Marriott International, Inc.
JP Morgan Conference Webcast Transcript[1]
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Joseph Greff - JPMorgan Chase & Co: All right. Good morning, everybody. We're excited to kick off another fireside chat session with Leeny Oberg, Chief Financial Officer from Marriott International. Love to be doing this live and in person with you all, but this is the next best thing to do. And we look forward to having it in person, hopefully, not too long of a time frame. Leeny, thank you for your time today.

The incoming e-mails and calls that we get with respect to Marriott, with respect to lodging, is just on the pace of recovery, both with respect to the United States, as well as outside of the United States, particularly with a lot of attention on China. Can you just kind of give us sort of an update where you're seeing those recovery trends in your different geographies?

Leeny Oberg: Sure. Thanks. Good morning, Joe. It's great to be with you and with everybody. I hope you and your families are all staying safe and doing well. And I, for sure, am looking forward to next year's being in person, which will also involve staying at one of my hotels.

So yes. So, I think the best thing we can say is that there's been slow, but steady progression in increases in demand since April. You just look at overall RevPAR for Marriott, it's just kind of remarkable how it's just kind of lockstep moved from what we saw as 90 percent decline for global RevPAR in the month of April to what we saw in the month of August, which is essentially a 63 percent decline in RevPAR and really steadily throughout -- and steadily throughout the world. So, while not everybody has seen the same progression to the same level like we have in China, which has now gotten to a really extraordinary occupancy in August in Greater China at 65 percent, you still have seen a really nice, steady progression.

One of the facts that I -- one of the things that I look at, Joe, is looking at hotels that have been opened during the whole time, so that you're able to kind of see where occupancy has grown. And there, again, when you look over the last three months in the U.S., as an example, or North America, you've seen occupancy for that same group of hotels grow 10 percentage points over the last three months as you moved through the summer. So all of that, I think, points to -- while there are, of course, still spikes in COVID-19, it still all does point to a slow but steady improvement in the comfort level of folks being able to travel quite a bit more, albeit still nowhere near back to normal.

And again, and kind of to your point about all around the world, it does vary tremendously. You've got some markets that are much more dependent on long-haul air travel. There are,

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

obviously, by far, more closed hotels on a relative basis and slower to improve, but still improvement. So even in CALA and Europe, you're still seeing improvement. It's just not to the same place where China is. And, of course, the U.S. is the kind of second behind China.

Joseph Greff - JPMorgan Chase & Co: Got it. And when you think about China, I think you mentioned this a month and a half ago when you reported 2Q earnings, that the mix in China, in Greater China, has been sort of that similar 2/3, 1/3 business/leisure, which I kind of think that's an interesting statistic. And I think I saw something on Bloomberg this morning that you said that maybe China RevPAR is only down 22 percent year-over-year in August, which down 22 percent never sounded so interesting and positive before. But when you look at China, do you see that as having some sort of leading indicator relevance to how maybe the U.S. recovery could unfold?

Leeny Oberg: Yes. In many respects, the pattern is similar. You see leisure come out of the box first. And it first comes where people are close, so they can either do staycations or they can drive. And you see that business coming back first and the strongest and then business transient then follows next group being the last. But when you do see that kind of the citizenry, if you will, feels confident about the progression of the virus and the safety in travel, then people get back on the road.

And so, we have seen that in China, where, as you know, China makes quick, sharp about-face turns when there is a spike in cases in that certain market, kind of shuts it down until things are better. So, the rest of China continues to kind of march along. Now of course, Macau is its own separate space as is Hong Kong. But when we talk about Mainland China, it is, as you described, that people feel confident and comfortable that they're safe, and so as a result, it's been much more -- pretty quick in terms of a return to business as usual. And while group was the last to really start to get robust, it has returned as well.

Joseph Greff - JPMorgan Chase & Co: Great. You mentioned before about the leisure segment has been sort of carrying the recovery in the biggest way. And as we now transition, in the U.S. at least, into the fall, into what may be seasonally in October, a seasonally stronger group and convention period, how do you see that transition translate into sort of this less-bad year-over-year RevPAR decline trend? Do we see it leveling off before we get into maybe a more late 4Q seasonally stronger leisure period? Or how do you anticipate the industry trends in the U.S. for the fourth quarter?

