Marriott International, Inc.
Second Quarter 2022
Earnings Conference Call Transcript[1]
August 2, 2022

Operator: Good day, everyone, and welcome to Marriott International's Second Quarter 2022 Earnings Conference Call. Today's call is being recorded. I will now turn the call over to Jackie Burka, senior vice president, Investor Relations.

Jackie Burka: Good morning everyone and welcome to Marriott's second quarter 2022 earnings call. On the call with me today are Tony Capuano, our chief executive officer, Leeny Oberg, our chief financial officer and executive vice president, business operations, 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 Average Daily Rate (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 2022 and 2019 reflect properties that are defined as comparable as of June 30, 2022, 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. Additionally, unless otherwise stated, all comparisons to pre-pandemic or 2019 are comparing the same time period in each year. 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: Thank you, Jackie, and thank you all for joining us this morning.

We are very pleased with our second quarter results, which were driven by robust demand for our brands around the world. By the last month of the quarter, RevPAR in all regions outside of Asia Pacific had more than fully recovered to pre-pandemic levels, leading to June global RevPAR one percent above 2019. Worldwide occupancy for the month rose to 71 percent, just 5 percentage points below pre-pandemic levels, with global ADR an impressive 8 percent over the same month in 2019.

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

Demand across all customer segments improved during the quarter. Record leisure demand strengthened further, with second quarter global leisure transient room nights 14 percent above the 2019 second quarter.

Group demand experienced the greatest acceleration. In the U.S. & Canada, group RevPAR had nearly fully recovered in June, down just one percent to 2019, compared to down 17 percent in March. Group revenue pace for the back half of the year has also continued to improve. June in-the-year-for-the-year new bookings were up 50 percent compared to those bookings in June of 2019. At the end of the second quarter, group RevPAR for the remainder of 2022 was pacing just a few percentage points down to 2019. We expect additional short-term bookings will further bolster group revenues, which could lead to second half group RevPAR in the U.S. & Canada being even to up slightly compared to 2019.

Our sales team remains focused on driving group average rate, which has been steadily rising for new bookings. At our hotels in the U.S. & Canada, ADR for in-the-year-for the-year group bookings made in January was just above 2019 levels, but by June the rate had risen to up 16 percent.

Business transient demand also strengthened, albeit at a more moderate pace, as workers returned to the office in greater numbers. In the U.S., June business transient room nights were 9 percent below the same month in 2019, versus down about 20 percent in the first quarter.

Day-of-the-week trends in the U.S. & Canada suggest that travelers are continuing to combine leisure and business trips. While occupancy mid-week has continued to recover, in June, Monday through Wednesday occupancy was still around 10 percentage points below 2019. Occupancy on Fridays and Saturdays was fully recovered, and occupancy on Thursdays and Sundays, typically known as “shoulder nights”, was close to 2019 levels.

With nearly all major countries around the world having opened their borders, rising cross-border travel was another key driver of the solid recovery during the quarter. However, cross-border travel is still not fully back to pre-pandemic levels, so there is still additional upside, especially from Greater China, where stringent travel restrictions remain in place.

While we are closely monitoring consumer and macroeconomic trends, we have yet to see signs of a slow-down in global lodging demand. On the contrary, the pent-up demand for all types of travel, the shift of spending towards experiences versus goods, sustained high levels of employment, and the lifting of travel restrictions and opening borders in most markets around the world, are fueling travel. And as Leeny will discuss, we expect to see continued RevPAR recovery through the end of the year.

As travelers get back on the road in increasing numbers, our 169 million Bonvoy members are more actively engaging with our powerful loyalty platform. Monthly active users of our app, digital visits and direct digital bookings, which help drive owner and franchisee profitability, all reached new highs in June. Additionally, more members are earning and using points outside of a hotel stay, as a result of our focus on enhancing the platform through numerous collaborations. The number of Bonvoy co-brand credit card holders is climbing globally, with card acquisitions and total card spend both hitting record levels in the second quarter. Remarkably, the number of global card accounts rose 16 percent from the end of 2019 through the end of the second quarter this year. In July, we introduced a new credit card in China, and the initial response has been tremendous.

Turning to the development front, the pace of deal activity continues to pick up. In the second quarter we signed another 135 deals, a second quarter record following a record first quarter. Additionally, despite supply chain issues, labor shortages, cost inflation, and rising interest rates, the number of deals falling out of the pipeline remains below historical levels.

Interest in conversions remains particularly strong, given the breadth of our roster of conversion-friendly brands across chain scales, as owners continue to seek out the meaningful top and bottom-line benefits associated with being part of the Marriott portfolio. Conversions represented 30 percent of room signings in the quarter. One win to highlight is a recent landmark agreement for eight hotels in Vietnam with Vinpearl, a new owner to our system. The deal includes six conversion hotels that are expected to add 1,700 rooms to the system.

