



**Marriott International, Inc.
J.P. Morgan Gaming, Lodging Restaurant &
Leisure Management Access Forum
Transcript¹
March 12, 2026**

Dan Politzer, J.P. Morgan: Good morning, everyone. Thank you for joining bright and early. I know everybody here got a great night of sleep and went to bed very early. We're thrilled to have Marriott management team here. We have CEO, Tony Capuano, and then Drew Pinto, EVP and Chief Revenue and Technology Officer.

I'll lead it off with questions. This is a fireside. We'll leave some time at the end for Q&A. I'm excited for a very thorough and informative discussion.

Tony Capuano: Me too. Thanks for having us.

Dan Politzer: Let's just start high-level, strategic priorities. Where would you say Marriott's top priorities are for 2026? Is there a difference in how you think about the priorities for the U.S. versus internationally?

Tony Capuano: Not really. The U.S. is a bit more mature market, but I think broadly the priorities are similar. I would say, number one, we're trying to build this ecosystem that has little to no leakage, and Bonvoy is the connective tissue for that ecosystem. So that starts with make sure we have the best brands and experiences on a global basis. That's about accelerating net unit growth.

The notion being, if we have the right product everywhere our members want to go, everywhere in the world, for every trip purpose, then they really don't feel the need to look outside that ecosystem. That's a big part of it.

Then I think technology, which is part of the reason I'm so happy that Drew is here. I really sort of think about that through two lenses. As we've talked about in the past, we're in the midst of a massive re-platforming of our three most important technology systems -- property management systems, central reservations, and loyalty. That should be pretty transformational. Drew can give you some details on that, but also all the emerging technologies.

AI, for anybody that bet the under that AI would be said in the first two minutes, you lost. How that can impact, certainly, our above property efficiency, but also some of the processes at the hotel level that have historically been manual and can be made more efficient.

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

Dan Politzer: As we zoom in a little bit more on the fundamentals, can you give us an update on current or year-to-date RevPAR trends? Obviously, given the volatility or turmoil in the Middle East, what are you seeing there? How do you think about the impact to that?

Tony Capuano: Sure. Maybe not dissimilar to last year, January and February, really, really strong start on a global basis, ahead of our expectations for those two first months of the year, both in terms of absolute demand and ADR growth.

March, obviously, you're seeing the impact of the conflict in the Middle East. For the most part, today, the impact of the conflict seems largely limited to the region. We've seen cancellations, as you would expect. You obviously have had significant disruption in airline capacity and that's impactful, but to date, we've not really seen it ripple out beyond the Middle East.

Then, just to ground you, if you look at our global inventory today, about four percent of our global rooms are in the Middle East. About seven percent of our pipeline and about four percent of our global fees come out of the region. But we're 15, 16 days into the conflict so I'm talking to the teams every day, and we're watching closely to get a sense of -- we actually, interestingly, in markets like the UAE, you had very high occupancy at the start of the conflict because of the inability of folks to get commercial flights out of the region, but we're running pretty weak occupancies right now. Obviously, from a human perspective, but also a business perspective, hoping for a swift and peaceful resolution.

Dan Politzer: How do you think about the impact to other regions or the knock-on here, whether it's Europe or outbound U.S. into Europe or into the Middle East?

Tony Capuano: Yeah. We look at forward bookings. You are seeing some weakness and some cancellations into the Middle East. Europe is holding up fine today. If the conflict expands, there's obviously real risk.

I think the bigger question is around oil prices and the ripple effect that has on commercial flight pricing and how that might impact. We've seen spikes in oil prices over our 99-year history. Sometimes that translates in, particularly for the U.S. outbound market, maybe they choose more drive-to destinations than fly-to destinations, but we're obviously well distributed in drive-to destinations as well.

Dan Politzer: Understood. If we get to -- one of the bright spots for 2026 is the World Cup. You've given some parameters around that. What are your latest assumptions? How much business is on the books? What are you seeing? Maybe, how are you yielding the hotels to maximize...?