Leeny Oberg: Yes. No, it's a great question, obviously, one of the ones that we're watching the closest. One of the things that has clearly emerged is that there's more of a blending between business and leisure. So, whatever the phrase I've heard, bleisure, knowing exactly whether their bookings are for business or leisure, when they go from a Wednesday through a Sunday, harder to define exactly which that is.

But I can say a couple of things. First of all, as you heard us say on the call, the shift between business -- percentage of business that comes from business versus leisure in September and

October is not as great as you might think. It's only several percentage points. So, while, of course, that still is noticeable, it's not like it's a 70-30 switch from 70 percent leisure to 70 percent business. So, from that perspective, perhaps not quite as earthshattering as you might think.

The other thing is we clearly -- remember, it's now all comparison to where we were in April and May. And we are actually now seeing that when we look at the -- at our corporate customers, we're now seeing that we're selling twice as many nights and booking twice as many nights for them as we were in April and May. So that -- and that's in the U.S. So that's clearly an example where there is more comfort in traveling. It's still definitely higher on the drive-to than on the flying. But it is steadily improving demand. I think, again, some of this really kind of the remainder of the jump really starts to get into when do we hear more about a vaccine, et cetera.

Joseph Greff - JPMorgan Chase & Co: Right. Yes, I mean, everything kind of comes down to the vaccine. Yes. How are corporate rate negotiations going? How are those conversations taking place now? And how are they different than in the past? And typically, I think at this point, you probably have maybe a little bit less than half of those corporate rate negotiations done by mid-September?

Leeny Oberg: Yes. I think it is -- it's an interesting year as far as it goes for that discussion. Unlike some of the classic economic recessions, it's not like you can take price to necessarily drive additional demand. And I think that is part of the overall picture is that there isn't quite the same sort of pressure in that regard.

Now clearly, there will be pockets where demand is so low that there -- it's going to clearly result in a different special corporate rate next year. But I would say, in general, that what you're seeing towards the upper end is that rates have held in relatively better than you might expect given the incredible drop in RevPAR. So, I would say that in many respects, you will see that the rate negotiations reflect steady as she goes, but also the reality that if a hotel has super-low occupancy, that the corporate customers are going to benefit from that.

Joseph Greff - JPMorgan Chase & Co: Yes. I mean anecdotally, I'm surprised that a lot of -- a handful of corporates that I talked to aren't necessarily going for the jugular, so to speak, in terms of crushing rates. It seems to be done in a very genteel way. And maybe part of it is if there's sort of a constraint on the budget, it's more on the volume than on the price per night.

Leeny Oberg: Exactly. That's exactly right. It is more about nights than it is about the rate. And that then gets into the whole framework of are they going to feel comfortable traveling? What do their customers want? I mean, one of the things when I talk to some of our largest corporate customers, one of the first comments they tell me is that they are thinking about their folks' travel relative to what their clients want. So, they've got a number of clients where they're not back in their offices yet, and they don't really want people to come see them. You've got others that actually are starting to be in the offices more. I can -- just in talking to colleagues around

Marriott, I'm actually starting to hear of a few business trips where they are wanting our people out where they are. So, I again, I think it's kind of steadily moving in the right direction. It's just starting from an incredibly low point.

Joseph Greff - JPMorgan Chase & Co: Right. Taking a step back and just looking at that leisure segment, which has been driving the recovery. How does Marriott compete for that leisure customer today? And how does that compare versus what that competition or that level of focus was in years past?

Leeny Oberg: So, as you know, Joe, there's -- it's always about trying to get the most business and the most attractive price possible to our hotels. And a lot of that is around what kind of property you are and where you're located and how you fill your rooms. Clearly, right now, with leisure being the biggest grab, there is incredible focus on helping our Bonvoy members understand, for example, we know we can geo target them. We know that you live in a certain area and that you typically have stayed either several states north or several states south. So, we are able to actually target spots for you that you might be interested in and position them in front of you on your smartphone.

So, we've been doing a lot of that. We're very focused on leisure relative to making sure that folks know the wide range of alternatives there are. I think there's very often kind of a view of, well, I know I could go to the Caribbean Islands and go stay on a resort. And the reality is there's a much broader range of options for your leisure trips, and we're determined to show everybody. Bonvoy Escapes is another one where we are targeting certain leisure opportunities for customers to be able to get spectacular deals because those have particularly low occupancy.

