Operator: Welcome to the Marriott International fourth quarter 2013 earnings conference call. Today’s call is being recorded. At this time for opening remarks and introductions I would like to turn the call over to the president and chief executive officer, Mr. Arne Sorenson. Please go ahead.

Arne Sorenson: Good morning, everyone. Welcome to our fourth quarter 2013 earnings conference call. Joining me today are Carl Berquist, executive vice president and chief financial officer, Laura Paugh, senior vice president, investor relations and Betsy Dahm, senior director, investor relations.

As always, before we get into the discussion of our results, let me first remind everyone that many of our comments today are not historical facts and are considered forward-looking statements under federal securities laws. These statements are subject to numerous risks and uncertainties, as described in our SEC filings, which could cause future results to differ materially from those expressed in or implied by our comments. Forward looking statements in the press release that we issued last night, along with our comments today, are effective only today, February 20, 2014, and will not be updated as actual events unfold. You can find a reconciliation of non-GAAP financial measures referred to in our remarks on our web site at www.marriott.com/investor.

Just last month, I attended the World Economic Forum in Davos, Switzerland. Each year, Davos offers an opportunity to explore the important macro trends around the world... the emergence of the middle class in Asia and Africa, new technology and its impact on employment... prospects for global economic growth. These are all top of mind issues for us as both global travel and our pipeline accelerates around the world. We were delighted, while in Davos, to announce our definitive agreement to purchase Protea Hotels, a brand that will allow us to leap ahead in both distribution and development in Africa. This transaction remains on track and should close in early April.

Note on forward-looking statements: This document contains “forward-looking statements” within the meaning of federal securities laws, including RevPAR, profit margin and earnings trends, estimates and assumptions; the number of lodging properties we expect to add to or remove from our system in the future; our expectations about investment spending; and similar statements concerning anticipated future events and expectations that are not historical facts. We caution you that these statements are not guarantees of future performance and are subject to numerous risks and uncertainties, including those we identify below and other risk factors that we identify in our most recent quarterly report on Form 10-K or Form 10-Q. Risks that could affect forward-looking statements in this document include changes in market conditions; the continuation and pace of the economic recovery; supply and demand changes for hotel rooms; competitive conditions in the lodging industry; relationships with clients and property owners; and the availability of capital to finance hotel growth and refurbishment. Any of these factors could cause actual results to differ materially from the expectations we express or imply in this document. We make these forward-looking statements as of February 20, 2014. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.
2013 was a great year. We saw strengthening demand, high occupancies, record fees and the largest new-room signing year in the company’s history... signing more than a deal a day. We are encouraged by our record 67,000 signed rooms in 2013... the significant growth in our hotel development pipeline, reaching 195,000 rooms... and the success we’ve had with asset sales. To date in 2014, we’ve completed the sale of our London EDITION hotel and our Renaissance Hotel in Barcelona, and have signed contracts for the sale of The New York EDITION and the Miami South Beach EDITION.

In North America, we opened more than 15,000 rooms in 2013. That is 1 out of every 5 new rooms added in the U.S. industry. Our North American development team signed deals for nearly 34,000 rooms during the year and welcomed 90 new owners and operators to our North American system. Many are in new markets. In fact, over 70 percent of the hotels in our North American pipeline are outside the top 25 U.S. MSAs.

U.S. lodging industry supply growth was less than 1 percent in 2013 and STR expects industry supply to increase only 1.2 percent in 2014, well below the 4 percent we saw in 1999. Our 2013 pipeline growth is less a sign of significant new supply and more a sign of our growing market share. We continue to believe we are quite early in this development cycle and don’t see U.S. oversupply in the near term.

We added a new brand platform to our Americas region in 2013, AC Hotels. Imported from Spain, the first U.S. AC Hotel should open in early 2015. We already have 22 projects in our Americas pipeline for this fast-growing brand and another 27 projects in early discussion.

In Europe, we opened 2,400 new rooms in 2013 and signed development contracts for a record 5,600 rooms. We converted the St. Ermin’s Autograph in London and signed the 266-room J.W. Marriott Venice, which should open by early 2015. We launched the Moxy brand in Europe. We already have more than a dozen Moxy hotels in the pipeline, and another 15 in discussion. We anticipate opening 150 Moxy hotels in Europe in the next 10 years. In the fall, we introduced our EDITION brand to the U.K. to great fanfare. We are thrilled by the early success of that hotel, including the fact that the restaurant is booked full for dinner for the next two months. Our next EDITION opening in Miami should occur in the early fall and should be a great deal of fun. With our terrific, creative partnership between Marriott and the very talented Ian Schrager, the EDITION brand is building momentum around the globe.

In the Caribbean and Latin America, we opened nearly 1,000 rooms in 2013 and signed nearly 3,000 new rooms, driving our pipeline in the region up to nearly 50 projects. In November, we opened the beautiful new 320-room Ritz-Carlton in Aruba. It’s doing very well with vacationers from the frozen East Coast. Last year, we announced four new projects in Brazil and signed nine limited-service deals in Mexico.

In the Middle East and Africa, we opened more than 1,000 rooms in 2013 and signed nearly 3,000 rooms. The Protea transaction will propel us to number one in sub-Saharan Africa and provide us with local brands and talented people to fuel even faster growth in the region.
In the Asia Pacific region, we opened over 5,000 rooms and signed an industry-leading 22,000 rooms in 2013. In China, economic growth may have moderated, but mixed-use projects continue to offer expansion opportunities and we are aggressively pursuing the domestic leisure market. Elsewhere in the region, rapid economic growth and significant travel from China’s rising middle class is fueling new development. In the last two years, we’ve seen a doubling of outbound travel from Mainland China to our comp hotels in Asia. Incidentally, we expect to open the 1,060-room J.W. Marriott in Macau in late 2014 and the 220-room Ritz-Carlton in Macau in 2015.

