



**Marriott International, Inc.
Fourth Quarter 2017
Earnings Conference Call Transcript¹
February 15, 2018**

Operator: Welcome to the Marriott International fourth 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: Welcome to our fourth 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.

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 yesterday, along with our comments today, are effective only today and will not be updated as actual events unfold.

This quarter, we have provided a set of slides to assist with today's discussion. You can find them on our website at www.marriott.com/investor. In our discussion, we will talk about 2017 results excluding merger-related costs, the gain from the sale of Avendra, and the provisional charge associated with tax reform. These results will be compared to 2016 combined adjusted results, which also exclude merger-related costs and assume Marriott's acquisition of Starwood and Starwood's sale of its timeshare business were completed on January 1, 2015. Of course, comparisons to our prior year reported GAAP results are in the press release, which you can find, along with a reconciliation of non-GAAP financial measures on our web site.

There are a number of moving pieces in both our fourth quarter 2017 results and our 2018 outlook. In our remarks today, we will try to clarify those items to reveal the underlying business trends. Simply put, the fourth quarter was the icing on the cake to a terrific year in 2017 for Marriott. Compared to combined adjusted amounts in the prior year, 2017 fee revenue increased 8 percent to \$3.3 billion; adjusted EBITDA rose 8 percent to \$3.2 billion; and adjusted EPS rose 32 percent to \$4.36.

As 2017 demonstrated, the global travel industry has never been more exciting, nor offered a better opportunity. Occupancy is at record levels... with young travelers seeking adventure; retirees exploring exciting places; expanding numbers of international vacationers; and for business

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

travelers, making the connections that drive success. Technology is making travel easier to book; and strengthening economic climates are fueling the wanderlust.

Marriott is seizing this opportunity. Our more than 6,500 properties and 30 brands provide a broad choice of aspirational destinations. Our leading loyalty programs leverage our distribution, driving guest preference and significant RevPAR index premiums. Our tremendous worldwide distribution and diverse brand portfolio enables our sales and marketing channels to be highly effective and efficient. And with our operating know-how, our team executes well against very high guest expectations, while driving hotel profitability for our owners and franchisees.

Owners recognize this market opportunity and continue to seek out projects in attractive locations with our brands and platforms. In 2017, we opened 76,000 new rooms, yielding a worldwide net system growth of 5.6 percent. We also signed nearly 125,000 new rooms worldwide during the year including 15,000 rooms that were conversions from other brands. Construction delays persist in many markets due to shortages of skilled tradesmen, contractors and subcontractors. Despite this, in 2018, we expect we will grow our worldwide rooms by roughly 7 percent, gross, and 5 and a half to 6 percent, net.

For 25 years, our powerful brands have enabled us to pursue an asset light strategy that delivers both meaningful unit growth and high value management and franchise agreements for our shareholders. But the lodging business is changing. It's not enough today to have outstanding operating skill and well-known brands. Today, hotel operators need scale to leverage technology, loyalty programs, and booking engines, all of which are needed to meet ever increasing customer and hotel owner expectations.

In 2017, we added mobile check-in and check-out to 1,600 hotels, and are now offering mobile service at nearly 6,000 hotels worldwide. During the year, we rolled out "guestVoice", our guest satisfaction system across our entire portfolio and launched Marriott Moments that allows guests to shop for and book unique experiences. And, we formed a joint venture with Alibaba that we believe will drive engagement and loyalty of Chinese travelers.

For company-operated hotels, worldwide house profit margins improved by 80 basis points on company-operated worldwide RevPAR growth of 3.8 percent. In addition to the RevPAR improvement, our higher margins reflect continued terrific productivity savings by our operating teams and integration-related cost savings in procurement, OTA commissions, and loyalty programs.

Our loyalty programs reached just shy of 110 million members at year-end and those members accounted for over half of our occupied rooms in 2017. We lowered our loyalty programs charge-out rate to owners in 2017, and again in January 2018, and we expect to further reduce charge-out rates as we harmonize our loyalty programs later this year. As we expected, our recently renegotiated co-branded credit card agreements are allowing us to bring more value to our customers and hotel owners, as well as our shareholders. We expect new cards will launch later this year. As part of the credit card agreements, hotel owners will also benefit from lower credit

card processing fees beginning in 2018. Leeny will talk about our branding fees associated with these credit card agreements in a few moments.

Our hotel owners can expect more cost savings in 2018. We recently announced a reduction in North America group intermediary commissions and, separately, have introduced a new revenue management approach that seeks to book the most profitable business, not just the highest RevPAR business. We also expect to achieve additional synergies in procurement, loyalty, and benchmarking in 2018.

Let's talk about RevPAR.

In the fourth quarter, Marriott's worldwide systemwide comparable RevPAR increased 4.6 percent on a constant dollar basis. In North America, fourth quarter RevPAR increased 3.9 percent with roughly 1.5 percentage points of the improvement due to the shifting Jewish holidays and hurricane recovery demand. In the fourth quarter, RevPAR growth was stronger than we anticipated in North America, also related to lingering hurricane demand as well as better than expected leisure demand in Orlando, Miami, New Orleans and Los Angeles.

For the full year 2018, we expect North America systemwide RevPAR will increase 1 to 2 percent consistent with recent trends. While we are hopeful we will see a pickup in U.S. economic growth and we've narrowed the range of our North America RevPAR outlook a bit, we think it unwise to move expectations up broadly this early in the year. As a reminder, year-over-year comps are tough following 2017's inauguration and the strong 2017 fourth quarter. Booking pace at the end of January for systemwide full-service hotels is up 2 percent for 2018. While we haven't completed all special corporate rate negotiations, where negotiations are complete, price increases for the comparable special corporate customers are averaging at a low single-digit rate.

RevPAR in the Caribbean and Latin America region increased 5.6 percent in the fourth quarter compared to last year, also better than our expectations. We saw strong demand in Argentina and signs of economic improvement in Brazil, while Mexico was weak following September's earthquake and the peso's appreciation.

In the Caribbean alone, many hotels across the lodging industry remain out of service. This has created significant demand compression for our 45 open properties in the region, driving our comparable Caribbean RevPAR up 24 percent in the quarter.

For the entire Caribbean and Latin America region, we expect RevPAR will increase at a low single-digit rate in the full year 2018.

In the Middle East and Africa, fourth quarter RevPAR increased 5.7 percent. We saw strong performance in Saudi Arabia, while at the same time, continued sanctions on Qatar and oversupply in Dubai dampened RevPAR growth in those markets. In Africa, our hotels in Egypt experienced much stronger occupancy, particularly our Red Sea resorts, following that country's currency

devaluation. With tougher comps in Africa and a continued challenging political climate in the Middle East, we expect RevPAR in the total region will be flattish for the full year 2018.

In the Asia Pacific region, constant dollar systemwide RevPAR rose more than 7 percent in the fourth quarter, exceeding our expectations, with strong leisure demand in China, Thailand and Japan. Comparable hotel RevPAR in Greater China increased over 9 percent driven by robust growth in the Hong Kong, Macau, and in Shenzhen.

For the full year 2018, we expect RevPAR in the Asia Pacific region will grow at a mid-single-digit rate reflecting strength in China and India but more modest growth in Indonesia due to the active volcano in Bali.

In Europe, fourth quarter RevPAR rose more than 5 percent with impressive performance in Paris, Brussels and Istanbul. While RevPAR across most of Europe was strong, demand in Barcelona and London weakened. We expect RevPAR in Europe will grow at a mid-single-digit rate in the full year 2018.

For the full year, we expect constant dollar RevPAR will increase 3 to 5 percent outside North America and 1 to 3 percent worldwide.

In a few minutes, Leeny will talk about the significant positive impact on 2018 earnings and cash flow from the Tax Cuts and Jobs Act of 2017. The takeaway is that our effective tax rate should drop by approximately 8 points to roughly 22 percent and, hopefully, we will see a stronger economic climate in the United States.