So, I think, once again, this is where Bonvoy just has such an important role towards driving the demand in terms of being able to communicate with our customers in a way that they know that we're thinking of them, particularly. So, I think the targeting has been terrific. I think, clearly, the whole staycation and bleisure concepts, we've been doing a lot of focusing on that and been pleased to see that there's been good take-up on that.

Joseph Greff - JPMorgan Chase & Co: Great. When you think about the group recovery, obviously, it's going to be a function of therapeutics and a vaccine, and people feeling comfortable traveling to events where there are lots of bodies. But when you think about the recovery in group in past cycles that were driven more by macroeconomic factors, how do you see the group recovery? And when we kind of think out to 2022, is there actually an opportunity to maybe get a better price just because there's going to be sort of this backlog and maybe this perpetual backlog of people booking or canceling and then rebooking? How do you see that potentially happening?

Leeny Oberg: So, let's first talk, I'd say there are two big buckets of group business that do behave a little bit differently. One is the association business. Let's call it, 40 percent of our group. Another 40 percent is classic corporate group. And then the remaining 20 percent are things like weddings, et cetera, generally a little bit smaller groups and often on the weekends.

I do agree with you. I think there's pent-up demand. I don't know about you, but most of the weddings that we were supposed to go to this summer, they've all been pushed into next summer. There are also weddings that are supposed to be next summer. So, it's going to be interesting to see how they all get spaces wherever. But I do think there's some real pent-up demand across all the segments of our business.

And while that may not be sustainable forever, I do personally believe that there's going to be a really nice spike in demand once everybody feels comfortable with traveling. I think people got used to being able to get together, even if you live pretty far away from each other and that people want to do that, both at business and for family and for friends.

But when you think about those groups of business, they do behave a little bit differently. So, the associations, for example, it's core to who they are, that they get together every year. And frankly, it's a revenue raiser for them. They're able to communicate policies, communicate work on, kind of, actually doing the business of the association. So, it's pretty critical.

So, they are in a position where they wait as long as they have to, and then they cancel if they can't because of COVID. But generally, they are still looking at doing theirs. If it's not -- often, they're already booked for the next couple of years. So, then it's more in the out years if they haven't booked yet. And again, what we see is that, yes, in the first half of next year, we've seen some cancellations, but lots of the ones in the back half of the year for 2021 have not been canceled yet and clearly not for 2022 or 2023.

I think for the corporate business, that is the one, to your point, that has got more flex depending on the state of the economy, which is one of the key parts here is that we need the economy to stay fairly healthy for corporate America to continue to generate a lot of this demand. So that's obviously one of our strongest messages of the importance of the U.S. economy staying strong.

And in that case, I think there can be some pent-up demand on the part of the corporates, but that's also going to be -- it's going to be tempered to some extent just by the state of the companies and how they are doing from an economic health perspective. But fundamentally, in terms of the reality that the group demand is still there, we feel really good. I think there's actually the possibility of additional corporate demand from remote work and the fact they want to get their folks together who are now working more remotely. So, we feel really good about it, but I think the association is a little bit more locked in. And the corporate business, probably we'll see how that fills in.

Joseph Greff - JPMorgan Chase & Co: Great. Your luxury footprint is obviously bigger today following the Starwood acquisition versus what it historically has been. Looking at the U.S. industry data from STR, ADR declines are relatively -- I would characterize them as relatively modest versus upper upscale or the overall industry or urban or basically any other segment. And then if you look at occupancy declines, luxury U.S. occupancy declines are much steeper versus the other segments. What do you think is driving that sort of, I don't know, counterintuitive dynamic there?

Leeny Oberg: So first of all, it's the reality that you've got luxury hotels, in many cases, are resort hotels. And if you're a luxury hotel that's on a coast, frankly, they've been doing pretty well. And when there is -- believe it or not, I can use the word compression. I was talking to somebody the other day, talking about the EDITION hotel down in Miami and kind of the increase in demand. They're actually starting to see more demand that's not drive-to. That's actually real demand. Now that's luxury demand. And it is probably overwhelmingly leisure-based, but it's people wanting to get out and go do things. And so those parts of the luxury portfolio, I think you're right. They are suffering less on the ADR side because there's a decent amount of demand.