We live the motto, “success is never final”. For many years, our brands have earned significant RevPAR premiums to their competitive set, taking more than our fair share of business in markets around the world. And those premiums are increasing. Our worldwide Smith Travel RevPAR index for our brands increased nearly 1 full point in 2013.

We were the first hotel company to go “asset light” and remain committed to that strategy. Most hotel additions to our system have little to no Marriott investment. If we decide to invest in a project, we seek a return on that investment, as well as a long-term fee stream. We may prime the pump for distribution, such as our recent investment in EDITION... but we are not real estate speculators. In fact, it is our consistent and long-term commitment to strong returns on invested capital that really sets us apart from our competitors, demonstrated by our 32 percent return on invested capital last year. In the past 5 years, despite a significant economic downturn, we have grown our system by more than 20 percent while also returning $4 billion to shareholders in dividends and share repurchases and reducing diluted shares outstanding by 16 percent. In just the last 7 weeks, we’ve announced agreements to sell assets totaling nearly $880 million in transactions expected to close over the next year or so. With such capital recycling picking up, we also expect to accelerate cash returns to shareholders. In fact, we anticipate distributing $1.25 to $1.5 billion in dividends and share repurchases in 2014.

Our legacy of relentless improvement continued in other ways in 2013. Last fall, Internet Retailer recognized Marriott as the fourth largest mobile merchant on its annual list, after such big names as Apple and Amazon, and well ahead of our lodging competitors. Our total gross room bookings on mobile devices increased 67 percent year-over-year. And as our customers go digital, our success in winning them goes beyond the booking. In August 2013 we led the industry in the launch of mobile check-in, making it available in 329 Marriott Hotels in North America. In 2014, the entire Marriott Hotels brand – all 500 properties worldwide – will offer both mobile check-in and check-out. This will be the first brand-wide deployment of this scale. These experiences are critical to changing the way that our guests interact with Marriott. In fact, success in mobile requires success on two fronts: an easy-to-use mobile app experience and flawless execution on property once the guest arrives – that is, I easily checked in with my mobile device... and my room was actually ready – as promised – when I arrived. Our execution success rate on mobile check-in is 98 percent, and guests are now telling us that they are more likely to stay with us again based upon this mobile experience. One of Marriott’s core strengths is executing at scale – and it will be an advantage in the digital age, too.
New brands such as EDITION, Moxy, and Autograph attract new guests and provide a halo to our entire system. And that system is doing very well. In the 2013 American Customer Satisfaction Index, our combined hotel brands scored not only higher than our lodging competitors, but outpaced our own previous 20 years of strong performance.

At our recent full-service owners’ conference, we showcased all that is new for 2014 at Marriott - a new Marriott Hotel room design, new offerings for mobile check-in and mobile guest services, new initiatives for fitness and wellness, exciting meetings concepts, and new lobby great-rooms. Owners are excited; we are excited; and we think our guests will be excited, too.

Years ago, some speculated that we couldn’t add more hotels in North America because our market share was already so high. Nothing could be further from the truth. Our unit growth is sustainable... not only in the developing world, but, with strong brands that work for owners and franchisees, in the developed world as well. We would no sooner write off growth in the U.S. than we would in China. Further, we are seizing growth across a broadening spectrum of product, entering new segments and new markets that are supported by growing customer demand. From Courtyard to EDITION to Renaissance, we have again and again demonstrated the power of our industry leading diverse brand portfolio.

Now for some more thoughts about 2013 performance and our 2014 outlook, let me turn things over to Carl.

**Carl Berquist:** Thanks, Arne.

We were very pleased with our 2013 results.

For the full year 2013, diluted earnings per share totaled $2.00. Excluding the Courtyard joint venture gain in the prior year, EPS was up 22 percent. Full year fee revenue exceeded $1.5 billion, a record and up 9 percent from 2012.

In the fourth quarter, diluted earnings per share totaled $0.49, at the high end of our $0.47 to $0.50 guidance range. Fee revenue was about 3 cents per share stronger than expected due to better RevPAR in many international markets and strengthening group business in North America. Better than expected branding fees and profits from leased hotels added about 2 cents. Our G&A was about 6 cents unfavorable. Although our ongoing net admin came in within a penny of what we expected, total G&A was higher due to greater than expected legal settlement costs and impairments of deferred contract acquisition costs. We also booked higher development expenses associated with the record level of new development deals in 2013 and expensed transaction costs related to the Protea acquisition. Our tax line helped us by about 3 cents, largely due to several favorable discrete items. All in all, removing the noise in G&A and taxes, it was a pretty strong quarter.

In North America, continued economic recovery drove North American systemwide RevPAR up nearly 5 percent. We saw very strong RevPAR in San Francisco, Houston, and Miami. The Red Sox,
the World Series Champions, drove business in Boston. On the other hand, New York had tough comps to last year’s Hurricane Sandy recovery effort and Washington suffered from... well, being Washington.

In most markets, we improved our mix of business, and leisure demand was very strong. Group RevPAR at the Marriott brand rose over 4 percent in the fourth quarter compared to the year-ago quarter, with group room rates up nearly 3 percent.

Future group business looks even brighter. During 2013, our group sales organization put nearly 7 percent more Marriott Hotel revenue on the books than in 2012. This is business that will be served in our hotels over the next 5 to 6 years.

Booking pace is another way of looking at group performance. It measures how much business is already signed today for 2014 compared to the amount signed for 2013 at the same time last year. Booking pace for the Marriott brand for 2014 is up over 4 percent, about the same as we reported in September and corporate group pace is up nearly 10 percent. Since corporate demand is typically also quite short-term, the trend is very encouraging for 2014.

