



Marriott International, Inc.
First Quarter 2017
Earnings Conference Call Transcript¹
May 9, 2017

Operator: Welcome to the Marriott International first quarter 2017 earnings conference call. Today's call is being recorded. At this time for opening remarks and introductions, I would like to turn the call over to the president and chief executive officer, Mr. Arne Sorenson. Please go ahead.

Arne Sorenson: Good morning, everyone. Welcome to our first quarter 2017 earnings conference call. Joining me today are Leeny Oberg, executive vice president and chief financial officer, Laura Paugh, senior vice president, investor relations and Betsy Dahm, senior director, investor relations.

First, let me 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. Forward-looking statements in the press release that we issued last night, along with our comments today, are effective only today, May 9, 2017, and will not be updated as actual events unfold.

In our discussion today, we will talk about results excluding merger-related costs and we'll compare 2017 results to prior year combined results which assume Marriott's acquisition of Starwood and Starwood's sale of its timeshare business was completed on January 1, 2015. Of course, comparisons to our prior year reported results are in last night's press release, which you can find, along with a reconciliation of non-GAAP financial measures referred to in our remarks on our web site at www.marriott.com/investor. So, let's get started.

Over the past few weeks, we held hotel general manager conferences around the world, from Toronto to Mexico City; New Orleans to Dubai; and London to Macau. At those meetings, we discussed the tremendous potential of the new Marriott International. Whether it was capturing economies of scale from our substantially broader distribution, capitalizing on opportunities for revenue and cost synergies, or building on the excitement about our loyalty programs, the enthusiasm and energy of the general managers was simply terrific. We are successfully melding two talented organizations and it's exciting to see everyone working together. At every stop, there was tremendous optimism about our future.

I expect our strong results in the first quarter will further increase that optimism. Given the extensive integration work that is underway, I'm proud of our hotel teams around the world for their focus on running the business, taking care of guests, and driving results. Across our company, worldwide systemwide RevPAR increased 3.1 percent in the first quarter with a nearly 2 percentage

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

point improvement in occupancy. Worldwide RevPAR index rose for both Legacy-Marriott and Legacy-Starwood portfolios, increasing nearly 1 full point on a combined basis. Our operating teams kept their eye on the ball, translating RevPAR growth into 100 basis points of higher house profit margin. We added more than 17,000 rooms in the quarter and increased the development pipeline by nearly 10,000 rooms.

With the improvement in RevPAR and margins, and continued growth in distribution, our first quarter combined fee revenue grew 6 percent, adjusted EBITDA increased 10 percent and adjusted diluted EPS rose 38 percent over the prior year combined results.

In North America, systemwide RevPAR rose 3.1 percent in the quarter. Our hotels in the greater Washington, D.C. area benefited from January's Inauguration and Women's March. Systemwide RevPAR in D.C. increased 15 percent in the quarter compared to the prior year and well ahead of our expectations.

Performance in Hawaii also exceeded expectations. Strong transient demand came from both mainland and international guests, pushing systemwide RevPAR up 7 percent. The rough weather on the U.S. West Coast likely encouraged some last-minute bookings to the islands.

Demand in Canada was particularly strong with comparable constant dollar RevPAR rising 10 percent in the quarter. This year is Canada's 150th anniversary and Montreal's 375th. With favorable exchange rates, our hotels in Canada are hosting more international guests ready to celebrate. Laura is already packing her bags for this summer.

While these markets were particularly strong, RevPAR also exceeded expectations in many other North American markets. Across the North America region, group RevPAR rose 7.7 percent year-over-year benefiting from the events in Washington and the shift in the Easter holiday to the second quarter. Group RevPAR modestly exceeded our expectations due to strong attendance at group meetings, while meeting planners continued to add last minute food, beverage and ancillary spending.

Full year 2017 group revenue booking pace for our North American full-service hotels is up 1.6 percent over a strong 2016 group year. We've seen some weakness in new bookings from small groups in recent months, but with very strong occupancy rates at many hotels and 86 percent of our anticipated 2017 group business already on the books, space constraints have also made adding new groups more challenging. Meeting planners, recognizing that meeting space is filling, continue to book earlier; in some cases, for multiple years...a practice we have encouraged.

By the way, with nearly 4,500 hotels in North America, we have a great selection for meeting planners whether they are booking a large meeting for multiple years or a small meeting for next week. In fact, in the first quarter, group RevPAR at our limited-service hotels increased 10 percent and booking pace for our Legacy-Marriott limited-service hotels for the full year is up over 5 percent.

Transient RevPAR in North America was up nearly 2 percent year-over-year in the quarter, constrained by the timing of Easter and high occupancy rates. At the same time, transient demand exceeded our expectations and we improved the mix of transient revenue, drawing more high-rated retail and corporate customers and reducing discounts.

In the second quarter, we expect lower group business year-over-year due to the timing of Easter. As a result, we expect North American systemwide RevPAR will be flat to up 2 percent in the second quarter and will increase 1 to 3 percent for the full year. On a preliminary basis, April year-to-date systemwide RevPAR for North America is up roughly 2 percent.

Our North America 2017 RevPAR guidance is 100 basis points ahead of the guidance we issued in February. To be sure, transient demand was better than expected in the first quarter and our outlook for full year transient business has improved a bit. But even in February, when we last issued guidance, we were expecting our first quarter RevPAR growth would be somewhat over the midpoint of our 0 to 2 percent RevPAR forecast, so moving our North America RevPAR guidance to 1 to 3 percent isn't quite as large a shift as it may first appear.

In the Asia Pacific region, we're encouraged by recent economic growth. First quarter systemwide RevPAR increased 5 percent with strength in retail and corporate business. RevPAR in India and Indonesia increased at double-digit rates, while in Greater China, systemwide RevPAR rose 5 percent with strength in Beijing, Shanghai and Shenzhen. Hotels in mainland China, Hong Kong, and Macau outperformed our expectations in the quarter.

Given these trends, we expect our second quarter and full year RevPAR in the Asia Pacific region will increase at a mid-single-digit rate. This is higher than our prior guidance due to strengthening transient demand.

RevPAR also exceeded expectations in Europe, increasing 7 percent year-over-year on solid transient and group demand, and strong international arrivals. European room nights sold to U.S. travelers alone increased at a mid-teens rate in the first quarter. Greater group business in the U.K. and Germany allowed us to improve the mix of transient business in those markets, and RevPAR growth at our Paris hotels was ahead of expectations.