And then for -- on the other side, if you're a luxury hotel that's in the middle of a large city that's not seeing great business demand, what's the point of driving down rate. It's not like you're going to drive a lot of extra business to your hotel. So, I think there's been decent discipline across the industry because of the reality that it's not going to add 10 points to your occupancy if those travelers aren't traveling.

Joseph Greff - JPMorgan Chase & Co: Can you just talk a little bit -- I guess, how quantitative or qualitative you want to get is totally up to you. But can you talk about maybe the financial condition of your owner base now versus a few months ago, maybe a general state of their capital structure, their liquidity their interactions with you in terms of how much continued help they might need, that's different than the help that you would have given in years past?

Leeny Oberg: Yes. So, let's talk about it in a couple of different ways. You've got the large institutional owners, Joe, who, frankly, typically have pretty decent access to capital and to cash and the ability to kind of grind their teeth and get through this. And while we spend a lot of time talking to them about how we can reduce costs and how we can reduce the breakeven, how we're working with the size of the payrolls at the hotels. I mean we're spending really a tremendous amount of time in dialogue, because all the hotels are a little bit different, about how to reduce costs at the hotels, right? Generally speaking, they're doing fine and paying their bills.

Then you've got more of the one-off -- I'm not going to call them one-off owners, but hotel owners where they may have three franchise, limited-service hotels kind of in several places around their particular region. Very often, those limited-service hotels at the margin are seeing higher occupancy. When you look at the month of August and you look at occupancy in North America -- I was going to give you the statistic because I thought it was interesting, is that occupancy in the month of August in North America for upscale brands was 47 percent while in luxury, it was closer, it was a little bit under 25 percent. So there, again, you can see there's a greater likelihood that they're able to skinny on by and get through. It may not be pretty, but they're able to get through.

Then you lay on top of that, obviously, everything we have been able to do to reduce costs and also the fact that the lenders have been fairly patient. Now you and I both know, it's just a question of time. How long does this go? And I think, hopefully, fingers crossed, that you start to get closer and closer to a way where you can start to see the path out of this.

Joseph Greff - JPMorgan Chase & Co: Great. Can you talk about new contract signings, pipeline activity, the status of some of the ones that maybe are delayed? And then how you think about reassessing and culling maybe what's in the pipeline since we're only six or seven months into it, maybe the timing of when you kind of reassess the -- some of these projects that may not come to fruition?

Leeny Oberg: Sure. Signings very much does depend on where you are in the world. When you think about Asia Pacific, as you've heard us say, year to date, we're up 30 percent in our room signings compared to a year ago, which is really when you stop and think about it, that's pretty extraordinary because we've been having great room signings in Asia Pacific for a number of years now.

So, you look at our pipeline rooms-wise, they make up 16 percent of our rooms in Asia Pacific. But when you look at our pipeline, it's a little bit over 30 percent, which is just a really kind of, I think, terrific recognition of the strength of the brands and the strength of the business model. And those deals are clicking along.

Now some of that's about the capital supply, right? That's about kind of comfort with lenders of getting deals done. And that's where I think it does depend very much region to region. Caribbean, Latin America and Europe, I think there is a bit more, particularly on the lender side, of a wait and see sort of approach. It's also harder to travel. So, you think about all the restrictions, cross-border restrictions of what it takes to get into a certain city or a certain country. And so, deals are getting done but they are taking longer to get done, just the machinery of working through all the paperwork, it's harder to kind of go and all sit in a room and get them done.

But again, I will say that around the world, deals are getting done. It just really depends on the pace of where a certain region is for how they're doing. I don't sense that it's a fundamental view that there's hotel deals not wanting to get done, but just more about the pace of them. And then again, in North America, it also depends on how the lenders are feeling. And there again, I think there is a slow-but-steady demand, but still some cautiousness as lenders think about new deals.

Joseph Greff - JPMorgan Chase & Co: And stuff that's been in the pipeline for a while and potentially reassessing those projects.