Conversions also represented 25 percent of the roughly 17,000 rooms added to our system in the quarter. While construction timelines have lengthened a bit this year in most markets due to supply chain disruptions and labor shortages, we still expect the number of room additions to ramp in the second half of this year.

For the full year, gross additions are still anticipated to approach 5 percent. Given our announcement several weeks ago that we are suspending all operations in Russia, we now expect a 1.5 to 2 percent deletion rate for 2022. While our expectation for deletions outside of Russia remains at 1 to 1.5 percent, the deletion of 6,500 rooms in the country represents almost half a percentage point. Now as a reminder, fees from Russia represented well under half a percent of global fees in 2019. We have not been recognizing fees from Russia for many months now, and the financial impact of these rooms leaving is de minimis.

So our net rooms growth for 2022 could now be 3 to 3.5 percent, or 3.5 to 4 percent before factoring in the deletions in Russia.

We remain confident that over the next several years, we will return to our pre-pandemic mid-single digits net rooms growth rate. The timing will largely depend on when new construction starts, which have trailed well below 2019 levels for the last two years, really begin to accelerate, particularly here in the U.S. Construction timelines in the U.S. are currently just over two years for a limited-service hotel, and longer for full-service properties.

Looking ahead, with the largest footprint in the industry, strong owner affinity for our brands, and the improving global travel environment, I am bullish about the company's future growth prospects for development, and for the company overall. I want to take a moment to thank all of our associates around the world - their commitment to taking care of our guests has helped produce our outstanding results, and I am so very proud of their dedication and resilience.

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

Leeny Oberg: Thank you, Tony.

Global RevPAR continued to rebound sharply, and Marriott reported outstanding financial results in the second quarter. Record quarterly global fees and adjusted EBITDA were both 7 percent above the same quarter in 2019. Second quarter global RevPAR was down only 3 percent compared to pre-pandemic levels.

Looking at the regions - in the U.S. & Canada, RevPAR came in ahead of our expectations, largely due to stronger than anticipated growth in ADR and group demand. Compared to 2019, RevPAR in the U.S. & Canada was up one percent in the quarter and up 3 percent in June. ADR has improved each month this year, reaching 9 percent above pre-pandemic levels in June. Occupancy further strengthened from the first to the second quarter on both an absolute basis and versus pre-pandemic levels. June occupancy of 76 percent was within 4 percentage points of the same month in 2019.

In June, U.S. & Canada RevPAR more than fully recovered across all market types – primary, secondary, and tertiary – for the first time since the pandemic began. It has been very encouraging to see demand come back so powerfully in major cities like New York, where RevPAR increased 7 percent versus June 2019.

With borders open in Europe, the room nights from international guests more than doubled in the region from the first quarter to the second. With this strong return of international travel, Europe has experienced the swiftest RevPAR recovery of all our regions this year. RevPAR in Europe topped 2019 levels in June, a remarkable 57 percentage point increase from January.

Cross-border travel also helped drive strong second quarter results in the Middle East and Africa, and in the Caribbean and Latin America area. Second quarter RevPAR rose 16 percent in MEA and 13 percent in CALA, compared to 2019.

Asia Pacific excluding China saw rapid RevPAR improvement during the second quarter, as the region is now mostly open, with India and Australia more than fully recovered. Second quarter RevPAR was down 22 percent compared to 2019, given the lack of travelers from Greater China and the fact that rigorous travel restrictions remain in place in Japan, one of our largest markets in the region.

Greater China continues to lag the recovery of other regions due to its strict zero-COVID policy. RevPAR during the quarter declined more than 50 percent compared to 2019, as a result of the lockdowns in many cities including Shanghai and Beijing.

Total company gross fee revenues totaled $1.1 billion in the quarter, driven by higher RevPAR, rooms growth and another quarter of significant growth in our non-RevPAR related franchise fees. Those fees totaled $204 million in the second quarter, driven largely by growth in our co-brand credit card fees, which rose a remarkable 38 percent year over year.

Incentive management fees, or IMFs, increased meaningfully in the quarter, reaching $135 million. Over half of our IMFs came from the U.S. & Canada, where we earned more IMFs than we did in the second quarter of 2019.

At the hotel level, working closely with our owners and franchisees to contain operating costs while delivering superior customer service remains a key area of focus. Profit margins at our U.S. managed hotels were 3 percentage points above 2019 levels in the second quarter, despite meaningful wage and benefit inflation. We are keeping an eye on wages and benefits, as industry staffing challenges persist in certain markets. Yet we remain optimistic that our cost reduction efforts could offset this inflation in future years.

G&A and other expenses totaled $231 million in the second quarter, primarily due to higher incentive compensation accruals, as well as increased travel expense.

With COVID now essentially endemic, global borders overwhelmingly open, and business somewhat more predictable, we are providing guidance for the third quarter and the full year. The full details are in our press release. There is still a higher than usual degree of uncertainty in our outlook, especially as it relates to Greater China, but we are encouraged by the positive momentum in demand across customer segments and robust ADRs in the vast majority of markets around the world.

