Marriott International, Inc.
Second Quarter 2026
Earnings Conference Call Transcript[1]
August 3, 2026

Operator: Good day, everyone, and welcome to Marriott International's Second Quarter 2026 Earnings Conference Call. Today's call will be recorded. It is now my pleasure to turn the call over to Senior Vice President, Investor Relations, Jackie McConagha.

Jackie McConagha: Good morning, everyone, and welcome to Marriott's second quarter 2026 earnings call. On the call with me today are Tony Capuano, our President and Chief Executive Officer, Jen Mason, our Executive Vice President and Chief Financial Officer and Pilar Fernandez, Senior Director of Investor Relations.

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

Tony Capuano: Thank you, Jackie, and good morning, everyone.

We reported a very strong second quarter this morning, with RevPAR and financial results above our prior expectations. We grew net rooms by 4.5 percent over the twelve months ending June 30th, further expanding our industry-leading global portfolio to over 1.8 million rooms across more than 10,000 properties.

Second quarter global RevPAR rose 3.4 percent. RevPAR in the U.S. and Canada region rose 5 percent, the highest quarterly increase in 13 quarters, with strength in World Cup **and** non-World Cup markets. Excluding the World Cup, second quarter RevPAR rose 4 percent. Luxury and resort hotels continued to lead in the region in the quarter, with luxury

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

RevPAR up over 9 percent. Importantly, strength was pervasive across chain scales, with select service RevPAR increasing over 4 percent.

With the conflict in the Middle East weighing on results, second quarter international RevPAR declined slightly year-over-year.

RevPAR in EMEA declined just over 5 percent, as solid performance in Europe was offset by a meaningful decline in the Middle East. RevPAR in Europe rose over 4 percent in the second quarter, driven by strength in leisure, particularly in the Mediterranean countries including Italy, Spain and Greece. Middle East RevPAR declined 43 percent in the quarter, a bit better than prior expectations, on better than expected domestic leisure demand.

Second quarter RevPAR in APEC rose over 5 percent. While Middle East travel corridor disruptions did weigh on select APEC markets in April, RevPAR surpassed our previous expectations in May and June, thanks to improved flight capacity as well as strong intra-regional demand.

RevPAR in Greater China rose over 3 percent, led by strong inbound leisure demand recovery, as our hotels continued to gain share in an uneven consumer spending environment. Luxury, Hong Kong, Taiwan and Hainan remained the key drivers.

RevPAR in CALA rose 3 percent in the second quarter, driven by strong luxury and leisure demand across the Caribbean.

Looking ahead, as Jen will discuss further, with strong broad-based demand generally expected to continue, we are raising our full year 2026 guidance range to 3 to 3.5 percent global RevPAR growth.

Now let's turn to results by customer segments. In the second quarter, leisure RevPAR rose 5 percent globally and 7 percent in the U.S. and Canada. Group RevPAR rose 3 percent globally and 4 percent in the U.S. and Canada. Second quarter business transient RevPAR rose 2 percent globally and 3 percent in the U.S. and Canada.

Within business transient in the U.S. and Canada, government RevPAR increased 5 percent, benefiting from easier year-over-year comparisons…. while non-government business transient RevPAR rose 3 percent, with mid-single digit ADR increases offsetting slight declines in room nights.

On the development front, we experienced record global signings in the first half of the year. Our global pipeline grew nearly 7 percent year-over-year to a new record of approximately 629,000 rooms at the end of June. We led the industry with over 279,000 rooms under construction, including pending conversions.

Conversions, including multi-unit deals, remain a significant driver of growth, representing 34 percent of signings and 40 percent of openings in the first half of the year. One multi-unit deal to highlight - in June, we announced a strategic agreement to introduce Series by Marriott to Greater China, with plans to add approximately 100 hotels under this collection brand with the first openings expected later this year.

With our growing pipeline and strong momentum in conversions, we still expect net rooms to grow in the mid-single digit range over the next few years. In fact, our compound annual growth rate since the end of 2023 is 5.2 percent. Our full year 2026 net rooms growth is now more likely to be towards the low end of our previous 4.5 to 5 percent range, primarily due to construction delays in the Middle East, and including our typical assumption of between 1 and 1.5 percent room deletions.

