Marriott International, Inc.
Security Analyst Meeting Transcript[1]
September 8, 2014

Laura Paugh, Senior Vice President, Investor Relations:

Good morning. Let's get started. It's 10 o'clock. I'm Laura Paugh, Senior Vice President, Investor Relations. It is nice to see so many friends in the audience today. I believe this is a record attendance for a Marriott Analyst Meeting. So thanks for making that happen.

Let's quickly run down our plans for today. This morning formal presentations should run until about 11:30. I think your agenda shows something a little later, so we're going to start lunch a little early today, because it's going to be a fun lunch. We will resume the meeting then at 1:00 pm. We'll save the Q&A session for the end so Q&A should start at around 3:00 pm and we hope you join us for the post-meeting reception on the Mezzanine Foyer. Lunch is going to be directly across the hall in the Liberty Ballroom. Marriott executives at lunch will be seated at assigned tables, but all you, our guests, are welcome to sit wherever you want. The seating chart is in your binder, so you can pick the Marriott exec that you would most like to speak with during lunch, and feel free to grill them along with the meal.

In addition to our speakers, there are more than 40 Marriott executives that have joined us here today. Lunch seating is on a first come first serve basis. The tables are small, so don't dawdle, get over there very quickly if you would.

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

We also want to welcome everybody who's listening in on our webcast. Anytime during the presentation, please send your questions using the e-mail link on the webcast and we'll address those during the Q&A session.

Before we get started, make sure you put your telephones on vibrate, so you don't miss any important disclosures. 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 our remarks today and in our press release that we issued this morning are effective only today, September 8, 2014, and will not be updated as actual events unfold. For those of you who are present with us, you can find a reconciliation of Non-GAAP financial measures referred to in our remarks at the back of your handout book. For those listening in, you can find both the slides and the reconciliations at www.marriott.com/investor.

So let’s get started. It’s my pleasure to introduce our first speaker. In 2012 Arne Sorenson was named CEO. A common question I’ve received since then is “what has changed”. The culture is the same. We continue to emphasize associate satisfaction. Our financial strategy is the same. We are still asset light. We still have a high focus on unit growth and shareholder value. The real change I’ve seen at Marriott is how this management team applies these long-term, successful strategies to new customers, to new technologies and to new markets. Marriott is a more nimble company than it has ever been, and it’s ready to tackle what is NEXT. So there is a lot going on at Marriott, but before I ask Arne to step up to the podium here, I thought you might like a quick look around the world at what is going on.

[VIDEO Presentation]

Arne Sorenson, President and Chief Executive Officer:

1. Good morning everybody. Welcome to Washington! We're glad to have you here with us and we appreciate your time to hear our story this morning.

2. And welcome to the Washington Marriott Marquis. Thirteen years under development - hotels like this take a long time to make a reality. We are just thrilled that it is here. We are excited by the roughly 1,200 rooms in this hotel and 105,000 sq. ft. of meeting space. Washington obviously has not been one of the best markets in the last few years, but the hotel has opened very well and we think this hotel married with the convention center next door will make Washington an even more attractive destination for group and leisure business around the country and the world.

3. So it's a great time to be in the hotel business and a great time to hold this conference. In North America, lodging supply growth is still modest even as our unit and pipeline growth is accelerating. The lodging business cycle we think has been elongated because of the relatively modest strength of recovery coming out of the last recession. And of course due to limited financing for new unit development, we still see supply growth being modest in the years ahead. Those two reasons are really why we believe we are midway in the lodging cycle and why we lay out a model for the next few years which suggests that brightness is still ahead of us. And around the world we've got great dynamics. It is the new golden age of travel. The UN World Travel and Tourism Organization reported that in 2012 for the first time, we had 1 billion trips taken across international borders. We expect those numbers to double within the next few years, maybe by 2020.

Emerging markets are obviously benefiting from rising GDP, growing wealth, growing middle classes, and they want to travel and for the first time really ever they've got the means to travel. This has not only driven global travel but it has helped fuel our development outside the U.S. We have more hotels under development outside the U.S. than at any time in our history. Our outstanding hotels in the largest markets around the world are defining our company for these new travelers.

4. Now at our last analyst meeting in Beijing and Shanghai, we took a deep look at the Asia Pacific market. We continue to be very excited about the opportunities in that region. Today, we have over 52,000 rooms open in Asia Pacific, and we have more than 60,000 rooms in our pipeline. Our RevPAR index is 125.

In China, new unit development continues to be very strong. Since the June 2012 analyst meeting, we doubled our pipeline to 36,000 rooms in Greater China. Our outstanding hotels in Shanghai, Beijing, and Hong Kong define our brands in the region. Across these three markets, we have more than 20 percent of the total market in upper upscale and luxury rooms. Including the hotel shown here, the Shanghai Marriott Parkview, which opened this February

5. Our performance in India is also very impressive. The economy there is recovering and our pipeline is building. Ten years ago, we had just five hotels in India. Today, we have 24 hotels open and we've got another 40 in our development pipeline. Our Courtyard and Fairfield brands are highly regarded and are likely to be a significant part of our growth in the next few years as that economy tries to rebuild some strength.

6. But we're not only performing well in new markets. We're also appealing to the rising generation around the world. Our portfolio of lifestyle brands are designed for the young and the young at heart. From MOXY, which opened its first hotel in Milan last week, to AC Hotels, from Autograph to EDITION, our brands resonate with hotel developers and franchisees around the world that recognize our strong positioning across generations.

7. Worldwide, all our brands report significant RevPAR premiums. And we believe we have the largest revenue share of any hotel company in the world. With a meaningful economies of scale in our business, our significant size and broad brand portfolio, mean that entering new segments and new markets can deliver meaningful returns to owners and meaningful fee revenue to us.

8. We strive to be an attractive equity investment. Since exiting the timeshare business three years ago, our business is less risky, it's easier to understand and it is simpler for all of you to model. Our financial strategy is very straightforward. We're committed to driving same-store performance through higher RevPARs and margins. And by constraining our G&A growth, EPS and EBITDA should grow faster than the top line. Most hotel additions to our system have little to no Marriott investment, and we frequently under-spend our own investment forecast.

In fact compared to the forecast at our last analyst meeting, we expect our investment spending for the three years 2012 to 2014 to be 20 percent lower than what we modeled at that conference. And today's forecast for 2014 to 2017 shows a further 20 percent lower investment spending.

Our capital philosophy is unchanged, and is very simple. Our first priority is investing in opportunities that will create shareholder value. And after such investment, we are committed to returning any excess cash to our shareholders through dividends and share repurchases.

9. Just over ten years ago, we hosted an analyst meeting in New York. With the 2001 recession in our rearview mirror, at that time we wanted to outline the possible shape of a recovery by offering a three year model of results assuming different RevPAR scenarios. Such a presentation was possible because of the stability of our long-term contracts, the long lead times for new development and the low volatility of our fee income. Today, we will update that model, showing how we could grow from 2014 to 2017. Our assumptions are simple. We assume 6 percent in 2014 RevPAR growth, the midpoint of our guidance and either a 4 percent or 6 percent global RevPAR growth compounded for the years 2015 to 2017. These RevPAR scenarios are not forecasts nor are they guidance but they are intended to provide a relevant range of scenarios that seem to be reasonable bookends to evaluate how our business might look under different conditions.

10. While our business model is more predictable than many in the industry, we are nevertheless in a cyclical business which can be impacted by unexpected events and economic trends. To prove this point – let me just talk about a couple of our prior analyst meetings – at our 2003 analyst day, we modeled 3 percent to 8 percent North American RevPAR growth by 2006. We actually achieved 9 percent - not bad.

In 2006, we modeled 4 percent to 8 percent worldwide RevPAR growth. We actually achieved minus 4 percent, not very good. While actual results following the 2005 and 2010 meetings seem to be coming in within range, we can’t assure you that the model that we lay out for you today will actually be achieved. Obviously, RevPAR is dependent on the underlying economics.

11. We are, however, more confident in our unit growth expectations. We expect our system size in 2017 to be north of 830,000 rooms implying a 5 percent to 7 percent net rooms growth rate over the four years. This is a significant acceleration of the 3 percent net growth of the last four years. Our unit growth is accelerating as our investment dollars are moderating, largely due to a successful franchise development strategy in North America and meaningful hotel expansion in other markets around the world that require little to no capital. Our confidence in our unit forecast largely comes from our recent deal signings. Our 215,000 room worldwide pipeline and continued strong demand for our brands.

12. In fact, over three quarters of the rooms in our four-year growth plan are either open or already identified. Marriott is a development machine. Roughly one third of our worldwide fees in 2013 or $500 million came from the 285,000 rooms we added over the last ten years. We expect our new room additions modeled for 2014 to 2017 to yield nearly as much, over $450 million in annual stabilized fees, just four years’ worth of openings.

13. The conclusion of our analysis is compelling. Given the 4 percent and 6 percent assumptions, our model shows EPS growing by 19 percent to 23 percent compounded through 2017 and adjusted EBITDA increasing by 12 percent to 14 percent compounded. Not surprisingly this combination of stronger unit growth and modest incremental investment over the next few years results in very strong return on invested capital in 2017. Over the four years combined, the model also reveals $6.7 billion to $7.6 billion could be returned to our shareholders.

14. It's an exciting story. So let's get started. Our first speaker today is Stephanie Linnartz. Stephanie is Executive Vice President and Chief Marketing and Commercial Officer. She is responsible for Marriott's face to the consumer, from brand strategy to e-commerce, from revenue to management to sales. With our decentralized continent structure, Stephanie encourages innovation in local markets while keeping everyone rowing in the same direction. Leveraging our strong brands, Marriott Rewards and Marriott.com help drive results in the field. She is going to speak to you today about initiatives throughout the organization that are driving competitive advantage and delighting our guests.

After Stephanie, we'll hear from Tony Capuano, our Executive Vice President and Chief Development Officer. He will discuss hotel development opportunities around the world. At our last meeting in China, Tony outlined our goal to add 90,000 to 105,000 rooms globally over the three years 2012 through 2014. We are not only on track to achieve that target; we're stepping up our game. After signing a record 67,000 new rooms in 2013 alone, we're on track to deliver another record year of signings in 2014, along with record openings to follow. Tony is going to talk today about the strategies that are making this happen.

Brad Nelson, Vice President Culinary and our Global Chef, is our luncheon speaker. He will lead a culinary tour of our lifestyle and luxury brands around the world with chefs from hotels in Berlin, Germany; Pune, India; Long Beach, Naples, Florida; and here at the Washington Marriott Marquis. If you enjoy global trends in food, you will find his presentation both delicious and entertaining.

In the afternoon, you're going to hear from Dave Grissen, the Group President, responsible for our largest P&L and development organization, representing over $1.1 billion in annual fee revenue. Dave is going to talk about North America franchising, North America supply, unit expansion and fee growth.

We have Peggy Fang Roe, our Chief Sales and Marketing Officer in the Asia Pacific region, here with us. She will discuss our sales and marketing approach in one of the most important markets for our future. Asia Pacific is a key part of the world. In Greater China alone, we booked $73 million in fee revenue in 2013, and at the end of the second quarter had 27,000 rooms, our largest market outside of the United States.

Alex Kyriakidis, our President and Managing Director of the Middle East & Africa, is also here. In less than three years on the job, he more than doubled our presence in the region, taken us to a number one position in Africa, and today, he's got another 15,000 rooms in the development pipeline. He is going to talk about what Protea and Africa mean for Marriott.

And of course you all know Carl Berquist. He was named Executive Vice President and CFO in 2009. Since his appointment, Carl has signed asset sale agreements worth over $1 billion. Don't leave your iPad, or you Galaxy, or your other technology sitting around. Carl is likely to sell it if he finds it. Also since Carl became CFO, we've returned $4 billion dollars to shareholders in dividends and share repurchases and our stock price is five times higher. Today, he will explain our financial model for 2017, including how much more stock he could buy.

Now I'm delighted so many of you have chosen to spend the day with us in Washington. It's easy to think about today as a vehicle for outlining our financial model and it is that but it is much more than that. Our company today is benefiting from great momentum. We're growing around the world, including the United States at speeds we have never achieved before. We are innovating in many areas, our brands, our services, and our marketing efforts. There is sense at Marriott of empowerment. It's driving our market share and our results. And I hope you take away just a fraction of the enthusiasm we have for the future and for the future of Marriott. We're excited by the development prospects ahead, the new initiatives that appeal to the next generation of travelers, and so much more of what you will hear. Please take advantage of the opportunity to meet Marriott's broad leadership team. I'm impressed by their strength and I think you will be too.

So for our first speaker, Stephanie Linnartz.

Stephanie Linnartz, Executive Vice President and Chief Marketing and Commercial Officer:

15. Well, thank you very much Arne and good morning, everyone. It is great to be here with all of you today.

16. My role at Marriott International is to represent the customer as Arne said. And a top priority for my team is to make sure that we hear and that we consider the consumer's voice with every decision that we make, with the ultimate goal being to win their hearts, their minds, and their wallets. So this morning, I am going to share with you how we're engaging with our customers and delivering unique and distinct brand experiences for them. I will also discuss the effectiveness of our sales and marketing engines and provide some insight into our recent digital initiatives. And all of this is part of an incredible story of invention and reinvention here at Marriott International.

17. We begin from a position of strength, due to our powerful portfolio, and global distribution. Marriott International has a broad portfolio of strong brands, and we are continuing to grow it. Our goal is to have the right product in the right place to serve our loyal guests today and to capture new guests tomorrow. We are concentrated in the most valuable segments from upper moderate to luxury. We have broad appeal to business transient travelers and a very strong U.S. group business.

Our brands generate very strong guest satisfaction and intent to return. And we know from our guests that they are more committed to us because of our portfolio of great brands than they would be if we had fewer brands. In fact, three-quarters of our most loyal guests stayed at three or more of our brands in 2013, ranging from Fairfield Inn to the Ritz-Carlton. All of this demonstrates the power of our portfolio. And our owners agree that it is powerful. You'll hear more about it from Tony Capuano coming up.

18. So as Arne said, this is a prime time to be in the travel industry. Over the past six decades, global tourism has experienced continued expansion. According to the United Nations' World Tourism Organization international tourist arrivals have shown virtually uninterrupted growth, from 25 million in 1950 to 278 million in 1980, 525 million in 1995 and 1.1 billion in 2013. This trend is expected to continue and international tourist arrivals should reach 1.8 billion by 2030.

So we already have huge loyalty among baby boomers. All of our research shows that they prefer Marriott and that they rely on us for their travel, both for business and for pleasure. So that's NOW. But NEXT we are positioned for the tremendous purchasing power and growing influence of Gen X and Y, particularly the latter.

19. Right now on a global basis, Gen X and Y and younger make up over 70 percent of the working age population. The percentage is particularly high in Asia, Africa and Latin America.

20. And looking ahead 10 years, this increases to almost 90 percent globally because roughly half of the Baby Boomers will have retired. As a matter of fact, Gen Y and younger will account for almost two-thirds of this 90 percent in a decade.

21. So responding to this trend, we are expanding our brand experiences. We're even introducing new brands with global Gen Y travelers in mind. And our research has told us a lot about this generation. They have been shaped by technology and the many ways that the Internet has, in particular, changed the way we all work and live. As a result, this generation's values, their attitudes, their behaviors, they're distinctly different from the generations before them. And I see looking out at many of you that you are Gen Y, so I suspect that this will resonate with you.

22. Let me share a few key characteristics of Gen Y based on what our research is telling us. First, by and large, Gen Y is obsessed with good design and style. It's all part of the experience. But they also expect the design to be functional. They grew up in the Apple generation. Next, many of them have affluent parents especially here in the United States. U.S. boomers are the wealthiest generation in history, having collectively earned $3.7 trillion to date. That's more than twice as much as the Silent Generation at the same age. So therefore many Gen Yers are accustomed to luxury. Unlike previous generations, luxury for them is often expected.
Third, Gen Y constantly blends work and play. Mobile technology allows working from anywhere and the ability to multitask. Gen Y does everything, all the time.

The fourth characteristic is related to the previous. Gen Y is tech-dependent. As a matter of fact, a 2012 Cisco Commission Report of 1,800 Gen Y college students and workers across the globe revealed that 90 percent of those surveyed checked their email, their text, and/or their social media on their smartphones before they even got out of bed. They're constantly connected and they expect seamless digital connections with the brands that are part of their lives.

And finally, Gen Y is often characterized as a sharing generation. Many have no problem sharing personal information with us. But they expect us to use it to make their experiences more personalized. So we use this knowledge and more to build our strategies which target the enormous opportunity represented by Gen Y.

23. So one component of our strategy is the recent launch of new brands that are designed to turn heads.

24. So let me begin with the EDITION brand which fits in the luxury and the lifestyle space. EDITION is a collaboration between entrepreneur Ian Schrager and Marriott International. EDITION is poised to capture a great opportunity. Based on our research, the luxury and lifestyle segment is worth $8.5 billion in the U.S. alone.

25. EDITION hotels are stunning microcosms of the world's top cities, featuring the very best in service, food, beverage and entertainment. These are hotels where you'll find the guest rubbing elbows with the locals, because there's no better place to be.

26. And EDITION works exclusively with top design consultants and architects to ensure that each property is unique and memorable. We have engaged the very best in every field. From

landscape designer Madison Cox to sound specialist Clair Brothers. The result is an amazing group of sophisticated, high design luxury lifestyle hotels.