We expect our hotels in Europe will continue to show strength through 2017 and we expect our second quarter and full year RevPAR will increase at a mid-single-digit rate, a bit higher than our last guidance.

In the Middle East, RevPAR growth in the first quarter was flat, consistent with our expectations. Geopolitical unrest, low oil prices, and lower government spending continued to depress hotel results. The good news was in Africa where RevPAR increased more than 18 percent with strength in Egypt. RevPAR in South Africa alone increased 9 percent as the weak Rand continue to attract tourism to this great destination.

Middle East RevPAR continues to be a challenge to forecast. While we aren't modeling a meaningful change in oil prices or government spending, comparisons should get easier in most markets as the year progresses. As a result, we expect Middle East Africa RevPAR will be modestly lower in the second quarter but improve in the second half, resulting in flattish performance for the full year 2017.

In the Caribbean and Latin America, systemwide RevPAR in the first quarter declined 2 percent year-over-year. RevPAR in Mexico increased at a high-teens rate while RevPAR declined in the Caribbean, largely due to lower leisure demand with the shift in the Easter holiday. Lower RevPAR in South America reflected a weak economy and oversupply in Brazil. You may recall that the Zika virus began to impact our business in February 2016.

We expect easier comparisons in the region late in the year and stronger performance in the Caribbean in the second quarter due to the shifting Easter holiday. This should yield a low single-digit increase in RevPAR in both the second quarter and full year 2017.

With this solid improvement in international RevPAR, we expect second quarter and full year worldwide 2017 RevPAR will increase 1 to 3 percent. Our full year worldwide RevPAR growth outlook is about 50 basis points higher than our prior guidance largely due to better than expected results in the first quarter and improving demand in Asia and Europe.

In the first quarter, margins at company-operated hotels improved 100 basis points due to stronger RevPAR growth, better productivity, lower food costs, and improved billing processes. Productivity was helped by ongoing service innovations such as "Your Choice", our program that allows loyalty members the option to choose between daily housekeeping or bonus loyalty points.

In the first quarter, our development pipeline increased to over 430,000 rooms, including 166,000 rooms already under construction. Today, according to Smith Travel Research, one in three hotels under construction in the U.S. and one in four hotels under construction worldwide is associated with one of our brands.

Our development success is impressive given the development climate in North America. While lending has eased for open hotels, financing for new hotel construction is challenging with growing equity requirements. Construction costs have moved higher and we've seen some project delays in North America due to shortages of skilled subcontractors.

Hotel development is picking up in Asia. Even as new construction moderates in China and India, we are seeing an uptick in conversions in those countries and greater construction elsewhere in the Pacific Rim. We continue to see considerable limited-service development interest in Europe overall, with growing interest in Western Europe. Limited-service hotels are also growing in popularity with Middle East developers, particularly in tertiary markets

Demand for our brands remains high and we are on track to deliver 6 percent net unit growth in 2017.

Throughout the Company, our teams are making tremendous progress on the Starwood integration. We've already transitioned HR systems for Starwood hotels in the U.S. and expect other continents will follow later in 2017. In March, we added 36,000 associates to the Marriott payroll system.

For our guests, all our hotels worldwide are now on an integrated system for guest, event and social media feedback. This summer, we expect to publish harmonized global brand standards which, along with regular audits, is an essential step in establishing property accountability and maintaining guest satisfaction.

We've converted Starwood owned and managed hotels in North America to our procurement system. Elsewhere in the world, we are reviewing and renegotiating vendor contracts to leverage our purchasing power. We are also using our purchasing platforms to track actual hotel spend to ensure the hotels realize the savings.

We have already migrated all U.S. Starwood hotels to Marriott's OTA contracts. Hotels in other continents will follow soon. This should reduce the cost of OTA bookings as well as improve inventory control.

We are rolling out Marriott's Guest Room Entertainment platform to Starwood properties. This will lay the foundation for an enhanced television experience including on-demand streaming content and services. We are also enhancing the SPG App to enable guests at most hotels to take advantage of mobile check-in and check-out.

In April, we transitioned over 100 company-operated Starwood hotels in the U.S. to our above-property shared service model for finance and accounting. We are on track to unify our financial reporting infrastructure in early 2018 and to realize a common technology platform for reservations and loyalty programs in late 2018.

Drawing from both Legacy-Marriott and Legacy-Starwood staff, cross-functional teams are coordinating meaningful change in virtually every aspect of our company's operation. The effort is enormous and we are seeing meaningful results today... and even more just over the horizon. I'm incredibly proud of the many people working on this integration and they have my sincere thanks.

As you can tell, we are excited about our business and encouraged by recent trends. Now to explain how RevPAR and unit growth translates to EPS growth, let me turn things over to Leeny. Leeny?

Leeny Oberg: Thank you, Arne. For the first quarter of 2017, adjusted diluted earnings per share totaled \$1.01, 12 cents ahead of the midpoint of our guidance of \$0.87 to \$0.91. Fee revenue contributed 6 cents of the outperformance due to better than expected RevPAR growth, branding fees, and incentive fees. Results on our owned, leased and other line outperformed by 3 cents,

largely due to better than expected property results. Adjusted general and administrative costs were better than expected by about 3 cents, mainly due to open positions and timing.

Worldwide base fees increased \$7 million, or 3 percent over prior year combined amounts, reflecting unit growth and RevPAR improvement, offset somewhat by terminations, hotels that converted from management to franchise agreements, and foreign exchange.

With higher RevPAR and growing distribution, franchise fees increased 10 percent in the quarter. Also, included in franchise fees are application fees, relicensing fees, and fees from our timeshare, credit card, and residential businesses. Together, these fees totaled nearly \$100 million in the quarter, 14 percent higher than combined results in the prior year. Branding fees were particularly strong.

Incentive fees increased 2 percent year-over-year in the first quarter, constrained by deferred fees recognized in 2016 and unfavorable foreign exchange. At the same time, incentive fees were about \$17 million better than expected, with \$10 million of the outperformance coming from a significant number of North American full-service hotels and \$7 million from hotels in the Asia Pacific region. We expect roughly \$5 million of our North America incentive fees outperformance at seasonal hotels will be reversed later in the year. Since hotels in the Asia Pacific region typically don't have owner priorities, reversals there are not likely.