As we grow our global portfolio, we are also intensely focused on working with our hotel owners, who are foundational to our business, to help strengthen hotel-level economics and drive owner returns and long-term value across the system. As part of these efforts, we have implemented productivity enhancements from our prior enterprise-wide efficiency exercise, and we continue to identify ways to enhance top-line performance and improve productivity at the hotel level.

Let me outline some of the specific steps we have taken. At the beginning of last year[2], we lowered loyalty charge-out rates across our global system by roughly 5 percent to what we believe are the lowest in the industry across all chain scales. In addition, earlier this year, we enhanced owner reimbursement for Bonvoy redemption stays on high-demand nights.

We have also introduced streamlined brand standards which simplify operations and reduce costs…. and we have rolled out flexible renovation scopes that focus on customer-facing elements in the hotels.

As Jen will discuss further, we are also now planning to roll out a new ITR, or intent to recommend, incentive in the U.S. and Canada that will provide a fee discount for top hotels that receive strong guest satisfaction scores.

I am also pleased to announce that we recently executed new long-term agreements for our co-branded credit card program in the U.S. with our valued, long-standing, market-leading partners, JPMorgan Chase and American Express. These agreements reflect the strength of the Marriott Bonvoy brand and the extraordinary value of our brand portfolio, the continued growth of our global lodging system, and the powerful combination of scale and engagement represented by our cardholders and more than 295 million loyalty program members. We expect the new economics and cardholder benefits to drive

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[2] Said "the year"

significant value across the Marriott Bonvoy ecosystem, including to our hotel owners, cardholders and loyalty program members.

Additionally, we continue to make great progress in our multi-year technology transformation…. while increasingly leveraging AI across the enterprise to help deliver revenue to owners more efficiently, as well as elevating the guest experience and automating workflows for associates.

In June, we began our phased rollout of Ask Bonvoy, our AI-powered conversational search experience on Marriott.com and the Marriott Bonvoy app, reflecting our commitment to using technology to enhance the customer experience, strengthen engagement with our members, and drive greater operational efficiency. With our well-respected brands and industry leading scale, we are also working closely with Google and other leading AI platform providers as their travel search and commerce tools evolve.

Before I end my prepared remarks, I want to thank our Marriott teams around the world. Our results today would not have been possible without their hard work and dedication.

And now I will turn the call over to Jen for more details on our financial results. Jen?

Jen Mason: Thanks Tony.

I will start by reviewing our strong second quarter results. Second quarter total gross fee revenues increased 13 percent year-over-year to $1.58 billion, reflecting higher RevPAR, rooms growth, and increases in co-branded credit card fees and residential branding fees.

Incentive management fees, or IMFs, rose 6 percent to $212 million in the second quarter, led by a significant increase in the U.S. and Canada, which more than offset a meaningful decline in EMEA, due to the Middle East.

Owned, leased and other revenue, net of owned, leased and other expenses totaled $49 million, compared to $78 million in the second quarter of last year, primarily due to a $27 million property-related litigation accrual as well as lower termination fees.

Second quarter G&A rose 5 percent year-over-year, primarily due to timing of compensation costs. Adjusted EBITDA increased 13 percent to $1.59 billion, and Adjusted diluted EPS rose 20 percent to $3.19.

Now let's talk about our outlook for the third quarter and the full year. We are raising our full year global RevPAR guidance to 3 to 3.5 percent growth, reflecting our second quarter global outperformance as well as stronger outlook for the second half of the year for all regions. Note that the strong World Cup performance in June and July provided a slightly larger boost to full year global RevPAR than expected, at closer to 45 basis points globally, above our prior expectation of 30 to 35 basis points. Third quarter global RevPAR is expected to increase 3.5 to 4 percent.

In the U.S. and Canada, we expect the strong demand trends that extended into July across chain scales and customer segments to continue. Third quarter RevPAR is expected to be helped by the strong World Cup performance, while the fourth quarter could see a small negative impact from November's midterm elections.

In Greater China, full year RevPAR is expected to be up 2 to 3 percent. In APEC, we anticipate continued strength in the back half of the year, driven by solid domestic and international demand, especially from the U.S. CALA performance continues to be led by strong leisure demand across the Caribbean, offsetting weakness in Mexico.