As we considered how we might leverage this good news, we considered our long-term cultural maxim that in the hospitality business, strong guest loyalty and economic results are derived from high associate satisfaction and engagement. To put it plainly, at Marriott, we try to take care of our associates, our associates take care of our guests, and our guests keep coming back. Attracting and keeping the best talent is critical for us. So, we plan to invest roughly \$140 million for 2018 in our most important asset, our people, with about \$70 million of the cost funded by Marriott and the remainder funded by the Avendra proceeds. We expect to do this by increasing our retirement savings match of associate contributions by up to \$1,000 for eligible associates in the U.S. We also plan to invest in other associate support programs during the year.

We are bullish about our future. No other hotel company offers our comprehensive range of destinations. No other company has loyalty programs of the breadth and depth we do. And none offer the meaningful scale that drives both guest satisfaction and owner returns. But our most powerful advantage is our culture. It is a deep commitment to people; treating each other with dignity and respect; offering everyone opportunities for learning and growth; and working together as a team. Given the outstanding results demonstrated in 2017, I'd like to say thank you to all the Marriott associates who made it possible.

To tell you more about the quarter, I'd like to turn the call over to Leeny Oberg. Leeny?

Leeny Oberg: Thank you, Arne.

Welcome, everyone. As Arne said, there are a lot of moving pieces to discuss, so starting with slide 9, let's review two adjustments we made to results in the fourth quarter of 2017.

Aramark purchased Avendra for \$1.35 billion in December of 2017. After deducting company debt, transaction costs, and other expenses, net proceeds were \$1.2 billion, of which Marriott's proceeds and gain were \$659 million. This quarter's tax provision included \$259 million on the gain. As we have explained in the past, the proceeds from the transaction will be reinvested in our system. Under GAAP, we recognized the gain in the fourth quarter. Going forward, we plan to incur expenses as the funds are invested in the system and expect to similarly back out such expenses in calculating adjusted results.

Our fourth quarter GAAP results also reflect the impact of U.S. tax reform passed in 2017. The fourth quarter included a \$745 million provisional transition tax on Marriott's accumulated foreign earnings, a \$159 million favorable revaluation of our deferred tax liabilities, and a favorable \$19 million of other tax impact.

In total, the Avendra transaction and 2017 tax legislation reduced our fourth quarter GAAP net income by \$167 million and diluted EPS by \$0.45.

On slide 10, you can see 2017 fourth quarter total fee revenue increased 12 percent. Fees increased due to unit growth, RevPAR growth, and higher non-property fees, largely credit card branding fees. Non-property fees including application fees, relicensing fees, and fees from our timeshare, credit card, and residential businesses, together totaled \$122 million in the quarter, 27 percent higher than the prior year. Incentive fees increased 14 percent in the quarter, largely due to strong results at full-service hotels in North America and the Asia Pacific regions.

Owned, leased, and other revenue, net of expenses, totaled \$95 million in the 2017 quarter. We benefited from stronger results at a few North American owned and leased hotels, but overall owned/leased results declined due to hotel dispositions. Since the beginning of the 2016 fourth quarter through 2017 year-end, we've sold four properties, in each case retaining a long-term management agreement. These properties contributed \$3 million in profits on the owned/leased line in the 2017 fourth quarter compared to \$21 million in the fourth quarter of 2016.

General and Administrative expenses totaled \$259 million in the 2017 fourth quarter, \$25 million worse than the prior year, reflecting \$7 million of litigation reserves in the 2017 quarter, higher incentive compensation, and an \$8 million benefit from a favorable legal settlement in the prior year.

Turning to slide 11, our fourth quarter results were much better than we expected. Adjusted diluted earnings per share totaled \$1.12, roughly 13 cents ahead of the mid-point of our EPS guidance of \$0.98 to \$1.00. On the fee line, we picked up about 6 cents of outperformance, due to

stronger than expected RevPAR and margin growth, and better than expected branding fees. The owned, leased and other line gave us about a penny due to better than expected results at hotels in New York, Atlanta, and Anaheim. G&A was about 3 cents worse due to unexpected litigation reserves and development expenses. Net interest and the equity in earnings line each contributed about a penny of outperformance. The provision for taxes helped by 7 cents, including 3 cents of tax benefit related to stock compensation, 3 cents from a favorable mix of business, and 1 cent from discrete tax items.

As you know, effective January 1, 2018 our results will reflect FASB's new revenue recognition rules. I want to emphasize that while these changes will result in some geography and timing changes in our reported results, our cash flow won't be impacted. We discussed these changes in our third quarter 10-Q and there will be additional discussion in our 10-K.

I'd like to bring your attention to the third point on slide 12 regarding incentive fees. Compared to our past practice, the new accounting standard may shift recognition of some incentive fees from one quarter to another quarter, with the most significant impact on seasonal resorts. The rule change only impacts quarterly timing; it will not change our incentive fee recognition for the full year, nor alter the quarterly cash receipt of incentive fees.

We expect the overall impact of the first five changes shown in Slide 12 will reduce 2018 adjusted EBITDA by roughly \$60 million and operating profit by roughly \$50 million, but will not change our annual or quarterly net cash flow. We will not adjust our results for these changes in non-GAAP reconciliations going forward.

Moving to number 6 on slide 12, the new rules also impact the treatment of costs for centralized programs and services, like sales and marketing, loyalty, and reservations, the cost of which are reimbursed to us by owners. In 2017, we had roughly \$18 billion of total annual reimbursed revenues and cost reimbursement expenses. Roughly 30 percent of these reimbursements are associated with centralized program and services. We operate these programs on a breakeven basis, although there can be cash differences in the timing of revenue and expenses. Prior to the new revenue recognition rules, such revenue and expenses netted to zero on our financial statements and we reflected the cash impact of any timing difference on our balance sheet. However, under the new rules, timing differences of these owner payments and system expenses will flow through our GAAP reported net income instead. We expect to adjust these timing differences of centralized programs and services in our calculation of adjusted EPS and adjusted EBITDA going forward and do not expect to include such timing differences in our earnings guidance. Here again, this change in accounting does not change our annual or quarterly net cash flow.

We appreciate your patience. Given the complicated impact of the new accounting rules on incentive fees for seasonal hotels, we don't yet have a detailed first quarter P&L forecast. Our budget spreads are also delayed as we transition to a unified financial reporting platform. We expect to provide investors with 2017 quarterly results under the new revenue standard in the second quarter. We remain committed to transparency and expect we will resume fulsome

quarterly guidance on our next earnings call. I'd like to take a moment to express my sincere thanks to our finance and accounting team for expertly managing purchase accounting, new revenue recognition rules and combining ledgers all at the same time.

Of course, there are a few observations we can make about the first quarter. With tough comparisons to last year's inauguration and women's march, and the unfavorable timing of Easter, North America RevPAR is likely to be flat to up 2 percent in the 2018 first quarter. International RevPAR is likely to grow 3 to 5 percent with continued strength in the Europe and Asia Pacific regions. And worldwide systemwide RevPAR should increase 1 to 3 percent in the first quarter.

Unit growth should remain strong and credit card branding fees should move higher. In the first quarter of 2017, we recognized about \$20 million of earnings from owned hotels that have since been sold.

For the full year 2018, we can be more helpful. The table on page 13 of the press release and slide 14 in our slide deck show our 2018 full year outlook. Our guidance is on the left column and reflects the new revenue standard. While we will be reporting 2018 results including the impact of the new revenue standard, for those of you who wish to compare our 2018 outlook with 2017 actuals excluding the accounting change, we've provided the data for your use in the column on the right.

With 1 to 3 percent global RevPAR growth and 5 and a half to 6 percent net unit growth, we expect gross fee revenue will total \$3.535 to \$3.620 billion and we expect incentive fees will increase at a low single-digit rate in 2018. Contract cost amortization should total \$55 million.