For the second quarter, we expect worldwide incentive fees will likely be flattish due to the timing of Easter. For the full year, with stronger RevPAR guidance and strong margins, we believe total incentive fees could increase at a mid-single-digit rate.

Owned, leased, and other revenue, net of expenses, totaled \$81 million in the first quarter, a 6 percent decline from the prior year. Improved performance was more than offset by lower termination fees, which declined \$7 million, and the impact of asset sales in the past 12 months which reduced year-over-year results by \$4 million.

Owned, leased, and other revenue, net of expenses, was \$16 million better than we expected in the first quarter, largely due to forecast beats at hotels in Atlanta, Barcelona, London, Toronto, and Tokyo, as well as about \$6 million in higher than expected termination fees.

In the second quarter, we expect owned, leased and other revenue, net of expenses, will total roughly \$90 million compared to \$115 million in the prior year. We estimate the negative impact of asset sales will be about \$15 million in the second quarter and we also expect lower results in Rio de Janeiro and New York. Our guidance for owned and leased hotels assumes no further asset sales this year.

For the full year, we expect owned/leased results will total \$340 to \$350 million compared to \$426 million in 2016. The full year comparison to last year's combined results includes a \$40 million negative impact from asset sales, including the Westin Maui, \$25 to \$30 million in lower hotel results, again largely in Rio and New York, and \$15 million in lower termination fees. While asset

sales reduced owned/leased results, they also increased management fees and freed up capital for reinvestment in business or return to shareholders.

Adjusted general and administrative expenses declined by \$36 million in the first quarter, and beat our expectations by \$17 million, largely reflecting cost reductions, open positions, and timing as the integration continues.

We expect G&A will total \$220 to \$225 million in the second quarter and \$880 to \$890 million for the full year. Compared to our prior guidance, the improvement in our full year outlook for G&A largely reflects the better than expected results achieved in the first quarter. We continue to expect to achieve our annualized \$250 million in cost synergies by 2018, including over \$200 million in annualized savings in 2017.

In the first quarter, adjusted EBITDA increased 10 percent.

Adjusted EPS in 2017 should total \$3.92 to \$4.09, an increase of 19 to 24 percent over prior year combined results. For the full year, we expect 2017 adjusted EBITDA will total \$3.1 to \$3.195 billion, an increase of 4 to 7 percent. You may recall that in our February guidance for 2017, adjusted EBITDA was 3 to 6 percent higher than the prior year.

We've increased our estimate of adjusted EBITDA since February to reflect higher fees, lower G&A and stronger profitability of owned and leased hotels, somewhat offset by the sale of the Westin Maui. As you can see on page A-10 in the release, our new estimate of full year adjusted EBITDA also reflects some fine tuning of the add-backs to net income, including correcting the share based compensation line by \$27 million. That amount should have been excluded as it was the merger-related portion of the share based compensation costs.

Investment spending for the year could total \$500 to \$700 million, including about \$175 million in maintenance spending. To date in 2017, we have recycled roughly \$320 million through asset sales and note repayments. Cash balances were high at quarter end as we received the roughly \$300 million in proceeds from the sale of the Westin Maui on March 31.

We repurchased over 10 million shares through last week for approximately \$925 million in 2017. We anticipate returning over \$2 billion to shareholders through share repurchases and dividends in 2017. Our guidance does not include the impact of possible asset sales beyond those already completed.

We appreciate your interest in Marriott. So that we can speak to as many of you as possible, we ask that you limit yourself to one question and one follow up. We'll take your questions now.

QUESTION AND ANSWER SESSION:

David Katz, Telsey Advisory Group: Congrats on a nice quarter. I wanted to just probe a little bit more about the guidance, and I know you've given quite a bit of detail around a lot of things, but if I'm trying to balance between your perspective on the economic climate taken in total for the remainder of the year versus the execution of the integration, and just the execution of the business combination, how much of your improvement today would you say you would allocate to both?

Arne Sorenson: That's a good question, and I'm not sure we've necessarily broken it down that way in our internal calculations. Although, clearly, as we've noted, the driving -- the most significant driving factors in our increase in our RevPAR guidance was the strength of the first quarter, including in North America and the rest of the world and the momentum that's particularly occurring in Europe and Asia Pacific.

The U.S. results -- North American results, as well as the global results, obviously, were stronger in the first quarter in part because we took share. So, we talked about 1 point -- nearly 1 point of index growth in both the Marriott and Starwood portfolios, and it would be hard fairly to attribute all of that 1 point increase to the success of the integration, but I don't, at the same time, think that it's entirely unrelated to that. And so, I think we are getting a little bit of juice that is coming from bringing these 2 companies together. At the same time, there's clearly strength around the world was because of a stronger demand environment as well. So, I think the economic -- underlying economic situation is also contributing. I can't give you percentages for each, but -- both are a factor.

David Katz, Telsey Advisory Group: Got it. And if we're looking at the -- what's left of the owned portfolios of the combined company, Leeny, where are we in terms of selling things off and how we should -- I heard you that you've guided as though the owned portfolio remains where it is, but what inning or what can you tell us about how much progress you've made, and what we might reasonably expect you to sell in the remainder of the year and into next year?

Leeny Oberg: Sure. I think, David, we continue to be comfortable with the commentary that we've made before about selling over \$1.5 billion of real estate by the time we get to the end of 2018. I would also say that we continue to be confident that there will be further asset sales in 2017. Beyond that, as I'm sure you know, predicting the exact closing and timing of specific transactions is very hard to do. But I think we're pleased with the progress and we're moving along.

Robin Farley, UBS Investment Bank: I wanted to clarify your comment on -- about group booking comments. It sounded like what you have on the books for the rest of the year, is it the pace, sort of like North American full-service group is up 1.6 percent. And I think last quarter that you had said it was pacing up 3 percent, but I don't know if using the same exact metric in both cases, so maybe you can -- can you talk a little bit about -- it sounds like then maybe it did slow in Q1.

Arne Sorenson: Yes, we were in the high 2s a quarter ago and again, this is full-service in North America. So, it's down about a point, and that's -- it's not entirely rare to see us -- see those numbers moderate over the course of the year, as in-the-year group bookings are the only thing that, obviously, can raise those numbers. We made a point of explaining it in our prepared comments that we think we got about 86 percent of the group business that we anticipate for the year is on the books and, obviously, occupancies are running high, which means that we are seeing the booking window lengthen a bit, and we are seeing a bit more growth in limited-service group business than in full-service space. At the same time, I think there is still some cautionary -- something cautionary there about the data. It shows that we've got group customers that are a little reticent to make big commitments. But generally, this is pretty healthy, and so on balance, we would say don't be alarmed by it and we see good growth going forward.

