Marriott International, Inc.
First Quarter 2024
Earnings Conference Call Transcript[1]
May 1, 2024

Operator: Good day, everyone, and welcome to Marriott International's First Quarter 2024 Earnings Conference Call. Today's call will be recorded. It is now my pleasure to turn the call over to Jackie McConagha, Senior Vice President, Investor Relations. Please go ahead..

Jackie McConagha: Good morning, everyone, and welcome to Marriott's first quarter 2024 earnings call. On the call with me today are Tony Capuano, our President and Chief Executive Officer, Leeny Oberg, our Chief Financial Officer and Executive Vice President, Development, and Betsy Dahm, our Vice President of Investor Relations.

Before we begin, I would like to remind everyone that many of our comments today are not historical facts and are considered forward-looking statements under federal securities laws. These statements are subject to numerous risks and uncertainties, as described in our SEC filings, which could cause future results to differ materially from those expressed in or implied by our comments. Unless otherwise stated, our RevPAR, occupancy, average daily rate and property-level revenues comments reflect systemwide, constant currency results for comparable hotels and all changes refer to year-over-year changes for the comparable period. Statements in our comments and the press release we issued earlier today are effective only today and will not be updated as actual events unfold. You can find our earnings release and reconciliations of all non-GAAP financial measures referred to in our remarks today on our investor relations website. And now I will turn the call over to Tony.

Tony Capuano: Thanks, Jackie, and good morning, everyone.

2024 is off to a solid start, as Marriott continues to deliver great experiences to travelers around the world. First quarter global RevPAR rose 4.2 percent, with ADR increasing around 3 percent and occupancy reaching almost 66 percent, up nearly 100 basis points year-over-year. While overall industry RevPAR growth is normalizing post COVID, we continue to gain RevPAR index across our portfolio and increase our market share of global hotels.

Once again, we saw RevPAR growth across all three of our customer segments, group, leisure transient, and business transient. Group, which comprised 24 percent of global room nights in the first quarter, was again the strongest customer segment. Compared to the year-ago quarter, group RevPAR rose 6 percent globally. Full year 2024 worldwide group revenues were

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

pacing up 9 percent year over year at the end of the first quarter, with a 5 percent increase in room nights and a 4 percent rise in average daily rate.

Leisure transient accounted for 42 percent of worldwide room nights in the quarter. Globally, both leisure demand and ADR growth have remained remarkably resilient, driving leisure RevPAR up 4 percent year over year. Business transient, which contributed the remaining 34 percent of global room nights in the first quarter, had a 1 percent increase in RevPAR.

We are making great progress on the multi-year digital and technology transformation of our three major systems, reservations, property management and loyalty. Through this transformation, we expect to unlock new revenue opportunities, further strengthen our efficient operating model, enhance Marriott Bonvoy, and elevate the associate and customer digital experience. We still expect to begin rolling out our new cloud-based systems to properties next year. In the meantime, we are enhancing the digital experiences that matter most to customers, primarily how they shop and book through our channels.

We also recently celebrated the five-year anniversary of Marriott Bonvoy, which added nearly 7 million members during the quarter and had around 203 million members at the end of March. Member penetration of global room nights reached record highs in the first quarter, at 70 percent in the U.S. & Canada and 64 percent globally.

Since its introduction, Marriott Bonvoy has evolved to become a travel and loyalty platform encompassing a portfolio of more than 30 brands across nearly 8,900 properties and other travel offerings such as Homes and Villas by Marriott Bonvoy and The Ritz-Carlton Yacht Collection. Marriott Bonvoy also spans numerous additional collaborations and member benefits, including co-brand credit cards in 11 markets and counting, and access to a broad range of unique, curated experiences through Marriott Bonvoy Moments, including select Taylor Swift Eras Tour concert performances. Looking ahead, we continue to focus on new ways to enhance the platform and connect with our members in their daily lives and across their travel journeys.

We had a very busy first quarter on the development front. We added a record 46,000 net rooms, growing our distribution by 7.1 percent compared to the end of the first quarter last year. MGM Collection with Marriott Bonvoy has now launched, with 16 properties in Las Vegas and other key U.S. cities now available on our system. While it is still early days, we've been extremely pleased with the initial booking pace and Marriott Bonvoy room contribution, which have both outpaced expectations.

While the financing environment in the U.S. and Europe is still challenging, we have strong momentum in global signings after a record 2023 and have tremendous optimism for the full year. Both Greater China and APEC had notable deal production in the first quarter. Year over year, our open and pipeline rooms grew 6.7 percent, excluding the addition of our 17,000 City Express rooms. Conversions, including multi-unit opportunities, continue to be a meaningful driver of growth, representing 30 percent of global signings in the first quarter.

Our new midscale brands, City Express by Marriott, Four Points Express and StudioRes, are seeing significant developer interest. Earlier this year, we also signed our first City Express deal in the region since acquiring the brand, and we are in multiple deal discussions for other properties across the CALA region. We have also now opened our first Four Points Express in Turkey and have other properties in the pipeline. We also recently signed our first midscale deal in APEC, a portfolio of more than a dozen hotels that are expected to be added to our system later this year.