27. The Autograph Collection is also defined by highly customized and notable hotels. Each hotel is its own recognized independent brand well known in the local market.

28. The Autograph Collection represents individuality, independence and originality and it dismisses the premise that travel experiences should be one size fits all. That's why we say that the Autograph Collection is exactly like nothing else.

And speaking of originality, you'll meet Marcus Zimmer, the executive chef from the Hotel am Steinplatz in Berlin, who is joining other chefs from our luxury and lifestyle brands to deliver a fantastic lunch for you today.

29. So that's Autograph. Just four years old, this is the fastest growing collection of independent hotels in the full-service category ever because it enables independent hotel owners to partner with Marriott International and thereby leverages the power of Marriott's sales and marketing engines and our global reservation systems.

30. And from the consumer perspective, Autograph introduces Marriott to a new group of travelers who prefer independent hotels. The collection is on pace to have more 100 hotels by 2017.

31. AC Hotels by Marriott has broadened our offerings, making a lifestyle experience available in the upper moderate tier - openings in North America starting in October. So we formed a joint venture with Antonio Catalán, the brand's Spanish founder.

32. We currently have 73 hotels in Europe, and next, we're importing this brand to North America.

33. It's modern, it's stylish and it's cosmopolitan and it's designed to offer a sophisticated urban experience so that our guests can really feel the city.

34. It has features like the AC Kitchen which offers hot breakfast for purchase and the AC Lounge which at night becomes a very vibrant local bar that's offering beverages and tapas.

35. So Europe is a source of inspiration for us to launch a new brand MOXY too. This is Marriott's design-led economy tier brand. The first hotel, as Arne mentioned, opened in Milan last week. This brand option is for travelers who want style, a little attitude and a great value.

36. Only 28 percent of the rooms in the economy category in Europe are branded and what exists in the market is largely uninspiring and bland.

37. So MOXY has all the makings for disruption in this tier.

38. MOXY offers a high energy public space that we call The Now, friendly yet eclectic modern design, and 24/7 self-service food and beverage, including a full bar.

39. MOXY has a bold attitude, has very relevant offerings, a very vibrant public space and a cozy guest room, all at a great value. In these hotels, smaller is concentration, not reduction. Guests get everything that they want and nothing that they don't.

40. And style isn't limited to our newer brands or to younger travelers. We've done a lot with long-standing brands to enhance their appeal across all of the generations.

41. The Ritz-Carlton, the crown jewel of our luxury portfolio is evolving and redefining what luxury means in today's world. The Ritz-Carlton inspires life's most meaningful journeys. We continue to be the clear leader in the luxury space. And the brand consistently delivers superior revenue premiums. And with the introduction of the Ritz-Carlton Rewards program, we are aggressively leveraging the tremendous loyalty of Ritz-Carlton to benefit our entire portfolio.

42. So JW Marriott… JW Marriott has found its niche in offering approachable luxury. JW is really on an outstanding trajectory.

43. Based on U.S. luxury brand tracking metrics, JW is the breakaway leader in the key measures of first choice preference, approachability, and casual elegance. And over the past six years, JW has doubled its customer awareness. And here is great shot of the JW Pune in India. You will get a taste of this hotel, literally, today during the lunch when Executive Chef Ajmal Salim will be contributing to our dining experience and menu from around the world.

44. So JW is also receiving accolades from influential industry and media leaders. It is among the top luxury hotel brands cited by J.D. Powers with numerous hotels on the Condé Nast Traveler's Gold List, and won awards as Travel & Leisure World's Best Hotels.

45. And I don't want to leave luxury and lifestyle without mentioning Renaissance. The Renaissance brand has undergone a major transformation in the last five years. It is reinventing lifestyle on a global scale by inviting our guest to Live Life to Discover. Renaissance speaks to business travelers who seek new tastes, sights, sounds and experiences. From the on-property Navigator curating local experiences to the exciting on property RLife LIVE events, the Renaissance brand always provides opportunities for our guests to discover something new. You spend your life working, so you should discover the world as you go.

46. So now on to Marriott Hotels, our first brand. Marriott hotels is holistically reimagining and reinventing with its strategic plan focused on three areas: number one, leading with cutting edge social media marketing approaches to drive brand perception with Gen Y consumers; number two, redesigning our physical product with new lobby spaces, state-of-the-art meeting rooms, and tech friendly guest room designs; and number three, hosting brilliantly. Our people, who we refer to as hosts, orchestrate the details for every guest and they are integral to our economic success.

47. Working with our hotel teams, we are rethinking and recreating a stronger economic model for full-service hotels. Marriott Hotels is aggressively pursuing our opportunity with Gen Y travelers at all touch points. And again, one way is leading with innovative marketing approaches. Our new digital and mobile campaign is reaching Gen X and Gen Y in places familiar to them like Jimmy Kimmel or Hulu or YouTube. The brand portal, travelbrilliantly.com, is a co-creation website where Marriott Hotels invites customers to help create programs and to collaboratively think about the future of travel. So let's take a quick look.

[VIDEO Presentation]

48. So after one year, the Travel Brilliantly marketing campaign is driving results. Ad exposure among full-service business travelers, that's those taking three or more trips per year grew to 66 percent in the first half of 2014. That's more than double last year, which we attribute to new CNN, airport, and airline in-flight video. And we continue to drive increased consideration through marketing in key media channels where Gen X and Gen Y travelers are. So mobile, airports, social and digital.

49. Also the brand is interacting with Gen Y on social media and in online marketplaces where they shop for travel. Take a look at Marriott's performance relative to the competition. In the first half of 2014, Marriott Hotels were liked, shared, commented on, or clicked on over 200,000 times, well ahead of the competition. Customers are not just considering our brands, they are taking action in social media, which is a very cost effective way for us to reach Gen Y.

50. We are innovating to drive preference and profitability. For example, the new guest room. It's fresh, it’s modern. it has an innovative design that was created based on feedback from Gen X and Gen Y travelers.

51. The product is market-ready and owners are gearing up to begin installation as they approach their renovation cycle. We put into the room what guests want -- more technology, more accessible electrical outlets, more style. And we take out what they don't want -- heavy furniture and closet space. Not only is our new design fantastic for guests, it reduces costs for owners.

52. The M Club Lounge brings the traditional concierge lounge down to the ground floor in most of our Marriott Hotels. This frees up space for more sleeping rooms which drives profitability for the hotel. It also drives higher food and beverage profitability and guest engagement. The M Club Lounge taps into the consumers' desire for privilege and exclusive access. And at one of our early pilot hotels, nearly three-quarters of the guests said that the M Club Lounge would motivate them to choose Marriott Hotels for their next stay. By the way, guests are willing to pay for M Club access. In our pilot at the San Francisco Airport Marriott, upsell revenue is on pace to exceed 2013 by 30 percent.

53. So group business is an important part of the Marriott brand and we are reinventing here too. Marriott Hotels’ group business represents 33 percent of room revenue in North America and 30 percent globally. And both planners and attendees are increasingly mobile, social and

collaborative. The brand now has new ways to sell and execute meetings based on their purpose, and the approach is very comprehensive. We're rethinking everything, from the way we engage planners, to the chairs that the participants sit in.

54. As just one example, the brand has launched an interactive meeting services app that allows planners to submit requests digitally versus running to the house phone in the meeting room to, let's say, order more coffee. This app has increased meeting planner preference and planners have cited it as a key reason why I would plan a meeting at Marriott. And not only is it increasing preference to critical B2B customer, but it ensures that any and all extras that have been ordered are captured and charged to the master bill. As I said, we are reimagining everything at Marriott Hotels.

55. For all of our brands, we are growing faster by designing products and services, both in the U.S. and abroad that meet the exponential growth in global travel. Our existing brand portfolio performs very well outside of North America.

56. But in recent years, we have done more to customize our brands to local markets, to reflect local economics and regional cultures.

57. For example, our Fairfield brand in India has a three meal a day restaurant and a much smaller room than you would find here in the United States.

58. Even the brand name is slightly different. The word "inn" as understood in India does not adequately convey the high quality of this product. So we dropped the word from the brand name.

59. Fairfield hotels in Brazil are designed around productivity because Brazilian business travelers are heavily focused on work. They see a business trip as an honor and a vote of trust by their employer. So they rank the work space as being more important than the size of the television. We see tremendous opportunity for growth in Brazil and we're starting with five hotels in the pipeline for Fairfield.

60. To expand globally, we've acquired international brands and could do so again where the opportunity is right. We purchased Protea Hotels this year, giving us the number one position in the fastest growing lodging market in the world, Africa. Alex Kyriakidis will tell you more about this later today.

61. So this is a glimpse into the DNA of Marriott's portfolio. We are focused on the travelers of tomorrow while continuing to appeal to the travelers of today. We are inventing Gen Y relevant new brands to meet new needs and we're reinventing the brands that have built our legacy for the past eight decades. And we are delivering brand experiences tailored for every market, every type of traveler, with every type of need and purpose.

62. And all of this is being powered by our industry leading sales and marketing engines that deliver RevPAR premiums and drive owner preference. Similar to the way I described our brand

strategies in sales and marketing, we are also constantly challenging ourselves to invent and to reinvent. And to identify the best ways to find customers, to book them at maximum rate and to earn their loyalty.

63. So first, sales. We asked our customers about ways they wanted to buy. And we created a sales organization based on their feedback. We believe that our U.S. sales strategy is helping us steal group share. Over the past seven years, our U.S. sales force was redeployed to reach seven times more accounts, specifically mid-market accounts that we were not able to cover before. Over the last five years, our group RevPAR Index has increased more than seven points.

64. Marriott Rewards is another one of Marriott's biggest success stories and competitive advantages.

65. Marriott Rewards has 47 million members worldwide. Since last June, it has grown by 3.5 million members, with membership increasing the fastest in countries outside of the United States. Globally members represent 50 percent of all paid and stayed nights. In the U.S., over 60 percent of the new enrollments are Gen X and Gen Y customers. Our research shows that many Marriott Rewards members are willing to drive 20 miles outside of their intended destination to stay at one of our properties. This is true loyalty.

66. Marriott Rewards is industry leading and we have the accolades to prove it. In April, we won the J.D. Power award for Best Hotel Loyalty Program. We've won the Freddie Award for Hotel Program of the Year, a top honor in the loyalty business for seven years in a row now.

67. In August, U.S. News & World Report ranked Marriott Rewards best in its 2014 to 2015 Best Hotels Rewards Program. This is the second consecutive year that Marriott Rewards has won this recognition. A major loyalty marketing firm also recognized Marriott Rewards as having the highest customer satisfaction among travel and hospitality programs. But that is NOW. With Marriott Rewards, we are also reinventing and highly focused on what is NEXT.

68. We're ahead of the pack and we know that staying ahead requires raising the stakes. Recognizing the attitudes and preferences of Gen Y, we are transforming Marriott Rewards to take it to the next level among all travelers. We've mapped our strategy against customer needs. Gen Y customers want benefits and services that are instant, with immediate gratification and immediate benefits. Easy to use and to understand. Shareable, things that they can experience with their friends and communities. For Gen Y, if it's not on Facebook, it didn't happen. Meaningful… if it's not personalized, they don't care. And surprising, experiences that really grab their attention.

Globally, we are also redefining the concept of loyalty. The post 1990s generation in China, for example, values relationships with those who understand their passions and their ideas. You'll hear more about what we are doing in this space later this afternoon from our Asia Pacific Chief Sales and Marketing Officer, Peggy Fang Roe.

Ultimately, we know that loyalty is not only about a transaction. It's about being helpful, it's about an emotional bond. So we're taking all of this information and using it as the filter through which we evaluate our ideas. And we have a lot of ideas.

69. Let me tell you tell you about a few of the exciting innovations within our loyalty program that we're testing with our consumers. First, PlusPoints. As I just mentioned Gen Y has no problem sharing information. And so we've introduced an innovation that rewards them for it, and again we call it PlusPoints.

With PlusPoints, Rewards members benefit from talking about Marriott properties on their social networks. They can earn points for sharing their travel experiences and taking action on Facebook, Twitter, Instagram, what have you. As an example, a member could earn 25 points for using #MarriottRewardsPoints or #RenHotels on their Instagram profile. And in conjunction with this, we've introduced new low-point redemption options, digital downloads as an example. This encourages participation even among those who travel less frequently. And it allows all members to earn rewards more quickly.

70. Travelers really like PlusPoints because it's easy, it's sharable, and it gives an opportunity to earn points not just for traveling but for things that we all do every day. And nearly 60 percent of those engaging with PlusPoints are Gen X and Gen Y. And interestingly, despite a U.S.-only launch, Rewards members have accessed the program in over 80 different countries.

71. So now let me tell you about FlashPerks, which was a program available for over a twelve-week period this summer. FlashPerks are high-value, limited availability offers that can be purchased with either cash or points. Each week, we announced the offers using an e-mail blast and they were available for 24-hours or until they sold out. Offers were focused on unique experiences, experiences that are share-worthy and that represent the unexpected.

72. For example, we offered the opportunity to stay at JW Marriott in Dubai, the tallest hotel in the world, or to drive a Ferrari for the weekend.

73. You might find it interesting to know that the offer that sold out most quickly so far was for Apple iPad Minis and it lasted only four minutes. Based on our test, Gen X and Gen Y members are really engaged in this program. And they’ve told us that they love it, because it's instant, mobile, easy, shareable and they can brag about the exclusive opportunities that they get. And fortunately, for us, they are bragging in a very public way on social media.

74. You can see here an example of a messages that were posted on milepoint.com and Twitter. Marriott reaps the benefits of FlashPerks too. This program enriches the value of Rewards membership. It showcases the diverse experiences Rewards can provide and it allows us a habitual weekly interaction with our members which is fantastic.

75. And finally, LocalPerks.

76. Let me explain this through the eyes of a guest. Isaac Gibbs is a Gen Y Marriott Rewards member who has downloaded our mobile guest services app on his smartphone. He arrives for his stay at the Marriott Marquis in Times Square. He's been there several times in the last few years and he loves exploring the city, looking for the most interesting food and beverage experiences. As he approaches the front desk to check-in, and he opens up the app, he sees an offer screen pop up. The offer is offering a free appetizer with dinner in the View Restaurant & Lounge. He reads further to learn that this is the only revolving rooftop restaurant in the city. He decides to check it out. Easy and instant, just the way Isaac likes it. So this summer, Marriott became the first major hotel company to provide geo-targeted mobile offers and marketing using this Beacon technology. We are really excited about where we are going with LocalPerks and this new technology.

77. So the loyalty landscape is changing, and I can tell you our innovation is just beginning. We will interact with Gen Y on their terms. We will invent ways to engage with them that no one has yet imagined. And we will win their loyalty by building deep personal connections through membership. With Marriott Rewards, we are gearing up for many exciting changes to keep this program relevant and exciting for many decades to come.

78. So now, Marriott.com. Marriott.com is the single largest face of Marriott to our customers. The site boasts over 35 million visits per month where customers can book a room at the best rate, manage their Rewards account, make special reservation requests, and access other information like driving directions and local attractions. Last year, Marriott.com drove nearly $10 billion in gross room bookings, and it is pacing 11 percent ahead so far this year.

So how big is Marriott.com? According to Internet Retailer, our 2013 online gross bookings were nearly as large as Wal-Mart's. Over twice as large as Netflix and nearly three times those of Dell. And every booking through Marriott.com is a booking through our lowest cost channel.

79. There are now nearly 7 billion mobile phone subscriptions on earth and nearly 2 billion people will own a smartphone by the end of this year which is up 25 percent year-on-year. And we're seeing this trend really play out on Marriott.com where over 40 percent of our traffic now comes via a mobile device, and that number is growing. The result? Mobile drove nearly $1.3 billion in gross room bookings for Marriott last year, a number that Internet Retailer says puts Marriott in the top four for mobile commerce revenue; up there in the company of Amazon and Apple and well ahead of our competitors. And we are on pace to exceed our 2013 full year mobile bookings revenue this week.

The digital revenue story for Marriott has been a powerful one and the one that's been delivering really excellent year-over-year bookings growth. Today's travelers just naturally expect to be able to book their reservations online or on their mobile device. That's really not a surprise and we have been immensely successful here.

80. But it doesn't end there. Travelers, and particularly Gen X and Gen Y, expect more of their in-the-moment travel needs to be met with digital services. Roughly 70 percent of these customers now want to check-in and check-out of their hotel with a mobile device. They want

to chat in near real-time via mobile with the hotel to make a service request both before they arrive and when they're on property. They want to receive mobile alerts when their room is ready. And we have responded.

81. Marriott was the first hotel chain to launch mobile check-in and check-out at scale across an entire brand. We are now live at nearly 1,200 hotels and we expect to be at over 4,000 locations and in six languages by December. We have had over 400,000 mobile check-ins and 100,000 mobile check-outs. And the app has been downloaded 3.9 million times.

82. And now here is something really very important to understand about executing mobile guest services on property. We see press releases and announcements nearly every week about travel apps from OTAs, new start-ups, even from our competitors. Mobile guest services can really transform a guest experience, but only if the on-property part of the experience is impeccable. And here is what I mean. Spend anytime reviewing actual app performance, guest reviews or stories on various social networks, and you'll begin to see a recurring theme, “I did X on the app but when I showed up at the hotel they didn't know what I was talking about”. So it's not enough to put a button on an app – that's really the easy part – you have to execute. And this is where high tech meets high touch. Where being able to execute at scale across 4,000 properties and tens of thousands of hotel employees is critical.