Our fee revenue estimate includes meaningful improvement from credit card branding fees. Such fees increased from \$173 million in 2016 to \$242 million in 2017 as we harmonized terms of the Marriott and Starwood credit card programs and realized higher card member spend. In 2018, with the renegotiation of our credit card agreements and the launch of new credit cards, credit card branding fees could total \$360 to \$380 million.

In 2018, owned, leased and other revenue, net of direct expenses, should total \$285 to \$295 million and do not reflect any additional asset sales. Earnings on this line from hotels that were sold in 2017 or early 2018 totaled \$55 million in 2017.

We estimate depreciation and amortization in 2018 will total roughly \$230 million, reflecting the reclassification of \$55 million of contract amortization to the fee revenue line due to the new revenue standard.

We estimate G&A will total \$935 to \$945 million, including the \$70 million one-time investment in our associates in 2018. Excluding this amount, we would expect 2018 G&A to be lower than 2017, consistent with our targeted \$250 million of long-term G&A savings from the Starwood acquisition.

In January 2018, we completed the sale of the Buenos Aires Sheraton and Park Tower properties for approximately \$105 million. We estimate the gain from this transaction will be roughly \$45 million and will be recognized in the first quarter.

Our outlook assumes a 2018 effective tax rate of roughly 22 percent. We expect the provisional transition tax that we booked in the fourth quarter of 2017, less any available tax credits, will be paid out in cash over 8 years. We expect our cash tax rate in 2018 will be noticeably higher, at roughly 36 percent reflecting a negative 11-point impact from cash taxes associated with the sale of Avendra and a negative 3-point impact from the 2018 installment of cash taxes associated with the transition tax.

For the full year 2018, we expect fee revenue will total \$3.54 to \$3.62 billion, a 6 to 9 percent increase despite the estimated \$25 million negative impact of the new revenue standard. We expect adjusted diluted EPS will total \$5.11 to \$5.34, a 17 to 22 percent increase over adjusted diluted EPS in 2017, despite the estimated \$0.11 negative impact of the new revenue standard and the roughly \$0.15 one-time negative impact from our expected investment in our associates. We expect 2018 adjusted EBITDA will total \$3.32 to \$3.42 billion, a 3 to 6 percent increase over 2017 adjusted EBITDA, despite the estimated \$60 million negative impact of the new revenue standard, the \$70 million one-time negative impact from our expected investment in our associates, and the negative impact of \$55 million of lower owned/leased profits due to sold hotels.

There are a few things not reflected in our 2018 guidance. First, we expect to spend the net proceeds from the Avendra sale for the benefit of our owners, franchisees, and our system over the next few years, including \$70 million for the one-time additional profit sharing contribution funded by Avendra proceeds. While Avendra reinvestment will be included as an expense in our GAAP results, we expect to adjust for any such expenses in our calculation of adjusted EPS and adjusted EBITDA and do not expect to include such expenses in our earnings guidance. Similarly, our guidance does not include merger-related costs or the timing impact of centralized programs and services. Here again, we expect to adjust for such costs in our diluted EPS and adjusted EBITDA.

Investment spending, including contract costs and loan activity, totaled \$612 million in 2017. We expect investment spending will total \$600 to \$700 million in 2018, including \$225 million in maintenance spending as we expect to renovate several leased hotels in 2018.

We have already recycled \$1.3 billion of assets to date since closing the Starwood acquisition. While we remain confident of our ability to reach our post-acquisition \$1.5 billion target by year-end 2018, our 2018 earnings and cash flow guidance assumes no further asset sales.

In 2017, we returned \$3.5 billion to shareholders through dividends and share repurchases reflecting our success with asset recycling, the return of foreign cash, and strong operating cash flow during the year. Assuming no asset sales beyond those already completed, we could return roughly \$2.5 billion to shareholders in 2018.

Our balance sheet is in great shape. On December 31, our debt ratio was at the low end of our targeted credit standard of 3 to 3.25x adjusted debt to combined adjusted EBITDAR.

There is a lot of excitement at Marriott today. We are embracing change as never before while remaining true to our culture and commitment to excellence, to the benefit of our guests, owners, associates and shareholders. Thank you for your interest and joining us on this journey.

So that we can speak to as many of you as possible on today's call, we ask that you limit yourself to one question and one follow up. We'll take your questions now.

QUESTION AND ANSWER SESSION:

Robin Farley - UBS Investment Bank: I wonder if you could give a little more color around the fee growth guidance. In that 7 percent to 10 percent range, just given that it looks like maybe 3 percentage points of that is from higher credit card branding fees, when you combine your unit growth and your RevPAR growth, it seems like all those pieces added should maybe get to a higher range than the 7 percent to 10 percent. So, I wonder if you could just give a little bit of color if there are other moving pieces there.

Leeny Oberg: Sure, absolutely. So let's, first of all, talk a little bit about the other parts of fees that are part of the non-hotel-related fees, and that is when you think about timeshare fees and residential branding fees and things like that, which make up a solid maybe 40 percent of those non-hotel-related fees. They are actually -- when you consider what's going on with the rev rec, they are actually going down year-over-year. So that takes your growth in the credit card fees that is, obviously when you see our number, something like 50 percent. That brings that overall growth number of the non-hotel fees down meaningfully. Then on top of that, you've got incentive fees, which as we've talked about before, are in the low single-digits. And that is really a function of the RevPAR guidance that we've given.

There's a couple other oddballs like we actually recognized \$6 million of deferred incentive fees in 2017, which, obviously, we won't have again in 2018. And when you think about -- we had great margin performance in 2017, but with clearly a bit stronger RevPAR than our current forecast for 2018 implies. And so, when you put that together, that also is a reason for the overall fee growth to be lower.

And then last, but not least, is the reality that as we're adding hotels, there is some fee ramp. And when you think about the proportion of limited-service hotels that we're adding, you have some drag as our hotels get up to stabilized fees. And this is something that, quite frankly, is something the whole industry experiences. And if you look at our 2016 to 2017 performance and you back out the growth that we had in these areas, you'll see the same trend there as well. The -- I think the point I would emphasize is these are all hotels that are coming on board, they're ramping up nicely and the growth in the future for the fees is there.

Robin Farley - UBS Investment Bank: Okay, that's helpful. Maybe just as my follow-up just on the incentive management fees. Just looking at North America, the percent in 2017 was unchanged from 2016. It was the same 70 percent paying fees. But just given the RevPAR increase last year and then the increase in operating margins at those North America managed properties, is that -- and maybe it's what you were mentioning that the limited-service hotels are being added but -- or did it surprise you that there wasn't an increase in the percent of properties paying incentive management fees?

Leeny Oberg: Yes, no, not at all. That's really -- we have a number of limited-service managed hotels that are in large portfolios. And we actually were very pleased with the performance of our North American hotels. Margins were only up 40 basis points for the year in 2017 in North America, which is not going to move the needle that much in percentage of hotels achieving IMF.

David Beckel - Sanford C. Bernstein & Co.: I'm curious, you mentioned from Q4 particular strength in leisure. Are you also seeing an acceleration at all in terms of corporate spending or corporate group booking activity? And to what extent, if you do, do you expect that to carry through to the remainder of the year?

Arne Sorenson: One of the things that was interesting in Q4 was the transient business was up about 4.1 percent. This is a U.S. figure. And transient, of course, includes corporate negotiated rates, includes retail rates, includes leisure, it includes some contract rates, all of which are contributing to that. But the corporate RevPAR was 4.1 percent too. It was essentially right on with the average, which we take on balance to be a fairly encouraging sign. I think if you look back over the last year or so, you would see that the corporate traveler was a bit weaker than the leisure traveler in the sort of average performance of transient.