In the U.S. & Canada, we have commitments for around 140 StudioRes properties and are actively working on deals for over 100 more. Additionally, in about a month, we look forward to unveiling details on our next exciting brand launch, a conversion-friendly midscale brand in the region.

As always, I've spent much of my time this year traveling around the world. It's been a pleasure to visit many of our amazing hotels and speak with our associates. I want to express my gratitude to all of our associates for their continued hard work and dedication.

As Leeny will now discuss further as part of her financial review, we are raising our full year 2024 earnings and capital returns guidance on the back of the strength of our diverse global portfolio, the continued resilient and steady demand for travel, our strong international performance and continued rooms growth. Leeny?

Leeny Oberg: Thank you, Tony.

Our first quarter global RevPAR rose 4.2 percent. RevPAR in the U.S. & Canada, where demand has normalized, rose 1.5 percent. Growth in the U.S. & Canada was led by strong group and large corporate business, with our top 100 accounts seeing the most sequential improvement in eight quarters. Leisure RevPAR was flat in the U.S. & Canada, with more customers going abroad to find warmer weather. Our quarterly RevPAR result in the region was impacted by negative growth in March due to the timing of Easter, given less business and group travel the week before the holiday. The impact on the month's RevPAR was roughly negative 300 basis points. Of course, we expect a similar favorable impact in April's RevPAR.

First quarter international RevPAR increased 11 percent. Growth was led by a remarkable 16.5 percent RevPAR gain in APEC, helped by strong macro trends, sustained leisure and business growth, and an uptick in cross-border demand, especially from mainland China, as international airlift improved.

RevPAR in CALA rose nearly 12 percent in the quarter, with excellent leisure demand coming from the U.S. RevPAR grew 10 percent in EMEA, with strong growth across most of our largest markets. Greater China experienced a 6 percent increase in RevPAR. While growth was strong in January and February, rising 10 percent for those two months, demand weakened a bit after

Chinese New Year, with slower macroeconomic growth and more outbound travel, especially from high income travelers.

First quarter total gross fee revenues were above our expectations, rising 7 percent year-over-year to $1.21 billion. The increase reflects higher RevPAR, rooms growth and 10 percent higher co-brand credit card fees. Global card acquisitions grew 18 percent and card spend rose 10 percent, driven by significant growth in our international card programs.

Incentive management fees, or IMFs, rose 4 percent, reaching $209 million in the first quarter. Significant increases in each of our international regions were offset by a decline in the U.S. & Canada, in part due to lower fees in Maui.

First quarter adjusted EBITDA grew 4 percent to nearly $1.14 billion.

Now let's talk about our outlook for the full year. Our 2024 outlook still assumes continued sturdy travel demand and a continuation of current macroeconomic trends.

Global RevPAR is expected to grow 4 to 5 percent in the second quarter and 3 to 5 percent for the full year. By customer segment, RevPAR growth is still anticipated to be driven by another year of strong growth in group revenue, continued improvement in business transient revenues, and slower, but still growing, leisure revenues. RevPAR growth is expected to remain higher in our international markets than in the U.S. & Canada.

While our full year global RevPAR guidance is not changing, compared to our prior expectations, we now expect higher year-over-year RevPAR growth in APEC, EMEA and CALA and lower growth in the U.S. & Canada and Greater China. As a result, we are raising our full year adjusted EBITDA and adjusted EPS expectations, primarily due to higher IMFs from our international regions.

In the second quarter, RevPAR growth benefits from Easter timing. Fee growth is expected to be in the 7 to 8 percent range. Our owned, leased and other revenues, net of expenses are anticipated to be lower than the prior year, largely as a result of a few favorable items in the year-ago quarter.

For the full year, gross fees could now rise 7 to 9 percent, to $5.2 to $5.3 billion, with non-RevPAR-related fees rising 9 to 10 percent, driven by strong credit card and residential branding fee growth. The sensitivity of a one percent change in full year 2024 RevPAR versus 2023 could be around $50 to $60 million of RevPAR-related fees. Owned, leased and other revenues, net of expenses, could now total $335 to $345 million.

We now expect 2024 G&A expense could rise 1 to 3 percent year over year. Recall that there are a few discrete, one-time items from 2023 that are expected to offset wage and benefit increases.

Full year adjusted EBITDA is now expected to rise between 7 and 9 percent, to roughly $5 to $5.1 billion. Our 2024 effective tax rate is expected to be just above 25 percent. 2024 adjusted EPS is now expected to be between $9.31 and $9.65.

We still anticipate net rooms growth of 5.5 to 6 percent for the full year. Additionally, we remain confident in the 3-year net rooms compound annual growth rate we discussed at last year's investor meeting of 5 to 5.5 percent from year-end 2022 to year-end 2025. For more details on second quarter and full year metrics, please see our press release.

