



Marriott International, Inc.
Fourth Quarter 2021
Earnings Conference Call Transcript¹
February 15, 2022

Operator: Good day, everyone, and welcome to Marriott International's Fourth Quarter 2021 Earnings Conference Call. Today's call is being recorded. I will now turn the call over to Jackie Burka, Senior Vice President of Investor Relations.

Jackie Burka: Good morning, everyone, and welcome to Marriott's fourth quarter 2021 earnings call. On the call with me today are Betsy Dahm, our Vice President of Investor Relations, Leeny Oberg, our Chief Financial Officer and Executive Vice President, Business Operations, and Tony Capuano, our Chief Executive Officer.

Tony Capuano: Thank you, Jackie. Before we begin our prepared remarks, I wanted to take a moment and reflect on this day, which marks the one-year anniversary of Arne's passing. I know everyone on this call, especially Marriott associates, miss our dear friend and inspirational leader a great deal. We can take comfort knowing his amazing legacy lives on in the incredible work of the thousands of people around the world who wear a Marriott name badge. Let me turn the call back over to Jackie to get us underway in discussing this quarter's results.

Jackie Burka: Let me quickly 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. 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. Please also note that, unless otherwise stated, our RevPAR, occupancy and Average Daily Rate comments reflect systemwide, constant currency results for comparable hotels and include hotels temporarily closed due to COVID-19. RevPAR, occupancy, and ADR comparisons between 2021 and 2019 reflect properties that are defined as comparable as of December 31, 2021, even if they were not open and operating for the full year 2019 or they did not meet all the other criteria for comparable in 2019. Additionally, unless otherwise stated, all comparisons to pre-pandemic or 2019 are comparing the same time period in each year. 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. Tony?

Tony Capuano: Thanks, Jackie.

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

We are very pleased with the remarkable progress we made in 2021 across our global portfolio, despite the ongoing challenges of the COVID-19 pandemic. We finished the year on a real high note, with the emergence of Omicron having a limited impact on results in the fourth quarter. In December, global ADR was 3 percent above 2019 levels, and occupancy for the month gained further ground compared to December of 2019, driving global RevPAR to an 11 percent decline versus 2019. This was a 53-percentage-point improvement from the RevPAR decline in January 2021.

In the fourth quarter, global RevPAR was 19 percent lower than pre-pandemic levels. Global occupancy for the quarter came in at 58 percent, 12 percentage points below 2019, while ADR was only 2 percent shy of 2019 levels.

In the U.S. and Canada, fourth quarter RevPAR declined 15 percent compared to 2019. Results were driven by strong ADR, which was less than 2 percent below pre-pandemic levels. Further strengthening of already robust leisure travel, and steady improvement in the recovery of business transient and group demand, also helped results.

Fourth quarter group room revenue in the U.S. and Canada was down 32 percent versus 2019, a 9-percentage-point improvement from the third quarter's decline. With booking windows still much shorter than usual, in-the-quarter-for-the-quarter bookings were up 45 percent versus the fourth quarter of 2019.

Group cancellations ticked up late last year and early this year due to Omicron, mostly for arrival dates in January and February, but those cancellations have slowed more recently. New group bookings have also been gaining momentum, especially in the year for the year. In fact, just last week Salesforce held a large company meeting in New York City that was booked just one month before the event. It was the largest internal meeting Salesforce has held since the start of the pandemic, with over 25,000 room nights across 11 of our properties.

While special corporate demand in the U.S. and Canada was still well below 2019 levels, there was gradual improvement in the fourth quarter. Relative to pre-pandemic levels, bookings in the fourth quarter were down 33 percent, 11 percentage points better than the decline in bookings in the third quarter. Weekly bookings around the end of last year were impacted by Omicron, but they have recovered since the trough in early January.

All of our international regions, except for Greater China, posted sequential RevPAR recovery from the third quarter to the fourth, as more borders re-opened and travel restrictions eased. Greater China's fourth quarter 27 percent RevPAR decline compared to 2019 was in-line with the decline in the third quarter, as their zero COVID policy once again resulted in the lockdown of several cities.

The Middle East and Africa, or MEA, region performed particularly well in the fourth quarter, really demonstrating the resilience of travel demand. With relatively high vaccination rates and low travel restrictions during the quarter, the Middle East has become a safe, easy place to

visit. Led by strength in the UAE, fourth quarter RevPAR in MEA rose 8 percent above 2019, driven by 20 percent higher ADR. Fourth quarter occupancy topped 65 percent, the highest of our regions. Leisure demand was remarkably strong, benefiting from a significant increase in international visitors. Room nights from international guests rose nearly 60 percent from the third to the fourth quarter.