I think the second thing which we take a little comfort in is that group bookings, while we can -- and undoubtedly, there'll be more questions about this, we can look at bookings for 2018 or bookings for all future periods, what-have-you. But groups, too, we broadly split between corporate, association and government. And corporate bookings in Q4 showed a bit of a sign of life, not overwhelmingly different than in prior periods but stronger than in prior periods. So all of that is at least a hint of something to be optimistic about.

David Beckel - Sanford C. Bernstein & Co.: And as a quick follow-up, just from your conversations with corporate leaders out there that spend a lot traveling with your properties, what is the sense that you get of their willingness or desire to increase business travel spend?

Arne Sorenson: It is -- I mean, I think that on the positive side, I've been struck by how broad the optimism is among U.S. corporate CEOs, really dramatically improving post tax reform. But the tone, for example, in many of the conversations I've had with folks is really quite bullish. That doesn't, sadly, immediately translate into somebody saying, "Therefore, I'm going to have our team out there spending more money on hotels." I think in a sense, that's a detail, if you will, from at least most CEOs' perspectives. But I think if that optimism translates into better corporate profits, if

it translates into more investing activity by companies, I think inevitably, we'll see that, that is positive for corporate demand for our industry.

Smedes Rose - Citigroup Inc.: You mentioned some delays in the construction deliveries, which I think you talked about last quarter as well. But I wanted to ask you too, it looks like the Sheraton room system has come down about 2 percent since your acquisition. How do you think about that going forward in terms of the room counts? And is there any kind of update you can provide on how the RevPAR index is trending for that brand?

Arne Sorenson: We're doing the early work with Sheraton. I think it's going quite well, as we've talked about in prior quarters and in other contexts. It's a multiyear task and -- but a huge part of the preparatory work is pulling in owners of existing Sheraton hotels, making sure they understand the standards that will be applied to those hotels, giving them the opportunity to meet those standards. And that you can't necessarily publish standards and say, you've got only a week to do that. That's not fair to the kind of partnerships we have with these hotel owners. But that work is well under way. We're deeply engaged with the ownership community and, I think, making great progress on standard-setting. At the same time, the early ones to fix are the worst ones. And we have, even while we've waited for the total development, if you will, of the standards, we know that there are a number of these hotels that are not going to meet those standards, whatever the details are.

And so we've been accelerating our work with those to try and move as quickly as we can to get properties moving forward, hopefully, towards renovation to meet standards. But if not, to have them leave the system. And I think we have culled, what, 5,000 rooms last year, I think, in the Sheraton portfolio. Our expectations is we will cull a bit less than that in 2018. Obviously, we don't know for certain how that will go. But those are decisions that, on balance, we feel really good about because it's the kind of work that needs to be done in order to get the brand where we want it to be.

Smedes Rose - Citigroup Inc.: And then, Leeny, I just wanted to ask you on the calculation of leverage as the ratings agencies look at it. I assume that they're going to use the new sort of definition of EBITDA as they think about that. And also -- well, if you could confirm that. But also the tax liability that you mentioned related to repatriation of profits. Do you think the agencies will look at that as -- in their calculation of debt? I think it's like \$700 million or something.

Leeny Oberg: Yes, sure. Thanks, Smedes. Yes, I would expect that in debt to EBITDAR that they would assume that it's done based on the new rev rec standard. However, as you know, many of them actually look at 2 statistics: one is a FFO to debt so a cash flow to debt ratio, as well as the debt to EBITDAR. And obviously, from the cash flow one, that will not be impacted. And then the other part is that on the liability that's included in the debt, they actually use a discounted amount that is actually more like \$450 million because they're using the true cash that we expect, which is not the full \$745 million because we've got some tax credits. So that comes down and then it's paid over time. And so you get the benefit of being able to discount that. So it's not the full \$745 million

that's going to go on to your debt calculation, but we would expect that, that goes into the debt to EBITDAR.

Smedes Rose - Citigroup Inc.: Okay. So just sort of net-net, it sounds like if you're running the company at like 3.1 or 3.2x debt to EBITDAR, that capacity comes down slightly on those new debt or new standards?

Leeny Oberg: Yes, it does. If you remember for us, it's called 10 basis points is roughly \$350 million so that does take us down about a tick. But again, part of this is about working through with the rating agencies the issue that this is not affecting our cash flow and that you would argue actually with the tax reform that our cash turnover is actually going to be higher. And so as we look at what's there, it's part of what we've talked to you in our \$2.5 billion capital return to shareholders today. And frankly, as you know, Smedes, we work in this range of 3 to 3.25x, so I don't expect it to have a meaningful impact.

Felicia Hendrix - Barclays PLC: So, first, Arne, I just wanted to commend management and the board on your decision to return cash to your employees. That was very refreshing to see.

Arne Sorenson: Thank you.

Felicia Hendrix - Barclays PLC: And so, Leeny, on the credit card, I have a question there on the incremental fees. So if you kind of take your guidance of the \$360 million to \$380 million this year and then you back out the \$240-ish million that you did last year, you get an incremental, call it, \$118 million to \$138 million of credit card fees this year. So I was just wondering, how much of that is coming just from the underlying growth of the program versus the new contract. And I was just hoping that you could walk us through the various buckets of how the incremental fees got broken down between the program, the owners and then to corporate. I know you're not going to be specific, but just if you could kind of walk us through how the, call it, \$120 million to \$140-ish million kind of came to Marriott.

Leeny Oberg: Sure, absolutely. So, let's talk about -- let's kind of go first things first. Overwhelmingly, the growth that we've talked about in these fees to get to the \$360 million to \$380 million over the \$242 million that we had in 2017, that is overwhelmingly reflecting the improved economics of the new deal. There is perhaps the normal amount of kind of new cards and credit card spends. But overwhelmingly, the increase is from the new terms. So, nothing kind of unusual besides that. So, kind of when you asked the broader question, we're clearly very pleased with the results of the credit card deal. And I would say that there again, the overwhelming amount, clearly well more than half of the increased proceeds that we're getting from the credit card companies coming to the company, is going to benefit the consumer and the owners and franchisees. And as an example, we reduced the loyalty charge-out rate to owners in 2017. And now as we've got the new credit card deal, we've already reduced the charge-out rate to the owners by another 10 basis points starting January 1 in 2018. And we actually expect additional loyalty charge-out reductions for our owners later this year as we harmonize the program.

So similarly as we are excited about what we're going to do with the harmonization of the loyalty program, we've got a bunch of things that we're doing for the consumers that also will be valuable. So kind of in the broadest context, I would say that well over half of the increased benefit is going not to the company, not to our shareholders, but that we do believe the split is fair amongst all the constituencies.

Arne Sorenson: Yes, let me -- I want to jump in on this, too. The -- we threw out a couple of statistics in our prepared remarks with roughly 110 million loyalty members and in excess of half of our rooms' revenue coming from those loyalty members who are disproportionately booking direct with us. We believe that the loyalty program is the name of the game for the future. And we've been impressed by SPG from the moment we acquired Starwood, about the passion and loyalty that they have in their program. A big part of that is the value that's been available to those travelers both through their credit card and through the elite benefits, particularly that Starwood offered them. And we've got -- we will be announcing these new cards as the year goes along. We will be announcing the plans with respect to harmonization of benefits for the 2 loyalty programs. And we're making great progress having virtually eliminated all of the restrictions to merging these programs towards a single unified program hopefully later this year. And when we roll that out, we will see that we've got extraordinary benefits to our cardholders and to our hotel guests. We will have a materially more cost-effective program for our hotel owners, and we're going to do great, too. And of course, all we're giving this morning is our best guess on 2018. We haven't even launched these new cards yet, and we believe that in the years to come, we're going to see that this program continues to grow in terms of number of members, continues to grow in terms of contribution to our hotels and continues to grow in terms of the contribution of Marriott's own P&L.