Our capital allocation philosophy remains the same. We are committed to our investment grade rating, investing in growth that is accretive to shareholder value, and then returning excess capital to shareholders through a combination of a modest, but rising, cash dividend and share repurchases.

For 2024, factoring in the $500 million of required cash in the fourth quarter for the purchase of the Sheraton Grand Chicago, given our higher adjusted EBITDA expectation, capital returns to shareholders could now be between $4.2 and $4.4 billion. Full year investment spending is still expected to total $1 to $1.2 billion. This includes another year of higher than historical investment in technology, the vast majority of which is expected to be reimbursed over time. As a reminder, the $500 million for the Sheraton Grand Chicago consists of $200 million of capex and $300 million elimination of a previously recorded guarantee liability. Investment spending is also expected to incorporate roughly $200 million for our owned/leased portfolio. It includes spending for the Elegant portfolio in Barbados as well as the renovations for the fabulous W Union Square in Manhattan. We'll ultimately look to recycle these assets and sign long-term management contracts after renovations are complete.

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

QUESTION AND ANSWER SERSSION:

Shaun Kelley - BofA Securities: Leeny or Tony, I'd love to dig in, actually, on China a little bit. I thought the comment in Leeny's prepared remarks about some of the slowdown you're seeing there was incremental. So my questions are two-fold. One, are seeing that continue at all into April? If you could give us just kind of a little bit of a real-time feel. And Tony, I'm sure you've probably been over in that region. So maybe if you could help us break it down by, is this in Hong Kong, Macau? Or is this sort of more broadly across some of the cities? And then secondarily, probably as importantly, is any of this translating into what you're seeing on the development front?

Leeny Oberg: So let me answer the latter part first because that's very easy to point out, and that is absolutely no impact on the development front. Matter of fact, as Tony pointed out, we actually had a tremendous quarter of signings in Greater China in the first quarter, as well as APEC for that matter. So really excellent continued demand for our brands and from owners there.

Q1 was a little interesting in Greater China, Shaun, a little bit of a tail of each month. And from that standpoint, you had a really strong domestic demand coming in January and February and with the Chinese New Year, but also reflecting the fact that last year in Q1, for example, Hainan was seeing stunning increase in demand, all domestic as they were coming out of COVID.

So when you think about it for the full quarter, Hainan actually had a decline in RevPAR year over year, although very strong demand. And in Hong Kong and then Macau with much more relaxed restrictions, we had almost 30 percent increase in RevPAR in Q1. So super strong. The tier 1 cities were very strong. Classic Shenzhen, Shanghai, Beijing, they did really well. It's really where we saw, interestingly in March, the new tier 1 cities is where I think you were seeing the impact of the overall macroeconomic picture in China where it wasn't quite as strong as we might have expected.

But again, overall, still really strong RevPAR for Greater China at 6 percent. And again, for the full year, we still expect nice strong RevPAR for Greater China. But yes, a bit of a view that the macroeconomic situation there may mean that RevPAR is a little bit lower than we expected a quarter ago.

Tony Capuano: And, Shaun, the only maybe qualitative observation I would share with you, and I'll try to underpin it with one statistic. I was there recently. I was in Shenzhen. I was in Hong Kong. I was in Macau. And while it certainly does not feel as balanced and populated with international visitors as maybe we were accustomed to in a pre-pandemic world, it felt better than when I was there a year ago.

And, in fact, if you look at the first quarter, international guest represented about 15 percent of our room nights in Greater China. That compares to about 28 percent in the same quarter back in 2019. So it is improving steadily and the availability of airline seats is improving steadily. But I think over time, that represents some additional upside for us as more and more international visitors return to China.

Stephen Grambling - Morgan Stanley: Would love to just clarify a couple of things on the guidance. On the fee increase to the guidance. Is that all IMFs? Or is there any change as we think about non-RevPAR-related contributions? And then I would love to just hear some of the moving parts for the increase on the owned and lease side, too.

Leeny Oberg: Yes, sure. Absolutely. So again, I'm going to do one of the last ones first, and that is this increase in fees does not reflect an increase in the non-RevPAR-related fees. We still do expect really strong growth as we talked about the 9 percent to 10 percent year over year in those fees, but not an increase in those from our prior guidance. I would say, Stephen, it's about 75 percent of the increase is from IMF. Really overwhelmingly, essentially entirely from our international markets.

Just to give you a sense. A year ago in the first quarter, international was 58 percent of our IMFs and this year in the first quarter, it was 64 percent. And again, just as an example, in APEC, 90 percent of our managed hotels paid IMF in the first quarter and in CALA, it was almost 80 percent. So they both saw some really nice increases. So we clearly outperformed particularly in the IMF space.

The remainder of the growth is really a reflection of non RevPAR-related growth fees. For example, when you have in international and hotels, very strong food and beverage sales, et cetera, where we're also getting fees, as well as the ramp-up of our fast-growing segments in Asia Pacific. When you think about a new hotel that's ramping up, we're getting nice fee growth there as well. But 75 percent is really from the IMF and, obviously, including the outperformance in Q1.