Robin Farley, UBS Investment Bank: And just based on how much you have booked for the year, where you're pacing now, that up 1.6 percent. Is that where you think the year ends? Or -- it sounded like you said maybe things could moderate during the year. Is it -- does it end up being up only up 1 percent -- or how does that -- things would happen?

Arne Sorenson: No. That's probably the best single number we would have at the moment. The -- it is kind of a funny year, and I think you've heard this from some of the other players. Partly this is because of the holiday schedule, and partly it's just the normal vicissitudes of group bookings, but Q1 and Q4 are the strongest quarters of the year. Q2 and Q3 will be a bit weaker, and that makes it a little bit hard to forecast all of this stuff, but I would think that in the high 1s, maybe some place in that place, it would be the best single number we can give you today.

Harry Curtis, Instinet Nomura: Just following up on that line of questioning. How is the group pace looking for 2018? It's still early, but -- and maybe if you can comment on price as well.

Arne Sorenson: Let's see here. We're up in the mid-single-digits, between 4 percent and 5 percent, for North American full-service for calendar 2018.

Harry Curtis, Instinet Nomura: Okay. And then my second question, just going back to the possible asset sales. I just want to make sure that our assumptions are right. The balance of owned hotels in the Starwood portfolio, is that roughly 5,200 rooms in North America?

Leeny Oberg: Sounds about right, but in North America, I'll get you the specific numbers but...

Arne Sorenson: Including Canada, we are.

Leeny Oberg: Including Canada. That would -- sounds about right.

Harry Curtis, Instinet Nomura: Okay. And is it reasonable to think that roughly 300 a key is not -- is an okay ballpark to be in, in terms of its market value?

Leeny Oberg: Yes. I'm not going there, Harry. Just each -- that's like kind of like saying that Freemont in Chicago is the same as the St. Regis in New York is the same as Toronto Sheraton. They are -- each one -- just like our children, each one is very unique.

Harry Curtis, Instinet Nomura: Yes, well, you've got to throw out the pitch to get a hit, so...I'll just end it there. Thanks a lot.

Smedes Rose, Citigroup: You mentioned the Starwood properties moving over to your -- the Avendra platform and benefiting from lower OTA fees, and I was just wondering if you could quantify just for sort of the average hotel owner who's moved now and is enjoying these benefits. Do you have a sense of what kind of a margin expansion they might be seeing, just sort of on average?

Leeny Oberg: Well, first of all, Smedes, I would say so far, very little. So far, in general, this all happened during the first quarter in both cases. So really, in terms of Q1 margins, although there is some great work done in benchmarking and working on a host of things across the brand, coming from OTAs and from Avendra, next to nothing.

Smedes Rose, Citigroup: Okay, well, maybe then as those things are adapted more, they have a little more under their belt, do you have a sense of what it could do for the typical Starwood hotel, or Legacy-Starwood hotel?

Leeny Oberg: It's going to vary so tremendously in terms of where those are for OTAs because, remember, that in the U.S., it's going to be very different than overseas. And then again, Avendra is largely a U.S.-based, and there again, if you're a suburban hotel that doesn't have a lot of group versus if you have a ton of group that buys lots of food and beverage, it's going to vary -- it's going to really vary tremendously. But I will say, it will definitely be -- it will be noticeable in terms of margins from the benefit, but I wouldn't be able to quantify an average.

Smedes Rose, Citigroup: Okay. And I just wanted to ask, you mentioned some hotels converting from management to franchise, and it's not -- I mean, is that sort of a thing as my kids would say. Is that an issue going forward for now on? Are there a lot of options for people to convert to franchise or is that just something that's sort of well, kind of a one-off general sort of exception?

Arne Sorenson: I think it is a trend we've seen for a number of years and it's likely to continue, even as we grow the managed portfolio, particularly globally and in the big-box space with new hotels. I think in many instances, we've seen some hotels get to the point where they need substantial new capital for renovation. Often, they're sold in the context of bringing that new capital in and there is more capital eager to invest in well branded -- well branded assets that have flexibility on who's running the day-to-day operations. And we have seen that it is in our interests as well to make sure those transactions happen in a way that brings the capital in as opposed to bring them up just under.

Laura Paugh: Particularly in North America.

Arne Sorenson: Yes. And which is a -- very much a North American phenomenon.

Anthony Powell, Barclays: You mentioned that you're seeing a better higher-rated corporate transient demand. Could you signal out any industries that are driving that growth or any particular markets where you're seeing the strength? And also, I believe last call, you mentioned that you're trying to sign up more corporate contracts. So, how's that going?

Arne Sorenson: I think, generally, we are a -- we feel a bit more encouraged by corporate travel this quarter than we did a quarter ago in the guidance that we provided. But let's be careful about throwing all caution to the wind here. I think you've got in the corporate travel landscape lots and lots of different stories. Obviously, the energy patch continues to remain relatively weak. In fact, I think we were more optimistic about Houston a quarter ago than we are today. We sort of felt like we had hit bottom, and today, I think we're a little less confident of that.

By comparison, you look at the strength we saw in Washington and look at the strength that we're seeing, that's still in the number of Western markets. We see companies that are reporting better corporate profits, and, I think, as a consequence, you feel a bit better based both on the actual results in Q1, which to be sure, was benefited by Easter, but also by sort of what we feel as the tenor in the marketplace. And we have moved more of our transient business, including business transient business towards retail and to special corporate and away from discount. And so those things are driving a bit of a mixed shift within the transient budget. All good news.

Anthony Powell, Barclays: Got it. And then on your RevPAR index gain, can you attribute any of that to customers allocating more of their travel spend to your system due to the merger? Or are you just better at selling and getting more groups into the hotels?

Arne Sorenson: I think by definition, it means we're getting a bit more of the spend which is -- we have relatively taken share of the industry. We don't get real-time data that would allow us to know exactly how to calculate that, but we are encouraged.