Leeny Oberg: Yes. So, we do that on a steady basis. So, we're constantly in dialogue. And we did talk about in Q2 that we'd had, not a lot higher, but a little bit higher amount of hotels - they didn't drop out of the pipeline from a standpoint of we're not going to do this deal, but they did put them on pause, where in a number of cases, the owners just said, “You know what? I just got to regroup here for a little while. I still -- I'm still on it, still want to do it. But I'm not going to get the spade in the ground as fast as I thought I was, and I'm just going to put it on hold for the moment.”

And I wouldn't say there's any kind of fundamental difference there in that trend. It's not like it's getting worse. I think it is more just that there's still overall some cautiousness, particularly on the part of lenders as they look at the environment. But the -- I would say, what came out of the pipeline was a bit more, but not anything momentous.

Joseph Greff - JPMorgan Chase & Co: Okay. We always -- I guess, as investors we're always taught that these economic challenges generally bring conversion opportunities to the strong brand families, such as yourselves. Can you talk about what you're seeing on that front? And then maybe how competitive that conversion market might be between yourselves and others who have similarly strong brands?

Leeny Oberg: Sure. Yes. Clearly, conversion conversations are on the rise, and we're having them. We've got a lot of great soft brands to offer up, for example, to an independent. A great set of opportunities to think about, strong demonstration of the power of the revenue engine, et cetera, and really competitive costs.

So, we're definitely seeing an uptick in the conversations. I think it takes a host of things, including the financing front to get those deals across the line. Even a small conversion cost can, in today's world, can feel more momentous than it does in a normal environment. But we typically -- that's typically the way it works, where there's a little bit of a lag, the conversations get going and then eh actual deals get signed and get done.

So, we're confident that we're going to get at least our fair share, if not more, of them. You're right to point out that the competition for those conversions is fierce. And it's not only about capital. It's across contract terms as well. And that's one of the things that's our job to balance, to make sure that we're doing deals that have good NPV, but that were also super competitive. So, I -- there's no doubt that we're all out there working hard to get more than our fair share of conversions.

Joseph Greff - JPMorgan Chase & Co: Great. It's either earlier this month or late last month, one lodging REIT that's publicly traded announced in some fairly great detail some of the changes that you made to their existing management agreements and converting, among other changes, converting to franchise agreements. How anecdotal is something like that in this type of environment? Or is that something that becomes maybe a little bit more commonplace as you're trying to help out your hotel owners?

Leeny Oberg: Well, I will say, I think that one was fairly unique. And I put it when you remember, Joe, about the agreement that we did with Host, that was also a fairly comprehensive agreement where the hotels were getting hundreds of millions of dollars of added investment. And we played a role in that and helping with that.

And so, I think this one falls in the same category. Where this is an owner, this is DiamondRock you're talking about, and we have a long-standing relationship where they've got many of our hotel brands in their portfolio. And it really was a kind of a great opportunity to wrap up a host of things together for the benefit of both companies.

And if you look at it from their standpoint, as they think about what opportunities they may have with those assets and what they may want to do with them. For us, in terms of getting investment into the hotels, in terms of getting added term, in terms of keeping the Vail Marriott in the system, and there wasn't an exchange of cash. It's not like we threw a bunch of money at it. So, I actually think it was very much the classic definition of a win-win that resolved a number of issues that we were able to all package up into one that was great for both. I would look at it that way more than I would of kind of a fundamental shift from our standpoint on the managed versus franchise business. I think it was more a reflection of an opportunity to really resolve a host of things there.

Joseph Greff - JPMorgan Chase & Co: Great. Maybe kind of going along the topic of third-party hotel owners. Have there been any changes in terms of the, I mean, the impact in terms of their being able to pay you and what that would translate into a working capital sort of free cash flow drag to your P&L and cash flow statements?

Leeny Oberg: So, if you remember back, even back when we did the first call that we did regarding COVID-19, this is something that we've been paying incredibly close attention to. And something I think we've been working really hard to make sure that we do our part to help reduce costs to help the hotels. We've been really pleased to see how well the hotels, both managed and franchised, limited-service, luxury around the world, quite frankly, have been able to meet their obligations and pay us. Are there a couple of one-offs here and there, where you see a hotel that was already, quite frankly -- in most cases, it was that they were already very close to the edge when they entered the pandemic, and so then it really put them in harm's way. And yes, that's been the case. But overwhelmingly, we've seen -- we've been able to work out. And if you see a lender come in, you typically on a management agreement, you've got this SNDA, which basically the bank, to protect the value of the asset, the bank typically then make sure that the obligations are being met.