Joe Greff - J.P. Morgan Chase & Co: Leeny, in your prepared remarks, you went through the three main customer segments going through your full year 2024 outlook. And you talked about leisure seeing slow but still positive RevPAR growth. I think that was on a worldwide global basis. What baked in for U.S. leisure RevPAR growth for the balance of the year?

Leeny Oberg: Well, so generally speaking, we do see leisure at the lower end of the growth, but still being positive. But I would put it towards the lower end. Group is going to be the home run hitter. Again, for the full year, we do see BT being up as well and continuing to progress. As you know, Joe, in Q1, obviously, BT was weaker because of the month of March. But when we look at it overall for the year, we do expect BT to continue to gain ground.

And if I can, I'm going to go back for 1 second and answer Stephen's question on owned lease, which the increase in guidance there is overwhelmingly from a stronger performance in our international owned, leased hotel portfolio.

Tony Capuano: And I think, Joe, the further answer to your question, the differences we're seeing in leisure in the U.S. & Canada relative to global leisure are broadly reflective of demand patterns we're seeing across segments. If you look at the guidance we're giving, we're not changing our RevPAR guidance, but it's shifting a little bit.

We're seeing a little more normalization in the U.S. & Canada but continued increases in strength in the international markets. And I think that applies specifically to your question on the leisure.

Joe Greff - J.P. Morgan Chase & Co: Great. And then, Tony, I think in your prepared comments talking about the MGM licensing deal. I think you used the words, "we're extremely pleased" and “outpacing expectations." Can you talk a little bit what that specifically means? And maybe kind of throw -- I don't know, if it's adoption measures or share of occupancy? Any kind of details would be helpful.

Tony Capuano: Yes. Not yet, Joe. I mean I think it's so early. We just brought them on the platform. So it's more anecdotal than anything else. My guess is Bill and our friends at MGM will talk about it from their perspective as well. But having done these sorts of deals over the years, both parties have expectations about how quickly we'll start to get traction on booking volumes and Bonvoy penetration. And we make some assumptions as we do those deals. And I think it's safe to say from Marriott's perspective, those expectations have been exceeded in the early days.

Patrick Scholes - Truist Securities, Inc.: I wonder if you can talk a little bit about how 2025 and 2026 group revenue pace is looking. Maybe break that out both by occupancy and ADR. Certainly seeing a very good group business this year, but comps do get harder going forward. And I'm curious if you could give us some color on the future years with that segment?

Tony Capuano: Yes. So Patrick, it's early to start talking about 2026, but I'll try to give you some visibility into group pace in 2025. Right now, we're tracking up about 13 percent, and it is driven by both gains in demand and ADR. We're up about 7 percent in definite rooms and up about 5 percent in ADR.

Brandt Montour - Barclays Bank PLC: I wanted to talk a little bit about construction activity. Your pipeline went up. It looks like nicely quarter over quarter if you back out MGM out of the construction pipeline. And so I guess, Tony, is there a sense that there's been any change in the developer mood with sort of latest notion that the Fed could be on hold for longer? And maybe you could talk through the lens of U.S. starts?

Tony Capuano: Sure. So maybe I'll follow Leeny's trend of going in reverse order. I'll talk a little bit about the pipeline and then let Leeny provide some insights on both developer sentiment and construction starts. I agree with your observation. I think the trends on the pipeline are really encouraging. And the thing that was really encouraging to me, if you look at the pipeline and just compare Q1 2024 to Q1 2023, because it's a decent apples-to-apples comparison because neither of those would have had MGM, were up 9 percent year over year on the pipeline. And I think that's reflective of some of the broad trends that Leeny described in her prepared remarks.

Leeny Oberg: And when you think about the overall environment, I think you've got a couple of things going on. You've still got a constrained lending environment, certainly in the U.S. and Europe. I think at the same time, though, there is more confidence in a steadier economic picture, if you will. So, for example, we've seen an increase in construction starts in the U.S. at about 25 percent compared to a year ago. So really seeing nice pickup as people start to move forward and look at a more positive environment with perhaps not quite as much volatility.

And again, as Tony is always quick to remind everyone, this is a long-term business where folks are used to weathering the economic cycles and recognize that if there's a great place to put a hotel with strong demand fundamentals, it's good to get it going, especially with a beautiful new product. So from that perspective, we feel really good. We added 31,000 rooms to our pipeline in the first quarter and really had strong momentum around the world in terms of developer interest across all brands.

Brandt Montour - Barclays Bank PLC: Well, that's super helpful. And then just as a quick follow-up, maybe not so quick. Tony, you mentioned that you guys gained RevPAR index. Is there any brands or regions or segments you would highlight where you're taking the most share?

Tony Capuano: Yes. So certainly, I think that the strength of our luxury footprint is an area where we continue to lengthen our lead. We're pleased with RevPAR index and the substantial premium that we enjoy really across the portfolio.