We expect the global RevPAR recovery to continue each quarter through the end of the year, driven by improving occupancy and ADR compared to 2019 in both the U.S. & Canada and internationally. On a worldwide basis, compared to 2019, we could see RevPAR flat to up 3 percent in the third quarter and down 6 to down 3 percent for the full year. Compared to 2021, global RevPAR in the third quarter could be up in the mid 30 percent range and for the full year it could be up around 50 percent.

For the full year we are now anticipating G&A expenses of $890 to $900 million due to higher compensation accruals, as well as travel expenses, but still well below 2019 G&A. And we expect adjusted EBITDA of $3.7 to $3.8 billion, above our prior full year peak in 2019.

We now expect full year investment spending of $600 to $650 million. Our guidance now includes roughly $200 million for maintenance capital and our new headquarters. Loyalty is still expected to be a slight use of cash for the full year before factoring in the reduced payments received from the credit card companies.

At the end of the second quarter our leverage was in the low end of our targeted range of 3 to 3.5x adjusted net debt to adjusted EBITDAR. We resumed share repurchases during the quarter and have already bought $448 million of stock as of July 29, in addition to paying our dividend in the second quarter at 30 cents per share. Our capital allocation strategy remains the same. We will make investments that enhance our growth and increase shareholder value, while returning any excess capital to shareholders through a combination of a modest cash dividend and share repurchases. We remain committed to our investment grade rating. Given our outlook for further global recovery and our powerful business model that is generating significant cash beyond our investment needs, we expect to return more than $2.2 billion to shareholders this year. This level of capital returns is included in the guidance we have provided today.

Looking ahead, I am very optimistic about our future. Marriott is incredibly well positioned given the breadth and depth of our unparalleled global portfolio, our powerful Marriott Bonvoy loyalty program, and the best team in the business.

Tony and I are now happy to take your questions. Operator?

QUESTION AND ANSWER SESSION:

Shaun Kelley - BofA Securities: I wanted to start off pretty much where you left off, Leeny, on the capital return program. I feel like once every 10 years or so, we get this quarter where everything kind of comes together on that. And obviously, it's a major increase from where we found ourselves at just a quarter ago. Could you talk about the levers there? And then sort of where does this take you as it would relate to your longer-term goals around your leverage range? Does this keep you solidly in the middle of that? Do you -- or where would it put you relative to that kind of at the end of the year? And maybe give us a little teaser for what this could mean for 2023 as well.

Leeny Oberg: Shaun, I think you said it best in your question. That it really is back to where we were in terms of the way the model fundamentally works. As I said in my statement, we are at the low end of the 3 to 3.5x adjusted debt to EBITDAR at the end of Q2, and we've given you a model that keeps us squarely and comfortably in that range. And we obviously want to keep our flexibility, both in terms of investment opportunities, as well as taking advantage of excess available cash. So, I think you'll continue to see us move forward with the exact same approach that we have taken for some time.

Shaun Kelley - BofA Securities: Great. And maybe just as a very quick follow-up, Tony, you gave a lot of great color just kind of walking us through group, leisure and a little bit on the business transient side, particularly the day of the week commentary. Could you just talk specifically around leisure, there's a lot of fear out there around the ability to lap some of the incredible rate gains that have occurred? So just what are you seeing maybe across some of the resort properties or areas where you know that the recovery happened a little faster and consumer demand patterns have changed? Any signs of weakness or softness that would concern you at all at this stage?

Tony Capuano: Thanks, Shaun. The short answer is not really. The already robust leisure demand that we've seen in the last couple of quarters continued to improve. Leisure room nights were up 14 percent to 2019 in the quarter, and they were only up 11 percent in the first quarter. So we continue to see acceleration, and we continue to see more and more of this blended trip purpose. In my remarks, I talked a little bit about day-of-the-week patterns. And so I think that's quite encouraging to us as well. And then, finally, we've not talked a lot about international cross-border travel. While we're seeing improvement, we're not back to where we were pre-pandemic, and we think that represents some upside on the leisure segment as well.

And then the last thing I would say is all of those are comments about demand levels. We continue to see really encouraging pricing power on the leisure side as well. It's a little early to talk about the winter holidays. But as we look at Labor Day, for instance, we continue to see double-digit increases in ADR relative to where we were pre-pandemic.

Joseph Greff - JPMorgan Chase & Co.: Tony, I was hoping maybe you could give us a sense of corporate rate negotiations for 2023 corporate rates. I know the last couple of years, they've been sort of nonevents because corporate demand has been relatively low. How are you thinking of corporate pricing? And maybe how are those negotiations different now versus what they've been in the past?