83. Our operational standard is that you get what you ordered. You set mobile check-in for 4:00 pm today, then your key and you room will be waiting for you when you arrive. And our on-property execution is excellent, at scale, consistently worldwide. And that's really always been Marriott's core competence, and it's our biggest asset even in the digital age. And it's working. 78 percent of our mobile users report a stronger or a much stronger impression of Marriott versus our competitors because of our mobile services. We are already seeing a material lift on guest satisfaction for the hotel arrival experience among those who've used our mobile services. And this is a very critical moment that sets the tone for the rest of the stay. And remember how important it was for us to win with Gen Y travelers. Well, 81 percent of Gen Y travelers who used our mobile services say that they would recommend Marriott based on their mobile service experience. So obviously we are very excited to see this early payoff. But we're not stopping here.

84. In fact, this is the just the start. We are developing several other digital services to make stays more personal. Digital two-way conversations with our guests and giving guests even more options to choose from when selecting their rooms. And we're exploring the ability to connect personal devices to in-room entertainment and faster and more efficient services, such ordering food and beverage. We are doubling down on digital. We have the most successful website and mobile services in the industry and we have virtually flawless on-property delivery. At Marriott, the information technology function is part of my team, to be sure that IT remains a foremost consideration in consumer strategy development and also to be sure that the technology that we implement is focused on the customer.

85. Marriott has always been a leader. We have a powerful portfolio of brands offering options for every type of consumer and delivering RevPAR premiums for our owners. We have the

strongest sales and marketing engines in the industry. Fueled by the name Marriott, our hotels are sought after and recognized. We are setting the pace in digital. We are reinventing the ways that we engage with our guests and we are earning their loyalty. We are winning preference with customers across generations, driving global growth and redefining the industry itself. It really truly is an exciting time to be part of Marriott International. And as I keep saying, we are just getting started.

So coming next, we'll hear from Tony Capuano who will talk about our development pipeline and then our tremendous growth story. Thanks so much for your time this morning.

Tony Capuano, Executive Vice President and Chief Development Officer:

86. Thank you Stephanie, and good morning.

87. I couldn't be more thrilled to tell you Marriott’s extraordinary global growth story this morning. Our team of over 70 developers located in 28 offices around the world are achieving record levels of new unit growth. During my presentation, I'll provide context around the sheer volume of that growth and the quality of that growth in terms of both brand equity and fee contribution.

I plan to cover three broad topics this morning. First, I'll discuss the impact both on guests and owners of our broad global footprint. During that discussion, I'll describe the breadth of Marriott's current global distribution viewed through a competitive lens. This discussion will make clear that the competition for broad global distribution is effectively a three-horse race.

Second, I'll turn to the topic of concentration in both the highest quality tiers and the highest RevPAR markets. To state the obvious, all rooms are not created equal. Factors such as distribution across the quality tiers and the highest RevPAR markets drive meaningful variances in management and franchise fees. I'll evaluate some of these quality concentration metrics through that same competitive lens. I'll demonstrate that Marriott is one of the few global hotel companies that has chosen to fight aggressively on both the global distribution and quality concentration fronts and that we're winning on both measures. As you'll hear throughout the day, the strength of our brand portfolio, balance sheet, development organization and strong continent leadership puts us in a unique position to win in this arena.

Finally, I'll give you some insights on Marriott's global growth path. I'll remind you of our historic deal volume over the last several years and translate that activity into the most ambitious growth forecast in Marriott's history. At stabilization, we estimate the new units in this plan will contribute incremental annual fees of approximately $450 million.

88. So let's get started with a conversation about the impact of our global footprint. As most of you know, Marriott enjoys a broad footprint of 18 brands located across 79 countries and territories around the world. In our view, there is significant value in this broad distribution, value from both a guest and an owner perspective.

89. From a guest perspective, wide distribution of more than 4,000 hotels drives brand and portfolio awareness. As guests and perspective guests are exposed to our hotels in markets around the world, they develop product and service expectations, as well as learning the breadths of our brand portfolio. Broad distribution also lets us offer guests the right products in the locations where they want to be. As a result, we believe we built guest loyalty to our family of brands for all of their travel needs. In effect, our brand standards become the guest standards.

From an owner perspective, broad distribution informs the owner community about our product quality and performance in driving both revenue and profitability. They can visit our product in their home markets and discuss performance metrics with our operators. Broad distribution and demonstrated performance history also contributes significantly to lender community preference.

For example, some of the largest and most well-known commercial and hospitality lenders in the United States have allocated specific pools of debt capital for Marriott-branded projects both for construction lending as well as permanent financing. In fact one of the largest U.S. commercial banks recently accompanied us on a tour of some AC Hotels in Spain to help evaluate their interest in underwriting our North American rollout of that brand. Since that visit, they've closed their first loan on an AC project with one of our partners and that hotel is now under construction. They've also indicated interest in expanding their underwriting for our brands outside the U.S.

Finally, Marriott's economies of scale in areas, such as OTA and credit card commissions, as well as procurement purchasing power, yield powerful margin advantages that help drive owner preference.

90. On this slide we've illustrated the worldwide and North American room distribution as of June 30 of this year for Marriott and a number of our peers. As you can see it's a three horse race for the broadest worldwide room distribution with Marriott, Hilton and IHG leading, each with about 700,000 rooms. In North America, as you can see, Marriot and Hilton have a sizeable lead over their peer group.

91. Now as I mentioned at the outset, total global room distribution is important but I would remind you again all of these rooms are not created equal. To see the differences in the relative value of our distribution, let's take a look at some important quality concentration metrics.

92. This slide identifies for the three most well distributed global companies room concentration in the top Smith Travel Research quality tiers, luxury, upper upscale and upscale. In our experience hotels in these tiers drive higher revenue and higher management and franchise fees.

In North America, you can see that Marriott enjoys a powerful 84 percent concentration in these upper quality tiers versus 66 percent for Hilton and 20 percent for IHG.

93. On a worldwide basis, the pecking order is similar, with Marriott enjoying an even stronger 86 percent concentration in the upper quality tiers versus 72 percent for Hilton and 30 percent for IHG. Fundamentally, the top quality tiers drive higher room rates, higher revenues and higher fees.

94. Our second quality concentration analysis looks at room concentration within the top 100 RevPAR market tracts, ranked, based again, on Smith Travel Research data. In North America, these 100 market tracts achieved an average 2013 RevPAR of $130, almost double the $69

market-wide average and these tracts represented about 40 percent of total North American room revenue. As you can see, Marriott has a 10 percent share of total North American rooms but enjoys a disproportionate 14 percent share of industry rooms in the top 100 RevPAR market tracks, higher than both of our large global competitors.

95. We did a similar analysis for the top RevPAR market tracts worldwide. Again, based on Smith Travel Research data, these market tracts achieved an average 2013 RevPAR of $191 which is nearly three times higher than the global average RevPAR, and these top 100 global market tracts represent about 20 percent of global room revenue. The results are similar to what we saw in North America. Marriott has about a 4 percent share of total worldwide rooms but a 6 percent concentration in the top 100 global RevPAR market tracts, again a higher concentration than our global competitors.

The combination of greater concentration in the upper quality tiers, coupled with locations in the highest RevPAR markets, provides meaningful economics to our shareholders. We believe this leverage gives Marriott the largest global revenue market share of any hotel company. And as you would expect, we enjoy a significant premium in average fees per room compared to our closest competitor, as much as 25 percent based on publicly reported fee data.

96. Having framed our discussion with an overview of the strength of Marriott's global distribution, I want to move on to a discussion of Marriott's growth.

97. As illustrated, Marriott has been on an extraordinary growth path since 2000. Two of the most significant engines behind this terrific pace are highlighted on this graphic. First, we're growing with almost twice as many brand platforms today as we were in 2000. The impact of the expansion of our brand architecture is dramatic. About 20 percent of the rooms expected to open over the next four years come from brand platforms that did not exist just five years ago. Our owners and franchisees have a wider variety of brands to choose from and they are particularly enthused about the strength of our lifestyle brands ranging from MOXY to EDITION.

Second, as you can see on this chart, we're expanding into new markets from 60 countries in 2000 to more than 100 countries by 2017. The next slide illustrates Marriott's new hotel transaction momentum since 2009.

98. The period from 2011 to 2013 was the most productive three-year period in our history, a period that saw us add nearly 175,000 rooms to our development pipeline. As you can see, we grew our signed deal volume to an all-time record in 2013, which included 387 hotel transactions representing over 67,000 rooms.

Perhaps even more encouraging is that this pace has accelerated in 2014. As of September 1st, we've already signed more than 360 hotel deals, representing over 55,000 rooms, inclusive of the over 10,000 rooms we added as part of the Protea acquisition. Based on our deal flow and our volume of deal approvals, we expect to set a new record in 2014 with estimated signings of between 75,000 and 85,000 rooms.

Now there are most certainly a wide variety of drivers of this historic volume of deal production, including market conditions in many of the global markets where we compete. Our view however is that this pace has been dramatically boosted by a combination of the industry's strongest brand line-up which Stephanie walked you through; unparalleled owner and lender preference for our brands; the strength of our business model, including our ability to invest strategically in growth and to recycle those investments, which you'll hear more about from Carl later today; the quality, geographic diversity and continuity of our global development team; and the nimble real-time responsiveness of our continental leadership structure.

99. This historic level of deal volume has driven Marriott's global pipeline to a record level of about 215,000 rooms. In fact, if you just consider the rooms under construction, Marriott's pipeline has increased 70 percent in the past 24 months from 48,000 rooms to 81,000 rooms today. As shown on the slide, 38 percent of our pipeline rooms are under construction and another 7 percent are pending conversion. Another 41 percent represents signed binding contracts.

In terms of geographic distribution among the continents, North America, including both full-service and select-service, continues to represent the largest component of the pipeline at 53 percent. Our efforts to accelerate growth in Asia, that Arne described, with a particular focus on China, Indonesia and Japan, have yielded strong results, as Asia Pacific now represents 28 percent of our global pipeline.

Europe, the Middle East and Africa region, and the Caribbean and Latin America region each represent between 6 percent and 7 percent of the global pipeline. Even coming through the European recession, the Arab Spring and the volatility in a number of South American markets, our construction pipeline in these continents advanced nearly 30 percent in the last 24 months.

100. Now on this next slide, we applied those same quality concentration metrics to Marriott's under construction pipeline and the under construction pipeline of our large global competitors. You'll recall from the earlier slides that in terms of current distribution, Marriott led in quality concentration market share, both domestically and on a worldwide basis. As implied by the data on these tables, we expect this lead to expand meaningfully, again both domestically and on a worldwide basis.

101. Now as I put this next slide up, I know that many of us have an appropriate level of trepidation when we see a trend line shaped like a hockey stick. It requires a leap of faith to believe the slope of such a growth curve. In this case, I can tell you that these estimates are the results of a granular and painstaking evaluation of our current hotel pipeline and our pace of new transactions. Therefore, they shouldn't require such an extraordinary leap of faith. We expect this remarkable level of deal volume and the resulting development pipeline will drive Marriott's global room additions to record levels, ranging from 45,000 to 50,000 rooms this year, to between 60,000 and 70,000 rooms in 2017.

102. Between 2014 and 2017, we expect to add between 200,000 and 235,000 rooms on a gross basis. This represents the most ambitious growth forecast in Marriott's history. As you can see on the chart, North America at 54 percent and Asia Pacific at 20 percent dominate the hotel additions forecast.

103. Now given the magnitude of this growth forecast, I would like to take a few minutes and highlight some of the important strategic drivers that underpin this plan. First, we expect to continue to leverage the strength of our North American footprint by seizing opportunities to fill in gaps in our distribution. For example, we expect to continue capturing a disproportionate share of the nation's big box convention hotel projects… like this hotel and others in our pipeline that will come online in the next few years in cities like Austin, Houston and Chicago. We also expect to continue to aggressively grow our relatively new platforms like the Autograph Collection and AC by Marriott. We will continue to accelerate our growth in emerging high potential international markets. You'll hear significantly more about that later this afternoon from both Alex and Peggy during their presentations.

We believe there's a significant opportunity to capitalize on limited-service development opportunities. We've had success with initiatives such as our Indian and Brazilian Fairfield prototypes and our European Courtyard designs. We will continue to build on that success with new platforms like MOXY and new designs for Courtyard and Residence Inn that we'll use to drive development across the Middle East and Africa region.

Now you might rightly ask, will our planned growth in limited-service products dilute the average fee we earn today on our global portfolio. The answer is likely yes, but only modestly. In fact, we are continuing to grow rapidly in the luxury and upper upscale tiers around the world, providing a bit of a balancing effect and we're driving overall fees higher.

You might also ask why aren't we pushing all of our development efforts abroad given the rapid economic growth in many of these emerging markets. In truth, and thankfully, our development strategy doesn't require such a choice. Adding a hotel in a market like Tulsa or Miami doesn't preclude chasing an opportunity in Tbilisi or Mumbai. We're adding hotels very quickly all around the globe. Our measure of success is fees and value. If there are attractive and profitable development opportunities in the U.S., we want to seize them.

Our luxury and lifestyle portfolio which Stephanie outlined for you includes brands like Ritz-Carlton, Bulgari, AC and MOXY. We believe that both guests and developers have a strong and growing appetite for these unique products, and we intend to leverage this appetite to drive new unit growth.

Finally, our growth plan recognizes the strength of the franchise community, particularly in North America and Europe. These are skilled operators with significant local market knowledge and deep availability of capital for growth. Our relationships with the best franchisees make us more competitive and our owner and franchisee support infrastructure, positions us as one of the strongest global franchise owners in the industry.

Now at an Investor Day, you faced the challenge of synthesizing a huge volume of data and determining whether management's plans and projections are viable. As you evaluate the most aggressive growth forecast in Marriott's history, I hope the data we've given you on our deal volume and our pipeline and the insights we've provided into our brand platforms and strategies, will be valuable to you in making your assessment.

104. As a final data point, I thought it might be instructive to remind you of our track record in achieving our new unit forecast. On this slide, we've shown our growth forecast from the last three Investor Days and highlighted our performance against those forecasts. As you can see, we've achieved each growth estimate that we've presented.

105. Now as Laura mentioned at the outset, I am the last man standing between this very patient group and just a wonderful food & beverage presentation that Brad and his global team have put together. So I would like to quickly offer a few closing thoughts. Marriott's industry leading brand portfolio, revenue engines, operating expertise and extraordinary associates, coupled with the strength of our business model, our balance sheet, our global development organization and our continent leadership, have driven record deal volume over the last several years. This very strong deal volume has driven Marriott's global pipeline to a record high of 215,000 rooms. As a result, Marriott expects to open between 200,000 and 235,000 rooms in the four-year period from 2014 to 2017, generating roughly $360 million in incremental fees in 2017, growing to $450 million annually when stabilized.

With the powerful combination of its brand portfolio and broad and growing geographic diversity, we believe Marriott is uniquely positioned to compete and continue to win the race for the broadest and most valuable global footprint in the industry.

I very much appreciate your attendance today and your interest in the Marriott growth story. As Laura mentioned, we're going to across the hall for lunch in the Liberty Ballroom. Today's lunch is a culinary experience of our lifestyle and luxury brands from around the world. We ask you select a seat at the table of your favorite Marriott executive and do so promptly.

Thank you again for listening. And for those of you on our webcast, please dial back in at 1:00 pm. Thank you.

[BREAK]

Laura Paugh, Senior Vice President Investor Relations:

So it's 1:00, time to get started again. To wake you up after that fantastic lunch, here's a quick overview of the recent buzz at Marriott.

[VIDEO Presentation]

Laura Paugh, Senior Vice President Investor Relations:

So our next speaker, a guy who has contributed an awful lot to that buzz that you just saw in the film is Dave Grissen, Group President for Marriott International. He's responsible for day-to-day operations, long-term strategy, hotel development, just about everything in this company and the P&L for over 3,400 hotels in the Americas.

Of course, his responsibilities go beyond the Americas because he also has oversight of Ritz-Carlton worldwide and a global operations team. Today, he's going to focus on North America, our largest region with nearly 3,300 hotels and annual fee revenue of $1.1 billion. Dave Grissen.

David Grissen, Group President:

106. Thanks, Laura. Well, somehow, I managed that coveted right after lunch slot, so hopefully, you had a great lunch. Thanks again to Brad Nelson and the chefs and the whole team here at the D.C. Marquis I think did a great job.

So let's get started. The question I always get about North America tends to center around, how can you continue to execute from a guest's perspective across 3,400 hotels? And can we continue to grow given Marriott's current distribution?

107. A lot of what I want to talk about today can be illustrated in a quick story, that shows you why I remain confident in our ability to meet guests' needs and continue to grow. Just a year ago, we debated about bringing AC Hotels to the Americas. We reached out to our owner community. Within weeks, we had over 30 of our largest and most influential owners and franchisees on flights to Spain to get a first-hand look at this European-based brand we thought we could bring to North America.

These are very busy owners. They won't give up their valuable time easily. But because of our reputation, our ability to execute and innovate, these owners are ready to take the journey with us. Were they skeptical? Sure. But they all dove into the AC immersion and I quickly saw a transformation from skeptical to engaged over just a couple of days in Spain.