I think the one maybe caveat I would give you is that as our scale continues to grow, I don't know that RPI is as informative as it might have been a decade or two ago. Particularly in a post-Starwood world. We've got many competitive sets now where the bulk of the set is our own distribution. And so I don't know that it's as relevant, but it's certainly a metric we track, and we're certainly pleased with the continued progress that we make.

Leeny Oberg: The only thing I'll add to it is that as we look over time, we are very pleased to see these RevPAR indices really globally, and also generally within the continents, at some of the strongest levels that we've seen over time. So I think it's a great sign of the power of Bonvoy and our brands to see that it's kind of consistently some of the strongest numbers that we've seen over time.

Tony Capuano: And when you look at the regions of the world that are outperforming, I'll use APEC as an example. One of the powerful drivers to the strength of our index in a market like that is our leading footprint. I mean when you look across some of the best-performing markets there, having the industry's largest footprint in markets like India, Japan, South Korea is helping us drive really strong RevPAR performance.

Richard Clarke - Sanford C. Bernstein & Co., LLC: Maybe just to start off with, you made a couple of comments about strong outbound travel out of the U.S. and China. How well hedged do you see yourself for that? Do those consumers stay in Marriott hotels when they travel to other cities? Or if that normalizes, does that become in a tailwind for you, if domestic travel begins to pick back up again?

Tony Capuano: Yes, it's a great question. I think the way I would answer it is to point to the comments I made at the outset about the Bonvoy penetration. It is not a coincidence against the backdrop of the environment you described that we set all-time records for Bonvoy penetration, both in the U.S. and globally. And to me, the strength of the loyalty platform, combined with the breadth of our footprint in the international destinations where our guests want to travel, I think does create a tailwind for us.

Leeny Oberg: And the only thing I'll add is kind of the interesting fact that we're really essentially back to where we were in terms of cross-border penetration. And while it may vary a bit here and there, we clearly still got lower cross-border penetration in China. And we've got, in some other areas, a bit higher. I think CALA was particularly high in Q1. In the U.S., it's very steady as she goes, where we've got basically only 5 percent of the customers in the U.S. are coming from outside the U.S. And that broadly speaking, our global distribution is just tremendously helpful as folks find the places they want to go within our system. But that overall, a lot of the variations really don't drive that big of a change in RevPAR.

Richard Clarke - Sanford C. Bernstein & Co., LLC: Okay. Great. Maybe just as a follow-up on the loyalty comment there. One of your peers has been making I guess, a bit of noise out the fact that they think they will overtake you in terms of total loyalty members. Is that a relevant metric to you? And is any of that tech investment you're doing looking to engage a higher number of customers overall?

Tony Capuano: Well, without question, on the long list of loyalty metrics we look at, I think we have enthusiasm about having the industry's largest platform. But from my perspective, it goes much deeper than that. Size is important, of course. Engagement to me is a much more important facet of the program and the work that we are doing to drive that engagement through our large, powerful and growing credit card portfolio, through the breadth of experiences that we offer our members, those are the powerful drivers of engagement with our members.

Leeny Oberg: I think the penetration is, obviously, critically important as you look at making sure that you are helping your customers understand the value of the program and of all the options that they have, whether it be going to 141 countries or actually thinking about things like Ritz-Carlton Yacht and things like the Bonvoy moments that Tony talked about. So a number is a number but I think it can actually not be a true guide for the power of a program.

Smedes Rose - Citigroup Inc.: I just wanted to ask a little bit more about the trends you're seeing in the U.S. It sounds like you revised your U.S. expectations down a little bit, and it sounds like that's primarily due to the leisure component, maybe more people going abroad staying with your hotel there. And I get that your worldwide RevPAR outlook hasn't changed. But is there anything else you're seeing in the U.S. that you can share that maybe led you to expect a little bit lower coming out here nationwide for the year? Or is it all just because of what you're seeing on the leisure side?

Leeny Oberg: Yes. No, it's absolutely solely because of what we're seeing on the leisure side. And again, we still do expect to see that it roughly will be up a little for the year, on the leisure side. But we do view that BT and group are absolutely as strong as we expected. And leisure is still fine. But when you look at the change, which I would say kind of broadly speaking, maybe a point lower in the U.S. than we expected a quarter ago, and maybe a little bit more than one point higher internationally kind of gets us to roughly the same place from a RevPAR picture globally.

The other thing I'll point out is as we do expect that our tiers across the segment in the U.S., we do expect that they will all be up for the year in terms of RevPAR, from select service all the way up through luxury. But again, to your point, yes, it was the leisure segment that was a bit lower.

Smedes Rose - Citigroup Inc.: Okay. And then I just wanted to ask you, you mentioned in your opening remarks a conversion-friendly brand. Could you just talk a little bit more about that, kind of what are you targeting there? And is that primarily, I guess, for the U.S.?

Tony Capuano: Sure. No, it's global. And I think while we have a terrific track record of doing conversions across many of the brands in the portfolio, when we find ourselves in an environment like this where conversions are particularly important given some of the challenges in the debt markets. We feel like our transactors are very well armed with brands like the three soft brand platforms. So Luxury Collection, Autograph, Tribute. Great examples where they have a level of flexibility, not on quality, but on aesthetic that is particularly appealing to a broad cross-section of the owner and franchisee community.