Felicia Hendrix - Barclays PLC: And just to understand, is there an incremental step-up for maybe the terms in 2019? Or is this kind of a onetime increase? I mean, obviously, I know it's going to grow as members grow, but is there another kind of leg up?

Leeny Oberg: So, of course, it's too soon to make any predictions about 2019. A couple comments I would make. As you heard Arne talking about, we are really excited about what we see for the potential for our cardholders. And so, we absolutely would like to think there will be more. But at this point, we don't know the exact timing of harmonization and exactly how it will all roll out with the cards. So it's too early to give you any predictions, but I sure would like to think it'll be higher.

Felicia Hendrix - Barclays PLC: Okay. And just a housekeeping on SG&A. So, you came in about \$55 million higher than our estimates. And in the release, you called out some of that but not all of it. And what I'm just wondering is, is the delta just that it might be a little bit longer timing in terms of getting to your synergy or was there -- synergies? Or is there something else in there?

Arne Sorenson: You're talking about 2018?

Felicia Hendrix - Barclays PLC: For 2017, I'm sorry, for the fourth quarter results.

Leeny Oberg: Well, for -- so let me go back. For 2017, we would say we have not hit the \$250 million in 2017 but getting close. Over -- I would call it over 80 percent achievement in 2017, if you're comparing back to the last time you had the 2 companies with full-throated G&A. If you remember last year in the fourth quarter, you had -- kind of in 2016 compared to 2017, you had quite an unusual situation with lots of people leaving Starwood. And as we pointed out, you had onetimers in 2017 fourth quarter. But again, in 2018, when you take the midpoint of the \$940 million that we've talked about, back out the \$70 million onetime contribution from the company, you get to \$870 million, which is 3 percent lower G&A than our printed number in 2017 and a clear demonstration of achievement of the \$250 million.

Harry Curtis - Nomura Instinet: A quick question on asset sales. It seems like the -- based on prior guidance, you're in the late innings, yet you still have a reasonable number of owned hotels yet to sell. And I -- it'd be useful to get an update on what's left to sell and where you are in the process of selling. And I think you've mentioned that, yet there are no -- in your \$2.5 billion, there are no assumptions on asset sales.

Leeny Oberg: That's right. Sure, we've got 17 hotels left that we own, 10 of which are part of the original Starwood portfolio. Of the 10 that we've got of the original Legacy-Starwood portfolio, you've got 2 in Canada, 2 in Asia Pacific, 3 in CALA and 3 in the U.S. And as I talked about before, we continue to absolutely methodically work our way. And they have a variety of kind of situations, whether it's a ground lease, odd ground lease language with one. But as I said before, we are confident there will be additional asset sales this year that gets us to our \$1.5 billion. As we've talked about before, Harry, you've always got a few. And frankly, in Marriott's portfolio too, you've got a couple that are in markets that the timing may just really not be right, whether it is Rio or a market that's got a certain pressure related to oil prices, et cetera. But again, we're really pleased with how it's marching along. The Buenos Aires sale that was done for over \$100 million in January was terrific, great PIP that we're going to get out of that deal as well as the long-term management agreement. And we're excited about how they continue to move along.

Harry Curtis - Nomura Instinet: Very good. And my second question is in reference to the mix of your direct bookings relative to your OTA mix. Can you give us a sense over the last several years of how those have moved in opposite directions? And in a softer demand environment, do you think that what you've done to increase the mix of your direct bookings, that you're positioned to continue to outperform?

Leeny Oberg: So I'll start with a couple numbers and then have Arne fill in on the strategy side. Just from the numbers standpoint, direct bookings continue to be around 70 percent for the company, with property really being where you see it being a little bit less over time, coming down 1 percent or 2 percent. Digital is now a full 26 percent of total res as part of that 70 percent. The OTAs in 2017 were 12 percent, which was up 1 percentage point penetration over the year before. But again, we don't see it growing any more quickly than before. And as Arne talked about, with our revenue management system, we're excited about the things that we're doing that's allowing properties to choose more profitable business. So overall, the trends haven't changed dramatically.

The mobile -- obviously, mobile, which is terrific for us, the mobile is doing really well in terms of year-over-year increases in res.

Harry Curtis - Nomura Instinet: Okay. And I'm sorry. Arne, you were going to give your thoughts on how these trends should play out should there be a softer demand environment maybe in the next 3 or 4 years.

Arne Sorenson: Yes, well, time will tell, obviously, on this. I don't -- Leeny's description of the statistics, I think, is quite good. We have, obviously, within the direct bookings space, seen a massive shift towards online bookings and away from voice, as an example. And that's been steady over the course of the last number of years, including in 2017 where voice has been down mid-single-digits and our online bookings has been strengthened.

Another observation is, obviously, this is driven, to some extent, by the kind of business in a hotel. It tends to be the more leisure hotels' demand base, the higher the third-party contributions are to that hotel. That could be wholesalers or it could be OTAs. In part because of that, the Starwood portfolio had a higher reliance on third-party bookings than the Marriott portfolio did. I think some of that we can address internally with sort of a different approach to some of those platforms. And I think as the loyalty program gets stronger and as the clarity of the benefits to loyalty members becomes clearer, we feel really good about our ability to drive direct bookings in -- throughout the cycle. Obviously, in -- if you're positing a deep recessionary environment, which we don't anticipate any time soon, we'll fight our way through that. But it's interesting, we've seen great shift towards direct channels in the last few years even with fairly anemic demand growth. And I think, if anything, our tools are going to get stronger here as we pull this loyalty program together and do what we're doing in the technology space. So we feel pretty good about this.

Shaun Kelley - BofA Merrill Lynch: Maybe just stick with that same theme, Arne, in the prepared remarks, and I think, Leeny, you just referred to this as well, but you talked about some tools or some things you may be doing to try and help owners focus on the most profitable business, not just the highest RevPAR business. Could you just elaborate a little bit on what specifically you're doing and maybe what's available today or what's coming with some of the property management system rollouts that you're doing?

Arne Sorenson: Yes, it's hard to give you much more than that general comment, in part because the details are so many and they're varied across the platform. But RevPAR has been, for better or worse, the principal measure that a hotel can look at to assess its performance against competing hotels in the market. It's the way you look at us compared to our competitors as brand platforms and companies. And everything seems to flow from that. And it's understandable because RevPAR is the simplest measure of all the measures that might be available from a hotel P&L. But it doesn't really tell the whole story. If you're driving RevPAR on the backs of enormously expensive third-party business that could be charging you, not just teens percentages of room revenues but sometimes in the 20s or above, you're actually driving revenue at the expense of profitability of the hotels.

And of course, our tools have continued to evolve. We have always been focused on profitable contribution. But we want to make sure that the tools -- the technology tools that our teams can use make that simple to see and the first measure they look at as opposed to the second measure they look at.

And so we've been essentially evolving our revenue management systems to look not just at RevPAR from various pieces of business but to look really at the profit contribution that comes from it. And in a sense, there's a little bit of risk in that because it's harder for us to come out and say, "Yes, we might have given up a little bit in RevPAR but we gained in profitability." And necessarily have you say, "Okay, bravo to that," because that RevPAR measure is still going to be the one which is easiest to see. But long term, the name of the game here is to obviously continue to drive great associate satisfaction and guest satisfaction but make sure we are delivering industry-leading profitability to our hotel-owning partners, which we are absolutely confident we're doing, and we think we've got tools to drive it even farther.

Shaun Kelley - BofA Merrill Lynch: And then maybe to stay on the same line just as the follow-up would be, I think that your next large OTA renegotiation is up sometime maybe towards the latter part of this year. But could you just give us sort of an update or thought around that negotiation? And is this the first time -- I think you were able to move Starwood onto your rate because it's the first time you're going to renegotiate completely as a combined entity, or how does that work?