And so, I have to say, we have been really pleased so far with, in general, with the payment of our receivables. Have we seen some extension of our payables over 91 days? Absolutely. But we've been able to work out payment plans with a couple hundred franchisees, where it's a very short-term payment plan, but it gives them a little bit more room to be able to pay our bills. And they're paying, and they're getting it done.

Joseph Greff - JPMorgan Chase & Co: Yes. For you and others in the industry, I kind of find that it's been sort of less of a concern than some of the scary scenarios that you could have dreamt up back in April and May for sure.

Leeny Oberg: Yes. So, I -- from a working capital drag, while, again, we're not done yet. And as you know, we had talked about the possibility of working capital drag. And of course, that could still be the case. But so far, it really hasn't been.

Joseph Greff - JPMorgan Chase & Co: Great. This might be in the really too early to kind of talk about type of category of questioning. But how do you think about the timing of when you potentially, and the Board would potentially, resume dividends and resume capital return? Would there -- I mean, I kind of understand where you've been through and you've done nothing but do different liquidity-enhancing activities over the last six months. But would you kind of be sort of lagging in terms of capital return relative to the fundamentals and balance sheet considerations? Or, I guess, how coterminous would it be in terms of improvements and then thinking about it and planning for a resumption of some capital return in the future? Because at some point, you guys will. At some point in the not-too-distant future, even on our numbers, which aren't Herculean, your balance sheet leverage at the end of 2022 is going to -- should be in pretty good shape to where you can resume these activities.

Leeny Oberg: So, a couple kind of basic statements, none of which will surprise you: Number one, we want to be a strong as a company….

Joseph Greff - JPMorgan Chase & Co: Surprise us.

Leeny Oberg: Right. I mean we want to be -- we want to stay a strong investment-grade company. And so, we will always have that as a guiding concept to how we think about running our business.

Number two, we are clearly restricted for the time being. We clearly, as you've heard about, the 70 percent decline in RevPAR example that we gave on our call, we're still looking at a negative cash burn. The way the model used to work, and we're confident will work again, is that we generate roughly 3x the amount of cash that we need to reinvest in the growth of the business. And so there will come a time where, like you say, we've got excess capital that we need to think about what to do with.

When we came out of the last recession, we actually went back to cash dividends first, but quite shortly thereafter, very shortly thereafter, started doing moderate share repurchases as well. But I think the reality is we first need to get to where we're obviously on a clearer path, make sure the investment-grade rating is on very solid footing going forward, that we have a view of how demand is progressing, and clearly generating all that excess cash flow above and beyond what we need to reinvest in the business. So impossible to predict when that is, but you can be sure that we'll be looking hard and be happy when that moment comes.

Joseph Greff - JPMorgan Chase & Co: Great. We now have a few minutes left in our 40-minute fireside chat session. I'm going to ask people who are dialed in to ask a question on their Zoom app, and then I'm going to try to figure out how to access what those questions are on my...

Leeny Oberg: Better you than me.

Joseph Greff - JPMorgan Chase & Co: Okay. Let me see here. Okay. So, the one question that we have so far here, which I think we talked about is as fall arrives, do we go back down in RevPAR with no group biz? We already answered that. So, no need to go through that again, Leeny.

Leeny Oberg: So, one thing I'm not sure if we talked about yet, that I did think was a fun fact for you is that Saturday night over Labor Day weekend in the U.S., we hit 60 percent occupancy.

Joseph Greff - JPMorgan Chase & Co: Oh, wow.

Leeny Oberg: Yes. And that Labor Day weekend occupancy ran 17 points higher than the July 4th weekend. So, all of this gets back to the same point that when people start to feel comfortable traveling, that demand comes back and it seems to come back with a resounding quickness.

Joseph Greff - JPMorgan Chase & Co: That's great. All right. I'm checking for additional questions here, and I see a couple.

All right. This -- I will just read it verbatim. Can you talk about the shape of net rooms growth over the next few years?