[crosstalk]

Tony Capuano: It's still early. We continue to think there's probably about 40 basis points of upside on a global basis or, excuse me, on a U.S. basis, about 35 on a global basis, but it's early. The bookings are about where we would expect, given that many of the future rounds, nobody knows who's going to be playing in those matches.

International inbound, normal course, we see about 10 to 12 percent inbound international. About 24 percent or double of the bookings we've seen for World Cup are inbound international, which I think is a pretty encouraging sign.

Dan Politzer: Do you have any data points or anecdotes on the people that are coming into the 11 or so cities in the U.S., or even 16 in North America? They're extending their trip, and they're traveling to these other areas, or they're staying X amount of days.

Tony Capuano: It's a little too early. We have some expectation that that will be the case, but again, when you look at what we saw in Qatar and prior World Cup host cities, a lot of it depends on who advances. Sometimes you have folks that book a one-way ticket in, with the hope that their team is going to advance and they're going to extend their stay.

Dan Politzer: If you think about the macro of consumer health, how are you monitoring the week-to-week, month-to-month state of the consumer? How do you think about that high end where you certainly have a big presence versus the low end where over time you'll probably have more growth?

Tony Capuano: I'd say a couple things. Number one, we look at all the same metrics that all of your audience does. We look closely at GDP. We look at employment numbers. We look at corporate earnings, all good indicators about how the consumer confidence trends are evolving.

We're feeling pretty optimistic, set aside if you assume that the conflict remains relatively concentrated in one geography. We look into the coming months and we say, with tariff relief, as tax refunds start to roll in, we think that that will be a boost to U.S. consumer confidence. That could be great news for our business.

Then on the luxury end, it's probably been the most fun story to tell for the last number of quarters on our earnings call. There have been, understandably, lots of questions about the resilience of that luxury consumer, but we continue to see really strong demand and really strong pricing power, which for us, given that we've got such a large portfolio and pipeline globally, is really encouraging.

Dan Politzer: Then as you think about your brands...I don't know the exact number. Let's call it 30...

Tony Capuano: Me neither. I think it's about 40.

Dan Politzer: 40-ish.

Tony Capuano: Depending on how you count them.

Dan Politzer: How do you think about that level expanding or contracting over time? Are there brands that need more work, brands where you're very happy with?

Tony Capuano: Yes. I love the breadth of our brand portfolio. I love the breadth of choice that offers both to our guests and Bonvoy members, and also the breadth of choice it offers to our owner and franchise community. But if your strategy contemplates that broad and diverse of a brand portfolio, the requirement that comes along with that is that you ensure you have a well-articulated distinct positioning for each of the brands in the portfolio.

One of the guiding principles at Marriott is this idea that success is never final, so there's always still more work to be done. I think we've achieved that with the vast majority of the brands. That well-articulated and distinct positioning is more clear in some brands than other, and we continue to try to ensure that we've got that across the portfolio.

Dan Politzer: In terms of the unit growth and on the development side, you're guiding to 4, 4.5 percent.

Tony Capuano: 4.5 to 5.

Dan Politzer: Sorry, 4.5 to 5.

Tony Capuano: Jackie almost got out of her chair.

Dan Politzer: Misread my notes here. With the conversions, obviously, that's the big driver. What are the biggest opportunities and risks to sustaining this pace, especially in this kind of touch-and-go financing and development environment?

Tony Capuano: We've got a pipeline of over 600,000 rooms. A good mix between new build and conversions. We've seen over the last number of quarters pretty consistently, both signings and openings, 30 to 40 percent conversions.

The new builds that will open this year, obviously, are well under construction, and we've got great visibility into the status and the projected opening dates of those

new builds.

On the conversion side, the piece I feel like maybe we don't talk about enough. Of course, we're out there every day, our transactors around the world chasing individual hotel conversions, whether those be conversions of independent hotels or conversions of competitive brands. We'll continue to do that. That'll continue to be a really strong source of growth for us. But the focus we have and the resources we have dedicated to portfolio conversions.