Patrick Scholes, SunTrust Robinson Humphrey: A question for you. When we're thinking about your North American RevPAR guidance of 1 to 3. I think on a previous question, you mentioned or indicated that group was sort of in the 1-ish to 2 range. How do you think about your 2 other customer segments, the individual business travel and the leisure? Where would they fit in that range?

Arne Sorenson: Maybe Laura or Betsy have got something precise here on that, but generally, I would think that leisure will be the strongest. You, obviously, have some markets, which have got complexities around that answer because of Zika or because of other trends and obviously, those comparisons will get easier as the year goes along. But generally, I think we would say leisure is the strongest. The transient -- business transient is obviously the shortest booking and therefore, the area we've got the least visibility into it. But I would think that corporate transient travel would be

comparable, maybe a little bit better than group. And those are all North American-centric numbers too. When you look around the rest of the world, obviously, you see different dynamics.

Patrick Scholes, SunTrust Robinson Humphrey: Can I ask a follow-up question? In your Investor Day, you had talked about some initial steps that you're making with Sheraton, identifying sort of the lower end properties and targeting them first. Can I get a little bit of an update on what -- how that is progressing?

Arne Sorenson: Yes, we are encouraged by the progress we've made so far. And as we talked about it in the Analyst Day, we have -- we're well underway in conversations with our Sheraton owners and franchisees to make sure that we are getting the input we need to have from them to publish good detailed brand standards for the Sheraton brand. At the same time, we have looked at both the bottom 25 and then the next bottom 25, so the bottom 50 Sheraton hotels, and that's by and large, relying on guest survey data and what the guest tell us about the way the hotels are being received.

We are in discussions probably with 80 percent to 85 percent of those owners of those 50 hotels, nearly half of those 50, renovations are already underway and we've got another handful or so where we've got plans that are fairly specific that are evolving. And so that gets us to close to 60 percent or so, of those bottom 50, that we've already got good movement on. By the way, of those 60 percent, there will be 2 or 3, which we already think pretty clearly, will leave the system because it doesn't make sense for us to keep them and for them to get the kind of capital that would be necessary for them to meet brand standards, but all of that gives us encouragement, though this will be a multiyear effort.

Shaun Kelley, BofA Merrill Lynch: I was wondering if you could just maybe comment a little bit more on the increase to the capital return guidance. So, it looks like it moved up fairly substantially versus the last outlook provided. What was the kind of biggest driver, biggest surprise to where you -- to what you had provided kind of earlier?

Leeny Oberg: So I think the easiest way to think about it, Shaun, is that you have the Westin Maui, which at \$317 million at the end of the quarter, definitely gives us more room for the rest of the year. And then you've got the reality that our EBITDA was higher than we expected and when you think about how you can lever that and use it, it gets you very quickly to \$2 billion.

Shaun Kelley, BofA Merrill Lynch: Great. And then sort of the same question as it relates to the cost in the G&A that came in, in the quarter, Leeny. But as we think about the \$210 million and you guys clearly said a piece of this is timing related. But kind of what pieces or what components should start to ramp as we move sequentially through the year? And is there any possibility that ends up being -- still being a little bit conservative, as we just think about some of the puts and takes of the integration here?

Leeny Oberg: Well, I hope so. That's first and foremost, I hope that's conservative. So, the way I would think about it is that about, call it not quite half of the outperformance, I think, you could

argue was timing-related and really will be spent some time in Q2, 3 or 4. But then also, as you think about the hiring that needs to happen in MEA and Europe, from the close down of that, that was definitely part of what ended up driving the outperformance and all of that hiring is now ongoing. And so, the rest of the quarters won't experience that same gap in openings that were held in Q1.

So, to make a long story short, we do think when you put the numbers together, that there is probably a little bit more additional savings as we go through the year, but it's also going to be matched with the timing delays that we had in the spending in Q1. So that's how we really get to taking the beat in Q1 and kind of using that for the full year.

The other thing I'll point out is that, remember, if you're comparing to combined company results, that, that -- you have to be careful as we look at that quarter-to-quarter going through the year because, as we moved through 2016, you were finding that there were people leaving Starwood. So the quarter-over-quarter comparisons get more difficult. When you look at it at a full year, as my comments said, we're comfortable that it will be at least \$200 million of the \$250 million achieved in 2017.

Shaun Kelley, BofA Merrill Lynch: And sorry, last one, but did you ever -- have you ever given that \$200 million before?

Leeny Oberg: Well, we talked actually -- at our last call, we talked about thinking that we'd be roughly \$185 million of this \$250 million that we felt like in 2017, and frankly, now, with the beat, I think we're confident that the \$200 million is at least a good number for 2017.

Joe Greff, JP Morgan Chase & Co.: Just back to the topic of group and group pace for 2017. When you look at the components of the group pace, is there a big difference between association or large attendance group versus non-association or smaller attendance group?

Arne Sorenson: Short answer is I don't know. I would -- let me just take a peek here at these notes. Looks like in order of strength, association would be the strongest, then corporate; and not surprisingly, you get things like government. Government would be weakest. But not a huge gap between them, between association and corporate.

Joe Greff, JP Morgan Chase & Co.: Okay. And then your earlier comments -- in your earlier comments, Arne, you mentioned that financing in new hotel construction is challenging. Are you willing or are you getting requests to invest more in some of these new projects?

Arne Sorenson: We're not really getting requests to invest in these new projects.

Leeny Oberg: No, not meaningfully.

Arne Sorenson: The bulk of this is about select service franchise development in North America. That is not a place where we have ever really used our balance sheet in a material way and wouldn't anticipate that that would ever change.

I do think, you're not really asking this question, but I'll go ahead and talk about it anyway, I think because of land and construction cost and financing for newbuilds, I think we're likely to continue to see that 2015 was the sort of peak for signings of select service growth in the United States. And 2016 was obviously strong as well. I think 2017 will be strong, but will not be at the same levels that we saw in 2015. And the only way we'll see that ramp back up, I think, would be -- with definitive proof of a stronger GDP environment and stronger performance environment than is even reflected in the guidance that we're giving today.

Ryan Meliker, Canaccord Genuity: Just wanted to talk, and shift gears a little bit, can we talk a little bit about Airbnb? I know it's a topic that hasn't come up in a few months. It seems like there's been a lot of regulation over the past few months surrounding Airbnb, whether it be in New York or San Francisco or across Europe or other cities around the world. I'm wondering if you're seeing -- if that regulation is giving you confidence in your outlook or if that regulation is actually starting to impact your numbers or whether you don't have enough visibility into that yet.