EMEA is expected to continue to be impacted by the conflict in the Middle East, though to a lesser extent than previously anticipated. Year-over-year RevPAR in EMEA is expected to improve in the third quarter relative to the second quarter, before moderating again in the fourth quarter. In the fourth quarter, the Middle East faces difficult comparisons from the fourth quarter of 2025, where several large events drove meaningful ADR increases. In addition, because the Middle East enters its peak tourism season in October, the region's performance will have a greater impact on EMEA's fourth quarter results than it did in the third quarter.

We are also raising our full year 2026 gross fee guidance. For the full year, gross fee revenues could rise 11 percent, to \$6.03 to \$6.06 billion. IMFs are now expected to rise 3 to 5 percent year-over-year. The sensitivity of one percent change in full year 2026 RevPAR versus 2025 could be around \$55 to \$65 million of RevPAR related fees.

Turning to our co-branded credit card fees, the improved economics from our new U.S. agreements with JPMorgan Chase and American Express are expected to benefit the overall loyalty program, our owners and franchisees, our cardholders and loyalty program members, and our co-branded credit card fee stream. As a reminder, Marriott recognizes a portion of the global credit card funding as co-branded credit card fees in our franchise fee line, reflecting the royalty, or compensation, Marriott takes for licensing Marriott's intellectual property to the credit card issuers.

The expected incremental impact to our 2026 co-branded credit card fees **solely** from a partial year of the new terms of our cards under the Chase and Amex agreements in the U.S. is approximately \$30 million. We are now expecting global co-branded credit card fees to rise in the high 30 percent range this year, reflecting the terms of the new deals, partially offset by lower expectations for fees in Japan due to the decline in the yen.

The benefit to the loyalty program and to our fees from our new U.S. co-branded card deals is expected to build over time, as new and refreshed U.S. card products with new cardholder benefits are introduced, supporting anticipated growth in new accounts and cardholder spend.

Full year residential branding fees are now expected to increase 55 to 65 percent, due to the timing of unit sales. Timeshare fees are still expected to be relatively in-line with the prior year, at $110 to 115 million.

Owned, leased and other revenue, net of owned, leased and other expenses is now anticipated to total $175 million to $185 million in 2026. Full year results are expected to be impacted by the timing of renovations at certain large hotels in the portfolio, a slower expected ramp up of Marriott Media Network, the second quarter litigation accrual and the second quarter sale of a hotel in the U.S. that will remain in the portfolio under a new, long-term management agreement.

Additionally, this updated outlook includes the impact from the ITR incentive that Tony discussed, which will be paid for by Marriott, and not the systems funds, and will be in our owned, leased and other expenses. We view this as a reinvestment in our business that benefits our owners, enhances the experiences of our guests, and further strengthens Marriott's brand equity.

2026 G&A expense is still anticipated to increase just 1 to 3 percent compared to 2025 levels, as year-over-year comparisons are expected to benefit from timing in the second half of this year, particularly in the fourth quarter. Full year adjusted EBITDA could increase between 11 and 12 percent to $5.97 billion to $6.03 billion.

Our 2026 adjusted effective tax rate is expected to remain between 26 and 26.5 percent. Our underlying core tax rate for cash is anticipated to remain in the low 20 percent range.

Strong adjusted EBITDA growth, combined with a meaningful reduction in share count, leads to the expected full year adjusted diluted EPS growth between 16 and 18 percent.

In the third quarter, gross fees are expected to rise 10 to 11 percent, even with residential branding fees expected to be down 15 to 20 percent. Third quarter IMFs are expected to rise in the high single digit to 10 percent range. Adjusted EBITDA is expected to increase 7 to 9 percent.

We now expect 2026 investment spending to be $1.25 to $1.35 billion, an increase versus our prior expectations, with slightly higher expectations across most categories. Contract acquisition costs are now expected to be around 40-45 percent of the total spending. The second largest bucket, at around 25 percent of the total, is expected to come from continued spending on our digital tech transformation, the overwhelming portion of which is expected to be reimbursed over time, as well as corporate systems. The remaining portion is spending related to renovations at owned and leased hotels as well as other investing activities.

Our capital allocation philosophy has not changed. We are committed to our investment grade rating and investing in growth that is accretive to shareholder value. Excess capital is returned to shareholders through a combination of share repurchases and a modest cash dividend, which has risen meaningfully over time. We now expect to return over $4.5 billion to shareholders in 2026.