Arne Sorenson: As usual, you understand it very well. It is the first negotiation we will have had since closing the Starwood acquisition. We did put the Starwood portfolio on the Marriott terms roughly the first of 2017. It took about a quarter in order to get that done after we closed just because of systems issues and the like and delivered good savings to those hotels as a result. You're right also that our first round of negotiations takes place -- or the contract, I guess, expires -- existing contract expires late in 2018. Negotiations won't start at that precise date but, obviously, will precede it, and we'll see where we end up. You have every basis to know what our aims will be in that process and every basis to know what the OTA's aims will be in that process, and we'll see if we can't work it out.

Patrick Scholes - SunTrust Robinson Humphrey, Inc.: Just a question on group pace. I noted yesterday that Hilton or that they stated on their earnings call that booking pace in the fourth quarter was up in -- for all future periods, up in the mid-teens. I'm wondering how you folks fared in the fourth quarter, higher or lower than mid-teens?

Arne Sorenson: Yes. We saw that statistic too and actually, in truth, wonder where it comes from. Let me give you a couple of numbers here, which I think are interesting. Our group bookings for 2018 compared to the same time last year for 2017 for comp hotels are up about 2 percent. If you did a measure, which is looking at total number of hotels, including non-comp, it's about double than that but -- double that at about 4 percent or mid-single-digits. I don't think that's a fair measure, in truth, because you're getting the benefit there in adding hotels, which really were not in the base a year ago.

The second point that I think is pretty profound, in 4 years ago, when we looked at the group booking window, we saw that business booked in the year for the year or booked for the next year represented 71 percent of all group bookings. In 2017, that is down 21 full points. So, only 50 percent of the bookings that we are making now are for the next 24 months, in effect. And what that shows you is obvious and that is that as group businesses has come back as we've come out of the recession, we've seen hotels that are fuller and fuller, and therefore, near-term bookings have tended to be growing at a lower rate and longer-term bookings have been growing at a faster rate. When we look at Q4, what we see is that bookings in Q4 for 2018 were down. Bookings in Q4 for 2019 and 2020 were up. And that's really consistent with that booking window pace.

To be fair, our bookings for all future periods in Q4 are nothing like up mid-teens, if that was a number that you heard, and would be, if anything, down modestly from a year ago period, but we think driven by the fact that the hotels are full.

Patrick Scholes - SunTrust Robinson Humphrey, Inc.: Okay. And then just a quick follow-up on that. When we think about the mix of rate versus occupancy for 2018 on the group part of the business, is that almost entirely -- any growth entirely rate driven?

Arne Sorenson: It's primarily rate driven, yes.

Leeny Oberg: Rate, yes.

Stephen Grambling - Goldman Sachs Group Inc.: Two quick follow-ups to Robin and Felicia's earlier questions. I guess, one, what is the sensitivity of incentive management fees to RevPAR and net house profits? And then on credit card fees, can you remind us how a new cardholder spends compared to the spend of a similar customer prior to joining as we think about the potential acceleration from these relaunched programs?

Leeny Oberg: Yes, so a couple of things. On the incentive fees, broadly speaking, we traditionally think that you need RevPAR growth of solidly 3 percent to be able to maintain margins. Now it's part of why -- how we talked about that we were pleased with the performance in 2017, in particular, and clearly has some synergies related to the Starwood acquisition in that margin performance. We continue to expect additional non-RevPAR growth-related margin improvement in 2018 as well as a result of the merger. So, as we've talked about these numbers of 1 percent to 2 percent in the U.S. in 2018, that clearly shows you that from a margin standpoint, it's hard work to try to be able to get higher incentive fees in the U.S. Outside the U.S., however, especially where you don't have owner's priority and we are expecting higher RevPAR growth outside the U.S., you clearly would expect they will more than make up for what could be a tougher incentive fee growth year in the U.S.

On the question about credit cards, it's really -- it's not as direct as you described. So there are a whole host of things going on related to the way the credit card companies pay us across a variety of different metrics. So obviously, the more credit card holders there are and the more they spend, that is obviously clearly helpful. But there's not a direct relationship that you can look at that's

going to be specific to that. As we talked about before, these are dollars that are coming in to the company, and they support the loyalty program for consumers, for owners as well as for the shareholders. So it's a bit more less direct than the way that you've described.

Stephen Grambling - Goldman Sachs Group Inc.: If I can maybe sneak a longer-term question in there. As we think about the cumulative cash flow investment or cash flow for investment that you've guided to in 2019, I think it was \$9.8 billion to \$11 billion cumulative from the Analyst Day, what are the biggest puts/takes across cash from ops, capital recycling and leverage ratios to think about now that 2017 is in the rearview and you've guided to 2018?

Leeny Oberg: Sure. Thanks for the question. First and foremost, I'd say we're probably a little ahead of ourselves relative to how you first would look at that about timing from the standpoint that we had terrific asset recycling in 2017. So it's a little bit like some of that share repurchase was fronted in that 3-year plan. I think we clearly are in good shape relative to the metrics that we put out when you see that we repurchased \$3 billion in 2017 and you would kind of look at the \$2.5 billion that would kind of typically be broken up very broadly in roughly \$2 billion for share repurchase and \$500 million in the broadest sense in cash dividend, which, again, shows you that we're well on our way.

When you think about the EPS, it's a little bit more complicated, given that we've got Rev Rec to deal with. But -- and RevPAR, I think, has broadly been, over the 3 years, we're talking about generally in line. One of the biggest differences is obviously credit card fees, which is different, as well as tax reform. And the tax reform, obviously, adds another 8 points to our effective tax rate, lowers it, and that broadly adds \$200 million of net income down at the bottom line. So, I think from an investment standpoint, the other comment I would make is that we are in very good shape relative to the kind of investment parameters that we laid out for you in that 3-year plan.

Joseph Greff - JP Morgan Chase & Co.: First question is on the contribution from the credit cards in 2018. I'm presuming, of the roughly \$130 million of incremental fees this year versus last year, the majority of that is coming from the renegotiations of the 2 programs. Can you talk about the ramp of that throughout the course of 2018? And is it more second-half weighted, just given the timing of when those new cards roll out?

Leeny Oberg: Sure. So first of all, as we were talking about before, it is overwhelmingly from the credit card economics rather than from specifics about kind of an assumption about a big increase in either spend levels or numbers of cards. So it is kind of the vast majority of it is related to the fact that we've got a stronger economic premise and contract that we're working with. So it's not per se going to -- there's not as much variability around the credit card spend amounts in the number that we've given you. Frankly, I should -- I would expect, Joe, with the introduction of the new cards, it's a little bit hard to predict both in terms of exact timing and behavior on the part of the cardholders. But broadly, I would expect that assuming that people are as attracted to these new cards as we think they will be, that you could expect it to see some ramp during the year. But I would not look for -- I think it'll be fairly even with a tendency towards some ramp during the year but not massively so.

Joseph Greff - JP Morgan Chase & Co.: Okay, that's helpful. And then just my second, final question. When I think about your assumptions for 2018 and your sources and uses of cash, and let's assume that you return \$2.5 billion, where do you end up at the end of the year in terms of absolute leverage levels? How much additional leverage do you put on the balance sheet?

Leeny Oberg: Yes, about \$700 million to \$800 million, because, remember, we've got -- this year, Joe, we've got a big cash tax bill related to the sale of Avendra. So kind of relative to what you're normally -- I'll just kind of quickly run through it, and that's that you've got roughly \$1.9 billion, then you've also got the cash tax and the investment that we've talked about and that gets you down close to \$1 billion. And then you've got loyalty growth that you get from the program, let's call it, \$300 million to \$400 million. You've got D&A of another, call it, \$300 million. That gets you up close to \$1.8 billion. And then you've got additional leverage, which if you think about it, our EBITDA is going up ever so roughly \$200 million. You're able to lever that. That gets you another \$700 million to \$800 million of cash. That gets us to our \$2.5 billion.