Tony Capuano: Of course. So as you know, for business transient, we rolled over special corporate rates since the beginning of the pandemic. We're just now starting the negotiation process for 2023. And so again, it's early, but we can certainly imagine those rates being up high single digits year over year in 2023.

Joseph Greff - JPMorgan Chase & Co.: Great. And then, Tony, just switching topics, you mentioned about net rooms growth accelerating, and this is before the impact of Russia, which I'm looking at it as sort of a onetime thing. But when you look at 2023, 2024, 2025 net rooms growth and during some periods seeing it accelerate from where you are now, does that require more meaningful financial assistance for Marriott to third-party hotel owners? Or is that just a function of kind of getting through sort of a longer construction timetable?

Tony Capuano: I think, much more the latter. Now I was quite thrilled with our conversion volume both on signings and openings in the second quarter. It is a competitive market for conversions. I'm quite pleased that we had more conversion openings than any of our peers in the quarter, and we'll continue to try to do smart conversions, which means we'll use the same capital discipline you've come to know us for even pre-pandemic. I think to really see acceleration, and this is an industry comment as much as a Marriott comment, particularly in the U.S., you have seen a slowing in construction starts. Just over the last quarter, we have seen that start to tick up, although not to levels we saw in 2019. But I think we will do our best to continue to drive conversion volume and do everything we can to get shovels in the ground.

You may know that I had the privilege to spend a little time with the administration last week, and one of the things that we spoke to the administration about, was seeking assistance to resolve some of the supply chain issues that continue to slow some of the construction starts.

Leeny Oberg: And Joe, just one follow-on. We talked about two record quarters of signings so far this year. And to your specific question, they did not involve a greater-than-usual element of capital from Marriott for those signings.

Tony Capuano: And then maybe just to put a fine point on your question, Joe, our confidence in our ability to get back to that mid-single-digit net unit growth, there's a couple of things in the release. The fact that we had quarter-over-quarter growth in the pipeline, the fact that we continue to have more than 200,000 rooms globally under construction, and that we continue to see accelerated volume in both signings and openings on the conversion front combined to strengthen that confidence.

Patrick Scholes - Truist Securities, Inc.: Question for you on the back half guidance or implied back half guidance. Would you say that is higher, same -- higher or the same than your internal assumptions as of last May, last earnings?

Leeny Oberg: Yes, it is. There's no doubt that the recovery has accelerated faster than we had originally anticipated. And I think it's both in rate and occ in varying parts of the world. I think the cross-border has been, obviously, incredibly encouraging to see that popped Europe as an example, meaningfully faster than expected. But yes, I think it is stronger than our expectations both a quarter ago. And then frankly, a quarter ago was better than we expected a quarter before that.

Patrick Scholes - Truist Securities, Inc.: Okay. Great. Then a follow-up question. This goes back to the lingering one about what percentage of business travel may be permanently gone. And in my data research, for the higher-end customer, it looks like down 20 percent to 25 percent. But my question with that is, how much do you think that higher-end customer has shifted to Thursday and Sunday nights? And how much has the smaller and medium-sized businesses offset that perhaps loss from the higher corporate customer?

Tony Capuano: Well, there's no question that the rapid improvement in occupancies in the shoulder days has been maybe a bit of a surprising but encouraging development. When we think about business transient demand, the small- and medium-sized businesses, they are back. They are back above 2019 levels of volume. As you point out, the bigger corporate customers, they are not quite back yet. But even there, we continue to see steady improvement, albeit not necessarily as rapid as we might like.

Robin Farley - UBS Investment Bank: Great. Two questions. One is on group for 2023. Are you starting to see that? I think a quarter ago, it may have been down 10 percent or 15 percent below group in 2019 at the time for 2020. Just wondering if you're starting to see the group sort of stepping up a little bit more because it seems intuitive at some point that, that could actually be higher than 2019. But wondering how that is shaping up right now.

Tony Capuano: Sure. So maybe I can give you a couple of statistics, and Leeny may provide some color as well. When we look at bookings for 2023 during 2022, we are down about 2 percent in revenue versus where we would have been for the bookings in 2019. But interestingly, ADR is up 16 percent. So we continue to see that strong pricing power. And we're even more optimistic, Robin, as you heard in our prepared remarks, because of the shorter booking window in group, even through the back half of this year, and most certainly into 2023, we expect those numbers to continue to improve as we see more and more short-term bookings.

Leeny Oberg: So Robin, I'll add a couple of comments. I think the major theme we've got is in the quarter, for the quarter, in the year, for the year. In June, the benefit of that really got us to where group RevPAR was only down 1 percent in the month. So, when we look at the rest of this year, from what's on the books currently, we are seeing low single digits for the rest of the year in terms of group revenue, while next year, we're still kind of in the 15 percent down, but I think you need to continue to think about this booking pattern, which is much closer to the actual event that has been filling in really nicely. So, it's not that different for 2023 versus a quarter ago except from what we're seeing in the quarter for the quarter, and even in the back half of 2022, we're seeing some really great fill-in business that has got us pretty close to 2019 levels where we could end up actually exceeding 2019 levels in the back half of this year.