We made significant improvements to our sales organization years ago, and today, one can see the payoff. Our group business outperformed competitors meaningfully in 2013. North American company-operated group RevPAR index for the Marriott brand as measured by Smith Travel increased nearly 6 percent in the fourth quarter.

In Europe, we saw signs of improved economic growth. Fourth quarter constant dollar comparable RevPAR increased 3 percent across all our brands. RevPAR of our comparable hotels increased 6 percent in the U.K. and 9 percent in Germany. For the full year 2013, Europe represented about 8 percent of our fee revenue.

In the Caribbean and Latin America, RevPAR rose 9 percent in the fourth quarter across all brands. Excluding the inflation-driven Venezuela market, constant dollar RevPAR rose 4 percent. Good leisure business and group demand drove results in the Caribbean, and Cancun reported double-digit RevPAR growth, concluding the year with great Christmas holiday demand. Panama continues to report lower RevPAR due to oversupply. For the full year, the Caribbean and Latin America represented 4 percent of our fee revenue.

In the Middle East and Africa, RevPAR declined 9 percent across all brands in the fourth quarter. RevPAR growth was strong in Kuwait and Dubai, but we saw significant RevPAR declines in Egypt. In 2013, the Middle East and Africa represented about 2 percent of our fee revenue.

Our Asia Pacific region saw RevPAR increase 5 percent in the fourth quarter with strength in Indonesia, Malaysia, and the Philippines. RevPAR in Greater China increased 3 percent, with RevPAR at our 13 comparable hotels in Shanghai up 9 percent. But government austerity measures intensified in Beijing, reducing food and beverage revenue, and new supply constrained RevPAR
growth in Tianjin and Sanya. In 2013, Asia Pacific contributed 9 percent of our fee revenue with about half of that coming from China.

Margin performance across our system was outstanding during 2013. Comparable company-operated house profit margins increased 130 basis points in North America and 90 basis points worldwide. Higher room rates and continued productivity gains drove our results. Adjusted for cost reimbursements, Marriott’s operating income margin increased to a record 40 percent.

Worldwide, fee revenue totaled $388 million in the fourth quarter as RevPAR was stronger than expected in many international markets. Both local and group catering revenue in the U.S. also exceeded expectations. For the full year 2013, incentive fees in North America increased 34 percent. Incentive fees from outside North America declined 2 percent due to a tough comparison to the prior year, moderate RevPAR growth in Asia and turmoil in the Middle East.

Turning to 2014... for the full year, we expect RevPAR in North America to increase 4 to 6 percent. With little new U.S. industry supply and demand momentum building, we plan to further reduce discounting and drive rates higher. Special corporate rate negotiations for 2014 are largely complete and comp accounts are showing roughly 5 percent higher room rates.

We expect RevPAR to increase 3 to 5 percent at our hotels outside North America including growth at a mid-single-digit rate in both Asia and the Middle East, a low-single-digit rate in Europe and high-single-digit rate in the Caribbean and Latin America. Worldwide systemwide, we expect RevPAR to increase 4 to 6 percent.

Including the planned acquisition of Protea Hotels, we expect the number of gross rooms to increase roughly 6 percent in 2014, or about 5 percent net of deletions.

We expect fee revenue will increase 7 to 10 percent, reflecting RevPAR and unit growth. Total incentive fees are likely to grow at a low double-digit rate.

In 2014, we anticipate owned, leased and other revenue, net of direct expenses will total $210 to $220 million. This outlook reflects lower termination fees, slightly higher pre-opening expenses, and stronger profits from our owned and leased hotels and our affinity credit card. In 2013, owned, leased, and other revenue, net of direct expenses totaled $223 million excluding the impact of $52 million of depreciation.

We expect 2014 depreciation and amortization should total roughly $120 million with less accelerated amortization than the prior year. Depreciation and amortization in 2013 totaled $127 million.

In 2014, we expect G&A to be flat to down 2 percent year-over-year. For the full year 2013, general and administrative expenses totaled $651 million, excluding the impact of $75 million of depreciation and amortization.
All in all, we expect fully diluted EPS will total $2.29 to $2.45 in 2014, a 15 to 23 percent increase. We estimate that a 1 point change in our RevPAR outlook across our system in 2014, assuming it was evenly distributed, would be worth about $20 million in fees and roughly $5 million on the owned and leased line, pretax.

For the full year 2014, we expect adjusted EBITDA to increase 8 to 13 percent to roughly $1.425 to $1.495 billion. Investment spending could total $800 million to $1 billion, including about $150 million in maintenance spending. In 2014, we plan to renovate several owned and leased hotels; build a Fairfield Inn in Brazil to launch that brand; and complete the acquisition of Protea. We expect asset sales and loan repayments to total $600 to $700 million. As a result, as Arne said, we expect to return $1.25 to $1.5 billion to shareholders through share repurchases and dividends in 2014. Year-to-date, we’ve already repurchased 5 million shares for $246 million.

In the first quarter of 2014, we anticipate RevPAR will increase 4 to 6 percent in North America and 3 to 5 percent internationally. The Easter holiday slides to the second quarter in 2014 which makes for easier group comparisons, but we’ll have tough comparisons to last year’s inauguration and Hurricane Sandy recovery. We expect first quarter earnings per share to total $0.47 to $0.52.

We are planning an analyst meeting for Monday, September 8 at the new Washington Marriott Marquis Hotel. Please mark your calendars. We’ll be talking about the investments we’ve made in the business over the past 4 years... a continental management structure that positions us for growth around the world; increased resources for new hotel development that has yielded an amazing acceleration in unit growth; and the addition of 5 new brand platforms to our already industry-leading portfolio that should yield more unit growth and guest satisfaction. And we’ll be talking about our vision for the future.