Not only were these owners a great sounding board, but their willingness to engage speaks to the credibility we've built over the years. We were able to combine our platform strength with an innovative brand, use our relationships with this dynamic ownership community and we were quickly off to the races with AC Hotels in North America. And I'll talk more about AC's growth later in this presentation.

108. Why do I share that story? It's the essence of our success -- innovative brands and stronger relationships built through collaboration with owners and franchisees. I'll expand on all these ideas today when I talk about our growth in the franchised and managed business. In addition, I'll talk about the supply environment, our success delivering and executing innovative product initiatives to our guests, and our results and fee outlook.

109. Earlier, Tony discussed unit growth opportunities in North America. Despite almost five years of industry supply growth, well below long-term averages, supply growth is still modest.

110. Historically, the U.S. lodging supply has increased on average, just under 2 percent a year. For the last several years, supply increases have hovered around 1 percent and should continue at a similar rate through 2015. We believe that supply will continue to grow only modestly largely due to slow economic recovery and tight real estate financing over the last four years. In fact, industry experts do not expect supply growth to exceed long-term average until 2016 or 2017. This favorable supply dynamic positions us well for strong RevPAR growth.

So where are we today? I would characterize the industry as primarily a flight to security. Lenders and developers are focused on projects with highly predictable economic returns, the best brands, the best sites, the most predictable cash flow streams. This has clearly driven developers to limited-service hotels in our portfolio in North America.

111. The pace of new hotel construction in the industry is increasing. Recent STR reported that the number of U.S. hotel rooms in the pipeline grew by 12 percent in the past 12 months. But even though the pipeline is increasing, hotels are taking longer to get open. As an example, in our limited-service hotels, this timeframe has increased by more than 50 percent in the past seven years. Such deals are now on average taking 45 months to open. The tougher financing environment and more onerous regulations, permitting, and zoning have all increased the length of time to complete these projects.

112. Much of our new development in North America is led by our franchisees.

113. The number of domestic franchise hotels in our system has increased from just over 300 properties to more than 2,500 properties in just 20 years.

114. Franchising is about relationships and today, we work with over 900 franchisees. When they are successful, we are successful. Today, franchise hotels make up 90 percent of our North American rooms pipeline primarily driven by our select and extended stay brands. These franchisees are not only talented operators but they also provide a significant source of capital. They are growth oriented and they have significant local market knowledge.

Many of our franchisees have “moved up to Marriott” from other brands and industries as their lodging knowledge and expertise grows. Franchisees select Marriott because of our value proposition. Our strong brands drive better property valuations and compelling cash on cash returns.

We have the most diverse portfolio with brands for nearly every purpose and price point. Our brands work well together and it's not unusual to see franchisees running multiple brands on the same campus to gain synergies.

We offer robust revenue management systems and our 47 million Marriott Rewards members drive one-half of our franchisee’s occupancies. Our broad distribution, global name recognition and strong RevPAR index premiums help drive owner profitability. And our reputation for fair dealing and strong corporate culture make these relationships successful.

115. In a recent survey, 92 percent of our franchisees said they were satisfied with the Marriott relationship. This aspiration for companies to move up to Marriott allows us to be very selective about who we let in. But this doesn't happen without a lot of work. We have a rigorous screening process that includes background checks, social media reviews, unannounced inspections of their existing portfolio and in-person interviews.

Their culture must align with ours, with similar core values to both Marriott and the particular brand that they want to operate. We provide extensive sales and revenue management training and technical training on topics like food service, housekeeping and front desk operations. And we provide resources to analyze and drive guest satisfaction scores.

116. Our franchisees tell us we offer considerably more training and support than our competitors. We work with our franchisees on more than 30 advisory councils covering not only specific brands but many of the technical and operational aspects of the system. These councils ensure our franchisees' views are reflected in new initiatives that we propose and eventually rollout. And our system is much stronger as a result of this close collaboration.

This alignment with our franchisees increases our speed to market and ensures initiatives are implemented consistently across the system. Our relationships are highly collaborative. We don't always agree on the direction or approach. And that's ok. Our structure provides the opportunity to explore a variety of appropriate solutions to any given problem, and from this, we make better decisions. These frank discussions ensure that the ideas we consider provide real economic value to our franchisees and to us. Our franchisees expect much of us and we expect much of them. We are responsible for providing the systems and tools and they are responsible for running great hotels.

117. Our quality assurance program is the toughest in the industry and our product standards require that all franchisees maintain their hotels on a specific renovation cycle. Franchisees are subject to default and possible deflagging if they fail to maintain our high service and product standards. They select our brands because of our strong brand equity and we hold them accountable to ensure that the brand's equity is enhanced in the process.

We work with our owners whose hotels are not up to par. We encourage them to either fix the property or leave the system. Most obviously opt to make the investment needed to remain in the system. Our franchisees have invested over $2 billion in the last five years on renovations and reinventions. Today, our model assumes roughly 1.5 percent of our portfolio will leave the system each year through 2017. We benefit from our franchisees' strong understanding of the marketplace, their skills at operating hotels, as well as their significant capital commitment.

118. As I mentioned earlier, their involvement and feedback heavily contributed to our decision to bring AC Hotels to North America. As Stephanie touched on before, Antonio Catalán founded AC Hotels in 1998 and is a highly renowned hotelier in Europe.

119. There are currently 73 AC Hotels in Europe largely located in Spain and Italy. The joint venture with AC was driven by our desire to have a second select-service growth platform in Western Europe and AC's desire to leverage Marriott's reservation, frequent traveler program and rapidly grow its system.

120. The AC brand is attractive to the next-generation traveler and developers. Its select-service operating model offers attractive returns for owners and investors. We signed our first AC Hotel deal in the U.S. in September of 2013.

121. And the first hotel is expected to open next month in New Orleans. We already have 35 signed or approved deals in North America with another 30 under discussion.

122. While AC is growing in popularity with our existing franchisees, the Autograph Collection brings us a completely new world of ownership groups. We launched the collection four years ago and have already added 35 hotels in North America, 61 properties totally and have 43 more in the global pipeline. Here, growth is driven by fiercely independent hotels and owners who plug into our systems to drive results. Just 12 months after converting, these hotels see an average RevPAR increase of nearly 20 percent and RevPAR index growth of 12.5 percent.

123. As impressive, is the way Marriott Rewards customers are attracted to this collection. In North America, Rewards members make up 65 percent of Autograph rooms revenue. Nearly, 45 percent of that rooms revenue comes through marriott.com which significantly lowers booking cost for converting hotels.

124. Our 900 franchisees today come in all shapes and sizes. Most started small and gradually increased their Marriott portfolio. White Lodging is a great example. White opened their first hotel, a Fairfield Inn in 1990. They now manage 163 select-service, extended stay and full-service hotels, 120 of those 163 have our flag. Today, White Lodging is one of the largest managers of Residence Inn and Courtyards in the U.S. They developed and now operate the 1,000-room JW Marriott Indianapolis and will soon open the JW Marriott in Austin, another 1,000-room hotel.

125. Tapping into new ownership groups is a key way we continue to grow in North America. About 15 years ago, we began exploring opportunities with AAHOA, the Asian American Hotel Owners Association. In that time, we've opened over 400 hotels with members of the association. We have another 350 deals in the works. That's more than one-third of our limited-service North American pipeline. AAHOA's 12,500 members own 40 percent of the U.S. hotel industry supply. These members are both owners and operators and we intend to grow and enhance our relationship with them.

126. While much of our unit growth is coming from select-service and extended stay hotels, we also have a considerable success adding large full-service hotels to our pipeline. In fact, our flags will fly on 30 percent of the roughly 50 upper upscale and luxury branded hotels currently under construction in the U.S… more than any of our competitors.

We are particularly skilled at developing and operating large convention and resort hotels, such as the one we're in. Over the next few years, much of our managed hotel growth will come from complex and large convention and resort hotels.

127. So let me talk a little bit about the Convention and Resort Network. In North America, the network is made up of 53 world-class convention and resort hotels under the JW Marriott, Autograph, Renaissance, Marriott and Gaylord Hotel brands. To be included in the network, these hotels must meet a minimum requirement for rooms and meeting space.

In North America, the network represents 5.8 million square feet of event space and more than 54,000 guest rooms, the largest among our North American competitors. Our meeting space offering is almost 50 percent larger than our nearest competitor. It's amazing how many of our guests around the world stay in these hotels. For many travelers, these hotels define our brands.

128. On average, these hotels report higher average room rates, strong ancillary revenue and very strong fees. In fact, in 2013, our network hotels accounted for 10 percent of our rooms but nearly 20 percent of our fees in North America.

129. We've added some spectacular and unique properties in the collection in the past five years with the JW Marriott Indianapolis, the Cosmopolitan, The Gaylord portfolio, Turnberry Isle and the D.C. Marquis. We look forward to the addition of the JW Marriott Austin, the Houston Marriott Marquis, the Chicago Marriot Marquis and the Atlantis.

130. The Atlantis, one of the newest additions to the Autograph Collection will be the largest resort in the network with 3,400 rooms and 500,000 square feet of meeting space. Having Atlantis in the Autograph Collection and the Convention & Resort Network is a great opportunity for us to grow brand recognition and for the hotel to increase group business. A few weeks ago I was at the Atlantis. The team there is excited to join the brand in October and we anticipate great customer reaction.

131. A key to our success in North America is translating strong brands and distribution into terrific guest experiences.

132. New product initiatives are important to keeping up with changing customer expectation and keeping our brands current. We work to ensure new initiatives drive incremental revenue, we can execute against them, and they don't add unnecessary costs to our owners. These recent projects have achieved those criteria, improving guest experiences while driving revenue and profitability.

We began the rollout of the Greatroom and Courtyard Refreshing Business during the recession which really required that we prove the value of these concepts within our community. Owner and franchisee relationships, brand reputation and strong fundamentals were critical to getting buy-in and accelerating the rollout of these important projects.

133. Courtyard's Refreshing Business includes a stylish lobby, comfortable for small meetings or relaxing, and new food and beverage offerings. Rollout should be complete across the 900-hotel system next year.

The redesign has yielded significant increases in RevPAR, food and beverage revenue and RevPAR index. As refreshing business has rolled out across the system, we've seen an increase in guest satisfaction and intent to return scores. This initiative really revitalized the Courtyard brand.

134. The Greatroom is now in 225 hotels and 93 percent of the Marriott Hotels in North America are scheduled to have it by the end of next year. Guest satisfaction scores for public space and the hotel overall have increased dramatically which has made the guests even more likely to recommend the brand.

With the Greatroom in place, we now have an effective foundation to tailor the ambiance, decor, music, and food and beverage offerings to drive incremental sales. Besides comfortable places to work and relax, customers expect cutting edge mobile services and they expect flawless execution.

135. We have a near perfect success rate with mobile check-in. Why? Because we tested it before we brought it to market. If you check-in on mobile, your room is ready and waiting for you, an area where our competitors struggle.

We led with our flagship brand, Marriott Hotels, and today, we offer mobile check-in at approximately 650 hotels in North America. We are scheduled to offer the service across the entire North American portfolio by year-end. Guests love it; 82 percent are likely to recommend Marriott because of their experience using the app.

We are testing mobile service requests at 15 hotels today and we'll begin rolling this out globally beginning next year -- 8,000 service requests have been made since testing began. We get a range of requests, from asking for a room upgrade and extra pillows, to food and beverage requests to celebrate a special occasion. Guests like the ability to chat with our associates and they are excited about the level of staff engagement. As we launch services in our hotels, we first try it, make sure it works and then we launch it. At the moment, we're testing approximately 25 different initiatives at 150 hotels to make sure they work.

136. Our meeting services app is already successful in Marriott Hotels, Renaissance and JW Marriott Hotels in North America. For our Marriott Hotels brand, it is known as Red Coat Direct. With the touch of the screen, the app allows meeting planners to make simple requests from ordering more coffee, adjusting the room temperature, to more complex requests like changing a room setup and bringing in A/V, whatever the planner needs. The app gives more control and power to meeting planners, breaking down the barriers of time and language to strengthen, not replace the personal relationship between planners and our hotel teams.

Meeting planners have made nearly 55,000 requests through the app. Not only does this facilitate requests for meeting planners but it helps us build new business. Recently, we closed on contracts on two large group opportunities because these planners saw these apps in use. Meeting planners tell us they love the app and they tell us they'll use it again. And we'll continue to evolve this app, with new enhancements underway.

137. Our efforts at innovation extend far beyond technology. In Marriott Hotels, our oldest brand, we are rethinking the entire experience from rooms to public space to food and

beverage. This brand experienced rapid growth in the 1980s. In that decade, the number of rooms in the North American lodging system increased fivefold.

And we introduced iconic properties such as the New York Marriott Marquis and the San Francisco Moscone Center Marriott. But most of the development in that area was mid-sized suburban and downtown hotels with 300 to 600 rooms.

As we continue to update the Marriott Hotels brand for the next generation traveler, it is important to update those well-located pioneering hotels. We need to not only delight the guests, we need to provide the economic return to justify significant renovations by our owners and franchisees.

Last year, we acquired the Charlotte City Center Marriott for about $115 million. We want to show owners and franchisees how to invest in innovation at an attractive ROI. Our $35 million renovation plan is based on research and insight from guests, design experts and innovation leaders within and outside the hospitality industry.

The hotel will incorporate the new M Club Lounge on the first floor, address in-room dining with more grab and go outlets, centrally locate the bar to activate the lobby, offer a state-of-the-art fitness center and showcase the new Marriott Hotels guestroom. A new marketplace for locally sourced products as well as other food and beverage concepts will connect the hotel with the local community. Construction is scheduled to begin in March and we anticipate completion in late November 2015.

The insights that we gather from this project will further drive innovation and help us execute better on product service offerings throughout the system. The bottom line, you know, it's all about the results.

138. We are at an interesting point in the cycle. System occupancy is above our previous peak in 2007 and we expect to maintain these historic levels for the next several years. We use sophisticated revenue management tools to drive rate growth in every segment, retail, group, special corporate.

At today's occupancy, we are able to aggressively yield manage the lower rated business and replace with higher rated segments. Adjusting the mix and reducing the volume of discounted segments has enabled us to grow our highest paying retail business by 26 percent since 2009.

This change in mix improves our average daily rate but we are also pushing pricing higher as well. With all that, I'm always asked why incentive management fees haven't recovered to 2007 levels. The answer is twofold. Cost inflation and higher owner investments and renovations, infrastructure and repositionings.

139. Let’s start with an example. From 2007 to 2009, the RevPAR for Marriott Hotels obviously declined. As the recession developed, we aggressively responded. We changed room amenities altered restaurant hours, scrutinized procurement and compliance, and reduced management

headcount. In fact, at our full-service hotels, management headcount declined 25 percent. Most of these changes remain in place particularly management staffing levels. We found innovative ways to run these hotels.

I think this chart is a testimony to our success. While the U.S. consumer price index rose by a 2 percent compounded annual growth rate from 2007 to 2013, our hotels' operating costs rose by only 0.4 percent. This resulted in a house profit dollars per available room in 2013 only $4 behind 2007 levels and net house profit only $6 behind.

As RevPAR continues to move higher, we believe we will see a continued improvement in net house profit and incentive management fees.

Of course, incentive management fee upside is limited by the incremental capital that our owners have invested which has increased their owner's priority. Further, the need to accelerate new capital for renovations and repositioning has caused contract changes at some hotels and conversions from some properties from management agreements to franchise agreements. This effectively has delayed incentive fees recognition, in most cases, or removed some hotels from incentive management fee pools. Despite these factors, we expect meaningful growth in incentive management fees over the next few years.

140. If we assume the 4 percent and 6 percent RevPAR scenarios, North American incentive management fees should increase at a CAGR of 15 percent to 21 percent.

141. Our total fees should reach $1.5 to $1.7 billion in North America alone.

I started today by sharing a story of how we enable growth by collaborating with our owners and franchisees on new platforms. Since that trip to Spain, we have 65 AC Hotel deals in the works. I tell you that because it's a microcosm of what we've talked about today, our model works.

We have an incredibly strong foundation. North American's distribution is large yet we continue to create growth opportunities like AC Hotels or the Autograph Collection. We are also committed to developing exciting new products and services.

We anticipate our guests' expectations, and in the process of meeting those expectations, we enhance our brands. We know our customers want the latest in service and technology. We focus on solutions that work while ensuring economic returns.

The operational side of this business is all about execution. 2017 looks very bright for the company, our guests, owners, franchisees and shareholders. We've got another exceptional grow story coming up though. Hey, maybe it's being competitive and maybe it's just for fun but Simon Cooper, our President of Asia Pacific, and I have a constant debate about which continent is growing faster. I won't tell you who wins that debate.

But now, I'm going to turn it over to Peggy Fang Roe, our Chief Sales and Marketing Officer for the second fastest growing continent, Asia Pacific. Thank you.

Peggy Fang Roe, Chief Sales & Marketing Officer, Asia Pacific:

142. Thank you, Dave. Hi, everyone. My name is Peggy Fang Roe and I lead sales and marketing for our fastest-growing full-service hotel market in the company.

Now, the question that I always get asked is, how do you go-to-market in such a large and complex and growing part of the world. And while great brands and great distribution definitely get us out of the gate, there are a lot of regional complexities.

So we deal with a lot of different cultures and languages; we deal with countries that aren't necessarily such good neighbors with each other; layer on top of that, a target segment that's growing exponentially and wants to travel; and layer on top of that, technology users that are leapfrogging the rest of the world. These are all things we deal with in execution of our go-to-market strategies.