Joseph Greff - JP Morgan Chase & Co.: Got it, great. And just to clarify, the cash tax rate of 36 percent for this year, is that onetime? And what would be the cash tax rate then looking ahead?

Leeny Oberg: Yes. So if you see normally kind of put apart Avendra. As you heard us talk about, there's about a 3-point hit from the fact that we've got to pay the cash repatriation. So again, in broad terms, if we're talking about a 22 percent book, you could see that, that would be higher by 3 or 4 percentage points as we pay off this liability over the next number of years. The way that, liability breaks out is for the first 5 years, you pay 8 percent of it back. And again, we're only paying back net of the available tax credits we have. So that works out to be, call it, \$60 million to \$70 million a year that kind of is above what you normally would pay compared to your normal book tax.

Richard Hightower - Evercore ISI: I want to go back to a comment, I think, you made on the last earnings call, where you said that within the U.S. guidance for 2018, select-service hotels were more likely to outperform this year versus full-service. I wonder if that still holds and if you could add a little more color to that.

Arne Sorenson: You think I said which way, select-service would outperform or full-service would outperform?

Richard Hightower - Evercore ISI: Select-service would outperform full-service.

Arne Sorenson: I guess, I remember the opposite. I think -- I don't know that I've got a schedule actually to look at or forecast by brand. You might pull those up. But the -- as I recall, the -- I think it's going to vary obviously a little bit by destination. I think as we go into 2018, we've got guidance which is fundamentally forecasted on a bit more of the same. In other words, what we saw in 2017, with relatively weak corporate demand, with stronger leisure demand. I think at the same time, we've got relatively greater supply growth in the select-service space. And my recollection, and,

again, we could go back and take a look at the words, I may have misspoken here. I may be remembering wrong, but my recollection of what I said then and I think our views today would be that given the relatively higher supply growth in select-service, we would expect full-service, which probably also means some urban select-service to be stronger than select-service in 2018. Now you do have some geographic issues here. When you get to a market like Texas, for example, it probably has -- it skews a bit more towards the select-service space than full-service space. Texas is, right now, very strong because of hurricane recovery. Before the hurricane, it was quite weak because of the economic issues in the oil patch. I think in -- they will skew the numbers a little bit, but in the first part of 2018, we should continue to see some benefit from hurricane recovery. I suspect that will dissipate as we get further into the year, and that the fare comparison will favor full-service modestly in 2018.

Richard Hightower - Evercore ISI: All right. There is a chance I have that precisely the opposite, so thanks for the help.

Arne Sorenson: That makes two of us.

Leeny Oberg: We're also seeing some support in the resorts where because of some hotels in CALA, for example, that are closed, we're seeing really strong demand in our full-service resorts, for example, in Florida. That's going to again lead you towards Arne's comment about full-service.

Richard Hightower - Evercore ISI: Okay, that's helpful, guys. And then I want to ask you a quick question just about the episode with the China website shut down earlier this quarter. And I know it's a sensitive topic, but just what could you tell us about maybe the financial impact on the first quarter? And then is there a lesson learned there that just in terms of doing business in China that you guys took away from that, that we should be aware of?

Arne Sorenson: Yes, I -- let me take the financial part of this first. We don't expect there to be a measurable impact to our financial results. Now to be fair, that depends on our not making more mistakes in this space, which we're doing everything in our power to avoid doing. But what we went through in January principally probably spilled into a little bit of the first few days of February, was we think not -- didn't really cost us in terms of significant business impact to the hotels.

It's a classic story. We relied on a third-party vendor to deliver a customer survey -- online customer survey to us, which listed not just Taiwan, Hong Kong and Macau as separate countries, but also Tibet, extraordinary sensitivity about issues like that in China. We should have caught it even though it was provided by a third party, and we didn't catch it. And we moved quickly to fix that mistake, and of course, we're moving as quickly as we can to look at all of the stuff that we've got exposed out there online to customers in China and customers around the world to make sure that we are not making similar mistakes in the future. It is both -- it is principally something that Chinese social media is looking at. It is not a geopolitical issue fundamentally, and we don't think anybody particularly wants to make it a geopolitical issue. But to state the obvious, we weren't intending in that customer survey to make comments about sovereignty issues in China. It's not our position to really take a political position. And we're going to do what we can in the future to avoid

sort of entering into those sort of political conversations. What we want to do is run the hotels as best we can in China for our associates, our guests and our hotel owners, and we remain extraordinarily bullish on prospects for us in China.

Thomas Allen - Morgan Stanley: Just one question for me. We're halfway through the first quarter. Can you give us any commentary about how trends have been?

Arne Sorenson: Yes, let me talk about -- I'm surprised we're 45 minutes into the Q&A without a question really about the RevPAR guidance and whether it's conservative or aggressive. And this is as close as, I guess, we're getting to that. The -- I'll say a couple of things here. The fourth quarter numbers, obviously, were better than we anticipated. Take note of the statistic we gave you in the prepared remarks, up 3.9 percent, but we think about 1.5 points of that was holiday and hurricane-driven so it puts you at 2.5 percent. That is -- or 2.4 percent, I guess, if you do the math precisely. Even that was a bit better than we anticipated and a principal reason for the really strong Q4 results, which we feel great about. But when you look under the national averages, you see some things which are pretty interesting. New York City was essentially flat in the fourth quarter plus a few tenths of a point. South Florida up almost 17 points, Houston up 25 percent in the fourth quarter. Both of those markets were driven by the hurricane recovery efforts, which are, obviously, driving demand there. Chicago was down a few points in Q4. But you've got markets like L.A. and San Francisco and D.C., which on average, between the 3 of them, were up about 4 percent so up about the same average as the market. I dragged you through all of that because it tells you something about the hazards of relying on the strong fourth quarter and saying we know, therefore, that this is a sign of sort of a meaningful shift in generic demand across the United States.

Now we did better in Q4 than we anticipated. So there's more good news here than negative news, but it is still early in the year. I think we would describe January as off to a really good start and a bit better than we would have anticipated. But again, we're talking about 1 month and we want to see how the rest of the year goes. I think at the moment, we would think there's more upside possibility than downside risk.

Bill Crow - Raymond James & Associates: Arne, this question stems from the investment announcement of the EDITION Hotel in Las Vegas. I'm just curious whether you're seeing more opportunities to invest directly in properties, whether there's more of a need for you to invest in properties and given maybe the Marriott valuation today, whether it might be more appealing to invest directly in opportunities. Can you just talk about your capital allocation decision at this point?

Arne Sorenson: Yes, I mean, this is a roughly 4,000-room hotel, principally JW Marriott but also an EDITION Hotel. We're obviously thrilled beyond measure to be entering into Las Vegas with a big managed hotel platform with about 500,000 square feet of meeting space. So, this is going to be spectacular for us long term. We're investing \$50 million over time in the equity in this project, which we're also very pleased to do in the context of a transaction of this size. We think the equity investment is likely to yield good positive returns. But if, in theory, it delivered nothing, it would

still be an excellent deal for us because of the strength of the fee stream and the strength of the contribution this hotel will have to our system.

And so I wouldn't read our investment in the Las Vegas project as a predictor of more capital investing by us. I think there is still plenty of capital out there willing to invest in good projects. You see that from the 125,000 rooms that we signed last year. And I think we'll see that -- we might see some interest rates move up a little bit this year, obviously, based on what's happened so far. But as long as that is being matched with more optimism about performance, I think we'll see that both we get continued good unit growth and relatively little need for our capital.

Bill Crow - Raymond James & Associates: That's helpful. My follow-up question, Arne, is on international inbound travel and whether you're seeing any reversal of the loss of market share that we've experienced the last 12 or 18 months.