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

**Question and Answer Session:**

**Joshua Attie - Citigroup Inc.**: The RevPAR guidance for North America of 4 percent to 6 percent, it seems like the economy is improving, you did roughly 5 percent in 2013. How did you think about the range? And are there any specific items that are weighing on the outlook or kind of put you toward the low end?

**Arne Sorenson**: I mean, I think thematically, as we start the year, we are building expectations for 2014, which look a lot like 2013. There are some signs that the economy is stronger now than it was a year ago. But they're not definitive, I think we would say. And so as we've done our planning and budgeting across the system, what we see is RevPAR growth in this 4 percent to 6 percent range. That obviously reflects also our distribution of assets, which is very broad. We’re talking about 3,000 hotels, I think, across the United States with good distribution in essentially every market, as well as D.C., which we expect will continue to be weak. I think you didn't ask it quite this
way, but if we were to sit here today and say, "Is there a greater chance of outperforming or underperforming?" I think we'd probably say there's a bit greater chance of outperforming than there is of underperforming. But we don't have the hard data which would cause us to come out and say, "You ought to start to build expectations above that 4 percent to 6 percent range".

Joshua Attie - Citigroup Inc.: Okay, that's helpful. And you mentioned some individual markets. You probably have the best insight into the impact that the new Marriott would have in D.C. Can you just kind of talk about what kind of impact you think it will have on the overall market and your other hotels in that region, I guess, in the back half of this year?

Arne Sorenson: I don't think the new Marriott Marquis is likely to be terribly impactful to our hotels or the other hotels. Obviously, the Marquis is a group shop, which will be right next to the Washington, D.C. Convention Center, which has suffered a bit for not having a headquarters hotel right next to it. That hotel has, obviously, been in the development process in one way or another for about a decade. It hasn't been in group sales for quite that long, but we've been selling groups into that hotel for the last few years. And I suspect most of the business that they bring in early will be, in effect, incremental to Washington.

Ryan Meliker - MLV & Co.: Just first of all, can you kind of just walk through the depreciation and amortization changes for us? Help me understand, looks like from my calculations that the overall depreciation and amortization based totally on the changes are up close to $40 million in 2013 and more than that versus our expectations in 2015. Where is that money coming from? Is that still coming from unconsolidated entities or is that coming from somewhere on your income statement?

Carl Berquist: Sure. Let me kind of walk you through. Just to step back a little bit, what we plan to do in 2014, we're going to be breaking out depreciation and amortization on the face of the income statement to provide more transparency, some better comparability with other peers and also to respond to some other questions from the analyst community. But when we did that and we start doing that, we have to make that consistent with the cash flow statement and then we float it through EBITDA as well. So some of the pieces that we've added there as you'll see, when you look at the cash flow statement, we've added to the depreciation and amortization number there the accelerated amortization of contract acquisition costs. Previously, that was on a separate line item as about $21 million. And just to kind of talk a little bit about that, that relates to about 36 hotels where the contracts were revised or something happened to the contracts that under the accounting rules, we have to accelerate that amortization. But only 7 of those 36 hotels left the system. The rest of them just had either amended contracts or signed new franchise agreements or something like that. Then we have depreciation and amortization that's in our -- reimbursed by our owners that's on a separate line item in the P&L, but we'll break that out as a place on the cash flow. I think those 2 items are the items that are kind of new or we're providing more transparency. If you'd like, Laura and Betsy could really get granular with you and walk you through even more of this over the next day.
Ryan Meliker - MLV & Co.: Okay, that might be helpful. And then also, I was hoping you guys might be able to give some color, if you have it, on when the Protea acquisition was going to close and what type of impact you think that acquisition is going to have to your owned and leased line in 2014?

Arne Sorenson: We think it will close about April 1. And I think on a -- we're paying about 10x EBITDA, which we've disclosed. Obviously, there will be both a partial year impact this year and there will be some closing costs that will flush through the P&L in -- did in the fourth quarter but also will in the first and second quarters, I think, as well. So on balance, it's not going to be terribly impactful one way or another. I suspect we'll get a net few million dollars a quarter when the dust settles on the transaction cost, it looks like.

Laura Paugh: We -- when we announced the transaction, we said that the price was in the roughly $200 million, and we were buying it at about 10x EBITDA.

Ryan Meliker - MLV & Co.: Right. I guess I was just thinking about the owned and leased line. I mean, specifically your guidance at the midpoint is roughly $45 million above where you ended 2013. So just trying to figure out how much of that might be coming from Protea and how much of that is from your, I guess, legacy portfolio?

Carl Berquist: I think you've got to be careful. You've got to add -- take out the depreciation.

Arne Sorenson: Part of that is the depreciation.

Carl Berquist: Part of that's just to reclass the depreciation on the face of the...

Laura Paugh: Ryan, give us a call, we can walk you through it.

Steven Kent - Goldman Sachs Group Inc.: A couple of questions. First, can you just talk about the SG&A guidance? It looks like you're guiding roughly flat, and I wanted to understand that a little bit, especially in light of in the fourth quarter where you talked about higher legal expenses and the impact of some deferred expenses. So if you could just go into a little bit more detail on that. And then for my follow-up, just some trends on group and conference bookings. In the past, you've talked that there was a lot of activity in the quarter for the quarter. Is that still the case or are you starting to get a little bit of a further readout?