Full year guidance details for the third quarter and the full year are in the press release. Tony and I are now happy to take your questions. Operator?

Question and Answer Session:

Shaun Kelly, Bank of America: Hi, good morning, everyone, and thanks for taking my question. Tony and Jen, just wondering if we could dig in a little bit on some of the commentary around the kind of the owner reinvestment here. For Tony, if you could just talk a little bit about especially the new ITR program, sort of what kind of in your mind, are you thinking about just trying to kind of get across to owners through this? Any feedback you've had thus far?

And then, Jen, if you could just elaborate a little bit on kind of the timing of how this may flow through. It sounds like maybe a partial year impact that's starting to be factored in here in the owned and leased line, but maybe help us think a little bit more holistically as we look out at our models beyond 2026. Thanks.

Tony Capuano: Thanks for the question, Shaun. As I think you know, we're deeply appreciative of the engagement we've had with our owners. We have, for as long as I've been around certainly and probably decades before that, believe that our success and our owners' success is inexorably linked. Our owners are foundational to our business and the health and owner of that owner and franchisee community is of paramount importance, and it's always a big focus area for us. That long-standing recognition leads to regular constructive discussions with that community on a whole range of issues, sometimes and most of the time, proactively and sometimes reactively. But that's reflective of the way we approach the business broadly and the way we approach the partnership.

We're very focused on hotel level economics. And that really means looking at every variable in the equation and looking for opportunities both to drive improvement in top line and look at every element of expenses and see if there are opportunities to drive margins and as a result, ultimately drive returns. I think the ITR incentive that Jen talked about in her prepared remarks is just one step in that process to both look for opportunities to improve owner economics. And as Jen said, an ITR incentive, I think, benefits all the constituents we serve.

Jen Mason: Yeah. And Shaun, a bit of a follow-up on your question. We are launching the ITR incentive this week to our owners. It's up to 50 basis points of gross room revenue, fee reimbursement for achieving defined ITR thresholds. And so that will start to be baked in for the back half of the year. As a reminder, though, there's multiple things impacting our owned, leased and other revenue, as I talked about in my prepared remarks. We also have the timing of renovations at large hotels, media network, the litigation accrual and the sale of a U.S. hotel asset.

Stephen Grambling, Morgan Stanley: Hey, thank you, maybe another follow-up just on the co-brand side. Just wondering if there's anything that investors should be thinking about in terms of how that will ramp over time? And also if there's any changes to the agreement as we think about either new cards being launched, new geographies or other factors that may be different versus prior agreements? Thank you.

Tony Capuano: Yeah, Great. Thank you, Stephen. The -- as Jen said, the $30 million number she referenced, that is solely from the new credit card terms for the balance of this year. The full benefit to the program is really expected to build over time as new and refreshed card products are introduced. Our experience in the past is the development and introduction of those new cards take several quarters. But I think the way you should be thinking about it is by full year 2028, the impact on Marriott's co-brand card fees from these new deals could be somewhere between $100 million and $125 million at our current royalty rate of 26 percent.

Jen Mason: Yes. And I would just add a reminder that the majority of the benefits do go into our loyalty program that benefits owners and guests and our loyalty program members.

Trey Bowers, Wells Fargo: Hey, guys. Just a bit of a modeling question for the balance of the year. As I look at the new fee revenue growth, about $60 million higher than where it was before. Just the credit card fee and the branded license fee alone kind of explain a lot of that increase, especially with a nice beat in Q2. So is this just conservatism? Or is there any kind of offsets to fees we should think about for the balance of the year?

Jen Mason: Yes, so a few things. As a reminder on the credit card fees, we have the new credit card deal of about $30 million, but we have some FX headwinds with our Japanese card because of the decline in the yen. And -- but the rest of the RevPAR pull-through, you see that in our beat. We do expect that Q4 RevPAR is a bit lower than Q3. I would say there are two primary drivers of that. First, we still see very strong global demand around the world other than the Middle East. But U.S. and Canada does not benefit, obviously, from the World Cup in Q4. And the Middle East has a more significant impact in Q4 than it did in Q3. We are definitely seeing that when the conflict resolves, that business picks up quickly, but -- and we are seeing ramping occupancy impact.

