.

Tony Capuano: Sure. Thanks, Joe. Well, as we've said for a while, the fluidity of the markets makes it pretty tough for us to look much beyond the end of 2021. We continue to feel confident in the forecast we've given you for 6 percent gross rooms growth through the end of 2021 and 3 percent to 3.5 percent net rooms growth, 4 percent to 4.5 percent if you back out the onetime headwind from SVC.

On the mix of full-service versus limited-service, maybe I would point to the current pipeline. So, if you look at the current pipeline today, interestingly, about 40 percent of the global pipeline is full service. And even within that 40 percent, 25 percent of those full-service rooms are in the luxury tier. And I think that's quite encouraging for us. As you know, the fees coming out of a new luxury hotel can easily be 10x that of a limited-service hotel. And so, I think we continue to focus certainly on the metric of gross and net rooms because that's an important metric. But as you've heard me, Joe, say for years, looking at the composition of those rooms is every bit as important.

Shaun Kelley - BofA Securities: I was just wondering if you could comment a little bit more on some of the changes in brand standards that were mentioned. Obviously, it seems like some of this is here to stay. But also, just wondering where you're at in that overall review process and sort of what does that mean for owners as we move into the kind of fall as occupancies pick up? Because we've definitely seen an explosion in margins for some hotel owners, but it seems like that's in part because they were still running on contingency plans a little bit. So just kind of curious on your comments.

Leeny Oberg: Sure. Absolutely. You're right, and this is, obviously, a pretty fluid situation.

So kind of the first part of this is around the dramatic changes that we made last year, which, obviously, cut down to the very bare bone of what we needed to do at a hotel to manage with extraordinarily low levels of occupancy. But then as you've seen demand pick back up, particularly in the resort hotels, we've obviously added back meaningfully more in the way of services for our guests.

But to your point, we've also got the reality that guests also have their own views on what they feel comfortable with as it relates to housekeeping. And so we have made sure that there are

choices for them to be able to, for example, in a luxury hotel, continue to have daily housekeeping, while, if they are not comfortable with somebody coming in with their stay, then they can have that, too.

Our view is that we will continue to be looking at this really with an eye towards occupancy in a variety of markets where we're going to need to be flexible. But I do think by the end of the year, Shaun, that we will have been able to make some decisions as we look forward about how we'll manage this as occupancy really gets back closer to being normal. And in that regard, we do believe that there are some things that we can do to improve the productivity of the hotels. It obviously varies a lot by the tier. What is expected at a select-service hotel is very different from a beach luxury hotel. But I do expect as we get into 2022 that we will have reestablished where we are on the brand standards.

As you know, renovations is also a whole other topic. And there, we've got to make sure that we're taking into consideration the dramatically lower cash reserves that the hotel owners have and picking our spots and making sure that we're picking the renovation work that is critical to the customer experience.

Thomas Allen - Morgan Stanley: Leeny, can you just give us some more detail on the owned and leased segment performance there and how you're thinking how that's going to recover through the year?

Leeny Oberg: Sure. You're right on the money in terms of the question about the variability there, Thomas. Just as a quick reminder, we've got 66 owned, leased hotels, of which, 20 are owned. And I think it varies so much depending on what is going on in the occupancies of these various markets.

So just to give you a sense, CALA and EMEA are where we've got really the toughest time for occupancy right now for our owned, leased hotels. And for that, if you think about the Elegant acquisition where we had those hotels compared to a year ago in the first quarter, they obviously had a dramatic change in their profitability year-over-year in the first quarter and similarly in Europe. But at the same time, I think in the U.S., what we're seeing is with the improved demand situation that those owned, leased profits are in better shape.

So broadly speaking, the other thing to remember is that in the first quarter, we also had \$17 million of termination fees, which actually helped your owned, leased line. And that tends to be, in a given year, something like \$45 million, in that ballpark. So, I think it, for better for worse, is going to depend very much on what happens in CALA as well as in EMEA to see these owned lease numbers rebound.

Smedes Rose - Citigroup Inc.: I was just wondering if you could talk a little bit about for the -- in the U.S. for the group bookings and the corporate -- maybe modest corporate pickup you've seen so far. Any -- it sounds like no, because you mentioned higher rates. But just in general, do you think companies are concerned around increasing their travel budgets after having enjoyed a

year of no travel and relatively high productivity evidently? Any kind of pushback or just kind of thoughts you're getting around that?