Carl Berquist: Sure. I'll give you the G&A and then maybe we can try -- Arne, talk a little bit about the group. But Steven, in the fourth quarter, we had several items, as you mentioned, that were unusual. We had the Protea transaction cost, and in our development incentives that we paid and the cost of the development, a record development. Just to give you a little statistic, through the third quarter, we had signed about 33,000 rooms and by the end of the year, we had signed 67,000 rooms. So you can see the fourth quarter now. Obviously, there's always the rush to get rooms signed by year end, but nothing at that level. So it was just a record quarter of signings, drives a lot of legal costs, a lot of developer's incentives, obviously, which are great things. But that kind of --
was about $10 million more than what we had thought about when we had guided together with Protea transaction costs. And then yes, we had some extraordinary legal costs that weren't anticipated, about $8 million. And then we had some impairments write-off of about $6 million and then some other little cats and dogs. As you look forward into 2014, and we're saying we're flat, the direct and indirect will probably be up just a tiny bit relative to inflation and some investments we're making in some areas, especially in our continent structure, where we're hoping to offset those with the fact that these will be nonrecurring costs that we just talked about and just the management of the direct expenses.

**Arne Sorenson:** Yes. When I -- I'll give you a simpleton's answer on the G&A point to the -- when you look at about $25 million or so more of G&A than we guided for Q4, I think of that as a little shy of $10 million was related to Protea and development, about $15 million was related to noise, nonrecurring, and we probably had about $3 million to $5 million of sort of real G&A spending, which was above our guidance. As we look into 2014, we are going to be more maniacally focused on managing those G&A dollars, and that's what's leading us to provide the guidance of essentially flattish sort of performance on that line item for the year.

If you get to group trends, we end the year, and I think Carl mentioned this in his prepared remarks, with Marriott brand group on the books about 4 percent, a little over 4 percent, up from the same time a year ago for 2013. We like the pattern of that so when you look at it for the Marriott brand, the first 3 quarters are stronger and probably up in the 6 percent range, something like that. And the fourth quarter looks relatively weaker. And that's okay because obviously, we've got 3 more quarters before we get to the fourth quarter, and so feel good about that pattern. The other thing that I think we saw as the year came to an end was great December bookings for all future periods. So when you look, not just at what came on the books for 2014 but what came on for '14, '15, '16, '17, varies a little bit depending on the brand you look and the precise hotel you're looking at. But we are looking at essentially record levels of group business confirmed and booked in December and that just gives us further bullishness that group is doing what it should do as the economic cycle matures, and that is it's coming back. And hopefully, we'll see those trend lines continue in early 2014.

**Joseph Greff - JP Morgan Chase & Co.:** Earlier, you had mentioned that the corporate group pace is up meaningfully more than the overall pace. Can you talk about that part of the business? What percentage does the corporate group make of the total group? And then how does the profile of that business look when you take into consideration non-room revenue spend?

**Arne Sorenson:** Yes, I think -- I don't -- you stump me, Joe. I don't know precisely the mix between corporate group and non-corporate group in our group measures. I would think it's material but probably less than half, although I'm not positive about that. And we will check that instinct to see whether or not it's right and reach out to you and come back with it. I think when we look at 2014, and I'm not sure if this totally answers your question, but if we look at sort of budgeted expectations for food and beverage and non-rooms revenue, we would think that they will grow a bit faster than RevPAR but not dramatically so. A few tenths of 1 percent, something in that order of magnitude.
Joseph Greff - JP Morgan Chase & Co.: Great. And then back to the 4 percent to 6 percent North America RevPAR growth guidance for the year. When you break that between the full -- break that out between full-service and select-service, is the select-service hotels underperforming the full-service?

Arne Sorenson: I don't think -- I'm going to quibble with you a little bit about underperforming. I don't think that, that's necessarily a fair characterization because obviously, the RevPAR index is the single best indication of how well our hotels are performing compared to market. And having said that, based on distribution, based on segment, I would think that full-service, on average, will be better than limited-service. Part of that is geographic distribution, part of that is group strength. I think when you get to Residence Inn, particularly with its longer-stay dynamic, we'll probably see Residence Inn towards the bottom end of our RevPAR numbers for the year. But you've got brands like Courtyard, which is also limited-service. Courtyard managed portfolio is doing fabulously well as 2013 ended. I think a lot of that is the reinvention of lobbies particularly in that brand. And we expect that, that brand will continue its very strong momentum in 2014 and continue to take share and probably will put reasonably good RevPAR numbers on the books for it. I don't think there'll be a dramatic difference between full-service and limited-service when all is said and done.

Robin Farley - UBS Investment Bank: It looks like in 2013, the percent of hotels paying incentive management fees accelerated a little bit from the increase in terms of the 6 percentage points of hotels, a little bit of acceleration from the 2 years prior. How do you see that in 2014 with another 5 percent RevPAR increase?

Carl Berquist: Sure. Just remind people, the numbers in the fourth quarter, 32 percent of our hotels were paying incentive fees as compared to 30 percent the year earlier, and for the full year was about 39 percent were paying incentive fees compared to about 32 percent, 33 percent in the year earlier. I think one of the things we saw in the fourth quarter is because of Asia moderating and the turmoil in the Middle East, most of our incentive fees came from the U.S., which was up pretty dramatically, the incentive fees I think that it was in the 30s. It was very high. I think as you look out into 2014 and 2015, obviously, as the international markets start coming back, Asia Pacific, Middle East settles down, we would expect those to continue to grow and generate incentive fees. In the U.S., though, I think we're still a little bit away from the limited-service hotels paying incentive fees or other full-service hotels that aren't paying today to start paying. And even if they did, it would be minor amounts. It wouldn't be major amounts coming on. So I think you'll see continued growth. I think we're expecting low-double-digit incentive fee growth, and it will come from a combination of those that are paying today domestically, growing as margins grow and RevPAR grows and then more and more of the international coming back online, as well as those that are paying, paying more.

Nikhil Bhalla - FBR Capital Markets & Co.: Just a question on the brand strategy that you're following with Protea and Moxy last year. Could you give some sense of what you're thinking for
Asia? Are you looking for another brand there? Or are you trying to just grow brands right now in different continents, specific to those continents? Just any color.