Obviously, MGM is a terrific example of that. We launched a platform called Series by Marriott, which gives us the ability to bring in midscale and upscale portfolios into the system. We announced a deal last year with a group in India called Fern. Which in a single transaction, I think we got something on the order of 8,000 rooms. Not an M&A deal, not an acquisition, but a portfolio conversion. I think that will continue to be a really important focus area for us.

Dan Politzer: How do you think about those bigger portfolio-type deals and ensuring you get those economics? We all like the unit growth. We all like the visibility, but we also want to make sure that there's corresponding economics as well.

Tony Capuano: You should reasonably expect that the vast majority of conversions we do, whether they are single-unit conversions or portfolio conversions, that the fee structure on those will be very typical, very traditional.

MGM was unusual. In effect, you brought together the world's biggest lodging company and the world's biggest gaming company. Both parties felt they brought a lot to that relationship. That required some creativity around the deal structure, but the vast, vast majority of our conversion deals will be very typical fee structures.

Dan Politzer: In terms of the entire pipeline, can you talk about the chain scale and the geographic mix and what you're most excited about?

Tony Capuano: Had you not asked that, I would have volunteered it anyway because I think it's a great part of our growth story. Roughly 40 percent of that 600,000-room pipeline is in upper upscale and luxury, which are obviously the tiers that generate the most significant and premium fees. That's a great part of the story.

The other piece that I think bears watching is our entry into midscale, which is only a couple years old. It's only about five-ish percent of the pipeline today, but those platforms are among the most rapidly growing platforms. And when you think about this bifurcation of the consumer that we've seen, the ability to accommodate lower-income households who still have an appetite for travel but in a more economical way through our growth in midscale and to accommodate that high-income

household with our industry-leading luxury portfolio, I think is a pretty powerful combination.

Dan Politzer: If we fast forward 5 or 10 years down the line, how do you think about your chain scale mix in terms of midscale/upper midscale versus luxury?

Tony Capuano: I don't necessarily think of them as mutually exclusive. In other forums, I've gotten a question around "Have you pulled back on your growth in upper upscale and luxury in support of midscale?" Absolutely not. It's not a binary decision.

We're pushing hard because we've got a long, long runway for growth in midscale, but we continue...We had one of our committee meetings this morning and approved three new U.S. luxury deals. We are pushing very hard to try to extend that lead in luxury.

Dan Politzer: If we talk about your owners and franchisees, I think that there's growing frustration. It's a very tough environment operationally. How are you working with them to lower their costs and continue to offer a compelling value proposition?

Tony Capuano: It's one of the biggest focus areas in the company today. I did the ALIS Investment Conference in LA a few weeks ago. I was on the CEO panel. My friend, Elie Maalouf from IHG, made, I thought, a very insightful observation. He said, "These asset-light models are great as long as you have a willing asset-heavy partner on the other side of the equation."

And so the health and the financial strength of our owner and franchise community is of paramount importance. How are we trying to help them? We're looking at every variable in the equation that drives their returns.

You can talk to Drew a little bit. Part of his day job is revenue generation. But we're doing everything we can to try to aggressively grow topline. We're looking at every expense line in the P&L and looking for opportunities to find efficiencies.

Whether that's efficiencies embedded in rethinking how we operate our hotels or whether those are efficiencies as a result of emerging technologies and AI, we're looking to try to improve operating margins.

We're looking at our affiliation costs. Are there opportunities, as we become more and more efficient at the above-property level, to pass some of those efficiencies on to our owners. Last year, we meaningfully lowered the charge-out rate for Bonvoy, which was a big boost for our owners. So we'll continue to look at each of those variables.

Dan Politzer: That's a good segue to the next question in terms of Bonvoy and charge-out and relationship with owners there. Your 35 percent increase in credit card fees, that was a big driver of your 2026 guidance and the growth there.