Daniel Politzer - Wells Fargo Securities, LLC: Leeny, I think you mentioned that within group, the Fortune 100, you've seen the strongest quarter-over-quarter growth in quite some time. Can you maybe give a little bit of additional color in how that maybe compares with the small and medium-sized business customers? And maybe remind us, which typically leads the other within the cycle?

Leeny Oberg: So a couple of things. One reminder that small and medium-sized businesses, that is probably the hardest segment to actually pinpoint all the specifics on the travel. I think you did see in Q1, you did see relatively speaking, slightly lower percentage of small- and medium-sized BT business across the portfolio, showing up in the lower end. On the special corporate, on the larger company side, we absolutely continue to see recovery of that business, as you saw, for example, finance. The finance segment is now 8 percent up relative to 2019. You saw really strong continued momentum in manufacturing and communications. And actually, while accounting, consulting and technology are still down meaningfully compared to 2019, they also continue to see meaningful momentum into Q1.

When you think about the typical trends in a cycle, I think one quarter does not a trend make. We know that the month of March had some real calendar issues. And you also know that January tends to be a little odd in terms of being able to determine trends because of the timing of when Christmas and New Year's are. So I think it will take a little time.

We aren't expecting a big difference. You may remember that we used to have, pre-COVID, kind of a 60/40 split between classic negotiated rate versus the small and medium, but it flipped coming out of COVID. And now, I would say we're kind of more towards the 55/45 with the small and medium still being the 55 percent. But yes, from a relative growth perspective, we did see that it was the special corporate end of things that really grew.

Daniel Politzer - Wells Fargo Securities, LLC: And just for my follow-up, I think non-RevPAR fees, they were up maybe 6 percent in the quarter. I think you had been talking about them being down and credit card fees in there, I think you also said were up. So within that residence and timeshare and other bucket, was there a shift around in terms of the fees there from 1Q to maybe 2Q? Or is there something else that we should be aware of?

Leeny Oberg: Yes. I think as you're probably familiar that our residential branding fees tend to be quite lumpy. Literally can go from $10 million, one quarter down to $3 million next quarter because as units are sold, we earn those fees. They are onetime fees on the residential sales, branding fees. So if a unit sells out, we get them all at once. So that is purely timing. For the full year perspective, we don't anticipate anything different from what we thought before.

Bill Crow - Raymond James & Associates, Inc.: I wanted to follow up on Smedes' question from earlier. And Tony, you talked about normalization in U.S. demand and certainly, we've written the same thing. But industry-wide demand has been flat to down over the past year, which really doesn't seem so much as a normalization as it does a slowdown, especially given the economic growth, which is surprise to the upside. I'm just curious at what point do we start to worry about the consumer and maybe a changing spending pattern.

Tony Capuano: Yes. That's a fair question. I might have a deeper concern if we were reporting to U.S. & Canada, negative RevPAR. The fact that we were up 1.5 percent in the quarter, even with the holiday timing impact that Leeny described gives me some comfort. And if you kind of tick through the segments, leisure was flat relative to last year's first quarter, but still meaningfully ahead of where we were back in 2019.

In response to one of the earlier questions, I shared what I think are really encouraging statistics on the continued strength we're seeing in group. We were talking to the team yesterday that is doing advanced selling for the Gaylord Pacific project that's under construction, and they are hitting it out of the park. I mean they are seeing extraordinary volumes and demand on the group side.

And then even on business transient, I mean to me, when I think about one of Leeny's comments, the fact that the growth in the U.S. & Canada we saw a large corporate business with our top 100 accounts seeing the most sequential improvement we've seen in the last 8 quarters. I throw all of that in the blender and it does feel a little more like settling into a more normalized pattern versus a really systemic falling off the cliff.

Leeny Oberg: If I can, I'm going to throw in a little bit of a glass half full relative to what I think seems like a little bit of a glass half empty question. And that is when we look at the rest of the year, we are looking both U.S. and internationally, gains in both occupancy and rate for the full year. We also saw that in the first quarter, you saw through luxury, premium and select, you saw that you had generally rate and occupancy gains overall with the exception that in the select, you saw a slight decline in occupancy. But for the full year, we are expecting that we will continue to see growth.

So broadly speaking, we still feel like we really benefit from these different types of travel demand. There's no doubt that we appreciate when route strengthens, when leisure quiets down a little bit, and there is overall more normalization of travel types than a couple of years ago. But when we think about the overall demand levels, we feel really good about it.

Bill Crow - Raymond James & Associates, Inc.: That's really helpful. If I could just do a quick follow-up here. I think there's been a lot of optimism that especially the summer, we'd see the inbound-outbound travel relationship in the United States kind of normalize and that would propel demand. And I'm just curious whether there's been a shift in that thinking at all since you moved, on the margin, your RevPAR growth more in favor of international from domestic. Maybe a strong dollar is not helping things. Any thoughts you have there would be helpful.