Robin Farley - UBS Investment Bank: And that's exceeding in terms of rate, not necessarily group room nights but just in terms of total group revenues?

Leeny Oberg: Yes, that's total -- that is definitely total group revenue. Again, it's obviously where we are seeing it fill in, is not just rate. It's also occ as we fill in the business. But you're right, the rate on group has been performing incredibly well.

Robin Farley - UBS Investment Bank: Okay. Great. And then just the other question was in terms of conversions, which seems to be doing really nicely, is this -- I guess, how long do you think will the sort of the tail of conversions that are a result of the pandemic and the downturn? From what you've seen historically, when there are downturns, kind of how much after? In other words, is it sort of a year of higher conversions, a year out or 2 years of higher? I guess, how should we think about what trajectory the conversion demand may follow.

Tony Capuano: I continue to be quite bullish, Robin, on the trajectory of conversions for a few reasons. Number one, unlike some conventional downturns we've experienced in the past, where early in the downturn, you saw a lot of distress, the impact to our business was so severe that you saw the lenders being much more creative and accommodating with owners. So you didn't necessarily see a flood of distressed assets changing hands in the market. As demand and performance have recovered, there is the potential that there may be more assets in play, number one.

Number two, the portfolio of conversion-friendly brands we have, particularly our soft brands, Tribute, Autograph and Luxury Collection is more robust than we've ever armed our transactors in any other recessionary environment. And I combine those two factors, and it drives my bullishness about that trajectory.

Smedes Rose - Citigroup Inc.: I just wanted to ask you sort of conceptually, as the recovery kind of continues, which so far has been driven by such strong rate, which we've seen have great kind of flow-through to owners with lower occupancies, but as the world sort of continues to normalize, hopefully, next year, would you expect to see occupancies get back to pre-pandemic levels and potentially maybe a significant slowdown in rate in order to get there? Or do you think it's just sort of a structural change where owners are like we're going to charge higher rate, even if it means sacrificing occupancy to kind of simplify it?

Tony Capuano: Well, as Leeny mentioned in response to an earlier question, we do believe the recovery will continue to be driven by both occupancy and rate. You also heard her refer a bit to some of the murkiness beyond the end of the year. But we do expect both occupancy and rate continue to improve through the end of 2022. And we continue to be pleased with the pace of rate recovery through the first half of this year.

Leeny Oberg: So one other comment, Smedes, and that is that -- to remember that we're comparing to 2019. So that on inflation adjusted numbers, rate has not kept up with kind of real rates. So in that regard, I think while it's fabulous and we're thrilled to see that consumers love travel and don't want to put it off, the reality is that there is inflation and that we are pricing these rooms on a very frequent basis and that, on a real rate basis, they are not back to 2019 levels.

David Katz - Jefferies LLC: I wanted to -- I just wanted to drill down a little deeper on for corporate travel. If you could color us in just a little bit, there's so much data and useful out there about certain cities versus others, urban versus nonurban, corporate. Is there anything that you can share that you are picking up in your flow with respect to urban versus not and those various segments?

Tony Capuano: Well, what I can tell you, some of this may be a little more anecdotal, but the early days of the recovery were clearly dominated by leisure destinations, trailed significantly by what we saw in the urban core. In many of the major urban markets across the country and across the world, we continue to see a reasonably steady and encouraging improvement in terms of both occupancy and rate. And we hear anecdotally from our corporate clients. We're seeing more and more return to the office, which is driving business demand.

And when we look at some of the big major markets that I think are decent indicators for us, you look at New York, for instance, that had an 86 percent occupancy in the quarter. You look at San Francisco, 78 percent; Washington, D.C., 76 percent; Los Angeles, 80 percent. You are seeing steady volumes of demand recovering in many of those markets that were trailing the leisure destinations.

David Katz - Jefferies LLC: Understood. And just as a quick follow-up. Leeny, in your comments you made, I think, kind of a passing comment about labor. And if you could go just a little bit farther as to whether you are still seeing wages continue to increase, whether they're flat or taking some other direction and, within that, the international element within the United States and the degree to which that labor force is starting to return or whether it hasn't yet, and what those outcomes might be, would be helpful.

Leeny Oberg: Sure. Yes. We are seeing -- continuing to see hourly wages go up. And when I look at it compared to 2019, the reality is, overall, and this comment is actually regarding U.S. & Canada, that it has kept up with inflation, if not just a teeny bit higher than that. It has slowed. The pace of increase has slowed. And one of the things that I think is interesting is to look at the positions that we're trying to fill if, for example, normal staffing levels were that we were trying to fill the final 95 percent to 100 percent of the positions we needed at the hotel level. Right now, we're at 93 percent.