Can you walk us through the process and rationale behind that royalty rate increase and how you see the economics of the co-branded program evolving over the next few years?

Tony Capuano: The big drivers were multipronged. Number one, we had an existing relationship, contractual relationship, that put some limitations on us. We renegotiated that relationship in a way that gave us some flexibility.

The single biggest driver is the efficiencies we continue to drive. You know we went through a pretty significant review of our above-property costs that resulted in approaching \$100 million of net admin savings that created.

The third prong is really the continued growth, growth in the system, growth in the credit card programs, growth in spend by the credit card holders. You throw all of that in the blender together, and it gave us the opportunity to make this change.

I would share with you that as we contemplated that change, there were a number of gating factors that we considered. We wanted to ensure that the Bonvoy program itself, its financial health and stability, remained as strong as ever. In point of fact, it's as strong as it's ever been.

Number two, we wanted to make sure, if we made this change, we did not meaningfully dilute the value proposition to the Bonvoy members. In fact, we are not.

Third, we wanted to make sure we wouldn't have done it if it had resulted in a massive increase in the charge-out rate to our owners and franchisees. In point of fact, as I mentioned, we had actually reduced that charge-out rate. It's really the growth of the system broadly that allows us to make that modification.

Dan Politzer: Have you gotten feedback from owners post that? Maybe what has that sounded like?

Tony Capuano: Engaged, I would say. They ask essentially the same three -- questions around the same three categories that I said. They wanted to understand why. They wanted to understand how it would impact them. Would this result in an increase in the charge-out rate?

They care deeply about Bonvoy and what a powerful driver of demand that is for

their hotels. Would this somehow destabilize the program in terms of its economic foundation? We assured them it would not.

They said if you look at what the loyalty bloggers put out there, the value proposition for members for Bonvoy is very compelling. They wanted to make sure we weren't going to materially dilute that value proposition.

Dan Politzer: Not to get into the mechanics, but is there an additional step-up opportunity as far as where you are today versus where you could go? Then just to confirm my understanding at least, this is completely separate from the interchange negotiation that you have with...

Tony Capuano: Yeah. We're very comfortable where we landed. We're comfortable because it hits those three gating factors. It is separate and distinct from the ongoing negotiations we have with our credit card partners.

Dan Politzer: Maybe we can turn to AI. We hit the war a little bit. For Drew and obviously, Tony, feel free to comment as well. How do you think about generative AI fundamentally changing the guest journey and experience and then Marriott's competitive positioning over the next three to five years within this segment?

Drew Pinto: First of all, thank you very much for having me, and excited to talk to you about our plans here. I would say overall, we see it as a really great opportunity for us. As you're experiencing in your own personal life and use of the AI tools that are out there, I think it's really reinventing commerce and in a good way for customers.

Number one is, it's much easier to find the breadth of products that a company may offer, and certainly as Tony was just mentioning, we have a breadth of our portfolio, both hotel products but also experiences that go along with that.

To be able to discover that in an easier way is very valuable to the customer. The other thing, too, which I have also been enjoying personally as I use these tools is, it also can tailor not only here's all the selection in the market, but here are the things that are right for you based on what you're looking for.

We see it as a good opportunity and we feel really confident about our position to be uniquely qualified to take advantage of it, given our scale, given the loyalty program that we have, the strength of our direct channels, and also not to be forgotten, the strength of our partnerships across the ecosystem.

Given our scale, given how active we've been on the distribution side, how deep of relationships we have with these partners, we're able to work with them in a way that I think few others can because of the relationships we've built over time. We

can really innovate together.

Dan Politzer: If we can hit first on the distribution side.

Drew Pinto: Sure.

Dan Politzer: What programs have you started to pilot so far? Where have you seen success? What could we see roll out in terms of the customer experience in the next three to six months?

Drew Pinto: Sure. If it's OK, let me give it a little broader context and then we'll go to that specific question because it's important to see, as Tony mentioned, we're doing a full digital and technology transformation of our company. It goes way beyond AI. Everything from our core systems to our data platform to re-platforming our digital site, that all comes part of this to really create a great experience.