Tony Capuano: I think, Bill, your comment about the continued strength of the dollar is a pretty relevant data point to consider. As you may or may not know, 2024 is the year of U.S.-Japan tourism. There's a big collaboration between the United States and Japan. And I met with the Japanese Ambassador on Monday of this week, and he talked about the extraordinarily strong flow of U.S. visitors to Japan. And maybe innocently I asked him, how we can drive strong Japanese visitation to the U.S. And his response was, well, you can weaken the dollar against the yen.

So I do think it's a relevant data point. It bodes well for our international distribution. And while our overall RevPAR guidance hasn't modified, you're seeing meaningfully more strength in the international markets for exactly that reason.

Leeny Oberg: So the only other thing I'll add is that one of the interesting parts is that when you look at Asia Pacific's RevPAR, while some of that benefits from Tony's comment about U.S. traveler, a whole lot of that is the reality that now China is opening up more for cross-border. So you are seeing global travel preferences, not just U.S. travelers.

Interestingly, our U.S. proportion of domestic travelers has been remarkably consistent over time. For many years, it was roughly only 5 percent are from outside the U.S. and that the domestic business is overwhelmingly 95 percent U.S. traveler, and that is still the case now. So we aren't seeing that the U.S. business is really suffering from everybody leaving the U.S. I think it is more the reality of global growth travel in general.

David Katz - Jefferies LLC: Tony, one of the last notes that you dropped in was about your forthcoming conversion brand and not to steal any thunder, but if we could borrow a couple of cracks of lightning. And just talk about sort of why, why now? What the sort of philosophical thought processes about sort of bringing that to market would be great.

Tony Capuano: Of course. I think, David, you and I have had the chance to talk in the past about our overarching growth strategy. And that strategy is really guided by this desire to make sure our portfolio offers the right product everywhere our guests want to travel for every trip purpose.

And we learn with increasingly frequency that more and more members and prospective members of Bonvoy for certain trip purposes, seek the price point and the value proposition of platforms in the mid-scale tier. The reality is, given the climate for new construction debt in the U.S., having a platform that can easily pivot between both new build and conversion opportunities, the timing seems ideal to launch something in that space. Leeny, I don't know if you want to add.

Leeny Oberg: And the only thing I would add is that a lot of this is both market research and conversations with our owners and franchisees. So when you think about the supply that's out there, where supply is growing and where it is not, we definitely believe that there is some great opportunity for us to add more new Bonvoy members, choices for them across the spectrum. And then frankly, also meet owner and franchisee demand for Marriott product that allows for conversions in markets that over time may have moved and changed, et cetera.

So we think it's a tremendous opportunity. As you know, StudioRes, which is also a new mid-scale brand for us is overwhelmingly new build, and it's extended stay. And we just think from our conversations that there'll be great demand for us in this space as well.

Robin Farley - UBS Investment Bank: When I think when investors think about the algorithm for sort of top line growth, it's usually unit growth plus RevPAR growth kind of getting to your top line growth. And this quarter, that would have been the 4 plus 7 getting to 11 percent, but your top line is more up in the sort of 6 to 7 percent range. And is there anything that you would say about how investors should think about that going forward? I know there's sort of different types of rooms in net unit growth. So is that, sort of, RevPAR plus unit growth not the way to think about top line?

Leeny Oberg: So a couple of things. I think, first of all, the algorithm absolutely works over time. You've got to be careful about looking quarter to quarter or kind of really looking at specifics that are happening in a printed number versus what the trend is over time because absolutely, over time, we believe that it proves out well.

And if you think about it this year, our rooms guidance, 5.5 percent to 6[2] percent at a midpoint of 4 percent on RevPAR, and we've talked about gross fee revenues having a high of roughly 9 percent. I mean these are, even within the year, pretty close to that algorithm. So we do believe that the algorithm works and really just have to look at it not just one year in isolation.

Robin Farley - UBS Investment Bank: Okay. And then just a follow-up question on conversions. I don't know if you broke out the conversion percent outside of the MGM deal. Just sort of looking at the traditional conversions as a percent of total unit growth. I think that your guidance for next year assumes an acceleration in conversions as a percent of unit growth.

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[2] Said 5.9 percent, should be 6 percent

And the brand that you're going to launch in the mid-scale segment, you mentioned is conversion friendly. Is that, in your mind, what investors should think of as the driver for that acceleration in conversions in 2025 versus 2024? And maybe there are other things that you haven't yet talked about that, you know, other brands to come or something. But just wondering if this upcoming one would be the main driver for that.

Leeny Oberg: So just as a reminder, conversions were roughly 30 percent of our signings this year in the first quarter, and we've got a very strong stream of conversions moving through the pipeline. So no, while we do see tremendous opportunity there, the kind of numbers that we've talked about and talked about last September did not include, assumed expectations, would be from this new brand on conversions. We said roughly 30 percent of the room adds ex-MGM would be from conversions, and we continue to believe that, but that's not really a change for us over the last couple of quarters.