Leeny Oberg: Yes. So, I think -- again, I think for all of us, we are all seeing that the comfort people have around travel is now moving in the right direction but there is still uncertainty. And as you've got different vaccination rates in different part of the world, and even within the U.S. - - at different rates in the U.S., there is still some concern around getting everyone together in a large group. But interestingly, what we see is that by the time you get to 2022, we really aren't seeing cancellations there. And frankly, even when you look at the pace between Q3 and Q4, you see a notable difference.

And when you look at the ADR in the U.S., for example, for systemwide, you're actually looking at ADR from group pace being up versus 2019 starting in Q3 of 2021 all the way through 2022 and overall revenue being, from a group pace standpoint, 20 points better in Q4 than it is in Q3.

So, we do believe by the time we get to 2022, there is a lot of pent-up demand and that, from all that we hear from our corporate clients and association clients, that people are very anxious to be back in the groups. But whether that feels comfortable exactly in Q3 or exactly in Q4 is where we do sense hesitancy, but that once you get past 2021, that there is a full expectation that people will be getting back into doing their group business.

Tony Capuano: And I think just to build on Leeny's point, the statistics I gave you on rates for the front of 2022 and 2023 I think really speaks to your concern about reluctance. The fact that in the first quarter of 2022 our rates are 6 percent higher than they were 2 years ago and 10 percent for 2023² I think underscores Leeny's point that, that reluctance is fading as folks crave the ability to meet face-to-face.

Robin Farley - UBS Investment Bank: Two clarifications. One is just on the group business. I know you were talking about the rates ahead in -- starting in Q3. Did you say the total group nights for 2022, how that compares to pre-pandemic levels just in terms of the volume of nights?

Leeny Oberg: Yes. Total room nights at this point are down 16 percent. Now this is on group pace. This is not on the books. This is just group -- kind of the group pace that we're seeing. And they were down 16 percent compared to 2019 levels on rooms, as compared to this year, down 62 percent.

But again, it's early days, right? We've only seen Q1. So I think part of this is the uncertainty I was pointing out, that people are looking for just a little bit more clarity around, is it August, is it October when people are more comfortable having these large group meetings where everybody can be together.

² Rates for group room nights booked in the first quarter for 2022 and 2023 are currently 6 percent and 10 percent, respectively.

Robin Farley - UBS Investment Bank: And then -- and you said the down 16 percent was group pace but not group room nights on the books. Is that a number you could kind of ballpark for us that for 2022?

Leeny Oberg: For group room nights on the books at this point, we'll get back to you. I don't have anything specifically in front of me. I would guess, again, at this point, it's down a bit more than that as, again, you would expect in the year for the year. I don't know, Jackie or Betsy, if you have it.

Jackie Burka McConagha: Room nights -- in the U.S. and Canada, room nights are down 16 percent in 2022.

Leeny Oberg: Right. That's pace.

Jackie Burka McConagha: Yes. Right. And then revenues are down 14 percent.

Robin Farley - UBS Investment Bank: Okay. Sorry, I could circle back later. And then -- and maybe just one other clarification. When you're guiding for the gross and net for the year and just kind of looking at where Q1 came in, is there anything we should be keeping in mind about growth and net changes in the next couple of quarters?

In other words, clearly, there would have been maybe some construction delays in 2020 that -- so just thinking about is there -- are there quarters where the gross and net will not be as kind of consistent with the full year?

Tony Capuano: That's a good question, Robin. And again, it's a little hard to forecast quarter-to-quarter. I think what I would say to you is we continue to see some construction delays around the world but it's part of the reason we're so encouraged by the first quarter's volume of conversion activity. Conversions will -- have been, and will continue to be, a significant priority for our transaction teams around the world. And I think it's, in many ways, the one silver bullet we have to offset the impact of ongoing construction delays.

Leeny Oberg: And Robin, just to circle back, the -- on the books was the minus 16 percent of room nights that I gave you when we talked earlier.

In terms of bookings for next year, when we look at -- in the quarter, we also -- there, we're seeing that the room nights are down 30 percent if you're again looking solely at what was booked in Q1. But from the group that is on the books for the moment for next year, it was the 16 percent room nights that I described earlier.

Robin Farley - UBS Investment Bank: Okay. And those are both versus 2019. Is that right?

Leeny Oberg: Yes, they are. Yes, we find that to be a better comparison.

Robin Farley - UBS Investment Bank: Oh, yes. No, absolutely. I just wanted to make sure. Okay, great.

Patrick Scholes - Truist Securities, Inc.: One concern that I've been hearing from hotel owners, including one or more hotel REIT, REITs is regarding the automatic rebooking tools. These owners and REITs are feeling that the brands aren't doing enough in developing technology to prevent it, and they see these rebooking tools as a real resistance to increasing rates. Is there anything that you folks on your end can be doing to help with that?