Throughout the pandemic, strengthening our valuable loyalty platform and engaging with our Marriott Bonvoy members have been key areas of focus. In the fourth quarter of 2021, 52 percent of room nights globally, and 58 percent of room nights in the U.S. and Canada, were booked by Bonvoy members. Global membership grew to over 160 million members at year-end, driven by strong digital sign-ups.

Turning to development, both room additions and signings were strong in 2021, despite ongoing challenges associated with the pandemic. Despite industrywide pre-construction and construction delays, some labor shortages and supply chain issues, we added a record 86,000 gross rooms and 517 properties, leading to 6.1 percent gross rooms growth for the year. Our global net rooms growth was 3.9 percent, above our previous expectation, given deletions were towards the low end of those expectations. Our deletion rate for 2021 was 2.1 percent, or 1.2 percent excluding the exit of 88 Service Properties Trust hotels.

We are also pleased that we continued to grow our share of rooms globally. In 2021, around 15 percent of all global new build rooms opened under our brands, compared to our year-end rooms share of 7 percent. This share growth is expected to continue, as we had 18 percent of all global rooms under construction at the end of 2021, more than twice our current share of open rooms.

Our development team signed franchise and management agreements for approximately 92,000 rooms during 2021, and our year-end global pipeline totaled roughly 485,000 rooms. The composition of our pipeline dovetails nicely with current demand trends. Leisure demand has led the recovery, and we are well-positioned to continue growing our lead in resort destinations, including in the high growth all-inclusive space. We have also been seeing strong preference for our luxury properties. With luxury rooms accounting for more than 10 percent of our pipeline, we are poised to further expand our industry-leading portfolio in this valuable, high-fee segment.

Conversions were a significant growth driver in 2021, accounting for 21 percent of room additions and 27 percent of signings. With the breadth of our roster of conversion-friendly brands across chain scales, and the meaningful top- and bottom-line benefits associated with being part of our system, we anticipate that conversions will remain an important contributor to growth over the next several years.

For 2022, we expect gross rooms growth to approach 5 percent, and deletions of 1 to 1.5 percent, leading to anticipated net rooms growth of 3.5 to 4 percent. While signing activity has been picking up nicely, 2022 gross room additions are expected to be impacted by the

diminished construction starts the industry has experienced throughout the pandemic, particularly here in the U.S. As a reminder, average construction timelines are currently around two years for limited-service deals, and often longer for full-service deals. Yet, given the improving global environment, the attractiveness of our brands, our strong development activity, our conversion momentum, and our industry-leading pipeline, we are confident that over the next several years, we will return to our pre-pandemic mid-single digit net rooms growth rate.

Before I turn the call over to Leeny, I did want to share just a few highlights of our ESG efforts over the course of the last year. The Board of Directors and our management team are keenly focused on these important areas, as we're committed to making a positive and sustainable impact in the communities where we live and work. In June, as part of our diversity, equity, and inclusion efforts, we announced we were setting new internal diversity goals for our group of Vice Presidents and above. The new targets aim to achieve global gender parity by 2023, an acceleration of our prior timetable, and to increase representation of people of color in the U.S. to 25 percent by 2025. In July, we updated our Human Trafficking Awareness training, which will be made widely available to the entire industry. More than 900,000 associates have now taken training in this area. And in September, we pledged to set science-based emissions reduction targets in line with 1.5°C emissions scenarios.

As I finish my first year as CEO, I want to again thank our incredible associates for all their hard work through these challenging times. I have spent most of the last few months on the road, traveling across the U.S., from New York to Los Angeles, and also abroad, and have seen first-hand their dedication to serving our guests. I am so proud of all we have accomplished over the last year, and continue to be very optimistic about our outlook for 2022 and beyond. Leeny?

Leeny Oberg: Thank you, Tony.

Our fourth quarter results reflect the clear resilience of travel, our strong focus on cost containment, and the benefits of our asset light business model. Gross fee revenues reached \$831 million in the fourth quarter. Our non-RevPAR-related franchise fees were again particularly strong, totaling \$186 million in the fourth quarter, 19 percent ahead of 2019 levels, driven by robust global card spending, and new account acquisitions, as well as outstanding performance in our branded residential business.