So I'm going to talk about three key focus areas today. First, we're building a base of Asia Pacific customers not only in hopes of building the love for our brands and to drive business into our hotels in Asia Pacific but to be a theater market for the rest of the world. Second, more focus on localizing digital platforms especially in China and Japan so that our users in those markets can buy the way they want to buy. And third, I'm going to share with you some examples on how we're doing marketing to meet the customer need around being more local and more social.

143. So let's get started. I'm going to start with some of the basics. So Arne mentioned it's the golden age of travel and travel in Asia Pacific is booming. It's important to first understand that 61 percent of the world's population lives in Asia Pacific and they want to travel.

When you look at the projected outbound travel worldwide, it's projected to grow at 5 percent this year. If you look at Asia Pacific, it's projected to grow at 9 percent this year. And if you look at China, it's projected to grow at a whopping 26 percent this year. China has now become the number one market in terms of outbound travel spend and Japan is actually number five, behind U.S., U.K. and Germany.

144. Inbound travel to Asia Pacific is also expected to grow at 6.5 percent this year. MasterCard forecasts every year the top destinations for spend and trips around the world and you'll see here that in the top 20, eight of the locations are in Asia Pacific.

We have great distribution in almost all of these markets except for Taiwan. And we're excited to share that next year, we'll open our first Marriott Hotel in Taipei. This is all the buzz with our special corporate accounts because they've been asking us when we're going to get into that market, so are really excited about that.

145. Let's talk about our presence in Asia Pacific. Today, we have 160 hotels. We have nine brands in 12 countries. We employ over 40,000 associates. And in May, we hit our 5 millionth Marriott Rewards members.

In 2013, the Asia Pacific region generated $136 million in fees for Marriott International. That was 9 percent of Marriott's total. And if you look at our top four markets, Beijing, Shanghai, Hong Kong and Korea together represented 42 percent of Asia Pacific's total fees.

146. Let's talk about unit growth. So as Tony mentioned, there's a lot of growth opportunity in Asia Pacific. We're expected to double our number of hotels by 2017 and we're opening on average one hotel a week. And speaking of one hotel a week, last week, we opened our Renaissance Hotel in Wangfujing in Beijing and China. It's in the heart of the shopping district in Beijing, so great things to discover, and it's a stunning execution of our Renaissance brand.

147. Now, speaking of brands, in this market, we've been leading with luxury. We opened our first JW in 1989 in Hong Kong, and today, we have 23 JWs across Asia Pacific and 28 in the pipeline. Our JW brand is very popular in India where we have six hotels today and another one opening in October.

Moving up market, we have 25 Ritz-Carlton hotels today and 21 in the pipeline. Ritz-Carlton does especially well in Japan where we have four hotels open today. And then we have Bulgari, one stunning hotel on the cliffs in Bali and we have two on the pipeline. Leading with luxury has really helped us establish a great reputation with owners, in this area of the world, as well as with high net worth consumers.

148. Now, let's take a look at our revenue drivers. So 56 percent of our total revenue comes from rooms. If you add up food and beverage outlets plus catering, that's another 40 percent compared to North America full-service at about 30 percent.

149. In North America, most of our catering comes from meetings. In Asia, most of our catering actually comes from weddings. The other big difference is food and beverage outlets are almost twice the total percentage in Asia versus North America. What can I say? The Asians love their food and they love their weddings. And this actually is important as we open new hotels because sometimes, celebrity weddings and a great restaurant could actually really improve the reputation of a hotel.

So we spend a lot of time marketing to the local market. One of the programs that we have in Asia Pacific that's more specific to our region is called Club Marriott. Club Marriott has 70,000 members and it's an annual membership. Customers pay anywhere from $200 to $250 to be part of the program and with that, they get deep dining discounts, some spa, retail and rooms discounts. We love this program because it creates great advocates for our hotels and they go out and tell our story.

150. Let's look at segment mix. If you combine special corporate, wholesale, group and contract, over 60 percent of our rooms are contracted in advance. This is a testament to our great sales deployment which targets all of these segments.

We can also look at special corporate at 32 percent. That's the largest percentage of special corporate around the world. We attest this to our great relationships with large international companies who want to stay with us when they come to our part of world.

151. I mentioned our sales organization. In Asia Pacific, we have over 1,200 sales associates. They cover global, national and local sales. Each of these organizations has individual accounts that they target and they're either driving business into a local hotel, hotels in Asia Pacific or hotels around the world. It's a great partnership and is replicated in other models in our other regions.

152. I'm going to switch gears here for a minute and now talk about our customer base. I mentioned that we have over 5 million Marriott Rewards customers living in Asia Pacific. What you'll see here is that in China, we have 38 percent of the membership living there, the largest percentage.

But what you'll also see here is that there are a lot of other countries represented, and actually in the other column, there is a whole list of other ones. And what this demonstrates is that it's pretty complex to go-to-market in this part of the world because in each of these countries, you really have to understand how people want to buy.

And in each of these countries, there's a different search engine, there's a different OTA, there's a different texting platform, there's a different social platform that you're using, different payment vehicles and so it's really important to understand how people buy. So let me take China as an example to explain how we do this.

153. In China, we have an online social community called iJiang iJiang. And it's a little bit of a play on words because “I” meaning the individual, “Jiang” in Chinese means “speak”, so “I speak”, and in Chinese, “iJiang” together means “I love to speak”. So I speak, I love to speak.

It's an online community of almost 3,000 Marriott Rewards members spanning different age groups as well as different tiers in the program. We can on any given day throw out a question to this community, a new question about brands, a new question about a campaign or a service enhancement and in a matter of days, get 400 to 500 responses about that idea. And so this is a way for us to get quick results in a quick pulse of what our customers think.

154. Stephanie talked about the next generation. And it's important to note when we talk about the next generation in China we're talking about the post-90s generation. This is the first generation that was born and doesn't have all the baggage of generations in the past.

155. They are the first generation whose parents have wanted them to have everything that they didn't have and they are really kind of the first generation that's allowed to think about individualism and they're expressing themselves in unconventional ways. They are hungry to explore. We talked about travel and how big that is. Travel is -- outbound travel is expected to grow from 100 million trips today to 200 million in the next three to five years and they are spending, as I mentioned, the number one spending market in the world.

156. The Chinese are hyper connected. Chinese Gen Y are twice as more likely to spend time than the U.S. Gen Y with their friends online versus in-person. Now, I don't know if this person is taking a picture or they're actually having a virtual meal. I haven't tried that yet but that's kind of interesting.

157. For Gen Ys in China, status is also social currency. So 46 percent of Chinese Gen Ys stay in four-plus-star or higher hotels because they believe it's a powerful show of status.

158. And finally, opinions matter; 97 percent of Chinese Gen Ys share their travel and dining experiences online and over 50 percent have blogged about their trip. They do this on a platform called WeChat. Hopefully you've heard of that platform before. There are over 450 million users already on the WeChat platform, more than the population of the United States.

And the WeChat platform combines all of the functionality in many great apps we have in the U.S., Facebook, Twitter, Uber, Viber, even a payment vehicle like PayPal. And if you're not on the WeChat platform in China then you're really not in the social vernacular of the Chinese community.

159. So let's talk about how our consumers buy. This is not just Gen Y but all of our consumers. And if you look at property, voice, and marriott.com, you'll see that over 60 percent of our consumers buy through our direct channels. Now, you might look at this and ask with a part of the region that is so focused on technology, why would over 52 percent of reservations still come via phone, via property and voice. As we dug into this, what we understand is that a live call to the Chinese still feels like a higher level of service. And in many cases, they feel when they call us live that's the only way they can get their preferences taken care of. In fact, it's not odd for someone to book in another channel and then call us to make sure we got their reservation. Another reason is there's a generation that still somewhat hesitant to put financial information online. We all know that will change and we anticipate this to move more to digital channels in the future.

160. So IPSOS did a study recently of how people book travel around the world. And so you can see there's a large propensity to book online, but you'll also see in the Asian countries especially in Malaysia, China, Thailand and Indonesia where next generation index is high, mobile is indexing significantly. And also in these markets, we find that consumers were skipping from offline right to mobile, skipping laptops and desktops altogether. And this is why we are focused on our second priority which is localization of digital platforms.

161. And we do this localization of platforms in two different ways. One is that we can make global enhancements to all of our websites around the world. In fact, last July, we launched responsive websites which means regardless of the size of your device, you can have a great buying experience on marriott.com's websites.

162. Second, we also look at localizing digital platforms. So in our Chinese market and Japanese market which is .cn and .jp, we've been testing functionalities more specific to users in those

countries. So what we know about the Chinese and the Japanese is that they like to click versus type because typing characters takes a lot longer, obvious. But what we do is we allow users to search for the top destinations by just clicking, and when you're on mobile, that's a lot easier.

We also know that Chinese and Japanese users, while they can book in English, prefer to book in their native language. So we've been overhauling our sites and now all the content is being written by real people versus translated.

163. We have also been testing multi-language user reviews.

164. On the mobile side, mapping, very important, special offers, very important, and having all of these on a social platform like WeChat. It is also not uncommon for a Chinese user to book their hotel rooms the same day. And in asking some of our associates at the front desk, it's also not uncommon for someone to be booking the hotel as they're walking up to the front desk. And thus, mobile is very important.

165. Finally, I'd like to share some examples around how we are going to market with our marketing strategies.

166. Our marketing strategy rests on the simple marketing funnel. Our first objective is to drive impressions with our Gen Ys in five key source markets. Once we've driven broad scale questions, we also want to be in the consideration, so we want to be on the shelf where customers want to buy especially in digital channels. And then once we get them in the door, we want to enroll them as a member. And once they're a member, we want to engage them to make more stays and more spend. So I'll give you some examples of how we're doing this.

167. This campaign is one that we launched just a few weeks ago. It targets all parts of the funnel because first, it seeks to drive broad scale awareness of the brands we have in Asia Pacific and by doing that through our Marriott Rewards member program.

168. And what we know about loyalty is that people today want more instant gratification. Stephanie referred to that. And so what we're attempting to do with this campaign is to share with people all the day-to-day benefits they get with travel -- free Wi-Fi, special discounts, upgrades, mobile check-in and check-out.

169. In our part of the world, we have a lot of aspiring next-generation consumers. And because of this we're using our Courtyard brand to target young entrepreneurs. Now, in Asia Pacific, it's common to use something called KOLs which are key opinion leaders. In this case, we've used Sharmila Nicollet, she's a rising golf start from Bangalore and she's the spokesperson for this contest, targeting entrepreneurs. Take a quick look at this video.

[VIDEO Presentation]

170. Now, let's move over to China. What we know about China is people used to travel much in groups, right, and they would go to travel agencies to get their travel booked. What we see

now is that users are shifting more to individual travel, but what that also means is that they must plan their own trip.

There's a site called Qunar which is well-known to host the best travel itineraries. And so what we've done here is we've used another KOL, her name is Dani Zhu. She's a popular TV show host in China and she has 7 million fans on Weibo. Weibo is similar to Twitter here in the U.S.

So we sent her to four hotels across the region. She spent three days in each, she experienced the hotel, she spoke with the chefs, she met the teams, she went to the spa, she experienced the local area, and all the while she was posting during her stays. At the end, we helped her write four itineraries which are now posted on Qunar. So this is all about how we do marketing in a new way today to become more social and more local.

So moving down the funnel, once we get customers into our membership program, we want to make sure they stay engaged. And we want to do that by more than just points and redemptions.

171. When we opened the new JW in Dongdaemun in Seoul earlier this year, we invited over 100 Marriott Rewards members who live in Seoul to come and experience the hotel. They got to taste the food, to see the rooms and to tell us what they thought.

They got to meet the staff and the chefs and all the while, they were posting on their Facebook sites and their social sites called Kakao which is something that's used in Korea. This obviously resulted in great awareness for this hotel in the local market.

Being in the digital space and targeting next-generation planners is also equally important to us. And if you know about Pinterest, you'll know what I mean. Buying today is visual and is digital.

172. And so what we've done here is we have a website called meetingsimagined.com. It's a beta test site. You can go out and see it today if you'd like. We're testing it in hotels around the world, specifically 15 hotels in Asia Pacific. And what happens here is if you're searching for an event, an event idea or an event location, you can go to the site and look at 100s of images of event ideas that have been executed across Marriott Hotels around the world.

They're categorized by the purpose of the meeting, so whether you're looking for a new idea for a celebration event or a training event, you can come to our site, look for the idea and each idea takes you back to one of our hotels. You can also imagine the opportunities that we'll have in search when we launch this program.

173. And finally, we just completed research on the next generation Chinese consumers in terms of how they think about loyalty. And we already know that loyalty requires something more meaningful than just points and redemptions. It requires something deeper. Take a look at what they've said.

[VIDEO Presentation]

As Chinese consumers become more a part of our target consumer base in the future, we are excited to evolve the world's best loyalty program to better accommodate the consumers around the world. And with that, I will summarize.

174. One more slide. In Asia Pacific, travel is booming. The Chinese are coming and they're spending. Mobile will soon trump everything, it's just a matter of time, probably very soon. In terms of marketing, it's important to be local and to be social or you'll get left out.

We're incredibly excited about this golden age of travel in Asia Pacific and we are ready. We hope to see you sometime in our region soon. Thank you.

And now, I'd like to introduce to you Mr. Alex Kyriakidis who is the President and Managing Director of our Middle East and Africa region.

Alex Kyriakidis, President and Managing Director, Middle East & Africa:

175. Welcome to Middle East and Africa and specifically this afternoon a closer look at Africa following our acquisition of Protea a little early this year.

176. What I'd like to cover in the time I have available is why Africa in the first place and then why Protea, and talk about our growth strategy now for the continent.

177. Let's start with why Africa.

178. Well, think back 10 years and this is the front page of The Economist saying “the hopeless continent”, and yet here we are 10 years later once again the front page of The Economist, “the rising continent”.

179. But in fairness, it's not really until the last five years that people started focusing below that northern tip of Africa which is your traditional tourism destinations of Egypt, Tunisia, and Morocco. But the last five years have changed dramatically the way the world is viewing now Sub-Saharan Africa from a potential standpoint.

180. So why Africa? Well, let's start with the economies. The economies are motoring with GDP growth forecast at 7 percent CAGR for the foreseeable future. Ten of the fastest growing economies in the world are in Africa today.

The population, 1 billion people and by 2050 will climb to 2 billion people and one in four people on our planet will be African. The interesting thing there is that more than 70 percent will be Gen Y and Z. X is too old for Africa.

Africa is a very young continent and that gives us two sides of opportunity for Marriott. In the first instance, the platform that we'll talk about in a moment engages us with that next generation African traveler today and brings their loyalty to Marriott. And the second thing is that valuable human resource for the associates that we're going to need to drive our growth both in Africa and globally when ultimately one in four people on our planet will be in Africa. So great momentum in economy, great momentum in population growth.

181. Africa is becoming attractive for an investment perspective. Ernst & Young's annual survey of attractiveness of investment capital among 500 international companies has now ranked Africa, and you can see it climbing, to the number two slot to North America. South Africa still remains the number one foreign direct investment country in Africa, a place it’s held for many, many years. But look at the changing perception of investment into Africa.

182. Significant potential for travel and tourism. Over the last 10 years, 1,100 new airline routes have been added in Africa, growth of travel 6 percent per annum for the last 10 years and as you would expect, 70 percent of that is in intra-regional.

Again, very powerful for us. This is low-hanging fruit to have a presence in Africa and to win the loyalty of that travelling public in and around Africa. Fifty six million tourists in 2013, 6 percent up despite the blip in Egypt, which is a significant part of the travel and tourism destination business in Africa. By the way, business is coming back strongly in Egypt since President el-Sisi took the helm.

183. Let's talk a little bit now about why Protea, and by the way, the pictures you see here are of Protea hotels. You can have a very nice cocktail right next to a pride of lions at the Kruger Gate Hotel. The Fire & Ice right in the middle there, a terrific affordable lifestyle product and the African Pride Arabella Golf Resort just outside Cape Town.

184. So South Africa is really all about Protea, 80 of the hotels of Protea are in South Africa. So South Africa is very, very important part of the equation. And South Africa is key to Africa. Twenty percent of Africa's GDP is South Africa, until recently when Nigeria restated the weight computed GDP, it was the largest economy. Now it's the second largest after Nigeria

And so as a result of the Protea transaction, Marriott is now in the three biggest economies in Africa in a meaningful way, South Africa, Nigeria and Egypt. South Africa exports business knowledge right across Africa. A lot of intellectual properties in South Africa, a business environment that works and the South African passport travels very, very well across the whole of Africa.

A booming tourism market… 10 million visitors growing at a 10 percent CAGR in the foreseeable future. Lots of inbound traffic from the Middle East and the rest of Africa.

185. So let's come down now and talk a little bit about why Protea. I have known the management of this business from most of my professional career, highly respected management team, 250 professionals above property that look after the 115 Protea properties, and that is part of the intellectual capital obtained with the Protea transaction. We now have a team in Africa that knows how to do business in Africa, 35 years of experience, looking after 115 hotels, they really know how to develop hotels in Africa. The platform of 115 hotels in Africa enables us from today, and into the future, to have that connection with the next generation traveler. It's a profitable business, great credibility in the marketplace.

The Protea brands enjoy the number one brand recognition in South Africa and Sub-Saharan Africa. Those brands are now part of Marriott's portfolio, they're one of the 18 brands that you saw Stephanie put up on the slide a little earlier.