I would also say, too, in our AI efforts right now, we started out doing pilots and proofs of concept. We have a GenAI studio that we stood up a couple of years ago. That was successful, but what we really needed to move to was scaling.

That's what we've been doing over the past nine months is building all the things underneath that aren't that exciting but are critical in order to scale at the size and the fidelity that we have to have as a company. We've been building that out.

We have use cases on the customer side. We have use cases for our associates to really make their lives easier so they can spend more time with the guests, and use cases for our owners and franchisees.

I'll give you an example, we're working on giving them better insights about their top-line productivity and their top-line opportunities so that they can drive RevPAR in their hotels. AI starts to unlock this along with all the other things that we're doing.

To give you some specifics, a couple of things that you can see. Number one is that we want to make sure our direct channels are strong and relevant and that the customer loves coming to us. That's always our number one point in our distribution strategy. One of the things you'll see coming out that will be very visible will be natural-language search on marriott.com and on our app.

We're working on that now. We're going to be shooting to get that out in pilot in the next couple of months and then by mid-year to have it more fully rolled out. We're very excited about that. That also then enables us to do the next thing, which is we're going to increase the ability for the guests and the hotel to correspond with each other before arrival.

We've had chat through our app while you're in your stay for a long time. We're going to improve that, but we're also now, with the new technology, be able to extend that. Pretty much across your entire journey, you can have that connection with the hotel.

Those are just a couple of examples of the things that we're working on. Those are just the beginning of what these underlying efforts that we're going through are going to enable us to do.

Dan Politzer: As you think about your relationship with OpenAI, the Geminis of the world, where do you see that evolving over time? Bearing in mind, it's obviously fluid, things are moving very quickly, but as you think about preempting what happened 20-plus years ago with the OTAs and you're looking at this opportunity set, how do you envision it evolving?

What would be your best case or dream scenario?

Drew Pinto: It's too soon to tell, which is exactly why we're doing what we're doing. You touched on it perfectly. As an industry, we can only speak for ourselves, but I spend a lot of time in the distribution space, as an industry, we all recognize that we sat on the sidelines for too long when this whole paradigm got defined about 20 years ago or so.

As you've seen across the industry, that's different this time. We're really involved with the OpenAIs and Google for a couple reasons. Number one, this is all exploration. We're trying to learn. They're trying to learn. It's all developing. That's why it's too soon to really say, where is this all going to land?

What we want to make sure is that we were in there and learning along the journey. A second thing, and probably even more importantly, is influence.

We want to be able to be influencing this model to make sure that it adheres to our distribution standards, that it helps our owners and franchisees have a customer acquisition strategy and approach that's going to work for them, that's going to be sustainable.

Also just to make sure that there's good competition there and that it's going to be a place where we can benefit on behalf of our hotels. That's why we're in early and really trying to figure it out as we go.

Literally, I get an update each week from the team, and there's a new merchandising idea that we might do with Google as part of this pilot, for example. It's in development as we speak today.

Dan Politzer: Bearing in mind it's still very early, but what are some of the more successful endeavors so far? Any metrics you could share in terms of engagement, or level of bookings, or something along those lines?

Drew Pinto: It's really early. There's nothing specific we can share. I'll give you, though, the one place that we've had natural language search running for a little while has been our Homes & Villas by Marriott Bonvoy site.

This is one of those test cases we did, and we launched it about two years ago almost today. Our original plan was to run that for a short period of time, and then move to our bigger services, Marriott.com and our app. But there was so much to discover and things were changing so quickly that we took our time a little bit to learn.

It's been very interesting to see the behavior and the results on that site. I'll give you two general observations, but I think you'll find them interesting. Number one is my expectation is it's going to take a little longer for customers to adopt than we expect, because we've had this out there and the number one search that the customers still do in the natural language search box is basically what we call rates, dates, and space. You know where you're going, you want to go these dates. It's the same inputs you put into the search bar today. I heard, I think it was Skiff that coined the term the tyranny of the search box.