Leeny Oberg: Yes. We've clearly talked about this year, which I think has got the sharp jag in it related to the pandemic and, I think, is a combination of what you would expect, which is kind of a pause on the part of some owners. Although we have seen in North America that that pause that was evident in April, May and June has calmed down and that you're starting to see a more normal resumption of rooms openings in North America, as you're seeing some of this demand come back.

And so -- and then also the reality that you could -- although we don't really know, and we hadn't seen it through the end of Q2, you could see that exits from the system are a little bit higher than usual. And those things combined got us to our estimate for the year being a couple of points lower than what we talked about at the beginning of the year.

When you look out further, again, I do think some of it is about how quickly there's comfort about travel and the banking system feeling good about putting the money out. Because as you've seen in the pipeline, we've still got a strong, almost 50 percent of rooms under construction. So, there's no reason to think that we wouldn't be able to get back towards a more normal, where we had been mid-single-digit sort of net rooms growth. But whether that becomes kind of 2021, 2022 or 2023, I think, again, all depends a lot on this pace of how quickly, globally, people feel comfortable traveling.

Joseph Greff - JPMorgan Chase & Co: Got it. And I'm being told that we have to wrap up, but I have one follow-up to one of your comments, Leeny, before we'll you go. If deletions or removals are higher this year, which would be kind of obvious, this year versus a normal year, does that mean removals or deletions would be lower than a typical year in 2021 or 2022?

Leeny Oberg: Impossible to predict.

Joseph Greff - JPMorgan Chase & Co: Okay. No. That's -- I get that. Okay.

Leeny Oberg: Impossible to predict. I don't -- possibly. But again, we're -- it won't surprise you. We get into looking at why every single hotel leaves the system. And the normal turnover is going to stay the same of just hotels aging out. But otherwise, it really depends on the situation.

Joseph Greff - JPMorgan Chase & Co: Okay. Well, thank you very much, Leeny, for your comments. As always, it's great to chat with you.

Leeny Oberg: Yes. And it's good to see you, Joe. Take care, everyone.

Joseph Greff - JPMorgan Chase & Co: Pleasure. Thanks, everybody. Bye now.

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Note on forward-looking statements: All statements in this document are made as of September 14, 2020. We undertake no obligation to publicly update or revise these statements, whether as a result of new information, future events or otherwise. This document contains "forward-looking statements" within the meaning of federal securities laws, including statements related to the expected effects on our business of the COVID-19 pandemic and efforts to contain it (COVID-19); future performance of the company's hotels; RevPAR, occupancy and demand estimates and trends; our development pipeline and room openings; our liquidity expectations; and similar statements concerning anticipated future events and expectations that are not historical facts. We caution you that these statements are not guarantees of future performance and are subject to numerous evolving risks and uncertainties that we may not be able to accurately predict or assess, including those we identify below and other risk factors that we identify in our Securities and Exchange Commission filings, including our most recent Quarterly Report on Form 10-Q. Risks that could affect forward-looking statements in this document include the duration and scope of COVID-19, including whether, where and to what extent resurgences of the virus occur; its short and longer-term impact on the demand for travel, transient and group business, and levels of consumer confidence;

actions governments, businesses and individuals have taken or may take in response to the pandemic, including limiting or banning travel and/or in-person gatherings or imposing occupancy or other restrictions on lodging or other facilities; the impact of the pandemic and actions taken in response to the pandemic on global and regional economies, travel, and economic activity, including the duration and magnitude of COVID-19's impact on unemployment rates and consumer discretionary spending; the ability of our owners and franchisees to successfully navigate the impacts of COVID-19; the pace of recovery when the pandemic subsides or effective treatments or vaccines become available; general economic uncertainty in key global markets and a worsening of global economic conditions or low levels of economic growth; the effects of steps we and our property owners and franchisees take to reduce operating costs and/or enhance certain health and cleanliness protocols at our hotels; the impacts of our employee furloughs and reduced work week schedules, our voluntary transition program and other restructuring activities; competitive conditions in the lodging industry; relationships with clients and property owners; the availability of capital to finance hotel growth and refurbishment; the extent to which we experience adverse effects from data security incidents; and changes in tax laws in countries in which we operate. Any of these factors could cause actual results to differ materially from the expectations we express or imply in this document.