Arne Sorenson: It's a good question, Ryan. I think the answer is that Airbnb and the home-sharing phenomenon has probably been less impactful to the RevPAR numbers that we posted the last number of years than folks might first have imagined. And similarly, is probably less impactful today even with what's happening on the regulatory side in a number of cities and states.

Now we will continue to analyze this data as much as we possibly can to understand it, but I think by and large, they are serving a mostly different customer than what we serve at Marriott. They are skewed much more towards leisure. They are skewed much more towards a value-centric customer in the bulk of their business and if their business is under pressure because of a regulatory environment, I'm not sure necessarily that, that customer immediately pops up and shows up in our hotels.

Ryan Meliker, Canaccord Genuity: That makes sense. And then, I guess, as you think about Airbnb and where they might be going, with the regulatory environment limiting their growth, it seems like there might be an avenue for growth as they potentially enter the OTA market with the idea that they've got proprietary inventory, coupled with they already have access to that leisure traveler. Has any -- is that something you guys have given any thought to, particularly as you're negotiating with the OTAs in terms of trying to get better commission rates, given Airbnb's commission rate is so much lower than what you guys typically pay to the Expedias and Pricelines?

Arne Sorenson: Yes, well, I'm not sure that clearly Airbnb's total rates are all that different when you look at what they charge the host and the guest and combine those 2 as transactional costs in the platform. But let's stand back maybe for a minute from Airbnb specifically. Obviously, we have spent a lot of time analyzing our relationship with intermediaries. We are interested in having those relationships work for us as well as they possibly can, and be as cost-effective as they can.

That is about, of course, negotiating our relationships with them regularly when they come up. And fundamentally, it's about making sure we've got a loyalty program that gives us the power to have a relationship with a huge percentage of our transient guest, particularly. And we've got continued great news on the loyalty space with not just 100 million members that we talked about at our Analyst Day, but signing up 1 million a month or more and we feel really good about the way that's going.

None of our hotels as far as I know, has a single room on Airbnb. They certainly should not have a room in Airbnb. So, we are not, today, looking at that company as an intermediary in a way that's anything similar to the relationships we have with other OTAs around the world.

Bill Crow: Raymond James & Associates: Arne, given all the -- what you've already chopped on the integration and what lies ahead, I think you talked about a couple of the things out there for next year. Where does the biggest risk lie?

Arne Sorenson: Yes, so the -- I think we're off to a good start on the integration, but I think we are by no means, declaring victory today. We've got a lot of work ahead of us. I think the team is performing extraordinarily well in getting that work, and they're incredibly energized by what has been accomplished and what we have to accomplish and what we think we can achieve by accomplishing it.

There are plenty of risks around. I think if you identify one, it's going to be around technology and we are -- it takes longer, it costs more than any of us would like, and I don't think that's unique to Marriott or unique to the hotel business. I think, when you look across the corporate landscape, it is what we see in company after company. And we've got to make sure that we are moving as quickly as we possibly can because these technology platforms will really allow us to drive, particularly the kind of revenue lift that we think is available by having 1 reservations platform and 1 loyalty platform and of course, secondarily, also allow us to deliver these technology platforms at lower cost to our owners because we'll be supporting 1 and not 2. And even as we pull those platforms together and do all those things, we want to make sure that we are continuing to innovate and do the kind of new things that our customers expect us to do.

So, a recent example of that is our investment in PlacePass, which is really an online virtual concierge, which helps our customers plan for their trips before going. It's a space that we're very excited about, but we want to make sure our technology platforms allow that to be linked to our loyalty sites and our dot-com sites so that we can drive that business even as we do that other integration work. So, a long way of saying technology would be probably the thing that we are maybe most, what, frustrated by the cost and time associated with it maybe, most fearful about it, but also most convinced that it will drive upside long-term to the performance in the portfolio.

Bill Crow: Raymond James & Associates: That's helpful. And then if as an industry leader, I was wondering if you could give us some comments on a couple of headlines that are out there. The first one is the industry's efforts to lobby Congress regarding Expedia and Priceline? The second

one is kind of this airline overbooking news and whether you guys have considered whether you need to make changes to your booking patterns or -- to take away the risk of walking guests?

Arne Sorenson: Well, those are 2 hot topics. Thank you for that. Let's talk about overbooking first. We -- about, oh I don't know, a year and a half ago, 2 years ago, we expanded the cancellation window for our transient travelers from 6:00 p.m. the day of arrival to midnight the day before arrival. And that was a very useful tool to reduce overbooking. We do have in a couple of markets today, a few pilots where we're looking at going to midnight of the day before, so that would be sort of like 48 hours before. And there are a number of reasons we're testing that, but I think that could be helpful on overbooking as well. Obviously, this is -- there's nothing worse for a traveler than to show up at a hotel with a confirmed reservation and not have the room there. And so, we're trying -- we measure how many times we have to walk a guest. We obviously, do pay for that first night if they end up someplace else, but it's still not a great experience. And so that's an area where we continue to put some effort and, obviously, we'd like to be at perfection. We'd like to be full every night without a single room empty and without a single customer walk. Now that's not necessarily something that we will ever achieve, but I think we're making good progress on that.

I don't have much to say about industry efforts on the Hill about OTAs. I'm not sure I know exactly what the AH&LA is doing there. I know there have been things over the course of the last year or 2 about real transparency. I think that is not so much about what the conduct of the big OTAs has been, but it is conduct of affiliates that pop up and somehow exist under their sights or exist independently. And may not really have the inventory, and so they may be selling rooms to customers who think they've booked a room in one of our hotels or somebody else's hotel, and they show up and actually there's no record of that. And that's probably the thing that we want to be most thoughtful about because even though we have nothing to do with that booking, it reflects poorly on us because the customer thinks they've booked a room in our hotel.

David Beckel, Bernstein: This is Bebe for David. I was just wondering, you've been offering exclusive member rights for over -- a little bit over a year now and looking back, have the discounts provided the benefits you expected? Do you plan to continue to offer similar levels of member discounts going forward? Or do you expect to curtail those over time?