**Arne Sorenson:** Yes, the -- it's a good question. We've obviously been very active in the last 3 or 4 years with new brand launches and new platforms for growth. They've each got a story, and I'm not sure that they necessarily can be simplified into one story for each of those brands.

So Protea, the most recent, not even yet closed, is really a -- fundamentally about geography, about growing middle class and growing travel trends in Sub-Saharan Africa, and the opportunity with the team at Protea to do a deal that brought us good existing distribution with a good brand and a great leadership team, a great team of associates in that market that will help us grow, not only the brands that they've historically been focused on, but our brands as well, which are already many of them in the pipeline but I think these folks will help us. And we think of that as probably more of a play on Africa than we do as something that started in the abstract as an effort to add another brand in that market.

You look at Moxy in Europe, and in some respects, that too, was opportunistic in the sense that with Inter IKEA, a real estate portfolio and one of our good franchise partners in Europe, we had been in discussions for a period of time about the need for the industry to reinvent the economy space in Europe, which was not a very appealing tale, and willingness on their part to put in a huge amount of capital to invest and to grow a new brand. And that looked like a great place for us to move going forward.

When you move to Asia and ask the question that you've asked, I think we would say that we are still growing relatively few of the brands that we have in our portfolio. We've talked over the course of the last year or so about opening Fairfield in India. We did this year in the fourth quarter in Bangalore or maybe the third quarter, I don't remember precisely the opening date. And we've got another 10 or so Fairfields, maybe 15, that are in the development pipeline in India. That's a brand-new brand for that market. In some respects, it is not all that significant that we use the same word Fairfield in the United States because it will be overwhelmingly a local brand, and it could have a different name and it probably wouldn't mean that much to us one way or another.

You go to China where the growth engine is continuing to accelerate for us. And we're really only growing at the top end, so that's Ritz-Carlton, JW Marriott, Marriott, Renaissance and some Courtyards. None of our limited-service brands are really moving, other than Courtyard. And the Courtyards there are full-service hotels; they're big hotels that I think if they were here probably would look like a full-service Marriott to many of us. I think in the years ahead, we're hopeful that in China and other places of the Asia Pacific market, we will see opportunities to grow in sort of the moderate-tier market. Whether we do that with Fairfield or with Moxy or with other brands that are already within our portfolio or we add additional brands, only time will tell. There is a simplicity in doing the growth with the brands we already have, which is an advantage and an attraction to that. But we're also quite prepared when opportunities arise, whether it's through the deal market or in some other way, with our partners to add new brands, if we think we can grow materially in
those new platforms. A long answer that probably was not quite what you expected but it's a continuing source of conversation here.

**Thomas Allen - Morgan Stanley:** On the EDITION sales and the binding agreements, did those go through a bidding process? And if so, what kind of other counterparties were there?

**Arne Sorenson:** We had a form of bidding process, yes. We had a...

**Carl Berquist:** We went to the street with a book and...

**Arne Sorenson:** We had a broker and we had a couple of other players. We actually had a fairly long list that submitted bids on London. We had a few that were aggressive about trying to do something with the portfolio as a whole. It shouldn't surprise any of you that selling London alone would have been much easier because that hotel was very close to opening, and in fact, did open roughly the 1st of September. When you get to Miami and New York, The New York EDITION won't open until the first quarter of 2015 is our guess as we sit here. And for those of you in New York, you know what it looks like with elevators on the outside of the building today and scaffolding all around. That becomes a harder task. And I think as we looked at it, we knew we had an option to wait, finish construction and put them on the market where they were open and performing. We're very optimistic about the way these assets will perform. They'll be great hotels and probably get more on the sale of them. But we would compromise something on the near-term certainty. And again, as I said in the prepared remarks, we're not -- we are obviously interested in getting a fulsome price for these assets after we've taken risk to them, but we're really not in the business of saying, "All right, let's just roll this for another year or 2 or 3, and see whether or not we had timed the economic cycle well and the capital cycle well for real estate investing and make some profit, which would come through our P&L in one lumpy number that nobody will probably give us credit for anyway." So we think we're much better off doing the kind of deal that we've done now with ADIA. We're excited about them. They are already very big partners of ours, and they've got a passion for this brand and we think it will be a great partnership. And we think they will be extremely successful with the investment that they're making as well, which is good for us.

**Patrick Scholes - SunTrust Robinson Humphrey, Inc.:** Just a little follow-up question on the asset sales. Can you just review again exactly what the timing is on all of the ones that you have, what you've completed, what you have coming up and as well and more importantly, the timing of and amount of the expected proceeds for EDITION, and I think you have one in Barcelona that you've recently sold.

**Carl Berquist:** Right. We've closed on that Barcelona sale. That closed at the end of January and so that one's done.

**Patrick Scholes - SunTrust Robinson Humphrey, Inc.:** How much was that?

**Carl Berquist:** We netted about $60 million. And then London's already closed. We netted around $240 million. Miami will close in late 2014. That's the hotel part, about $230 million, give or take.
And then New York, as Arne said, will be first quarter of 2015, and that will be the rest, about $350 million.

**Felicia Hendrix - Barclays Capital:** Carl, your commentary on the group booking pace, does that include the new D.C. convention hotel?

**Carl Berquist:** No, it would've been just our comp hotels, comparable hotels, so that wouldn't have been a comp hotel.

**Felicia Hendrix - Barclays Capital:** Okay, that's very helpful. And then given the strong headline growth we're seeing in Europe and RevPAR in Europe, your European RevPAR guidance just seemed a bit conservative. Just wondering if you could touch upon that.