Arne Sorenson: No, I mean, one of the challenges here is that the data is really hard to get for the industry as a whole. In fact, I was having a conversation yesterday about a couple of government agencies that -- U.S. government agencies that have data which does not seem to be exactly the same. And so it's really hard to get sort of current data as you look at it. I think a couple of things that we would say that a number of different data sources tell us that international arrivals to the U.S. in 2017 were down about 4 percent to 5 percent while total international travel around the world was up about 7 percent. It doesn't take a genius to know that, that means we're losing share. When we look at our data at a market like New York, as an example, we think international arrivals in New York City last year were down, in our system, 7 percent to 8 percent. Fred Dixon, who runs NYC & Co., will have probably better industry data than we will. But I think generally, we're seeing that the United States is losing share.

We don't believe, and I don't think there's any voice in the industry that believes, it is wrong to focus on security and protecting our borders and those sorts of things. But we do believe that we can do those things politically and still communicate a welcome to the rest of the world and have people come here both to do business and take vacations. And that's the kind of encouragement we're trying to give to our government and trying to use Brand U.S.A. and other platforms to make sure we deliver that welcome or that invitation to the rest of the world to come here.

Michael Bellisario - Robert W. Baird & Co.: Just wanted to kind of follow up on Bill's question on the capital allocation front. Just as you think about buying back, stock is at 18x EBITDA, has anything changed for you? And then is there or will we ever get to a crossover point when maybe tuck-in deals or more investment in your portfolio make more sense than buying back stock at 18x, 19x, 20x EBITDA?

Leeny Oberg: Well, first and foremost, growth in our business of how we want to invest our money -- growth in our business comes first. We will always be seeking opportunities to spend our money in value-added ways for our shareholders, for our system, for our customers first. The reality is we've got tons of owners and franchisees and contracts where they want to be part of our system

and aren't looking for capital. And we still are in a position where the vast majority of the contracts that we signed require no capital on our part.

However, we are -- we have been robust investors in projects where they make sense and where there's good kind of return above our cost of capital for a long time, and we continue to do it. We talked about that we recycled close to \$200 million worth of loans that we made last year. Those are terrific examples, 2 of which were related to our new Moxy brand in the U.S.

So there are great opportunities to invest, and we want to always make sure to be doing that first and foremost. However, the reality is we generate well more cash than we need to grow the system organically. We, of course, continue to -- we would take a look at tuck-ins just like we have proven to do and execute on well before. From a share repurchase standpoint, you saw what we did in -- so far in Q1. We continue to be purchasers of our stock. Clearly, the stock moved a lot after the tax reform was passed. And we will continue to be opportunistic. So that means around the edges, we are definitely going to be keeping our eye out on what's going on and how the stock is performing. But when we get down to fundamentals of what we believe long term in the value that we are creating, as we said before, we would expect to return \$2.5 billion to our shareholders this year through a combination of share repurchase and dividend.

Michael Bellisario - Robert W. Baird & Co.: That's helpful. And then just one follow-up. Could you maybe provide a percentage of deals you signed or opened last year that did include some sort of Marriott investment in them?

Leeny Oberg: I can...

Arne Sorenson: A minority.

Leeny Oberg: I was going to say we can get them for you. I mean, obviously, when you think about, I think we signed 750 deals last year. Again, a vast majority of those would not have capital required. Certainly, on the kind of classic limited-service franchise side, you can get up to in the 90s percent not requiring any capital. So we can work on a number, but it's going to be really a small percentage.

Chad Beynon - Macquarie Research: I just had one. As you reflect on 2017 and the merger, Leeny, are you able to quantify the revenue synergies from Starwood or at least kind of help us with the RPI gains? And then going forward, should we expect any revenue synergies to occur in 2018? Or could those maybe be pushed back to 2019 after the loyalty points are merged?

Leeny Oberg: Sure. So, certainly from an RPI standpoint, we did gain -- we were pleased with the gain that we had worldwide, systemwide across the portfolio and clearly do believe that we are gaining revenue benefits from the merger as well as from the great work that our teams are doing in the hotels and what we're offering to consumers. But yes, to your point, we do believe there is more to come. We think what's going on with the credit cards and the combination of the loyalty program will be critical pieces to kind of taking a leg up on our share of wallet. And so we would

expect more of that in both 2018 and 2019 and, frankly, for what we hope is for some time to come.

In terms of kind of specific timing, I think again, the harmonization and the unification of the program will fold out later this year and into 2019, so we look forward to excitement on the part of the customers to know that they'll be able to go have one program to spend their dollars at any of our 6,500 hotels. You've seen us be doing a lot in the way of innovation to try to make the process, your entire travel process seamless with us. So whether it is our PlacePass investment, which will attract people to be able to do more than just choosing a hotel, to the Alibaba work that we have to make it easier for Chinese consumers to book our hotels worldwide, all of those things, we believe, are important additions to what we're doing to make that share of wallet happen.

Arne Sorenson: I want to add something here, too, just on the strength of the integration so far and give kudos to Leeny and team but also all the operators out there. As we mentioned, we have been really focused on delivering economies of scale to our owners. Loyalty rates have been reduced already twice, and they will be reduced a third time while strengthening the benefits to guests and strengthening Marriott's own P&L contribution from the credit cards. And that's because of the bigger program. Because of that and other things that we've been doing, you can see that in Q4, for example, U.S.-managed hotels, we drove margins up 100 basis points. We gave you the number in the prepared remarks for our global full-year margin improvement. And I am absolutely convinced that our margin performance is leading, and it is leading because of a number of things that we've done around the integration. We had a specific 50 basis point incremental margin target in 2017 because of the integration, so over and above whatever the impact might normally be from RevPAR. We have another 50 basis point target in 2018. And through every tool we can imagine, procurement, OTA contracts, we mentioned in the prepared remarks something about credit card commission, transactional costs and all of that is, I think, moving very well.

On the revenue side, the most exciting thing is yet to come, which is the merger of these loyalty programs into one loyalty program. And when you look at the enhanced benefits that the customers will achieve and you look at our portfolio of luxury and lifestyle hotels, particularly, which are the things which motivate people to earn points with you, we think we're going to drive increased share of wallet from our loyalty members, and the revenue lift will be something that, hopefully, we start to see the latter part of this year but certainly as we get into 2019 and beyond.

Stuart Gordon - Berenberg: Yes, I have couple of questions, please. First of all, on the leverage, could you tell us how the Avendra cash is being treated? Is that being treated as your cash until you spend it? Or is it being restricted cash? And how does that fit into your leverage target?

Leeny Oberg: Right. It's not restricted cash because we will -- we are likely to spend that over a number of years.

Stuart Gordon - Berenberg: Okay. And as a follow-up, could you share with us -- obviously, you've given us some detail on the new credit card deal and what's coming to you. Could you give us a guide on the headline gross revenues that were incrementally added from the deal?

Leeny Oberg: Yes. It's not really a meaningful -- because of the way it comes in, it's not a meaningful comparison because of a host of different ways that we are paid. We also have the reality that we are still operating under 2 different -- we've got 2 different loyalty programs now. They'll ultimately be harmonized. So it's, frankly, it's not really that relevant a number, so we wouldn't be able to make that available.

Arne Sorenson: Thank you. And thanks to all of you for your participation this morning. We love your interest in our story. Look forward to talking to you before long.

Note on forward-looking statements: This document accompanying presentation contains “forward-looking statements” within the meaning of federal securities laws, including our RevPAR, profit margin and earnings outlook 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 tax rate; 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; the extent to which we can continue to successfully integrate Starwood and realize the anticipated benefits of combining Starwood and Marriott; changes to our provisional estimates of the impact of the U.S. Tax Cuts and Jobs Acts of 2017; and changes to our estimates of the impact of the new revenue recognition accounting standard. Any of these factors could cause actual results to differ materially from the expectations we express or imply in this document. We make these forward-looking statements as of February 15, 2018. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.