Arne Sorenson: I think member discounts are here to stay, and the reason I say that is because we are encouraged by what we've seen. And obviously, we want to make sure that through the loyalty program, we have the relationship with customers that is -- that doesn't require them to sit down and do a spreadsheet calculation to figure out whether it's in their interest to be members of our loyalty program. But instead, where they know without having really to even think about it, that if I concentrate my stays with Marriott, I'm going to get great rooms, I'm going to get points for my stay, I'm going to get free WiFi. I'm going to get mobile services and I think the member only rates are a piece of that equation, which again, I think is working and will continue for the foreseeable future.

Stephen Grambling, Goldman Sachs: I've got 2 quick follow-ups. First, on the net unit growth. What's the breakdown of the pipeline between Legacy-Starwood and Marriott brands? And how has the pipeline and associated process evolved since the acquisition closed?

Arne Sorenson: These are good, good quizzes here, Stephen, at the end. I think that Marriott -- the Legacy-Marriott pipeline is proportionately a bit bigger than the Legacy-Starwood pipeline. So, if you think about Marriott and Starwood before closing, Marriott was about twice the size of Starwood, I think, in total rooms. 800,000-ish rooms to 400,000-ish rooms. And I think when you look at the pipeline, we're probably, 65 / 35, maybe something like that, which would suggest that the Marriott pipeline is a little bit bigger, which is not really that surprising. Marriott had many more brands playing in the select service place in the United States than Starwood did, and that's obviously where a number of these rooms in the pipeline from deals signed in 2015, 2016 and currently, are there.

In terms of the way the process has changed, there are -- there's nothing really revolutionary. I mean, I think Starwood used a similar approach to valuing deals that Marriott did. There were some modest difference in the way the incentives worked for the developers. There are -- which probably intensified the focus on value as opposed to just rooms as we go forward. I think Marriott too has had a bit different approach to territorials maybe, and particularly cross-brand territorials in some deals, but I view most of those changes as fairly minor and as a consequence, we put the team -- the development team was in place globally by the end of calendar 2016. They're working extraordinarily well together and I think things are going swimmingly.

Stephen Grambling, Goldman Sachs: That's helpful. And then one other quick clarification, I think it was on Shaun's earlier question on synergies. As you captured a bit more in the first quarter, maybe than what you expected, are you finding new opportunities? Or is there simply a pull forward of things you'd already identified?

Leeny Oberg: I would say things that we identified, the best I can describe it, Stephen, is maybe in some respects, happening a little bit sooner than we had expected.

Jared Shojaian, Wolfe Research: Just to ask the group question a little differently. Do you have the number for total group production in the quarter for all future periods? And then have you seen any change in cancellations or attrition?

Arne Sorenson: The cancellation attrition story is generally quite positive. So, there's less cancellation attrition than would have been the case in prior periods. Group business, all group bookings in Q1 for all future periods was down modestly in revenue compared to the same time last year. However, last year was up massively from the same measure in 2015 and prior years. So, while obviously, we'd like to be up in every year over and over again, I don't think that the modest decline in revenue on the books in Q1 for all future periods is that concerning.

Jared Shojaian, Wolfe Research: Okay, that's helpful. And then, Arne, I think in the past, you used to provide the percentage of your North American hotels that were currently earning IMFs. Do you

have that number? And where do you see the next direction for that number? Do you think it will be up or down?

Leeny Oberg: I've actually got it, Jared, and if we're looking at the percentage in the first quarter, we're looking at 60 percent in the total portfolio with about 47 percent in North America. As compared to a year ago, it's very similar worldwide, about 61 percent. This is on a combined basis, so this is for both companies. And I think, in general, there is a very slight difference between a year ago and this year first quarter, and that's a result of 1 portfolio of limited-service hotels that was barely in the money a year ago Q1, and was not in the money in Q1 though to be honest, we expect them to be in the money in IMF this year in 2017. So, we'd expect it to kind of get back to where it was for the whole company.

The only comment I would make where we see it going is that clearly, with international, with the growth in the Asia Pacific portfolio, which tends not to have owner's priority, as you might imagine, that is weighing more and more into the percentage of hotels earning incentive fees. While in the U.S., when you've got a RevPAR, a midpoint RevPAR of 2 percent, it's very difficult to hold onto margins or increase them very much relative to earning more incentive fees. So, overall, if we continue to see this kind of RevPAR environment, you might actually, year-over-year, see North America's percentage not growing, but international continuing to grow.

Wes Golladay, RBC Capital Markets: With the comment about group space being more limited now, are you seeing opportunity to up mix the group for next year? You -- I guess increasing the standards for more F&B spend on that side. And then on the corporate side, can you give an update of your top 300 customers' demand from that segment? And are you seeing a difference between select service and the full-service hotels?

Arne Sorenson: You said top 200 customers, what did you say?

Wes Golladay, RBC Capital Markets: Top 300, I believe you guys give that statistic every so often.

Arne Sorenson: Top 300, now that's news to me. On the group, generally, yes. I mean, I think the -- we are more focused on food and beverage and ancillary spend because of the volume we've got of group business and I think that will continue to be the case as long as group business on the books remains strong. And I think the top 300 accounts generally are in positive shape. Now we've got a sort of +4-ish for Q1 for the top 300 accounts, but remember, we get the benefit of Easter. So, March was meaningfully stronger this year than last year for business travel because we didn't have that holiday. And I think that includes the group business as well so -- which is also primarily related to the calendar. But still, net-net, again, it's a bit why we are encouraged on our expectations for the balance of the year.

Wes Golladay, RBC Capital Markets: Okay, and then between the full-service hotels and select service hotels, we're seeing a lot of supply on the select service, but demand kind of seems quite strong as well. So, wondering if the business traveler for select service is doing a little bit better than the full-service. Can you comment on that?

Arne Sorenson: I think they're both actually performing quite well. If you look at the RevPAR numbers that we published by brand, you'll see that the full-service hotels performed extraordinarily well in Q1. I think the select service portfolio was strong though too, and that's -- I think that's a sign that demand generally was strong in the quarter.

Carlo Santarelli, Deutsche Bank: Most of my questions were answered, but if I could just, on the incentive fee front. When you guys think about some of the changes that you've made with the Starwood portfolio, including getting them on your pre-negotiated OTA rate and improving the RevPAR index, is there an opportunity there to see any kind of meaningful push in incentive fees? And what's the time line on when we would start to see some of those thresholds be met?