186. So our mission here is to leverage that know-how in a way that generates value for us, for our owners, and for our associates. So what are our opportunities from the Protea transaction? Certainly, leverage the platform, bring in Marriott Rewards, bring in marriott.com, leverage that right across Africa today. Crucially though, it's that management know-how.

Today, it takes a minimum of five to seven years to develop a hotel in Africa. The Protea team has got 35 years of experience of getting that done and getting that done quickly. And so we're looking to leverage that know-how on the 26 Marriott projects that we have under development in Africa today.

So together with the Protea team, we hope to accelerate the way that our hotels will come to market and next year, I'm delighted to say we have our first hotel opening, it's a Marriott brand in Sub-Saharan Africa in Addis Ababa and followed by Accra in Ghana. So very, very looking forward to that.

187. I'll talk to you a little bit about what that does for Marriott in Africa. If you look at the Marriott Middle East pipeline and current operating rooms on the left-hand side, we're number six. With Protea, we are now number one in Africa. So we've leaped from our competition to take the number one slot in Africa. And if you put us together, we're number two in Middle East and Africa.

188. The integration itself is a key pillar to our future success. In order for me to come back to our board in the future and ask for more investment dollars to expand and grow in Middle East and Africa, I've got to have the credibility with my team of delivering a successful integration and delivering the results that we put out with the business case to make the acquisition.

So my team is now 100 percent focused on delivering a successful integration. The priority as you would imagine is all around the value drivers that helped our owners generate more value as a result of the Marriott acquisition, and obviously help us generate more fees, and give our associates, our associates in Protea, tremendous opportunities for career development. We have gone from 15,000 associates in Marriott International before this transaction to 32,000 associates in Middle East and Africa. So that has given us tremendous strength in depth in each of the markets that we operate in.

Now to lead the business, we took the decision that we would move one of our most senior and most experienced executives. My Chief Operating Officer for Middle East and Africa, Mark Satterfield, moved from Dubai, which is the regional head office for MEA to Cape Town to lead the business.

Arthur Gillis, who was the Chief Executive of Protea until the acquisition, relinquished that role and is now working with me and my Chief Development Officer for Middle East and Africa in helping us on the growth strategy. And I'm very pleased to say that since we announced the acquisition, we have had a two way flow of opportunities come on the radar screen that didn't exist before. First developers in South Africa who now want the Marriott brands because they see that we have the muscle now on the ground with a very strong sales and marketing team, that would help drive local business. Remember the statistic I mentioned earlier of our proportion of business comes from the region itself, Sub-Saharan Africa. So having a strong sales and marketing capability is key to success of a project in Sub-Saharan Africa and we have that, bar none. None of our competitors have what we have now.

So the growth of Marriott brand opportunities in South Africa and conversely now, a lot of our developers and owners in the Middle East are saying, Protea, Fire & Ice, can we please talk about a Protea and the Fire & Ice in the Middle East. So we're looking at lots of great opportunities now both ways for our businesses.

Now our focus has been as well as getting the leadership right making sure that the teams are integrated from a people standpoint. It's really those value drivers, the technology piece that Stephanie mentioned earlier enabling marriott.com. Twenty days after the acquisition, all 115 hotels were on marriott.com.

By Q1 of 2015, Marriott Rewards will go live across the entire portfolio and we think this is a big win. If you think, put yourself in the shoes of one of those next gen African travelers who can now sign up to Marriot Rewards through a distribution across Africa, which I'll come to in a moment, in terms of number of countries that you can earn those Reward points and then redeem them as you travel to Paris, London, Hong Kong or elsewhere in the world. We think that's a very powerful proposition.

We bring in our revenue management expertise into the business as well. So far, integration is going on plan, dead on schedule, and within the cost that we had allocated in the business case.

189. So what does that mean in terms of our growth strategy for Middle East and Africa?

190. Well, take a look at this map of the Middle East and Africa region. Before the Protea transaction, we were operating in 11 countries in the Middle East and North Africa. As a result of the Protea transaction and if you put our mutual pipelines in play, it means that by 2017, we will be in 29 countries in Middle East and Africa; 9 in the Middle East region and 20 on the African continent.

So that if you reflect back on my earlier conversation of the opportunity it would give to the next gen traveler as he or she travels around the Africa continent. We will be in 20 countries that we can engage with that traveler and earn their loyalty.

191. What does it mean in terms of growth? I heard Dave Grissen talk about is North America fastest growing, I heard about Simon Cooper saying Asia Pacific is fastest growing. But take a look at this chart, we've gone from 13,000 operating rooms in 2013. At 2017, we will be at 31,000 to 33,000 operating rooms, still tiny compared to America but that posts a CAGR of somewhere in the region of 25 percent growth for the next four years.

192. So we have our work cut out as a team to deliver that to our company. And in terms of fees, our fee and owned/leased growth will go from $36 million to somewhere between $110 million and $115 million in that period of time. And that is a CAGR of somewhere in the region of 32 percent.

That is a quick round up of what we're up to in Middle East and Africa. I look forward to coming back in the future to give you an update on how we are progressing. I would invite you all if you're visiting our region to make a point of coming in to see us in South Africa and experiencing the Protea brands.

And now I guess for the session that's been somewhat anticipated for today, and that is what will Marriott look like by 2017 from a financial perspective, and to tell you about that and more is our CFO Carl Berquist.

Now many of you, of course, know Carl. What you may not know about Carl is how proactive Carl is as a true partner to me and my fellow presidents' growth strategy in our regions. In my two and a half years at Marriott, Carl has come out to see us in the field both in the Middle East and then Africa and was key in working and supporting me, he and his team, to make the Protea transaction happen.

We appreciate Carl's help and support. Let me hand you over to Carl Berquist.

Carl Berquist, Executive Vice President and Chief Financial Officer:

193. That was a nice introduction, Alex. You're still not getting any more money. Good afternoon. It's great to see you all of you here in the nation's capital at our new Marriott Marquis Hotel. You know, our speakers have described our company's strategies and innovation from brands, to operations, to development. Now I'm going to combine all this information and activity into our financial model.

194. Today, we're a pure-play lodging company with an attractive asset-light business model. We are focused on growing a superior brand portfolio with long-term, high quality management and franchise contracts.

Significant fee income and minimal investments translates into strong free cash flow, high return on invested capital and meaningful earnings growth and financial flexibility. We have a clear capital allocation strategy, investing first in our business for growth and then returning excess cash flow to shareholders creating considerable shareholder value.

195. Now Arne outlined the broad assumptions of our 2017 model as presented here. For simplicity, we refer to the two scenarios as 4 percent and 6 percent. I know the RevPAR growth scenarios appear to be a narrow range; however, these growth rates compound over the three years.

So by 2017, the dollars of RevPAR for the two scenarios are actually 6 percent apart. Although we are assuming overall global RevPAR growth of 4 percent or 6 percent for 2015 to 2017, our model assumes slightly higher RevPAR growth in the Middle East and Africa and more modest RevPAR growth in Europe.

Given today's high absolute occupancy levels, we expect the majority of RevPAR improvement over this period will come from higher room rates. And as Tony said, we expect to add 200,000 to 235,000 rooms over the four years ending in 2017.

On a gross basis, this means our system size would increase at a compound growth rate of about 7 percent to 8 percent through 2017. For our model, we've assumed the midpoint of this unit growth plan for about 215,000 gross room additions in both scenarios.

We also assume 40,000 to 45,000 rooms will leave the system over the four years or roughly 1.5 percent room deletions each year. We target leverage at 3.0x to 3.25x adjusted debt to adjusted EBITDAR. And for modeling purposes in this exercise, we've assumed 3x. These fundamental assumptions drive a range of potential results in the model that I'm going to present that follows. So let's start with the basics on how we generate fees.

196. As you know, if we manage a hotel, we receive a base fee, a base management fee shown here in gray. Base fees are typically a percentage of a hotel's total revenue including revenue

from rooms, food and beverage, and ancillary revenue such as meeting space, spa and other amenities.

If we franchise a hotel, we receive a franchise fee shown here in blue. This is generally calculated as a percentage of the hotel's room revenue. And as you can see from the chart, base and franchise fees have little downside risk and they tended to perform well in the last recession. But they increased over time with both RevPAR improvement and unit growth.

Based on our two RevPAR assumptions, we estimate such fees will increase 8 percent to 10 percent, compounded annually, to reach about $1.8 billion to $1.9 billion on a worldwide basis in 2017.

197. Now, this slide shows the improvement in base fees from RevPAR and unit growth. With growing RevPAR, we estimate today's portfolio will earn $710 million to $715 million in 2017. On top of this, we estimate new hotels added in 2014 or later will earn $105 million to $115 million. So combining these, we estimate base fees to grow 7 percent to 9 percent by 2017.

198. Our franchise fees totaled $666 million in 2013. Increasing RevPAR over time would increase our franchise fees on our exiting hotel portfolio to $775 million to $815 million as shown in the bottom bar. Adding a new unit growth generates another $185 million to $195 million.

So under these scenarios, total franchise fees would grow at 10 percent to 11 percent compounded over the four-year period. As you know, our management agreements typically include the opportunity for us to earn an incentive fee based on the underlying profitability of the hotel.

199. For most hotels in the Asia Pacific region and in the Middle East, incentive fees are calculated as a percentage of the hotels' cash flows. In the Americas and Europe, most hotel incentive fees are based on net house profit and subordinated to an owner return on invested capital.

With continued growth in RevPAR and units by 2017, we should be well passed our 2007 peak level for incentive fees. However, the geographic mix of those fees should look quite different than years ago. In 2007, roughly two thirds of our incentive fees came from North American hotels. As our managed hotel unit growth is largely outside the U.S., by 2017, over half of our incentive fees should come from international markets. Given that many of these international management agreements have no owner's priority, this shifting geographic mix implies less incentive fee volatility going forward.

200. Now we have not yet returned to 2007 net house profit levels at many hotels and significant new capital invested has effectively reset many owner priority thresholds. Despite this, in just two years, the percentage of managed hotels in North America earning an incentive fee increased from 13 percent to 20 percent and we've seen meaningful improvement in the number of hotels approaching their owner priority threshold.

201. Now this slide gives you an example, showing the amount of incentive fees earned from hotels in North America, that achieved their owner priority, when they did not so in the prior year. This excludes fees earned in prior periods and other fees of a one-time nature.

In 2011, 21 hotels started earning incentive fees and all combined, such fees totaled about $3 million. By 2014, we expect those 21 hotels will earn $9 million in incentive fees. In 2013, two dozen hotels began earning incentive fees and all combined together earned about $7 million. We expect those hotels will earn around $13 million in 2014.

So while these recovering hotels do not represent large fee amounts in their first year, they do illustrate the continued acceleration of incentive fees going forward. One caution, our simplifying assumption in this analysis is that all markets perform consistent with our continued RevPAR growth assumption. In fact, performance in individual markets does vary considerably from continent averages.

202. In North America, our incentive fees in 2013 were largely concentrated among large hotels located in the North East, Washington D.C., Florida, and Texas.

203. Outside North America, a significant amount of incentive fees come from our 48,000 managed rooms in the Asia Pacific region. Given that incentive fees in that region don't typically have an owner’s priority, the hotels frequently earn an incentive fee in their first year of operation which improves as the hotels ramp.

204. Since our pipeline in the region is growing rapidly, we expect Asia Pacific share of international incentive fees to continue to growth over time. Given these RevPAR scenarios, we expect worldwide incentive fees will increase 15 percent to 19 percent with about $55 million to $60 million coming from the addition of new hotels.

205. So summing up, worldwide fee revenue could increase 10 percent to 12 percent to a record $2.2 billion to $2.4 billion by 2017. Now for those of you with different RevPAR assumptions especially those at lunch today, we estimate that one point of RevPAR in either direction, and consistent across the portfolio, is worth approximately $20 million in total fees in 2014.

By 2017, one point of higher RevPAR growth compounded over four years is cumulatively worth $80 million to $85 million in 2017 fees compared to this scenario. Of course, this is a rule of thumb. Over time, unit growth and varying market performance could change this sensitivity.

206. All right. In 2013, we owned nine hotels and leased 35. Most significant from a profit perspective, are our owned and leased hotels in Tokyo, Berlin, London, St. Thomas and Anaheim. All combined, our owned and leased hotels contributed about $50 million to our results in 2013 shown here in the yellow bar.

By 2017, we expect our owned and leased hotels to contribute more than $100 million. The growth in owned and leased hotels results through 2017 is largely due to RevPAR and margin growth for these properties. However, results are also helped by this year's Protea acquisition which adds 10 leased hotels. It also includes our investment in three limited-service owned hotels currently under development in Brazil. These Brazil hotels are expected to open in 2016, and we will likely sell them within a few years of opening, but this model assumes they're still owned by us in 2017.

Over time, we may buy or develop hotels, own them for a short time, and then sell them subject to a management agreement. For instance, as Dave pointed out, we purchased the Charlotte Marriott for about $115 million and expect to invest another $35 million to implement new product innovations. Once complete, we intend to sell the property and retain a management contract. Consistent with past practice, we do not intend to permanently own significant amounts of real estate.

Again, for those of you with different views of RevPAR growth going forward for our owned and leased hotels, we estimate one point of additional RevPAR improvement is worth about $5 million in 2014 and over four years compounded would add roughly $20 million to $22 million cumulatively to our results in 2017.

Branding fees totaled about $120 million in 2013. These are overwhelmingly associated with our affinity credit card although we also earn branding fees from the sale of real estate developed by others. And as I've noted in prior presentations, we do not take credit risks with the affinity credit card, and these fees show very little volatility from year to year.

Here, we've assumed an 8 percent CAGR for branding fees taking the blue bar to roughly $160 million. The other bar, the one in gray, totaled $51 million in 2013 including $23 million in contract termination fees. For purposes of this model, we have not modeled termination fees for 2017.

Looking ahead, our scenarios imply owned, leased, branding fees and other, net of expenses, could increase 8 percent to 11 percent compounded annually. G&A expense includes cost associated with brand development, new hotel development, technology platforms and general overhead.

207. We estimate G&A will increase by a compound growth rate of 3 percent to 4 percent. This takes our G&A to approximately $710 million in 2017 under either RevPAR scenario. Depreciation and amortization increases at a 10 percent CAGR largely due to our modeled investments in contracts, also known as key money.

As with G&A, we are showing the CAGR from 2014 guidance but we are excluding the impairment charges from the first half of this year.

208. Under the two scenarios, total revenue excluding cost reimbursements totals $3.7 billion to $4 billion by 2017 and operating income increases 14 percent to 17 percent compounded from 2013 levels.

The gray bar represents our timeshare business which we spun off in 2011. We saw a dramatic improvement in margins following that transaction and we expect greater margin improvement over the four years as RevPAR and unit growth outpaces G&A.

209. Finishing the P&L, interest income should rise modestly as we make loans to support new unit growth. Interest expense should increase with higher amounts of forecasted debt and higher interest rates. Joint venture performance should improve with a stronger RevPAR environment. We assume our book tax rate will be about 32 percent.

So all in all, as you can see here on the bottom line, net income could range between $985 million and $1.1 billion depending upon the RevPAR scenario. This implies a 12 percent to 15 percent compounded growth rate over the four-year time horizon.

210. The model shows adjusted EBITDA totaling $2.1 billion to $2.3 billion in 2017, a 12 percent to 14 percent compounded growth rate.

211. Now, as you all know, Marriott generates significant cash flow. We combined all four years of the plan, 2014 through 2017. We estimate net cash provided by operating activities will total $5.5 billion to $5.8 billion under the two scenarios.

Now, this slide shows the favorable adjustments for share-based compensation, depreciation and amortization, taxes, our guest loyalty program and the other adjustments coming to operating activities.

212. Our investment philosophy is straightforward. Our principal focus is growing our management and franchise business. Given the quality of our brands, this typically requires only modest capital investment.

When the opportunity is attractive, we may buy an existing hotel or develop a new hotel. Our motivation behind these real estate investments is to enter a strategic market and/or enhanced growth prospects for our brand. Our investment in the three EDITION hotels is a great example of using our capital to accelerate the growth of a brand.

Capital recycling also remains an important part of our strategy. In fact, we've recycled $4.1 billion of capital in the past decade, from selling assets and loan repayments. So on these occasions, when we do buy or develop a hotel, we also consider the prospects for the sale of the property.

All investments go through a very rigorous financial review. We invest where we expect returns will drive meaningful shareholder value. We do not make investments to hit arbitrary unit growth targets. And we seek to maintain a solid investment grade rating. Not only does a strong rating lower our cost of capital, it helps our relationships with developers who look for a financially strong partner. Finally, we expect to return excess cash to shareholders through both dividends and share repurchase.

213. Now, while the rating agencies use numerous credit statistics to determine a credit rating, the most common is probably adjusted debt to adjusted EBITDAR. Debt is adjusted for operating leases as well as a reserve for potential future guarantee funding. And as you can see, adjusted EBITDAR includes the add back of share-based compensation as well as imputed interest and depreciation on operating leases. This slide shows our calculation as of year-end 2013. Based on our discussions with our credit rating agencies, we believe a 3 to 3.25 times coverage level is consistent with a BBB rating and we are managing to that level. And we believe, we are appropriately levered today. For purposes of this presentation, we have modeled all years at the 3 times coverage.