The challenge in Q4 is that is by far the -- in the Middle East, that is the largest quarter for revenue. It's something like 35 percent of the Middle East full year revenue happens in Q4. And while we're expecting recovering occupancy, ADR is up against a very impactful Q4 of last year where we had multiple events that were compressing ADR.

Michael Bellisario, Baird: Thanks. Good morning, everyone. Just on the net rooms outlook, any initial thoughts on trends into 2027? And then what's the recent feedback been from developers regarding their appetite to sign deals and put shovels in the ground now that the demand backdrop is a little bit more favorable today? Thanks.

Tony Capuano: Great. Thanks for the question, Michael. The -- as we mentioned in the prepared remarks, the guide to the lower end of the range is largely driven by perhaps not terribly unanticipated project delays in the Middle East given the conflict. As we've talked about in prior calls, to me, looking at a multiyear CAGR on NUG is a little more instructive rather than a single quarter. And I'm quite encouraged by the 30-month CAGR of 5.2 percent, which is right in line with the broad guidance we've provided in the past about mid-single-digit growth.

And then on the second part of your question on owner sentiment, I think the best illustration of owner sentiment, not that they are immune to some of the economic factors and headwinds that are out there, but we signed more deals in the first half of 2026, than in any first half of the year ever. And so I think that is a great testament to the confidence that the owner and franchisee community has investing in our portfolio of brands long term.

Dan Politzer, JP Morgan: Hey, good morning, everyone. Thanks for the question. I wanted to touch on the investment spend. I think it ticked up a few hundred million. And I think in the prepared remarks, you mentioned the contract acquisition cost and digital tech transformation. I guess a couple of things there. Can you maybe unpack the trends that you are seeing in terms of the key money front? And then in terms of the digital tech transformation, I guess, what inning are we in? And going forward, how should we think about that net investment spend in the next couple of years?

Tony Capuano: Great. Thank you. The competitive environment gets more and more fierce. Whether we like it or not, key money seems to be the weapon of choice in many of those competitive circumstances. I think for Marriott, nearly 40 percent of our pipeline rooms are in the top 2 quality tiers, luxury and full service, which tend to have more key money, but in parallel, generate much higher fees and value. Maybe the one emerging trend, we are seeing some small amounts of key money being used in some of our newer mid-scale brands as we prove out the value proposition for those brands. And the momentum we're seeing is really encouraging to us.

And then maybe the only other comment I would make from a trend -- a broader trend perspective, if you compare back to 2019, of course, the proportion and the absolute money of key money is up, which you would expect given the growth of the system size, but we are using less key money per signed deal. And this is anecdotal. But when we review transactions in our development committees, it feels like we are able to negotiate a bit less key money than some of our peers are offering, which I think is reflective of the strength and performance of the brands in the portfolio.

Jen Mason: Yeah, and I'll take your next two questions. On DTT, we're making excellent progress. We're still in the early phases of deployment. We have over 2,000 select service in U.S. Canada hotels that have transitioned. And as you think about your third question in terms of what to expect for investment spending going forward, obviously, we're too early to talk about 2027, but maybe a little bit of color on each of the buckets.

On tech and DTT spend, that over time will go down, but we will continue to invest in technology given the critical importance that it has in our business. Key money, as Tony talked about, as our system rises, right, you're likely to see key money grow with that. And owned, leased and other is the next big category. We're never done with owned, leased, right? We're renovating hotels, and we have others that are there. So just big picture, that's where we are.

Lizzie Dove, Goldman Sachs: Hey, good morning. Thanks for taking the question. Thinking about the U.S., I'm curious kind of how you're thinking about the rest of the year in terms of group versus business and leisure. And I suppose even longer term, we heard from one of your peers some building blocks in terms of how to think about 2027 RevPAR. I appreciate it's early, but anything you'd share in terms of how you're thinking about that longer term?

Jen Mason: Yeah, so I'll start with 2026, and then Tony will jump in on 2027. So we continue to expect all segments to be up for the full year with leisure continuing to lead, followed by group and then BT. So think about similar trends to what we saw in Q2. Leisure has been especially strong, especially in the U.S. but across all of our regions outside of the Middle East. Full year group pace is up about 5 percent. That's the same as a quarter ago, but could moderate over the year given fewer in the year, for the year bookings. And then BT revenue, which was up 2 percent in Q2, we expect kind of similar for the rest of the year.