So it's definitely improved. It is not back to where we were in 2019 in terms of the labor shortage, but we're definitely seeing steady improvement, and the wage increases have slowed. Outside the U.S., it's much more varied. It really depends on the particular market. And I would say Europe probably has seen some more similarities to the U.S., while in Asia Pacific, for example, there's really been far less of the kind of pressures that we've seen in the U.S.

Brandt Montour - Barclays Bank PLC: Curious if you could unpack leisure demand a little bit more, and maybe let us know if you are seeing greater dispersion and pricing elasticities between your luxury end and your more middle brands.

Leeny Oberg: So a couple of things. One of the easiest ways to think about luxury is that rate has continued to stay very strong. But what we've also seen is that the markets that were previously weaker, like a New York or a San Francisco, the luxury hotels in those markets are now filling in. They, on average, are not necessarily quite as high as in some of the resort markets. So it actually makes it look, on a blended basis, like the gains in ADR in luxury are not as strong, while the reality is just the opposite, that they continue to be quite strong.

I think one of the most encouraging things to see is that the overall luxury portfolio is continuing to gain in both occ and rate. And then as Tony was talking about earlier, I think it's also particularly encouraging to see the premium market, the Marriotts, the Sheratons, the Renaissances in kind of all markets really recovering now more in the second quarter meaningfully than they were in the first quarter.

So we really don't expect that we are depending on continued additional ADR gains in luxury through the rest of this year, but we do continue to see really strong demand. So I think it is that rising tide-floats-all-boats view of what we're seeing, which is demand across all segments continuing to strengthen.

Tony Capuano: And I think just to give some context to that, we still saw in the second quarter in the U.S. & Canada, luxury rate up 23 percent in the quarter versus 2019. So lots of questions around how much runway we have for luxury but another really solid quarter in terms of the luxury pricing.

Brandt Montour - Barclays Bank PLC: That's helpful. And then just a follow-up on business travel. When you think about your large portfolio of corporate accounts, I was just curious if you could give us a sense of how much of your demand mix is earlier stage companies within technology, biotechnology and other slices of the corporate world that could potentially be reining in expenses faster than average.

Tony Capuano: Yes. So maybe I'll try. SMEs represent now about 60 percent to 65 percent of our business transient demand, which is a bit higher than what we experienced pre pandemic. The bigger corporate clients continue to steadily improve. And over time, we expect to get - maybe not all the way back but closer to where we were in terms of the mix of SMEs versus large corporate clients. But right now, it's in the 60 percent to 65 percent range that is the category I think you're talking about.

Michael Bellisario - Robert W. Baird & Co. Inc.: First, just a quick modeling question. I think you've given the sensitivity of $25 million to $30 million of fee revenue for a 1-point change in RevPAR. What is that updated range? And then how might that ratio change looking out to 2023 in a more normalized growth environment?

Leeny Oberg: Yes. Sure. Comparing to 2021, it's $25 million to $30 million per point of RevPAR in 2022 versus 2021. We're not in a position yet to talk about 2023, all of that budgeting work. But I would expect it to continue to be somewhat similar. It varies, as you know, depending on what part of the world the improvements happen. It's obviously more per point of RevPAR compared to 2019. You get into the weeds on differences in comp sets, et cetera. But it is probably closer to $40 million per point if you're comparing a point of RevPAR in 2022 to 1 point of RevPAR in 2019.

Michael Bellisario - Robert W. Baird & Co. Inc.: Got it. That's helpful. And then just one follow-up on group. Can you maybe provide some details on what group planners are asking for differently today and then maybe how booking patterns are either the same or different today versus pre pandemic?

Tony Capuano: Sure. Again, this will maybe be a bit anecdotal. We just held an event called The Exchange, which was where we hosted about 500 corporate and association meeting planners. In general sessions and in some smaller executive forums, we had a chance to talk to them and essentially ask the question you just asked. And I would say the two themes I heard most notably -- number one, they gave us high marks for our flexibility on issues like attrition during the pandemic. And I think they are hopeful we would continue to show that level of flexibility into perpetuity, which, as demand improves, we are tightening up a bit. And they understand that intellectually. They're just wishing for the good old days where they had maximum flexibility.

The other theme we heard loud and clear is an increasing focus on the company's efforts around all things ESG and an increasing number of our -- both corporate and association booking contracts. They are asking for not only our publicly stated goals but for reports on our progress against those goals.

Leeny Oberg: And just one other interesting stat that I think is helpful is that length of stay for -- up almost 25 percent compared to 2019, as is the average size for new bookings. So again, I think this all continues to emphasize that associations, companies, organizations are wanting to get their people together.

Tony Capuano: And then one fine point that I forgot about from some of the conversations at The Exchange. They asked us from a technology perspective to do everything we can to make it easier for them to tack on a couple of leisure days to their reservation pre or post meeting, which was just another confirmation that this idea of blended trip purpose will likely endure well beyond the end of the pandemic.