We've all been living with this for so long that the behavior change is going to take a little while. We've even done things like done suggestive prompting on Homes & Villas, like, "Here's the things you can ask it. You can discover homes like this." That's number one and has been interesting.

Probably, number two, which has guided our development of what we're going to launch even more so, is that when you open up the box for a customer to say, "Ask me what you'd like," you get a lot of questions that may have nothing to do with that specific, "Hey, I want to find a certain hotel or a certain home."

We get questions about, "What's my Bonvoy loyalty balance?" Pet policies at different hotels, you name it. For us, it's very important that we build a really integrated, great experience that's very rich, because we want our customers to love this when they go there. We want to make sure that we can predict where they're going to go and help them get the answers that they're looking for.

Dan Politzer: Putting it into financial terms, not hard and fast numbers, obviously, because it's so early, but do you think about this as a revenue maximization opportunity, as a margin opportunity? It puts you on a different plane for owners and resonating so it can grow units. How do you think about it flowing through in terms of your actual operating performance?

Drew: Probably the two primary metrics are going to be traffic and stickiness of the site, either of our direct channels and, of course, with the partners that we're going to be working with. There's a big conversion opportunity here. Don't know what that is yet, but just the fact that you're going to be able to really find the hotel you're looking for or the experience you're looking for.

Within that, too, is then ancillary basket size. As you know, we're one of the biggest restaurant, golf, spa operators in the world. We have all these great products. Our number one challenge has always been, in this very limited space, how do you expose that to customers in a relevant and very personalized way? That's all getting unlocked with what we're doing, so I think there's opportunity there as well.

Tony Capuano: Back to your question about owners, that's one of the things they're most intrigued by. They tend to think about new technology platforms, emerging technologies, as an opportunity to drive margins.

To be sure, there are lots and lots of opportunities, but what I hear from the owner community quite frequently, you think about the menu of products and services that we make available to our guests, the ability to incorporate those into the booking path at time of booking represents really meaningful revenue upside.

Dan Politzer: Interesting. On the cost side, or a little bit on the acquisition side, OpenAI, Google, you're working with them. How do you think about the economics of these channels evolving versus traditional search and OTAs?

Drew Pinto: That's, again, too soon to tell and probably the most fundamental question we have. That's why we're in there early, is to be part of that conversation. We need to ensure that the commercial model that's going to come from this development and change in the paradigm is something that we can support and we can sustain, and that our owners and franchisees can sustain.

They are very vocal, and rightfully so. We're in partnership with them to make sure that the customer acquisition model and retention model in our industry is something that can be supported and is profitable. That is what we wake up thinking about every single day.

Whether it's technology, AI, marketing, it all comes back to that. We need to make sure that we're healthy and growing in a way that can be sustained.

Dan Politzer: You've been investing a lot in technology for the past few years. Now we're starting to see some of the impact and benefits of that, at least on the cost side. I think your G&A was up a couple percent, or should be up a couple percent this year. It didn't grow much last year.

How much of this efficiency is sustainable? Do you feel like there's more opportunity ahead in terms of this focus on the corporate and the cost side?

Drew Pinto: I definitely think there's opportunity, because a lot of the investment we're making is to make...Again, we're scaling, so we're trying to make things broad-based so that it could be used in a variety of places. While we may not have a use case in a certain area at this point, we're building the underlying infrastructure so that it can be leveraged.

I do think that there are opportunities for us to keep rolling out, whether it's AI or broader technology to help either automate things or take manual processes or data and make that more efficient. I do think that there is some opportunity in front of us.

Probably the bigger thing I'm seeing, which is encouraging, is while we're working on these big projects and scaling them within our AI group, the trend that I'm seeing even more so is AI is now permeating everything we do.