Leeny Oberg: So, I'll make one comment. I guess I think the first thing is to look at where we did talk about some of our March numbers, which was when you saw that occupancy rebound dramatically, you also saw a rate respond extremely well and very dynamically.

So, our revenue management system is designed to be that dynamic, and we've spent a lot -- we've paid a lot of attention to making sure that we adjust it for what has happened to business over the last year and a half. And so I think from our perspective, we're very pleased with what we see in terms of rate discipline, the group numbers that we talked to you about, what we've seen on the special corporate side, which is that this year, rates stayed essentially flat.

So, it is something that we're paying really close attention to and market by market is -- right? This is very much something that happens depending on exactly what's going on for a particular tier in a particular market. So, we are very careful to be looking to make sure that as we see the pickup in demand that we're adjusting for rate extremely quickly.

Stephen Grambling - Goldman Sachs Group, Inc.: I may have missed this in the opening, but can you remind us of your capital allocation priorities, including how you might consider reinstating the dividend or buyback? And how do you think the pandemic has altered your view longer term on the right balance there?

Leeny Oberg: Sure. So, as we talked about before, we are working quickly to get our leverage ratios back in line. We are still not there. We have a ways to go as you think about our EBITDA still being in the ballpark of down 60 percent to where it was before. And we are determined to, through both the spending, the cost, the cash management as well as obviously stimulating demand, to getting back there as quickly as we can. And we're confident that we're going to get there and hopefully sooner rather than later.

When we think about capital return, I'll also point out that we have worked hard to extend our weighted average maturities on our debt over the past year and a half, which I think does put us in good position to be thinking about capital return once we get our leverage ratios back where we want them to be. I can't predict exactly when that will be. And I think when you ask about the question of will we be keeping them at a different level, I think a lot of this does depend on how we see business coming back and the stability of it.

So, we will see when we get there, obviously, discussions with our Board on that topic and continue to look forward to that conversation. But again, I'm confident that we will be there before too long.

David Katz - Jefferies LLC: I wanted to go back to the notion around prospective inflation and twofold, one being the degree to which that may play into construction costs and have some impact on new construction starting up again. And secondarily, we have an awful lot of discussions about labor costs across our coverage and the degree to which that is factoring into your thoughts today.

Leeny Oberg: So, I'll start on the hotel margin side and then Tony can talk about the development side. On the hotel margin side, as you've heard us talk about before, so much of how we hold on to these margins depends on how fast demand comes back. Because we do believe that there's some work that we've done that will permanently help keep some of this margin improvement. But obviously, depending on how long it takes for demand and ADR to come back, you've obviously got annual wage inflation risks that start to cut against some of the savings that we've come up with. So, in that -- from that respect, we do watch really carefully.

I'd say roughly 50 percent of a full-service cost structure is related to labor, and we are watching that very carefully as we see demand come back and look at all the things that we've done on the productivity side. But the pace there is very much around how quickly demand comes back.

So far, from what we can tell, we do like what we see in terms of the pop-back on rate and feel good about our ability to hold on to some of these savings in a more permanent way. But obviously, wage inflation is something that we see, and frankly, it has typically been the case that when you have inflation on wages, you often also have inflation on ADR, which helps to offset that. On the development side, I'll turn it over to Tony.

Tony Capuano: Yes. I mean I think the point Leeny just made is an important one, which is that our owner and franchisee community look at both sides of that coin. We are seeing increases in construction costs, both on the labor and materials side. But as you've heard from us in the past, our owner community doesn't necessarily try to time the market based on cost factors in a given quarter. They tend to be long-term holders of these assets.

And to Leeny's point, while they are appropriately aware of potential impact of inflation on wage rates, they also embrace the historical impact of inflation on ADR growth.

Michael Bellisario - Robert W. Baird & Co. Incorporated: I was hoping you can provide some details on RevPAR index performance during the quarter. I don't think you provided any numbers.

And then, also just bigger picture, thinking a little bit further out, where do you think systemwide index could normalize compared to pre-pandemic levels?

Tony Capuano: Both great questions. The challenge, obviously, is in this environment, I'm not sure I've ever seen an environment where RevPAR index numbers are less relevant. We look anecdotally at the way our hotels are ramping up and the preference that our guests continue to have for our brands. But as you know, we've essentially -- we've been pleased with the momentum we saw coming into 2020 on the improvements of index. And we think when we get beyond the pandemic, we expect to pick up essentially right where we left off in terms of improvements in index across the portfolio.