Chad Beynon - Macquarie Research: Two-parter for me ahead of the domestic election. I recall last presidential election, there was a little bit of softness in D.C. as people were just kind of out hustling elsewhere. Does that factor into 4Q? Should that be meaningful? Or is that meaningless? And then secondly, on that, is there anything kind of hinge on the election that you're looking at that could change the outlook in travel based on what you're seeing from the candidates?

Tony Capuano: Yes. Well, we better add another hour to the call to take the second part of your question, I think. Maybe the way I would answer the second part of your question, on a global basis, travel and tourism thrives in relative stability. I think uncertainty around the election creates all sorts of question marks. We'll get through the election and then post results we hope we'll settle into a little bit more stability.

In terms of some of the policy issues that directly impact Marriott and travel more broadly, my sense is we will likely still end up with a bit of division in Congress. So you may not see strong moves one direction or the other. And I'm sorry, your first question was on impact of the election itself in D.C., I think.

Leeny Oberg: Right. And generally speaking, I would say we do see that there is a dip in government travel after Labor Day and that group and business transient, obviously, is going to not be traveling during election week. But our forecast incorporates the experiences that we've seen before in presidential elections.

Michael Bellisario - Robert W. Baird & Co. Incorporated: Question on your owned assets. When might we see some of those hotels get sold, especially international? I think the comments on an improved outlook would suggest maybe the market or at least the transaction backdrop is better there. And if not, could you expand on that? And then secondarily, any capex plans next year for the Sheraton in Chicago? Or should we expect a big year-over-year step down in owned capex?

Leeny Oberg: Right. So I'm going to do the second one first, which is that the Sheraton Grand Chicago it actually has had a rooms redo over the past three years. And so with the exception of, of course, what you normally need to do, I would not expect to see big capex spend beyond the norm as you move into 2025 on that hotel.

We will be working on a comprehensive view of that hotel for public space, for F&B, for the rooms, et cetera. And ideally, we'd be working with the partner so that you can really, in essence, do it together so that it wouldn't be on Marriott's balance sheet, but that we would sell the hotel and then work towards what the hotel should look like with a partner. As you talk about the other owned leased assets, as is often the case with the ones that are still on our balance sheet, each one has a bit of a story.

And so for the ones that are in Caribbean Latin America, for example, the Elegant portfolio, which we are midway through a very comprehensive capital improvement program. We're thrilled with what is coming out of that and look forward to recycling that capital when it's done with a view of how we think about the all-inclusive product for those hotels. So continue to march along.

The W Union Square, we're very close to being finished with that renovation. Again, absolutely thrilled with the product. I encourage all of you to go by and, for sure, make sure you stop by the Living Room, which has a spectacular bar. The rooms are incredible, and we're very excited about how that represents the W brand in North America. And so yes, from that standpoint, before too long, we'll be beginning to work on the process of determining when and at what price is the right time for the sale of that asset.

All of the rest are in that same ballpark. Clearly as there starts to appear to be a bit more of a stable view about where interest rates are going, I think we do expect that that will help free up the transaction market a bit. I think it's a little too soon to predict the timing of it. But we are, of course, hopeful that as we get into the back half of the year, you start to see a bit more clarity around exactly what the next couple of years are looking like. Clearly, and there's a view that interest rates are likely to stay a bit higher a bit longer. And from that perspective, stability of outlook is always very hopeful when you're looking at asset sales, as well as the markets that those assets are in.

Duane Pfennigwerth - Evercore ISI Institutional Equities: Just wanted to follow up on the SMB commentary at the lower-end chain scales. I know it's a much smaller percentage of your mix. But can we think about maybe the drivers or any industries that may stick out if we want to call it, drive-to business travel? Maybe less goods transportation, maybe less disaster relief in some markets? I know it's harder to analyze these trends because in many cases, they book direct. But wonder if you had any industry commentary on the lower-end SMB trends.

Tony Capuano: Yes. I think it's a little hard to look at maybe individual industries. Probably the one demand source we're keeping a close eye on is government-related business, which in that tier, is quite relevant.

Great. Well, thank you again for your participation and interest. We all hope to see you on the road soon. Safe travels.

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Note on forward-looking statements: All statements in this document are made as of May 1, 2024. We undertake no obligation to publicly update or revise these statements, whether as a result of new information, future events or otherwise. This document contains "forward-looking statements" within the meaning of federal securities laws, including statements related to our RevPAR, rooms growth and other financial metric estimates, outlook and assumptions; shareholder returns; our Marriott Bonvoy program; the resiliency of our asset-light business model; our development pipeline; and similar statements concerning anticipated future events and expectations that are not historical facts. We caution you that these statements are not guarantees of future performance and are subject to numerous evolving risks and uncertainties that we may not be able to accurately predict or assess, including the risk factors that we describe in our Securities and Exchange Commission filings, including our most recent Annual Report on Form 10-K or Quarterly Report on Form 10-Q. Any of these factors could cause actual results to differ materially from the expectations we express or imply in this document.