214. Now, it's very difficult to estimate investment spending over a long period of time. In fact, over the past few analyst meetings where we have presented this model, we have typically over estimated our investments. So with that caveat in mind, today, we assume investments will total $2.5 billion to $2.7 billion over the four years.

Our model assumes roughly three quarters of our investments will benefit new unit development, including property development, property acquisitions, key money, joint venture investments or maybe some mezzanine loans. Nearly 20 percent of our investments through 2017 will benefit existing units, largely renovations and upgrades to owned and leased properties and we've assumed we'll spend nearly 10 percent on corporate and internal systems. These investments include replacing and updating existent systems and hardware and enhancing or opening new back office locations as we expand around the world. The pie chart on the right models the form these investments might take.

In the aggregate, we assume roughly 40 percent of our investments will take the form of capital expenditures including maintenance capital spending. Maintenance capital spending runs about $100 million to $140 million per year over these four years and includes the renovation of the Charlotte Marriott as well as about $40 million per year for new systems.

We assume about half of our investments will take the form of note advances or contract acquisition costs. These would largely be associated with new unit additions and a small portion will be associated with joint venture investments. The four-year investment amount includes over $800 million for several identified investments including the Protea deal, the completion of our company-developed EDITION hotels, the development of the three limited-service hotels in Brazil I mentioned, a mezzanine loan for Atlantis and the renovation of the Charlotte Marriott.

215. Now, you may recall at our 2012 Analyst Meeting, we estimated we would invest $2.6 billion to $2.8 billion from 2012 to 2014. We've updated that slide here combining 2012 and 2013 actual amounts with an estimate for 2014. It totals $2 billion to $2.2 billion. Compared to

our expectations in Beijing, we acquired or built fewer projects than we anticipated but invested more in brands, particularly Gaylord and Protea.

Looking ahead to our next three years, 2015 to 2017, future anticipated spending totals only $1.6 billion to $1.8 billion, about 20 percent less than prior years. Now, while this spending includes construction of the three limited-service hotels in Brazil, it does not assume company developed projects of the magnitude of our recent EDITION investments. And nearly half of our modeled spending in these years is associated with unidentified projects.

216. On the occasions where we make an investment, we remain committed to recycling capital through asset sales and loan repayments. Over the four years, we estimate such recycling could generate $1.4 billion to $1.6 billion. Half of this recycled amount is the three EDITION hotels which are already sold or have contracts pending. If we maintain a 3 times adjusted debt to adjusted EBITDAR ratio, we expect to have the capacity to borrow another $2 billion to $2.6 billion dollars. If we were to take that leverage up to 3.25 times, it would add another $530 million to $580 million of debt and cash.

Proceeds from the issuances of stocks associated with compensation plans and other items will give us another $300 million. When added to our cash from operations, in total, the model reveals $9.2 billion to $10.3 billion in cash flow over the next four years available for investment and return to shareholders.

217. Backing out the modeled investments yields about $6.7 billion to $7.6 billion of cash available to return to shareholders. Again, this is a model. If we were to find additional attractive investment opportunities, the amount available for shareholders might be less.

If we maintain our historic payout ratio of 30 percent to 35 percent, this model would imply roughly 1.1 billion in dividends over the four years leaving $5.6 billion to $6.5 billion for share repurchase.

218. Assuming our share price continues to rise, our share count could drop from about 313 million diluted shares at year-end 2013 to a range of 239 to 246 million shares depending on the RevPAR scenario.

219. Our pretax return on invested capital improves dramatically reaching 48 percent to 53 percent by 2017.

220. Completing the model, 2017, diluted EPS reaches $4.00 to $4.60 depending on the RevPAR assumption. This translates to a compound annual growth rate of 19 percent to 23 percent over 2013 EPS.

Now, we assume each of you will have your own view of RevPAR through 2017. For you do-it-yourselfers, we estimate a point change of compound RevPAR growth over this period would impact EPS by about $0.35 to $0.40 in 2017. Incidentally, we've provided a full 2017 P&L for our scenarios in the appendix in the back of the book.

So just over two years ago, we gathered in China and presented a model for 2014. Today, we look to 2017 and continue to see very significant growth opportunities, lower capital intensity and meaningful cash flow. Our model is working. We've prepared these scenarios for 2017 at a very high level.

We will share with you our first look at our 2015 outlook in February, after we complete our budget process. But this much we do know, we are very bullish about our prospects and are excited about the road ahead of us.

Now, I'd like to invite my colleagues to join me in addressing your questions. Thank you.

QUESTION AND ANSWER SESSION

Laura Paugh: So we want to take your questions from the audience and we also have some questions from the webcast. Please wait for a microphone before you ask your questions so all your family and friends on the webcast can hear it and I'll start down in front here.

Robin Farley, UBS: Thanks for - thanks for all the information -- I think one of the things investors struggle with is, you know, where we are in the cycle and I wonder if you could talk about how you thought about that when you're giving your projections. Growth through 2017… is there end in sight or just how you think about that?

Laura Paugh: I don't think there is. But, Carl, do you have a different point of view?

Carl Berquist: I think it's a good point. We're, you know, clearly a cyclical business and as we stated in the past, we think we're about mid-cycle right now. Also, as you look at supply and how supply is coming on and some of the numbers in Dave's chart and some of the things Tony talked about, overall supply in the industry isn't expected to even get back to the 2 percent until 2016 to 2017. So, I think, we still have a long way to run here. It's going to be an elongated cycle.

Robin Farley, UBS: So when you say mid cycle, should we be thinking in terms of number of years, unit growth, rate of RevPAR growth, GDP? I guess, what are the signs that you --

Carl Berquist: All of the above. What I'm saying is that I think as you look at the demand and supply and the growth in RevPAR, as we came out of the recession, the U.S. didn't grow real fast but it's been a nice steady growth. And, yes, there's pockets around the world, Europe and other places, that have become soft.

But overall, the economy seemed to be growing at a steady rate, not real fast but steady, and that seems to be if you look at the projections, that's expected to continue, bar some event. And I think that will bode us well especially with our concentration in the U.S.

Jeffrey Donnelly, Wells Fargo Securities: Great. Thank you. I guess maybe if I could stick with you, Carl. It looks like you're expecting to put a lot of money to work and new hotels in your forecast for the next few years, do you, guys, expect to remain as asset light in 2017 as you are today in 2014?

Carl Berquist: Yes. I think our model works extremely well. You know, it's a competitive world out there so we put capital competitive. We also put capital out where it's to our advantage. If you take something like Atlantis, we put some capital out there in a mezzanine loan... but what a great Autograph property to get into the system. Serves us well on the leisure side for Marriott Rewards, and generates a significant amount of fees.

But that's just one example where we'll use our balance sheet. The good news is we've got a great balance sheet to put that capital out and we will recycle that capital. Obviously, it's a loan, so we plan to get repaid, you know.

Laura Paugh: We have a question from the webcast for Dave. You spoke of redesigning/ refreshing the Marriott brand, how many hotels are likely to be touched and what is the impact to owner priorities?

David Grissen: Well, I'd like to hope that eventually all of the Marriott hotels will be impacted by this change. We have a great new Marriott Guest Room. We just put out purchase-ready specs for the new guest room three or four months ago. So we're in the very early stages. We've got guest rooms that are starting up this year. Actually the Pooks Hill Marriott in Bethesda will start this month with their rooms renovation. That will be really the first or second one in that phase.

But we're benefiting from the numbers of transactions that are going on so as hotels change ownership, we've done a really good job of ensuring the right capital investment takes place to renew those contracts. So we probably, through those transactions, impacted 50 to 60 hotels with structured contractual requirements to convert to the new guest room and public space and other things that are part of that portfolio.

If you look at it from an owner's priority on the managed side, most of what we've done in the guest room, for the most part, won't impact owner's priority. It's a slightly larger scope guest room renovation than you’d typically see but future renovations are less so it really shouldn't impact owner's priority. Things like M Club Lounge are really return on investment structured deals, that wouldn't impact owner's priority and as I mentioned the Greatroom is basically out there so we would be taking advantage of that for the new portfolio.

So there will be some projects that are important to us that we'll find ways to get done that will impact owner's priority but I don't think it will be material.

Question: Thanks. Just quickly, Dave, I guess this is a little bit to you, maybe to Tony and Arne and everybody else as well. You know, select-service in North America looks like it's over 40 percent of your current pipeline through 2017. A, you know, I guess first part is, you know, how close are you to saturation within your current brands? How much opportunity you really have? And, B, do you see any holes in your current brand portfolio within the limited-service space to potentially fill either with acquiring brands or developing new brands?

David Grissen: You want me to start?

Tony Capuano: Sure.

David Grissen: I know one of Tony's answers already. You know, we actually see tremendous growth. And part of it is the new platform. We have a lot of Courtyards but I'll use Fairfield Inn as an example.

The two major competitors to Fairfield Inn, Holiday Inn Express and Hampton Inn, are well over 2,000 units. We're in the 850 -- 800 Fairfield Inns. We think there's massive growth for Fairfield Inn. The new generation product that we have for Fairfield Inn is getting great owner and franchise acceptance. So we think there's, you know, great legs with our Fairfield Inn brand.

We think AC is incredibly exciting for us as the only time we see our community not doing a Courtyard or a Residence Inn is where we already have one. While it happens on a regular basis, we still see amazing growth opportunities for those brands. So we think we've got a lot of legs left in limited-service and extended stay in North America.

Tony Capuano: And I think the only thing I would add, certainly AC has enormous opportunity as evidenced by the traction we've gotten so quickly. I'd build on what Dave said about Fairfield. And in fact, we've modified our staffing approach to actually go into the tertiary markets where Hampton and Express have been so successful and trying drive Fairfield opportunities and we're seeing tremendous market reaction to having those resources out in those markets. So there's a lot of runway in front of us for Fairfield.

Laura Paugh: Stephanie, can you have too many brands?

Stephanie Linnartz: I don't think that there's a specific answer to "what is the right number of brands". I mean, right now, our current brands, each one addresses very specific and profitable customer segment and has significant development opportunity. And as we talked about today as we think about new brands, it's really when there's a new customer segment to reach, and a good example there is MOXY or Autograph, or if there's a new market to enter. And I think we talked about Protea today as a good example where not only do we get a great brand that resonates with consumers in that growth market but a great growth platform and infrastructure for operations as well.

And then, the third point about brands, sometimes it's maybe not exactly a new brand but customizing or adjusting an existing brand slightly in a growth market, and I think a good example of that is what we talked about this morning with Fairfield in India and Brazil.

Question: Just on the U.S., I think it's interesting to see that in terms of RevPAR growth, the contribution of rate versus occupancy is still about 50-50. You know, as we think about the next few years, how are you thinking about the trajectory of that. And are you surprised at all by kind of where we are today? Thanks.

Laura Paugh: Dave?

David Grissen: You know --

Laura Paugh: About North America?

David Grissen: -- if I look at our RevPAR mix, it's probably 80-20, 90-10 rate. We're above peak occupancy. So we're in that point in the cycle where we have to drive rate to get RevPAR growth.

Laura Paugh: Peggy, how about in Asia? How much of your RevPAR growth comes from rate versus occupancy?

Peggy Fang Roe: Mostly rate.

Laura Paugh: How about MEA?

Alex Kyriakidis: It will be mostly volume and therefore occupancy because we almost began through a period of Arab Spring in both Africa and in Egypt. As I mentioned earlier, business is coming back. So we're looking for most of the growth to come from occupancy.

Steve Kent, Goldman Sachs: Hi. I've got a couple… maybe for Stephanie and David. One of the things I was concerned about when you, Stephanie, you made your presentation was how fast moving, how you wanted to create a greater environment for millennials, and then I thought about the Greatroom and how long that took to rollout. So can you talk about how you'll take some of your strategy and then roll it out to the franchisees and the owners of properties and how the two of you talk to each other and make sure that that works.

And then since I've got the mike, I'm going to turn to Carl and ask, there was a chart way in the back which showed, I think, the advances to -- it was notes advances. It was a very high portion in the go-forward in the 2015 to 2017 than the historic number and I wanted to know what that was.

And then because Arne hasn't answered any questions yet, could you just -- this time around especially for the Analyst Day, there was a lot more discussion about localization. How do you take best practices from all of these other operators and all these different divisions and bring them back and transfer them across each other?

Stephanie Linnartz: All right. Well, I'll start, if that's okay. In terms of how Dave and I work together, Dave and I and our respective teams work very closely together and I'd say the same for the other continental presidents is it relates to how my team at corporate is developing strategies. They can be brand strategies related to product like the Greatroom and I'll let Dave speak to that or they can be strategies around technology and my presentation gave a lot of examples around things we're rolling out in the technology space, or they can be service platforms. So, we developed strategies but at the end of the day, we know we have to execute them in the market and that's when it comes to us working very collaboratively.

So in the case of mobile check-in and check-out, I spoke about it, Dave spoke about it. It was all about a lot of testing beforehand in the marketplace to make sure it was going work because when we're going to roll something out, a brand strategy, a promise on our brand experience, the operators have to be able to execute against it.

So, Dave, I know -- I don't know if you want to talk about Greatroom more specifically in North America?

David Grissen: Well, first let me translate that. Stephanie tells me what she wants and I go find a way to make it happen. Lots of great ideas…

Laura Paugh: And the customer benefits…

Stephanie Linnartz: The customer benefits. Yes.

David Grissen: …and we get it out in the community. It's all about -- I would have taken the opposite view of Greatroom. I tell people all the time I'm stunned at how fast we're able to get Greatroom given the economic environment we were in. It was a huge investment by our owners and franchisees and, you know, historically, we used to think renovations of guest rooms were kind of dramatic for hotels. It was nothing until we started renovating public spaces and your lobby was closed while you were trying to run a hotel.

So we were actually fairly impressed with what we've managed to accomplish during, you know, the great recession. So the Greatroom is out there. It's a great foundation. Our hotels look dramatically different. So we're pretty excited about it.

Carl Berquist: As to the advances, the biggest driver in that, Steve, is the $100 million mezzanine loan we made on the Atlantis deal. We get -- we earn interest on it and it's due in over a number of years.

Laura Paugh: And that should be funded later this year.

Carl Berquist: Yes.

Laura Paugh: Arne, how about localization?

Arne Sorenson: Well, there are two major shifts that are long term in nature… both of which are driving this. One is the speed of change and change is happening faster, obviously, particularly when you think around technology, you think about the number of rooms we're signing through Marriott.com, but that Marriott.com is no longer just a single global English language site. But how do you make sure you've got the right language functionality and, you know, Peggy talked about clicking as opposed to typing in China and Japan.

But then we consider the relationships with the other online sites. We, of course, know Expedia and Priceline very well here. They are powerful in some other parts of the world, but you've also got local players that are powerful.

That change is really, really very quick. And, of course, it happens not just in technology but other areas. I think the second thing is about localization. Marriott's history, while we've had hotels outside the United States for 37 years or something like that, Amsterdam being the first, the first generations of that effort were about serving American customers who were traveling abroad.

And I think we built our business practices around uniformity, around consistency, around making sure those rooms satisfy the expectations of folks who knew us. And I think increasingly, what we've discovered is that we're not just running hotels in China for American long-haul visitors, we're mostly running hotels in China for Chinese guests. And they've got their very own pronounced views about what they'd like to see that guest room look like or what they'd like to see food and beverage look like. And beyond that, of course, we've got American consumers who increasingly want a local sense. They don't necessarily want the room to look the same.

And so all of those things drove us starting a few years ago to say let's put more authority, more power in the leadership teams, much of which you see here on the stage today, in market, give them the ability to localize the technology platforms, the product platforms, even the brand positioning so that we can move faster and that we can be more localized.

And I think it's working spectacularly well and I'll talk about this a little bit when we close. But the team is -- you can get a sense for the way they compete with each other just in the, sort of, casual comments that came out today. But they're also moving to make, I think, decisions that are both faster and better because they reflect deeper expertise in the markets.

Peggy Fang Roe: Can I just add, Laura, in each of our disciplines, we are, for example, sales or revenue or digital, we are very well connected in the continent and back to the headquarters and there's constant collaboration around the projects that we're working on. So the China digital site is a global team that partners side by side with our local teams to develop the future functionality, right? Because with digital, you've got to have central platforms and then localized further down the line, so, in each of our disciplines.

Unfortunately, for some of us in the field, we're always on conference calls around the clock but we are working very tightly together to make sure there's an integrated strategy.

Alex Kyriakidis: In some cases, the localization is really driven by legislation or culture. So for example, in the Middle East, in many of the countries we operate in, there does need to be prayer rooms. There needs to be segregation of facilities for families, from singles, in some of the restaurants and so on. So localization also takes a sort of a spin depending on what the local culture and/or legal requirements are as we operate around the world.

Tony Capuano: And just to finish from a development perspective, real estate obviously is as local business as there is. Over 90 percent of those development resources I described are living and working in their home regions.

Laura Paugh: Steve, you asked the right question. Are there any other questions in the audience? Well, we have one more online.

Dave, it looks like franchise fee growth is largely the driver of revenue in North America. Is that really just rooms expansion?

David Grissen: You know, the combination of the significant growth as far as new properties and, you know, just that 4 percent to 6 percent RevPAR growth of 2016 --

Laura Paugh: Are you raising franchise royalty fees?

David Grissen: We constantly look at where we're positioned in the marketplace and I would say we try and make sure that we get at least our fair value compared to the quality of the brands. So, yes, we tend to be at the high side and we're always looking at it.