Tony Capuano: And then let me try to tackle 2027, acknowledging it's a little early given that we're just starting work on 2027 budgets and the ability to have great clarity is further compounded by the short transient booking window we see around the world. But with that said, we continue to be quite bullish on the global outlook. We could see continued strong global RevPAR growth next year. And I think the thing that's most encouraging is the broad-based strength we're seeing in both rate potential and demand. Both across chain scales and across geographies outside the Middle East. Now we will have the challenge of the comp of the World Cup next year. But I think the flip side of that coin is we could see strong year-over-year growth in EMEA as the Middle East recovers.

Patrick Scholes, Truist Securities: Hi. Good morning, everyone. Thank you. A question, Tony, for you that I'm sure you and counsel are well prepared for. You certainly have alluded to a number of positive changes to currently and upcoming to help owners. But I'm wondering if you could give a specific official public response directly to that owner letter at this time. Thank you.

Tony Capuano: Well, yes, I'm not going to give an official response. That's a matter between us and our owners. But maybe I'll reiterate what I said earlier. The success and financial strength of our owner and franchisee community is closely tied to Marriott's success. Given our asset-light model, we continue to work every day to address issues, concerns and opportunities with the broad owner and franchisee community around the world. And those discussions have gone on for decades and will continue to go on for decades.

The letter that we received, I think, is reflective of the passion and commitment that, that group of owners has to the relationship and to -- and is an acknowledgment of that linkage between our mutual success. And we have had a number of meetings already with that group, continue to have those discussions and are encouraged with the progress we're making.

David Katz, Jefferies: Hi, good morning. Thanks for taking my question. Along the same lines, one of the conversations we've been having, and I think to the degree that you can discuss it here is helpful are the ongoing updates and/or changes within platform fees or reimbursed elements versus what you've talked about taking on some of your own P&L, right? I assume that there's ongoing evolution in both of those. And I think, frankly, just understanding how much you're doing that passes through versus how much you're taking on. Again, if you can discuss it here, it would be, I think, helpful or instructive for everybody.

Tony Capuano: Sure, David. Thanks for the question. The -- as I've said now a couple of times, the discussions are collaborative and constructive and ongoing. In terms of potential impact to the Marriott P&L, our guidance is reflective of our expectations of the impact of those discussions on Marriott's P&L going forward.

Brandt Montour, Barclays: Good morning. Thanks for taking my question. So I want to circle back on net rooms growth. I know that the guidance update was related to the Middle East. But just sort of as it relates to 2027 and the momentum that you have in conversions, we see contract acquisition costs coming up a little bit. RevPAR in those middle chain scales where you've launched conversion brands,

RevPAR has kind of flipped positively in a meaningful way. So the question is, is there any sort of countercyclicality or risk to net rooms growth as you see that segment do better on a fundamental basis and maybe those -- the brands and distribution are needed a little bit less on the margin by those hotel owners.

Tony Capuano: Yes. Brandt, I would actually respectfully say what we see and what we hear from the owner community is just the opposite. As they look at the impact of affiliation with our revenue engines and our loyalty platform and the impact that has on performance, we're actually seeing a strengthening in interest. You look at the performance we've seen with platforms like Autograph and Tribute. I think that illustrates that the power of that affiliation continues to drive developer interest and that developer interest manifests itself in the strongest first half of the year of signings we've ever experienced

Duane Pfennigwerth, Evercore ISI: Hi, thank you. I understand the revised credit card agreements will build out with new products and new cards. But just in trying to get to the underlying run rate, can you confirm this is 2 full quarters or 6 months of impact here in 2026? And then relatedly, have you sized full year impact from the Middle East to both EBITDA and RevPAR?

Jen Mason: So on your first question, yes, the $30 million of incremental fees is for 2 quarters of 2026. I had mentioned before that we are seeing some headwinds from the Japanese cards because of the decline in the yen that somewhat impacts the overall credit card fees. In terms of the Middle East, we are now expecting the impact to our full year global RevPAR to be about 100 basis points. Last quarter, we said between 100 and 125 basis points. So a bit better than our last guide. And as we talked about, those hotels are predominantly managed and certainly have an impact on our IMF, but that's all reflected in our updated guidance that we provided.