Richard Clarke - Sanford C. Bernstein & Co., LLC.: Just the first one on China. To what extent is China a normal environment now for signings but not a normal environment for construction? So how much of that is the bridge back to your mid-single digit unit growth you're expecting to get back to?

Tony Capuano: There's a couple of questions embedded there. I think our deal volume and our openings are off peak, but they are steadily recovering. The vast majority of our operating hotels and the vast majority of the projects in our pipeline are domestically owned. And so those domestic entities continue to benefit from the central government encouraging domestic travel across China. And many of those hotels are benefiting from increased volumes of domestic travel, albeit some pauses when certain markets go into lockdown. And so our expectation is a steady improvement, but we have not embedded in our guidance any sort of wholesale lifting of zero-COVID policy that we've seen over the last couple of quarters.

Richard Clarke - Sanford C. Bernstein & Co., LLC.: Okay. Maybe just a quick follow-up, if I may. I noticed your kind of capital returns guidance says that depends on whether you do any disposals this year. I mean is that likely, are you looking at the owned portfolio again? Are there any potential disposals to come?

Leeny Oberg: We're always looking, but the numbers that I gave do not assume any additional asset sales this year.

Vince Ciepiel - Cleveland Research Company LLC: Really encouraging to see margins ahead, IMFs ahead. It sounds like cost reduction efforts are certainly helping to offset the labor wage pressure. But as you dig into that, I'd be curious how you're thinking about the customer experience from the average Bonvoy guest. I know there's been some surveys out which can be lagging, talking about how the consumer feels about scaled-back breakfast offerings, changes in housekeeping. So as you look at things more recently, how do you think the guest is feeling today versus summer of 2019?

Tony Capuano: I would say it's very much a work in progress, but we are really encouraged by the metrics that we monitor through guest satisfaction surveys and particularly the intent-to-recommend numbers. We're not quite back to where we were pre-pandemic, but we have made meaningful and steady progress on those metrics.

As you may recall from some prior earnings calls, in the depths of the pandemic, we suspended some of those quality metrics. Those are all back in place now, brand standard audits, guest surveys. And the teams -- we just went through our quarterly business reviews. All of our teams around the world are keenly focused on driving intent to recommend. And we're pretty encouraged. And I think it's reflected in the manner in which our most loyal Bonvoy customers continue to engage. Our top tier within Bonvoy, the Ambassador tier, has remained very active. 96 percent of our ambassadors had at least one stay or points transaction in 2021, they averaged about 100 nights, and we see those metrics improving as well. We have rolled out our new housekeeping protocols, and the early returns from our guests is they like the certainty that, that offers.

Vince Ciepiel - Cleveland Research Company LLC: And then, separately, on distribution, encouraging to see loyalty contribution exceed 2019 levels, digital bookings hitting all-time high. Curious how you're thinking about kind of the next 12 months, that ideal distribution mix between corporate, group and leisure as some of those buckets are starting to recover more fully. I mean consider ADR differentials between those three and then maybe day of week occupancy needs, how are you planning the business over the next 12 months? And maybe within that, how are you thinking about OTA as a percentage of the mix going forward?

Tony Capuano: So maybe I'll go in reverse order, pre-pandemic, looking at a year like 2019, we have seen steady reduction in the percentage of total room nights that came out of the OTAs. During the first two years with pandemic, as you might expect, we saw OTA volume rise, but direct bookings rose more rapidly. And I think it's reasonable to expect in the coming quarters that we would start to get back to the trend line we saw pre-pandemic of the total volume of OTA contribution moderating.

I think your first question was really more around mix by segment. Back in 2019 in round numbers, about 40 percent of our business was leisure. 37 percent was business transient. 20 percent was group and 4 percent was contract. In the second quarter, business transient had risen to about 32 percent. Leisure transient was 43 percent. Group was 21 percent, and contract was pretty steady at 4 percent.

But remember, the leisure segment was already our most rapidly growing segment even in 2019 before the pandemic hit. And we continue to see -- expect to see leisure to grow rapidly. And as I've said in some previous calls, this blending of trip purpose may make it that much tougher for us to tell you with absolute precision what that mix looks like.

Leeny Oberg: And I think to your question about revenue management strategy, as we think about going forward, it has been very encouraging to see the strength of group and the strength of group rate. So as we think about all the possible outcomes for the economy over the next couple of years, that strength in group is quite encouraging. And then obviously, on the transient side, the booking window there is about three weeks. So that tends to -- which is, frankly, back to about where it was in 2019, and that will vary with customers' needs and wants as we see things unfold.

Dori Kesten - Wells Fargo Securities, LLC: Are you -- can you provide more details on cross-border travel regionally, who's leading and lagging outside of Asia Pacific as compared to 2019? And then just any changes you've noted in spend?