**Arne Sorenson:** Well, we had last year in Europe full year, 1.5 percent RevPAR growth. Europe, there are places of significantly greater optimism today than a year ago, and hopefully that will come through, U.K. would probably be among those markets. But I actually think the 3-ish percent is about the right kind of expectation to have. If we do better than that, that would be great. Among other markets, I think you've got places like Paris, which are lagging. You've got Istanbul, which had a rough second half in 2013 and we'll have to see how Istanbul performs. I think the political controversy there has had some impact on the market. And so let's see how it develops. Hopefully, you're right when we come back and say we were conservative about that. But I would be cautious about being too bullish on Europe before we've got a little bit more evidence to support that bullishness.

**Felicia Hendrix - Barclays Capital:** Okay, that's really helpful. Last thing, carl, you had mentioned something about the incentives that you have to give developers. Can you just quickly talk about the promotional environment that you are seeing as you're signing contracts?

**Carl Berquist:** Sure. The incentives I was referring to is for our associates, the bonuses they get for bringing in a -- the deals and getting the deals signed, not third-party incentives.

**Felicia Hendrix - Barclays Capital:** Ok. But are you seeing -- what is the promotional environment look like as you're trying to attract deals?

**Carl Berquist:** I think it's great. Our folks are well networked around the world with all the major developers. And in the U.S., we have a great team that's been out -- across the world a great team. And they've been working with these people for years. We've made some investments in new offices, especially in China and Asia Pacific and they continue to do well. The other thing is, is that our brands are very strong. So our brands are sought after by developers. They can get them financed and right now, that's pretty important. And with a Courtyard in the U.S. or Residence Inn, the banks know them and they can get them financed pretty easy on the flex service, same with our full-service brands outside the U.S.
David Loeb - Robert W. Baird & Co.: On the Renaissance Barcelona, that was a bit of a surprise to us. We did not realize there was that kind of value embedded in that asset. Are there others in the leased portfolio or in the owned portfolio that you see substantial value in or that you might look to monetize over the next year or 2?

Arne Sorenson: The 4 hotels Carl just went through are the ones with -- the only ones you should be paying any attention to, the 3 EDITIONS and the Barcelona Renaissance. We've got a couple of European Courtyards; the most valuable might be worth $20 million to $30 million, something like that. And hopefully, we'll announce the sale of 1 or 2 of those this year, too, but they're not very significant.

Ian Rennardson - Jefferies: It looks like your RevPAR this quarter [indiscernible] between occupancy and price. And [indiscernible] why is the industry able to [indiscernible] better pricing [indiscernible] pricing is starting to [indiscernible]

Arne Sorenson: Ian, I don't know what there was -- been your telephone connection but you sounded vaguely Martian. So sort of pulsing in your words and I confess we didn't get it all. But it sounded like you were focused on driving rate and rate in occupancy contribution to total RevPAR mix...

Laura Paugh: For 2014.

Ian Rennardson - Jefferies: Exactly.

Arne Sorenson: For 2014. And I don't know, I think what we'll see in 2014 is a continued shift towards a higher percentage of total RevPAR growth being driven by rate. I think in retrospect, we were probably a bit surprised how well occupancy continued to grow in 2013, and how much of the RevPAR was driven by the occupancy contribution. And you could obviously see that in the schedules to our press release and do your own math there or see it in Smith Travel. We do see, though, demand continuing to build, and as a consequence, I suspect occupancy will continue to build in 2014. But hopefully, we'll see better pricing power as the year goes along.

Smedes Rose - Evercore Partners Inc.: I wanted to ask you, with the group having lagged so far in this recovery, and that there was a suggestion for a while that the composition of groups had changed in the way that corporate America does groups has changed. Now that you're seeing a more sustained recovery and it sounds like you're pleased with what you're seeing with the outer years beyond 2014, do you see it more or less in line with what you've seen in previous cycles, or are you seeing kind of the composition of group change?

Arne Sorenson: I think nothing stays the same forever, so don't hear us as saying that this is exactly like prior recoveries. But I think it's more like prior recoveries than it's not. Group always lags. It lags to our benefit, the benefit of group hotels when business -- transient business is declining, and it lags on the recovery to transient businesses. Transient business comes back more than group. And I think it's done it in a very similar way now. I think when you look at corporate,
corporate is probably more similar in its recovery pattern to prior economic cycles. I think it's maybe been a little bit more muted, just as RevPAR as a whole has been a little bit more muted in this recovery compared to prior recoveries because the economy hasn't come back as strongly as it has in prior economies. So a number of you noticed -- noted this in your own reports, but you look at growth in the middle of the last decade, and we had a number of years where RevPAR for the industry was growing in the 7 percent to 10 percent range. And we really haven't seen those kinds of numbers in most of these years. We've been more in the 5 percent to 7 percent range, I think. And we, as a consequence, may get more years in this recovery, which would be a great thing. But I think that, that same more modest RevPAR growth has some impact to the speed that group comes back with.

Having said that, I think when you look over a 20-year period of time, what we see is a relative growth in leisure at the expense of both corporate, transient and group. And I suspect we'll see those trends continuing. I think part of that is -- these are mostly U.S.-centric comments, but I think a bit of that is about the aging of the baby boomers, who will increasingly have time to go with resources to enable leisure travel. I think part of that is about travel trends broadly. There's a growing group of people around the world who want to see the world, and they want to see that, including with their own dollars for leisure travel. And I suspect we'll see that continue so that 10 years from now as we're looking at the data, we'll probably see that leisure is a few points more of the total mix in the industry and in our hotels, and that will come, to some extent, out of group. But I think those are modest and very long-term changes. And I don't subscribe to the notion that there is a sort of permanent change that group is down and out and it's never coming back.

Shaun Kelley - BofA Merrill Lynch: So Arne, last quarter, you talked a little bit about operating leverage and this being a focus going forward. And I think we see a piece of that obviously in the SG&A guidance. But as we look back at this past year and we kind of think about buckets of where you spend some of the increase in SG&A, can you just walk us through a little bit about how you prioritize some of that increase when you think about opportunities, both new development, some of the new brands that you guys obviously added, some of the one-time costs and maybe technology expenses? And then as we look forward into the guidance, which ones of those buckets do you think maybe start to either roll off or become a little bit lower just as we think about that concept?