Projects that we were going to make investments in that maybe didn't have an AI component that we never thought would be AI relevant, now, suddenly, it's almost a requirement by us. That within there, there are AI solutions and that we're designing for that. It's part of it, it's not the full story. But anything we do, whether it's finance or HR or marketing or anything, that we're saying, "Where is the AI portion of this solution," so that we can feel comfortable that we're making the right investment.

Dan Politzer: Interesting. It sounds like it's fully embedded in every day-to-day decision almost operationally.

Drew Pinto: It is and the speed at which it -- everyone knows, outside of just our company, how fast this whole space is moving. But even within our company, we're moving so quickly to pivot, and we've built optionality in here so that we can emphasize the places that we think are going to get the best return. That seems to be right now, the place that's even more promising than, say, one specific capability that we're going to launch.

Dan Politzer: Then you've been re-platforming your core tech systems. Are there limitations on leveraging AI given where you are in that process, or do you feel like you're at the tail end and now you can go on offense, so to speak?

Drew Pinto: Admittedly, when we started the design of that big transformation, AI wasn't what it is today. The good news is that we built our architecture in a way, though, that's very flexible and easy to scale and also to adapt, so bringing AI in is almost a nice additive component that helps amplify what we were doing. We feel

really good about that.

The other thing that it's doing is that it's opening up a whole source of data that we didn't have before, so things like property data or customer data. It used to be limited to us to be able to do the things we wanted to do because of these very localized, old systems. That's now unlocking all this opportunity to then apply AI to that, to help those constituents that we mentioned, which we didn't have before.

If anything, this has been really good foundational work that opens up capabilities that we didn't think were possible before.

Dan Politzer: Did we miss anything on AI that you feel like we're overlooking? It feels like it evolved so quickly, when we wrote the questions two weeks ago.

Drew Pinto: I don't think so. My biggest perspective on this is that it's becoming more and more of a critical component within a broader strategy, whether that's technology strategy or what. Tony and I have really been trying to do is not just talk about technology for technology's sake, but how does it apply to driving the results of the business? Whether they're commercial results or the other KPIs we have.

We're doing it for a purpose, and so we're making sure the investments and the effort goes towards that purpose. We're now plugging AI into that, instead of it being this discrete thing that stands on its own. I think that's really important, because you can get enamored with a certain AI solution and think, "OK, this is going to solve everything." And what we're learning is it has to be really integrated, whether it's data or security or...the customers. Like I said at the beginning, it's not going to stay in one lane, and they're going to want to know that you've thought this through and thought their experience through. That's really where we've been focused.

Dan Politzer: Got it.

Tony Capuano: The only thing I might add -- it's piggybacking on Drew's comment -- there's all sorts of opportunity in distribution. Above property, lots of opportunity for margin efficiency. On property, opportunity for margin efficiency.

We probably don't talk enough about the guest-facing opportunity, and that's about using these emerging technologies to create capacity for our associates. We are in the human connection business. If this technology creates capacity for them to better engage our guests, that's a huge win for us.

Dan Politzer: They're feeling it on the site.

Drew Pinto: Exactly.

Dan Politzer: We'll go back to Tony, actually, as it relates of a little bit to AI, but more broadly. Marriott's historically grown both organically as well as acquisitions. With the stock trading where it is and the multiple that investors are describing it, how do you think about M&A at this juncture for the company?

To the extent that we've just spent a lot of time talking about AI benefits on the cost side, does that start to come into the equation at some point as you think about the M&A opportunity?

Tony Capuano: Yes. I don't think the technology landscape necessarily changes our core philosophy in terms of how we think about M&A. On the long list of benefits of our industry-leading scale, we don't feel this burning need to go do an M&A deal to gain scale.

We have scale. We're very thoughtful about it. When you look at the M&A deals we've done over the years, there's some common DNA. Number one, they tend to fill a gap. That can be a gap in our brand architecture, that can be a geographical gap, or both.

Secondly, we look at it, and we say we think it's scalable. That can be scalable on a regional basis. That can be scalable on a global basis. When I look and when the team looks at our brand architecture today, there's not necessarily an obvious gap.