Laura Paugh: And, Arne, I have to -- here we have over here. Scott? Well, while Scott is waiting for the microphone. Arne, the question I always get is given that you have all these investment capacity, why don't you just buy back all these shares now?

Arne Sorenson: Imagine asking that question in 2007. You know, we are - we're talking about the way our model works over a 4-year period of time or 3-1/2 years from now. And I think there's a high level of predictability particularly around the unit growth because so much of those are signed already and are coming through the development pipeline.

And as I said this morning, we think 4 percent to 6 percent is a germane range to think about the future. We don't pick those numbers casually. At the same time, those numbers could be worse. They could be a whole lot worse. Think about that forecast we gave in 2005 of 4 percent to 8 percent. We actually delivered -4 percent.

If we went out today and bought $6 billion worth of our stock and we ended up in that kind of world, we would have a very different kind of picture and not a picture that we want to be anywhere close to.

Laura Paugh: All right. Scott?

Scott Craig, Eaton Vance: So, first, I want to say I think it's great that you give us a framework through 2017 but I'm going to ask a question that extends even further than that and that relates to the rate of room deletions. When you think about the vintage of your room base, is 1.5 percent a reasonable rate of deletions to think about for longer horizon or is there a period in the future when that would increase because of the age of the room base?

Arne Sorenson: I think -- anybody can jump in here too -- I think that's a very perceptive question. My gut is that 1.5 percent is probably a good number for many years to come. We have seen certainly full-service hotels, which is where the economics are going to be more significant to us, obviously. You're talking about losing a full-service hotel, that will mean more of the fees than the limited-service hotel.

But we have seen many decades old hotels get reinvented stunningly. And there's no reason to believe that most of them can't get that done if it's economically rational for them to do it.

When you look at the Courtyards or the Fairfields, Courtyard's a brand we launched in what, 1984 or 1985, I suppose the first hotels were opening. Fortunately, they were all block built so they're, you know, solid pieces of construction, mostly suburban built. To the extent we lose some of those or lose a Residence Inn, we found in most of those markets that, this will take a little bit away from Tony's team, but it's relatively easy to get them replaced with brand new products.

So even if we see that the deletion figure goes up a little bit there, I suspect we'll see the unit growth figure go up there as well because those holes will be filled quickly with new built hotels that come in.

Question: I have a question related to North American incentive fees. Could you guys talk a little bit about whether you expect to add many paying North American hotels in the next few years? And then also in terms of the North American limited-service, it doesn't look like the 68 percent has changed much in terms of hotels greater than 30 percent away in terms of profit dollars. Is that a moving target and how do you think about percentage of North American hotels paying in 2017 in your guys' internal model.

Laura Paugh: Carl, you want to take that one?

Carl Berquist: Sure. I'll take the limited-service first. I think one of the things on limited-service as Dave talked about, you know, with the capital lending, the structure of those portfolios which are, you know, a lot of them compute their incentive fees based on portfolio rather than a hotel by hotel calculation. And where they sit right now relative to owner’s priority, it will be some very long time before you see big movement in those portfolios paying fees like they did in the past.

It's just a structural change for those. Will they ultimately be paying? Sure. In fact, some of the portfolios are starting to pay today but it's a very small amount. So I would say that on the limited-service.

I think on full-service, and Tony you can jump in here, I think what we typically see on new full-service hotels is it typically takes three to five years before you start earning an incentive fee in a typical hotel deal. Some may be even a little longer. It's unusual to get into a hotel -- we have -- but it's unusual to get into a hotel a big full-service hotel and start being, quote, "in the money right away."

David Grissen: The only thing I'd add… I'll use the Marriott brand as an example. We've got a lot of holdout hotels out there over the last four years. We've had significant investment and we will over the next couple of years.

A lot of that has increased the owner's priority but we're getting in the age in the Marriott Hotels where there's enormous infrastructure being invested in these hotels. Elevator modernization, chillers, boilers, you name it. That really has to be invested in the hotel to keep it alive and relevant.

And those hotels will work extremely well but it will delay the incentive management fees. So you could tell from the chart I had up there with the 15 percent to 21 percent CAGR on incentive management fees, we're not only getting into it with more hotels but it starts rising fairly rapidly. Those hotels are better positioned and better assets but we've delayed what we would typically get in this cycle.

Arne Sorenson: I think one other point is the, I know it comes out occasionally but it's worth repeating, one of the things that happens and has happened over the last 10 years or so is as these hotels demand more renovation capital with age, we found that the easiest way to get that is to convert them to franchise because you end up with a new franchise operator-owner coming in and saying alright I'm going to now step in and I'm going to reposition this asset.

And while that is, it takes away something on the incentive fee side, it's not as bad as you might think because we're going from essentially a 3 percent base management fee plus an incentive fee which is, obviously, depending on profitability, to for the Marriott brand something which is something like 4.5 percent of gross revenue. So it's something like 4.5 percent right out of the box. And so the dollars of fees come up, you don't get quite the same upside but you obviously get a reinvented hotel and it's better for the brand.

Question: Hi. Good afternoon. So the first question, Arne, is for you in terms of group exposure. So today, it's 33 percent of your North American revenues. What do you think that looks like by 2017 once you have a lot more franchise hotels into the system? That's one.

And I have a question for Stephanie about distribution and, you know, when you think Airbnb and things like that, what do you think the distribution landscape looks like by 2017?

David Grissen: Want me to take that?

Arne Sorenson: Yes, go ahead, Dave.

David Grissen: I'll take the group piece. On the managed side, just because of the portfolio we run, we tend to run about 40 percent group. You know, when you blend in the Gaylords and the big convention, the big resort hotels, we're very group focused.

The franchisees, you know, and let's characterize the franchisees operating 300 to 400 room full-service hotels, they tend to run 25 percent to 30 percent group depending on the market.

Laura Paugh: And combining those is what gives you to 33 percent you saw on the slide?

David Grissen: Yes.

David Grissen: Group is growing. We've consistently seen, you know, the group business come back. In our core hotels, we're back to peak group levels. Our convention and resort hotels are still slightly below. We'll see that continue to rise over the time horizon in this long range plan.

Question: So when you think about both domestically and internationally, do you think then 2017, your group exposure should be very similar to what it is today?

David Grissen: I won't speak to the international side but for North America, I'd say we'll have more group in our hotels by 2017 than we do today.

Stephanie Linnartz: So to your question about distribution, we are laser-focused on our distribution strategy and on our distribution costs. I mean, I think it's fair to say that technology and particularly the internet has just changed everything in the hotel business. Something like 35 percent of all sales on the internet now are travel-related, so just above apparel which is pretty remarkable.

And the internet is like -- a company like Airbnb even exist, right? So we watch every competitor, every OTA, everything happening in the distribution space very, very carefully to understand its impact on us. I'd say as it relates to Airbnb, it's an interesting model. I think at this moment in time, while there may be some minor overlap with us, for the most part, the consumer, the customer that they're going after is different than ours. Our customers are very focused on having a certain quality of product, reliability, certain promises around safety and security. And I think Airbnb still has a lot of stuff to work out in a variety of different areas.

So, again, we watch them carefully. We are really looking at them. But at this moment in time, I think that there's not a major overlap with the customers that we are targeting and focused on.

Ian Rennardson, Jefferies & Co.: Question for Arne. The hotel industry remains very fragmented. The top five have probably got above 20 percent or even less of the total market. Do you see any value in the further consolidation in this industry? And if so, how would that happen?

Arne Sorenson: Yes. That's a good question. In the United States, the top five are probably more than 20 percent. So we're probably 10 percent of all rooms. Hilton is about the same. Intercon probably wouldn't be that far away. I suspect their U.S. number is probably a little bit lower than Hilton and Marriott's. And, of course, then you get Starwood and Hyatt who would be smaller but still sizeable.

So maybe between those five, we'd be 40 percent or something like that. Now, having said that, it's important for everybody to recognize what we know based on the way we lead our lives and that is that our 10 percent includes what we manage and what our franchisees manage.

And so when you look at pricing of product, for example, those decisions are being made even in our system by hundreds of different players. This is not Marriott pricing every room but often our franchisees pricing their hotels, we're pricing the ones we manage, et cetera.

There are advantages of scale to be sure. Maybe, especially in a technology world, where with single platform, the more products we can offer through that platform, the more compelling that platform is as a place to come shop. It's one of the reasons Autograph was attractive to us in the beginning. One reason, I think our owners of Autograph hotels love it and one reason that index numbers have moved so high.

So we know that there is upside potential there. Personally, I don't think we're likely to see big players combine. Now, who knows? We could walk out of here tomorrow and have an epiphany and somehow think differently. But we've got -- we've each got big Rewards platforms. We've each got networks of existing owners and franchisees.

They are keenly interested in how we grow the system and whether or not that growth is going to have any impact on the way their hotels perform. And to some extent, the economies of scale, you can't get unless you jam all these things together into a single rewards platform and a single reservation network. I think that's a really hard thing to do with big players.

Having said that, you know, Stephanie's talked about it. Laura asked the question already. We have added five brands in the last five or six years. We wouldn't have predicted it.

But we're pleased with every one that we've done. It gives us more scale. I think we will continue to be very interested in seeing whether or not there are places we can add additional brands whether it's generically like in Autograph or whether it's through an acquisition like a Protea.

Smedes Rose, Evercore Partners: Tony, you mentioned that you were seeing commercial lenders allocate specific pools of debt capital for Marriott properties. Does that mean that they're not lending to other major brands or are they allocating capital to...across the system? And then just in general, do you think for some of the, to get a development deal done now do they need to affiliate with a large brand? Has that changed at all since the recession?

Tony Capuano: Yes, I mean, I think as it relates to the first question, the major hospitality lenders are most certainly lending to other brand portfolios beyond ours, but it's a relatively small group. Project sponsorship and the right brand affiliation are dominating the dollars that are out there in terms of particularly construction debt.

The Second question…

Smedes Rose, Evercore Partners: Well, I'm just wondering if you -- to get a project done now, do you need to show brand affiliation in order to get the loan. Is that part of the reason why you're seeing this acceleration in unit growth, it seems for all the large brands?

Tony Capuano: Yes. I think as I've said, when the lenders are looking particularly at development deals, track record of the sponsor and affiliation with the system are critical in trying to get that loan closed.

Laura Paugh: Tony, we had another online question. What are the economics of a fiercely independent hotel joining the Marriott network? Do you charge them a standard franchise fee even though they're keeping their own flag? Do you make less money? It sounds like Autograph.

Tony Capuano: Yes. Well, Autograph charges a franchise fee that's comparable to Renaissance, 5 percent of rooms. They're paying most of the other affiliation costs, like reservation costs, and the like. But it's a relatively easy sell. When I look across the platforms that our developers sell, there is enormous value to that independent hotelier and I think value in two big buckets.

There is an expectation that if you plug into engines that are as powerful as the engines that Stephanie described that you'll experience meaningful lift on the top line and we've seen that across the Autograph portfolio. I think the really pleasant surprise for many of our Autograph owners is the impact of the affiliation on margins. That could be very obvious things like adopting Marriott's credit card commission rates or involve channel shift.

As many of you know, a lot of the independent hotels are getting a disproportionate share of their room nights through the OTAs, which are the least efficient, most expensive revenue delivery system. To the extent you can migrate those room nights to Marriott.com, which is at the other end of the spectrum, the most efficient, least expensive, there is a meaningful impact on margins.

Question: Hi... I have kind of a follow up on that question. We've seen a number of your peers launch new conversion brands or lifestyle brands, have you seen more competition in terms of key money offered or discount fees as a competitive environment has increased in that sector?

Tony Capuano: I think that's coming. Obviously, Luxury Collection has been around for plus or minus 20 years. Curio has been around for 20 days-ish. So we will see. I think between ourselves and Luxury Collection, we have established this is a viable, exciting, high growth segment of the market. Carl, I think, said it earlier, it's a competitive world.

It will be interesting to watch, though. Because I think there's a couple really important dynamics. I think most importantly, if you're launching a platform in this space, how do you balance the pace of growth with quality of hotels you bring into the collection? The thing we've learned, our experience with Autograph, these independent owners, they care deeply, maybe more than us, about the quality of the hotels that you bring into the system.

So it will be interesting to watch. I think the other thing, the launch of Curio, not necessarily unexpected, interesting timing. On the plus side, as I mentioned, it's not pioneering. Both we and Luxury Collection have established that this is a real opportunity.

But our experience has been -- it's a little counter-cyclical. In a down market, it's a little easier to convert independent hotels because they look at almost a safety net benefit of that affiliation. In a long protracted recovery, where they feel like they're rising with the tide, the conversion rate drops a little bit.

Question: Just one more. On brands like the AC and MOXY, do you have the broad appeal to reach the size of brands like Fairfield and that have been so successful in the past or do you think smaller targets restrict that scale?

Tony Capuano: Well, time and the results will tell. Our expectation is absolutely. And if the early success of AC is any indication, we're very confident that those will be hundreds and hundreds of hotels around the world.

David Grissen: With the exception of AC's tier towards the urban, semi-urban setting versus the distribution that you'd give a Fairfield Inn... so limited by destination to some degree.

Question: At one point, you mentioned that now your account coverage is seven times much better than what was a few years ago. The SG&A cost have not gone up as much. How much more operating leverage do you have within the existing platform and can you draw cost synergies going forward?

Carl Berquist: On a sales and marketing, sales and marketing is paid by the hotels and is not in our G&A. So as we expand those platforms and become efficient in those platforms, that's to the benefit of the individual hotels versus Marriott International.

As far as G&A leverage goes, we're very disciplined about our G&A and we're watching it very close. We've spent a lot of money over the last four or five years, really developing our continent structure, our development structure around the world and putting in place these platforms and this infrastructure and now it's time to, in effect, reap the benefits of those big platforms and maintain that discipline around the cost controls and get that leverage from those -- from the investments that we made over the last three or four years.

Laura Paugh: Any other questions? Well, now is a great opportunity to go up and visit the mezzanine level. Please join us for a short reception before you catch your train, plane or go elsewhere in D.C.

Arne Sorenson: Can I get a last word?

Laura Paugh: Arne has the last word.

Arne Sorenson: Thank you for that. Let me start by saying thank you to Laura and to Betsy Dahm and to Laura Pearce. I don't know if Laura is in the room.

We get good marks for Investor Relations and Carl and I both know that the primary reason for that is Laura and the discipline you run in the team that you run, and the extraordinary work that you do. They've had a lot of help. So if I can ask the Marriott finance people who've been involved in pulling all this work together to stand quickly. Let's give them all a quick thanks.

Secondly, let me give just a couple of reflections on sort of where we are. It's really pleasing to me to be able to sit here and listen to these folks present over the course of the day. The leadership team that we've got across the company is stronger than it has ever been and it is more driven to win or as driven to win, I guess, as it's ever been.

And you can get a sense for the way I think we all like each other and the way we compete with each other and the way that we're collaborating. But it's an extraordinary team that presented well today but more importantly than presenting well at a conference like this, they're doing extraordinary work to run our business.

We have -- we're at a place at Marriott where we can feel the change. There's a lot of momentum. There's a lot of energy across the company. You can sense it maybe most in a presentation like Stephanie's where so much of the change is underway or like Peggy's where in China so much of this is a brand new experiment for all of us.

But in every part of our business, the team across the company is about reinventing, about making sure we get to translate the dominance we've had with the boomers to the millennials, and that we continue to build on what we know to be the case, which is that this financial model as management and franchise, if you can do the really four basic things that we talked about, drive same store sales really through index, grow units, manage your G&A expenses to grow at lower rate and return capital to shareholders, the alchemy in that is a very healthy and robust earnings growth and cash flow growth for many years to come. This gets you 2017 buts it’s got to get you years beyond 2017.

Now, obviously, we are subject to the economy as well and there will be a time when the economy weakens and that will have an impact to us. The team is really turned on and the pace of change at Marriott is as fast as it's ever been. But having said that, there is an awful lot of what we're doing which is very much about where we've been as well.

We remain focused on our people, making sure that our people love coming to work at Marriott, making sure that our folks across the world continue to provide the authentic genuine welcome which we think our customers can perceive and we think it is, in fact, one of the most important reasons why we continue to drive RevPAR index. We think that that genuine authenticity is something which translates really well to the younger travelers as well as is appreciated by older travelers because they want authentic. They don't want to be spun, they don't want to be pretended that you're dealing with somebody different. And if we can find a way to make sure that we translate that, we will do really well.

And I think we end up, also, with a little bit of back to the future on the financial model that Carl has presented. So you look at the history of Marriott. We have been in operation for 87 years, or whatever the precise number is today, in the hotel business since the mid '50s. But with each passing year, we get more and more laser focused on being the best travel company that we can be. Being the favored travel company and doing that by being in the hotel business, and making sure people understand that.

We have exited, by and large, the other businesses that we've been in. It makes us easier to understand. It also makes us that much more dramatically focused on the areas that we think we can and have won in in the years past.

We encourage you to come on this journey with us. We're having a great time with it. And we also appreciate very much the vote of confidence you have given us over the course of the last few years which is most dramatically exhibited in that wonderful stock price. And we're committed to see that it continues to grow.

So, thank you very much for taking you time, for being with us today. If you've got time to have a drink upstairs, come on upstairs for a little while. And by all means, make Laura continue to earn that glowing reputation. Call her up if you got questions that didn't get answered today.

So, thank you all and safe travels back.

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