Arne Sorenson: Yes, that's a fair question. I'm not going to give you a too data rich an answer because maybe because I'll get the data wrong. You've got a number of buckets though. One is noise and noise did impact us last year meaningfully, and that noise can range from a lawsuit that we paid off in the fourth quarter that cost us $6 million or $7 million, something like that and is a frustration point. But there's nothing about it, which is interesting or potentially recurring, to the write-off of investments we've made in management contracts in prior years that, either for hotels that we had lost or frequently for hotels that converted to franchise or were subject to a brand-new management agreement, and the accounting rules essentially preclude us from transferring the balance sheet balance to that new contract and instead require us to write it off. And so we've got a number of bits of that, and those can be frustrating. And those numbers actually were fairly
big and for some number tens of millions of dollars when you look at full year 2013, but are not likely to be recurring, at least on any individual circumstance.

The second category of spending would be building up really our leadership teams around the globe to run our businesses. And we've talked about this before, but we have been in a multiyear transition of resources and decision-making and authority from Bethesda to independent operating divisions that are spread around the world. We think it will make us better. We think it will make us faster. We think it will cause us to grow better in those markets. And at the same time, there's some cost implications associated with it.

And then I think the third, and by the way, that category of growth should start to taper. So as we get to the point where we've got the leadership teams there, and I think we are most of the way there, we should see that the growth that we need to incur in spending in those markets should start to look more normal.

And then the last thing is we talked about the brands that we've added. We've also talked about the 67,000 rooms we signed last year. We've put a lot of resources in new growth platforms, new developers that are on our team to make sure we've got the resources to go out and seize the opportunities that are available. And so when you launch an EDITION brand or a Moxy brand or AC Hotels in the United States or Protea, all of these things come with a need to do some things, like new GDS codes for new brands, which are like a $1 million a pop, something like that and they run straight through the P&L; or brand strategies and articulation of how these brands are going to be distinct; to preopening and some marketing efforts to get these brands familiar with customers. And I suspect we will see the dollars we spend on developers remain fairly steady and grow at a sort of normal rate. If we don't add new brands in the next few years, I think we'll see that we get a benefit from that. And in fact, we don't need to keep spending to -- once the brands get launched, they tend to pay for themselves in a way. The distribution is the primary -- the additional distribution is the primary way of marketing those brands, and marketing dollars are available from the hotels. And so there will be less incremental dollars needed for those brands, which we've already launched. We're obviously not predicting that we're going to be launching any new brands going forward, so I suspect this set of expectations is we'll see some of that spending come down.

**Shaun Kelley - BofA Merrill Lynch:** That's really helpful. And I guess just my follow-up would the -- on the net unit growth had been, I think, kind of translates or comes out of this, obviously picked up a lot in terms of your outlook. How many years do you think this is sustainable given -- I mean, if you signed a lot of rooms even late in 2013, given the lead times here, it would actually seem to imply that 2015 and 2016 could actually be even better years on a net growth perspective. But how do you think about that without maybe without putting too much in -- stealing too much from your Analyst Day in September?

**Arne Sorenson:** Well, I mean, I -- the 67,000 rooms we signed in 2013 will -- and then 195,000 rooms we've got in the pipeline, they portend a fabulous few years ahead of us. And obviously, you can't take anything for granted, but I suspect there's a lot of good news that's built into those numbers, which will help our model and earnings growth and cash flow growth and all the rest of it.
in the relatively near term. I think when you look longer term than that, and you look at the global
tavel dynamics, you look at our small share of the industry outside the United States, it's a big
world out there, and we've got lots and lots of growth available for us in the decades to come.

I made some comments about U.S. growth in the prepared remarks. I've been at Marriott now 17
years, and for the entire 17 years, we have been asked and we have asked ourselves, "Can we
continue to grow in the United States? Are we getting to a point where we've got too much market
share?" And every year, we prove that there is more growth available to us in the United States.
And we feel that with more confidence today than probably at any time over those last 17 years. I
think when you look at AC and the way that, that's moving, you look at the way the limited-service
brands have rebuilt their strength, you look at the response that we're getting in the secondary and
tertiary markets, the limited-service-brand growth in the United States, which is a place where we
haven't focused, where some of our competitors have in the decades of the past, I think we've got
great years of growth in the United States ahead of us as well.

Robin Farley - UBS Investment Bank: Just a follow-up question. You gave some of the data about
the pipeline basically doubling in Q4, the number of rooms from what was signed in the first 3
quarters. I'm just curious if there was a particular incentive that you put out there, that you wanted
those to close by year end or just how that timing came into place?

Arne Sorenson: We have -- obviously, we're very deliberate about incentives, but there was
nothing unique about the fourth quarter.

Carl Berquist: There was nothing.

Arne Sorenson: So we didn't pull the whole team together and say, "We want to prove to
everybody that we can make the fourth quarter of 2013 spectacular." In fact, we were fairly -- I
think when we sat here a quarter ago, we would have guessed that we would do 60,000 rooms or
some number like that. And so I think the positive surprise was probably mostly driven by the state
of the economy, availability of financing and the typical year-end drive to get deals done. And so it
was all good, but not a particularly manipulated result, if that's sort of what you're asking.

Robin Farley - UBS Investment Bank: And I wouldn't have used the word manipulated, but just
incentivized but that's helpful color.

Arne Sorenson: All right. Well, thank you, all, very much for your time and participation this
morning. I'm sure you can get a sense for our pleasure with the 2013 results and optimism about
the future. So look forward to welcoming you in our hotels. Get out and travel.

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