Geographically, we're about to open our ten thousandth hotel. We're in 143 countries. There's 20 some odd additional countries in the pipeline behind that. But there are geographies where we don't have the sort of footprint we'd like to have today, so we'll continue to look.

We'll use the same financial discipline that we've always used as we consider M&A. There are spots. The most recent one we've done is citizenM. We're really excited about how that slots in the brand architecture. Our owner community is very excited about the growth prospects for that brand.

Dan Politzer: Have there been any kind of surprises or learnings from that? I know it wasn't huge, but just to the extent that...

Tony Capuano: I don't think surprises, but I think that if we're off to a great start. Drew, maybe you want to talk about that. Our early learnings validated an intuition we had when we were evaluating the acquisition, and that's that they are terrific from a technology perspective.

We have experimented with kiosks for as long as I've been with the company. They've figured it out. Their kiosk product is excellent, very intuitive, works really well. Similarly, all of us have had the experience of staying in hotels that had a

iPhone or a tablet or something that was meant to manage the whole room, and we often just tossed it aside in frustration because it's too hard to figure out.

Similarly, they've figured it out. They have a very intuitive tablet product that manages lighting, temperature. You can order, you can chat with the staff, all those sorts of things. There are some learnings that I think you'll see us adopt a version of in other parts of the portfolio. Anything you want to talk about?

Drew Pinto: Yes. I'll just add, from the revenue demand side, we've been very pleased with the response of our customers that have been on our platforms. The interest in the brand has been significant. We've driven a lot of volume. The channel mix has been really strong and a big improvement. We've been very happy about that.

In particular, as well, too, so we also have the B2B side of the world, those customers that my group represents, and they've responded really well, too. They're very interested in the brand.

From a revenue side, we're really happy. From a loyalty Bonvoy side, really happy. As Tony mentioned, we're constantly learning and trying to get better. We saw their technology early on and said, "Wow, this is good. How can we learn from it? How can we leverage it?" We're in those conversations right now.

Dan Politzer: Interesting. We have about five minutes left. I still have a few more, but I definitely want to open it to the floor for questions.

[pause]

Dan Politzer: It's got to be...

Tony Capuano: It's the hazard of an eight AM slot in Las Vegas.

[laughter]

Dan Politzer: All right. I'll keep it going then. Then, I think we'll have a brave soul. In terms of the brands and the extensions, we touched on a little bit earlier just in terms of the number. Where do you see the white spaces or opportunities, just given you're already in 40-plus sub-segments?

Tony Capuano: I mean the one that comes to mind, I talked in response to some of your earlier questions about the lead we enjoy in luxury. A growing subset of luxury is pick your adjective -- wellness, longevity, whatever you might want to just however you might want to describe it. I think that's a real opportunity for us.

One of the most successful brand extensions we have is Ritz-Carlton Reserve, which to date has been a destination resort application. Selectively, there's an opportunity for an urban version of Ritz-Carlton Reserve.

Then not far, over in Newport Beach, we're converting the Pelican Hill Resort in Newport Coast. It will be our first St. Regis Estate, which is a bit of a brand extension for St. Regis, and I think there are some select opportunities for that as well.

Dan Politzer: Outside of the luxury area, at the lower end, are there also these white spaces, or is it...

Tony Capuano: Yeah. I'd like to think we're relatively in our infancy into our entry in midscale. We're two and a half years in. I think we've done a good job with both transient-focused midscale and extended-stay-focused midscale.

There is extraordinary both consumer and developer demand in that extended-stay midscale space. I feel like we've built out a good portfolio, but we'll continue to monitor that. Notwithstanding, the way Sonder ultimately played out, I do think we believe there is real opportunity in alternative accommodation extended stay, and we'll continue to look at that.

Dan Politzer: Last chance. All right. Thank you so much.

Tony Capuano: Thank you. Appreciate it.

Drew Pinto: Thanks for having us.

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