Leeny Oberg: Sure. So let's talk super high level at first, which is that if pre-pandemic, we were in the, call it, 18 percent to 19 percent sort of cross-border travel around the world that, that number fell and was down in the -- a little bit north of 10 percent and then has clearly moved back up several hundred basis points, particularly as we got into Q2. But we are not back to the same level of cross-border travel. Obviously, particularly with Asia Pacific and Greater China still being very much domestic travel based.

The thing I did find interesting in Q2 in the U.S. was that we were pretty close to being back to the number of international -- the percentage of international nights. We were pre pandemic at 5 percent. And in Q2, we were at 4 percent coming from cross-border travel. I think the biggest shift that you saw was obviously partly a function of opening kind of more comfort travel and then the strong dollar. And that had a massive impact on Europe in the summer, and you saw a very large influx of U.S. travelers coming into Europe, which helped their RevPAR tremendously.

Tony Capuano: And I might just add on that, Dori, it was just towards the tail end of the quarter where you saw the U.S. government rolled back the inbound international testing requirement, and we think that's going to be another accelerant for cross-border travel. In fact, right after that policy change was announced, the USTA came out and estimated that they thought that would drive 5.4 million incremental visitors to the U.S. in the back half of the year. with about $9 billion of spend.

William Crow - Raymond James & Associates, Inc.: You talked about the murkiness beyond the end of the year, but I'm just curious, how much visibility do you actually have on the Labor Day?

Leeny Oberg: Well, again, as we talked about before, you've got the short booking window on transient, but you've also got holiday bookings. When you look at December, when you look at Thanksgiving, Columbus Day as well as Labor Day. And I think across all of those, we continue to be reminded that people are not willing to give up travel and that you're seeing it in the strong rate and strong early bookings for those periods. And they are obviously overwhelmingly leisure bookings and group also continuing to fill in very nicely.

So I think we -- when we look at what's on the books, as we move into either even September and October, while you're right that the percentage that is on the books is still relatively low on the transient side, the pace of those bookings is very encouraging.

William Crow - Raymond James & Associates, Inc.: If I could follow up on that on the holiday bookings. It's interesting, Wyndham talked about Florida RevPAR being down double digit compared to 2021 in July. And I'm curious if we were to look at it on a one-year basis instead of going back to 2019 what your thoughts are on on holiday buckets?

Leeny Oberg: I'd have to -- I can get Jackie and Betsy to get back to you on the specifics for December 2022 versus December 2021. I think, again, the overall comment that I'll make is that we continue to see really strong bookings for the end of the year. One of the things that I talked about in luxury is the reality that as you see some of the other luxury markets start to fill in that aren't necessarily as high ADR as some of the resorts that starts to muddy the waters a little bit, but that's a good issue.

Remember that right now, the percentage that is on our books for that period is probably under 5 percent. So it's really quite small and making big sweeping statements with that small amount on the books probably doesn't make sense. But when we think about the pace for the holiday periods, we continue to be really encouraged.

William Crow - Raymond James & Associates, Inc.: That's perfect. If I could just ask one quick question on the development signings, any change in the composition of the signings, say, from full-service to select-service given construction cost and financing environment?

Tony Capuano: On the signing side, we've seen a bit of a slowing in select-service here in the U.S., but some of that may be because of the high volume of conversions are disproportionately full-service. What I can tell you is in terms of monthly approval volumes coming out of our development committees, we are seeing exactly what we would have expected, which is our large multi-unit long-term developers and owners of select-service hotels gearing their development organizations back up, and that's driving the sort of approval volume we've seen through the first half of the year.

Duane Pfennigwerth - Evercore ISI Institutional Equities: And most have been asked. But just on group recovery, can you contrast the type of group events that happen in a month like June with group events that happen in a month like September? In a sense, business was competing with leisure this summer. And I think you threw out the June down 2 on group relative to 2019.

Would you expect that down 2 to kind of maintain? Or would you expect that gap to hold or narrow as we get to a more business-dependent period like September?

Leeny Oberg: So I'll just give you one comment. I think the shift won't be a massive shift. I think there's still going to be a lot of social group events going into the fall as well. When we look at what's on the books, it was only down 1 percent right now from Q3. And here we are barely into Q3. So I think we -- as we said before, we've got the possibility that actually group ends up higher than 2019 relative to Q2 when it was still down a little bit.

So we are seeing great demand on the part of corporate customers for getting their people together. And I think you're going to continue to see the social events as well. So I wouldn't necessarily note a huge swing based on your comment that it is more a business-oriented quarter. The only other thing I will point out is that August is typically a seasonally quieter month for us in group just because of the realities of family vacations and people not being in school. So I think August, you should expect what we've always seen, which is a relatively seasonally more light period on the group side.

Tony Capuano: Well, thank you all for joining us. It's a compelling and exciting story about the resiliency of travel and the resilience of Marriott's business model. We look forward to seeing you all on the road soon, and thanks again for your interest.

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