Robin Farley, UBS: Great, thanks. I wanted to ask about the conversions. You mentioned that signings in the quarter were about one-third, about 40 percent of openings. Should we think about conversions being a smaller or bigger percent of net unit growth when we think about next year and this year, kind of how that's trending as a percent of total? Thanks.

Tony Capuano: Sure. So thank you for the question, Robin. We've talked about this a few times. Maybe I'll reiterate some comments I've made in the past. Early in my career in development, you tended to see an ebb and flow when new build ramped up, conversions receded. When you found yourself in a softer economic environment where there was less new build activity, you saw conversions ramp up. I don't personally believe that will be the trend going forward. And I don't believe that for a few reasons.

I think number one, from an approach perspective, in terms of the dedicated resources we've put in place around the world to chase both individual asset conversions and portfolio conversions, in terms of the responsiveness on things like PIPs and timeline to get them into the system. And when I look across the composition of the portfolio, I would submit to you, we've never had a stack of brands across quality tiers that are better suited to conversions than what we have today.

And so it's a long-winded way of saying when you throw all of that into the blender, even when we find ourselves in a market where new build activity ramps up sharply, I don't think it's binary. I don't think that will be at the expense of conversions. I think the approach and the tools that we have in place today should drive conversion volume for the foreseeable future.

Conor Cunningham, Melius Research: Everyone, thank you. You've covered a lot today. But I was hoping you could talk a little bit about the growth on the international pipeline. I mean I totally understand the Middle East construction issue that you're facing. But are you seeing that linger like that impact at all in Asia? And maybe you could just talk a little bit about what you're seeing specifically in Asia and China just in terms of growth. Thank you.

Tony Capuano: Sure. So the answer to your first question is we really aren't. I think in terms of business conditions, as we mentioned, the first month of the quarter, we saw a bit of a ripple impact in APEC as the load factors for some of the big Middle East carriers going into markets like India and the Maldives had some impact on operating performance, but the team pivoted quickly to focus on intra-region travel, and you saw really strong May and June across APEC.

From a deal perspective, we continue to see very strong both MOU approvals and signings across both APEC and China. And I think one of the facets of our China growth that is particularly encouraging is the select brand momentum that we have. I mentioned in my prepared remarks, the launch of Series across China, which we think will generate something on the order of 100 incremental hotels starting with openings later this year. So really good news across the board in terms of development momentum in the Asia Pacific region.

Aryeh Klein, BMO Capital Markets: Thanks, and good morning. The luxury segment has continued to outperform. Did that segment benefit more from the World Cup than select service? And what's your view on just K-shape versus C-shaped more broadly? And do you think the high-end piece of the market can sustainably outperform?

Tony Capuano: Yes. I think we saw the upside impact from World Cup across chain scales, which was really encouraging. Your opening comment is spot on. Despite rumors that eventually we're going to run out of steam in terms of luxury demand, the momentum that we continue to see and take advantage of given our industry-leading portfolio in luxury is really encouraging. To get to almost double-digit RevPAR growth in our luxury business in U.S. and Canada is a great illustration of that continued strength.

Smedes Rose, Citi: Hi, thank you. I was just wondering if you could talk a little bit more about what you're seeing specifically in the group segment for 2027, if you could share revenue pace and if you're seeing just really for the U.S., any kind of change in composition between kind of larger corporates booking, larger groups or if it's more sort of smaller business enterprises or kind of anything you can share on how that's shaping up for next year?

Jen Mason: Sure. So I'll start with 2026, which we touched on briefly. It's a good group year. We have paced up 5 percent which is flat to a quarter ago. In the U.S. specifically, pace is up about 6 percent versus 5 percent a quarter ago. To your question on 2027, as we look out, it looks flattish, rate up and room nights down slightly. But just a reminder, right, as we sit here today, about 40 percent to 55 percent of the following year's group is usually on the books by midyear of the current year. So we still see, obviously, a lot of runway on group for 2027. And one other point I would just make is that we've seen a lot of strength in the select service space, and that definitely tends to book closer in.

Tony Capuano: Great. Well, thank you all again for your interest and your continued coverage. We appreciate all the effort and the thoughtful questions and look forward to talking to you a quarter from now. Have a great day.

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