Incentive management fees, or IMFs, totaled \$94 million in the quarter. Just under half of these fees were earned at resort properties, with IMFs from our comparable luxury resorts up almost 45 percent compared to the fourth quarter of 2019.

Our owned and leased portfolio generated \$19 million of profits, a nice increase from a loss of \$50 million in the fourth quarter of 2020, as results improved at hotels in the U.S. and Europe. Our operating teams have done extraordinary work to adapt quickly and return these hotels to breakeven profitability or better, despite continued lower than normal occupancy levels.

G&A and other expense totaled \$213 million in the fourth quarter, higher than prior expectations, as a result of higher compensation costs, including true-ups, and higher legal expenses. For full year 2021, G&A and other came in at \$823 million, 12 percent lower than full year 2019, reflecting ongoing savings resulting from our significant restructuring activities in 2020.

At the hotel level, we have partnered with our owners and franchisees throughout the pandemic, working diligently to lower costs, bring down breakeven occupancy levels, and drive cashflow. With the recovery well underway, we are committed to delivering consistent and positive guest experiences while keeping hotel operating costs down. Many of the cost reduction and productivity enhancement initiatives we've put in place will be maintained as occupancies rebound. While the labor environment is slowly improving, we're keeping a close eye on wage and benefit inflation. We're optimistic that our cost reduction efforts could mitigate inflation in future years.

As always, we are also carefully managing cash outlays at the corporate level. We were pleased with our cash flow generation during 2021, and with our year-end liquidity position of over \$4.8 billion, which covers near-term debt maturities with significant cushion. Our full year cash flows from the loyalty program were positive before considering the reduced payments received from the credit card companies. After factoring in these reduced payments, which effectively repaid around one-third of the total \$920 million we received in 2020, loyalty cash flows were modestly negative.

Looking ahead to 2022, there is still too much uncertainty and volatility to give specific RevPAR or earnings guidance. But I will again share some general observations and provide color on certain specific items where we do have some visibility.

I will start with some thoughts on the first quarter of 2022. Omicron meaningfully impacted global group and business transient demand in January, historically the lowest occupancy month of the year. While we saw minimal disruption to leisure travel, global RevPAR for the month declined 31 percent compared to January of 2019, primarily due to lower occupancy as rate was just 4 percent below 2019.

We expect to see the recovery pace pick up nicely in February and March, given weekly bookings across customer segments have now returned to pre-Omicron levels. However, with some countries reinstituting strict travel restrictions earlier this year, we could see first quarter 2022 RevPAR compared to 2019 levels take a step back from the 19 percent decline in the fourth quarter of 2021 versus 2019. We then expect significant forward progression in the global recovery each quarter through the end of the year.

Following the temporary Delta-related slowdown during the third quarter of last year, demand picked up meaningfully through the end of last year. That bolsters our optimism that by the end of the year, the 2022 fourth quarter gap to 2019 fourth quarter RevPAR will narrow meaningfully compared to the 19 percent decline in the fourth quarter of 2021.

As additional markets re-open and more employees return to the office, we expect robust ADR, sustained strong leisure transient demand, and significant improvement in business transient and group. We also expect to see growth in trips that blend business and leisure.

International travelers getting back on the road should also drive further improvement in RevPAR. In 2019 nearly 20 percent of global room nights were from cross-border guests. So far, most global demand during the pandemic has come from domestic visitors. Cross-border room nights in 2021 were down more than 60 percent compared to 2019, while domestic room nights were down 16 percent over the same time period. Our fourth quarter performance in the Middle East illustrates how impactful the return of international travel can be. We are encouraged by the swift pick up in booking activity we have seen in the last few weeks in places that are opening up, such as Thailand and the Cayman Islands.

Turning to fees, at current RevPAR levels, we expect the sensitivity of a one percent change in full year 2022 RevPAR versus full year 2021 could be around \$25 to \$30 million of fees. As we've seen, the relationship is not linear given the variability of IMFs and the inclusion of non-RevPAR-related franchise fees. This sensitivity is no longer compared to 2019, as the compounding impact from new rooms growth contributions makes the comparison less relevant three years out.

In 2022, we expect continued growth from our non-RevPAR related fees, driven by higher contributions from credit card fees. We also anticipate profit growth from our owned and leased portfolio, as the global environment improves.