Leeny Oberg: So I would say a little too soon to talk about a real analysis of changes in exactly what may be going on for the threshold, particularly as we're really just getting going at putting synergies into place and working through all the portfolios. As you did see, our incentive fee forecast for the year, we've clearly moved up nicely relative to where we were in February. And so, from that standpoint, as a result of the strong margin work that is going across in the combined portfolio, we actually had strong IMF outperformance in both Asia Pacific and in North America across the portfolios. So, kind of great work across legacy portfolios. It's also worth mentioning that they have a much bigger share of incentive fees that are outside the U.S. and Asia Pacific, which obviously, every dollar of RevPAR, you get a certain share of that with no owners priority.

Carlo Santarelli, Deutsche Bank: Great. That's helpful. And then if I could, if you guys -- let's just talk about the \$880 million to \$890 million range. If you're in that range this year, we would assume that you've kind of hit the \$200 million number you referenced earlier. If we think about the incremental \$50 million, do we kind of layer that in, in 2018? And then assume some form of growth on the core, just core inflation within the SG&A line? Is that kind of how you're shaping it now for 2018?

Leeny Oberg: Yes. I think that's exactly right. I think we'll obviously be able to talk a bit more as we get further into the year about 2018. The biggest variable there is about wind-down costs, but how we work our way through, making sure that for example, we're combining the ledgers on the 2 companies, et cetera, and all of that, we're kind of working our way through. I think as we've described it before, we've really talked about that the \$250 million, we would expect to really feel comfortable that it's kind of more in the latter part of 2018 that when you look at it on a quarterly run-rate basis, you see it. But your general approach in terms of inflation with continued savings is right.

Michael Bellisario, Robert W. Baird & Co.: A bigger picture capital allocation question for you. Stocks at 15x EBITDA, the market clearly likes buybacks, but when do those buybacks become less attractive, especially as you think about other tuck-in acquisitions or investment opportunities within the portfolio that might have better returns?

Leeny Oberg: Great question. We look at it all the time. Certainly, first and foremost, we want to be investing in our business in value-accretive ways. And whether that is by a contract, by a loan, by a brand acquisition, no matter how we look at it, the first and foremost, we want to grow our business. But the reality is we've got a model that generates far more than we need to invest in our business and we continue to be, as you can tell from our share repurchase to date, we continue to feel great about returning our shareholders in the kind of the balance that we're doing across a combination of dividends and share repurchase.

Michael Bellisario, Robert W. Baird & Co.: So as a follow-up, are you not seeing those other opportunities? Or is it still that buybacks still make sense at 15x earnings.

Leeny Oberg: No, no, no. We're seeing opportunities, but as I was describing, our model, the reality, the \$500 million to \$700 million that we've described in the need to basically continue to grow our business, that's in the model and we continue to expect to spend that. And to the extent there are other things that come along, we absolutely take a look at them.

Vince Ciepiel, Cleveland Research: I wanted to circle back on April. I think you noted it was running up 2 percent. I'm curious how much of a headwind Easter was to April, and as you heading into the quarter thought...

Arne Sorenson: Vince, make sure you heard the data. Year-to-date April was 2 percent.

Vince Ciepiel, Cleveland Research: Got it. So, I was curious how much of a headwind you thought Easter would be to April.

Arne Sorenson: Easter will be a headwind to April, and we don't have final numbers yet for April. It will be a headwind for April, it will be a headwind for Q2. I would think that it's nearly a point positive to Q1 and nearly a point negative to Q2. And please take that as directional because we don't even have final April numbers yet.

Vince Ciepiel, Cleveland Research: Helpful. And then also just thinking about demand and specifically related to the occupancy gains, I think 1Q showed some nice growth. I'm curious within your full year budget, how much you're thinking occupancy will play into it and if you think occupancy will be positive in 2017.

Arne Sorenson: Globally, I would think it will be positive, but I think in North America, much more likely to have RevPAR driven by rate as opposed to occupancy, I think, as the year goes along. Hotels are practically already quite full and of course, it'll depend a little bit quarter-by-quarter based on the holidays, but the contribution should be more rate-driven.

David Katz, Telsey Advisory Group: As we go through the model and we update all of the portfolio of brands, are there any updated thoughts about the range of brands? And quite frankly, it seems like a lot, a long laundry list of brands and how sustainable that can be over the very long term?

Arne Sorenson: No, we are thrilled by the number of brands we have and the range of choice that we can give to our customers. We spent, obviously, time talking about this at the analyst conference. There's no different thinking today than we laid out then. And we can all look at our 30 brands and our 1.2 million hotel rooms and say that's a lot, but it's nothing compared to the range of choice that's offered by the third-party intermediaries, and offering more choice to our customers is a great thing. And as a consequence, you should presume that we will continue with these brands, and that our effort will not be about getting to fewer brands, but instead, getting to emphasize the distinctions between brands, and make sure we are driving the compliance, if you will, or the consistency of product quality and service quality so that the customers are experiencing something which is consistent with what each of those brands stand for.

Joe Greff, JP Morgan Chase & Co.: Obviously intuitively, for the third quarter in a row, merger-related costs decreased on a sequential basis. How much anticipated merger-related costs do you have for the balance of this year? And would you expect that to continue to go down on a sequential basis?

Leeny Oberg: I think the best, I could say, Joe, right now, is that we have to look at this as we keep moving along and getting through integration. So, we don't have a final number for you. I think over \$100 million in 2017 is the right expectation. Obviously, we've already had \$51 million in Q1 so that would kind of argue that we'll continue to move through the year. But exactly where we end up, whether it's \$100 million or a bit more, it's too soon to say.

Joe Greff, JP Morgan Chase & Co.: And \$100 million that you're talking about would be on a pretax, not post-tax basis?

Leeny Oberg: Yes, that's a pretax basis, right.

Arne Sorenson: Okay, well, thank you all very much for your participation and your interest in the Marriott story. We'd love to welcome you into our hotels as you travel around the world. Talk to you soon.

Note on forward-looking statements: This document contains “forward-looking statements” within the meaning of federal securities laws, including RevPAR, profit margin and earnings trends, estimates and assumptions; the number of lodging properties we expect to add to or remove from our system in the future; our expectations about investment spending; 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 risks and uncertainties, including those we identify below and other risk factors that we identify in 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 changes in market conditions; changes in global and regional economies; supply and demand changes for hotel rooms; competitive conditions in the lodging industry; relationships with clients and property owners; the availability of capital to finance hotel growth and refurbishment; and the extent to which we are able to

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