Leeny Oberg: Just as a reminder, index is done, as you know, at the local level. So right now, the index numbers can very often have a hotel that is either not open or it's just opened. And so, while, frankly, the numbers may overwhelmingly look really good, they also, frankly, are not really a good steady state view of how the hotel is doing because the demand is so volatile.

So, at this point, we just don't believe it's a number that is reflective of the real state of play for our hotels and our brands but look forward to them getting back that way.

Michael Bellisario - Robert W. Baird & Co. Incorporated: Got it. And can you provide where 2019 was for the portfolio?

Leeny Oberg: We don't talk about specific numbers but except to tell you that they were going up steadily across all the brands. And frankly, as we moved into 2020, what we saw in January and February moving into with some really powerful momentum as the full integration of our loyalty program and all of the systems was complete and really a strong set of movement across all the brands around the world on RevPAR index.

Richard J. Clarke - Sanford C. Bernstein & Co.: Just wanted to follow up on the 6 percent to 10 percent ADR uplift you were seeing in group. Is there anything behind that you called out in terms of mix? Is that helping -- is the U.S. recovering quicker there or different types of group? Or is this what you're charging? Are you charging up for this because of some of the new technology, the clean promises that are being put in there? And then maybe any commentary on what you're seeing in terms of rates for business transient as that comes back?

Tony Capuano: Yes, maybe I'll take the group question and let Leeny take the BT question. Nothing particularly remarkable. I don't think we're seeing any dramatic difference in trends from region to region. I think, as Leeny alluded to earlier, the strength of our revenue management infrastructure really is allowing us to drive rate in the face of what is really encouraging upticks in demand for group. And that really -- the demand for group is really kind of tracking the overall recovery rate trends we've seen by region across leisure and BT.

Leeny Oberg: And on business transient, this, again, gets to -- it's very market-specific. So, if somebody, frankly, needed to go and do business in Miami in the month of March or April, frankly, they were paying really strong rates. But in many markets, it's more a reflection in like New York City or Chicago, where it was obviously lower.

Special corporate kind of rates overall, though, in terms of our contracted rates with our corporate -- large corporate clients, as you probably know, they actually rolled over in 2021 from 2020. So, you see a pretty steady sort of pricing, while if you look at the last recession, they actually went down by 6 percent. So, we've been pleased to see them hold steady. I think, obviously, as we get into this fall, we'll see where that goes for 2022 because that's typically when we go out and renegotiate these rates for next year. But for this year, they've held pretty steady.

Tony Capuano: Well, I want to thank you all again for joining us this morning and your continued interest in Marriott. As we said at the outset, we continue to be encouraged at the pace of recovery around the world and look forward to hopefully sharing more good news a quarter from now. Thank you.

Leeny Oberg: Thank you.

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Note on forward-looking statements: All statements in this document are made as of May 10, 2021. 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 possible effects on our business of the COVID-19 pandemic and efforts to contain it (COVID-19); travel and lodging demand; future performance of the company's hotels; booking trends; our development pipeline, rooms growth and conversions; and similar statements concerning anticipated future events and expectations that are not historical facts. We caution you that these statements are not guarantees of future performance and are subject to numerous evolving risks and uncertainties that we may not be able to accurately predict or assess, including those we identify below and other risk factors that we identify in our Securities and Exchange Commission filings, including our most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K. Risks that could affect forward-looking statements in this document include the duration and scope of COVID-19, including the availability and distribution of effective vaccines or treatments; its short and longer-term impact on the demand for travel, transient and group business, and levels of consumer confidence; actions governments, businesses and individuals have taken or may take in response to the pandemic, including limiting, banning, or cautioning against travel and/or in-person gatherings or imposing occupancy or other restrictions on lodging or other facilities; the impact of the pandemic and actions taken in response to the pandemic on global and regional economies, travel, and economic activity, including the duration and magnitude of its impact on unemployment rates and consumer discretionary spending; the ability of our owners and franchisees to successfully navigate the impacts of COVID-19; the pace of recovery when the pandemic subsides; general economic uncertainty in key global markets and a worsening of global economic conditions or low levels of economic growth; the effects of steps we and our property owners and franchisees have taken and may continue to take to reduce operating costs and/or enhance certain health and cleanliness protocols at our hotels; the impacts of our employee furloughs and reduced work week schedules, our voluntary

transition program and our other restructuring activities; competitive conditions in the lodging industry and in the labor market; relationships with customers and property owners; the availability of capital to finance hotel growth and refurbishment; the extent to which we experience adverse effects from data security incidents; and changes in tax laws in countries in which we earn significant income. Any of these factors could cause actual results to differ materially from the expectations we express or imply in this document.