For the full year, interest expense, net, is anticipated to be roughly \$350 million, and our core tax rate is expected to be around 23 percent. G&A and other expenses could total \$860 to \$880 million, still well below 2019 levels, but higher on a year-over-year basis, primarily due to higher compensation costs and assumed higher travel expenses.

As always, driving cash flow will be a priority in 2022. We anticipate full year investment spending of \$600 to \$700 million, which includes roughly \$250 million for maintenance capital and our new headquarters. We expect cash flows from loyalty to be slightly positive in 2022 before factoring in the reduced payments received from the credit card companies.

We made great progress in improving our credit ratios during 2021 and remain focused on bringing our leverage in-line with our target of 3 to 3.5 times adjusted debt to adjusted EBITDAR. Assuming the recovery continues largely as anticipated, we could be in a position to restart capital returns in the back half of 2022. We would likely begin by paying a dividend with a payout ratio a bit below our traditional 30 percent. We could then see more meaningful levels of capital returns, including share repurchases along with dividends, in 2023 and beyond.

Over the last two years our business has been tested in ways we never could have imagined. We are incredibly proud of how well our teams have adapted, and how well our company has

performed. We made significant progress in 2021 and are excited about continued recovery and our growth opportunities ahead. Tony and I are now happy to take your questions.
Operator?

Question and Answer Session:

Shaun Kelley - BofA Securities: So Tony, I just wanted to start with development activity. So thank you for the net unit growth guidance, and I think it makes sense relative to where we are in the development cycle. I sort of wanted to get your sense a little bit longer term.

Do you think this is the bottom, and these levels are pretty sustainable just given where we are in the broader kind of capex and development cycle? Or do you think 2020 -- just help us think through maybe 2023? And are the levels, again, going to be consistent with that? Could we even be a little bit better? Or do we need to be cautious there just given the timing on openings in full-service?

Tony Capuano: Thanks, Shaun. Well, as we've said the last couple of quarters, the ripple effects of the pandemic create less visibility beyond 2022 than we might like. With that said, I think you heard the momentum on signings in my prepared remarks. We continue to see good volume on the conversion front.

In the short term, obviously, we've got a bit of challenges in terms of construction starts, particularly in the U.S. But in some ways, that causes us to think about it as a when, not an if. And in fact, one of the statistics we look at most closely is fallout from the pipeline.

If we were seeing wholesale project cancellations, that might cause us to think differently about the medium to long term. But in fact, what we saw in 2021 was about 6.5 percent, lower than our average fallout over the last decade.

Shaun Kelley - BofA Securities: Really encouraging. And then maybe just as my follow-up, your comment on the RevPAR cadence, Leeny, in your prepared remarks, was interesting as we get to kind of the 4Q 2022 area. Just any possibility that we could actually see maybe a month or a point in 2022 where we actually return to 2019 levels of RevPAR? Or kind of what's your sense about that cadence? That's it for me.

Leeny Oberg: So thanks very much. And it is interesting. When you look at December, for example, the U.S. and Canada in the month of December was really -- was down only 6 percentage points compared to 2019. So, it is absolutely the case that you could see, depending on the mix of business and exactly how countries open up and kind of the classic occupancy from a seasonal pattern standpoint.

I could imagine that it's possible that you have that happen, Shaun. I think, though, so much of this really depends on the global picture in terms of the pace of the recovery. So, you need lots

of things happening on all the points of business, not just leisure, but also special corporate, as well as group, to see us get to that delightful place.

But at the same time, I think we feel great about the momentum. The other comment I'll make is when you see countries open up their restrictions, the kind of jolt that our reservation centers feel is impressive. And I do think that momentum gives us confidence that we could see this resilience continue to build.

Robin Farley - UBS Investment Bank: Great. Just thinking about the visibility of recovery. Can you give us some insight into what group bookings for the second half look like? Because understandably, of course, Q1 would have been very disrupted by Omicron.

But for second half, how is that compared to 2019 levels in terms of -- it seems like, at some point, there should be an accumulation of groups that haven't met in a while, and that, that should start to look good. And I'm just wondering if you can see that turning point yet in your future group bookings.

Tony Capuano: Yes. Thanks, Robin. And maybe I'll refresh some of the data that we shared with you last quarter. I'm going to give you some comparisons between -- at the end of 2019, what we saw is definite bookings on the books for 2020 and 2021 and how that compares at the end of 2021 what we see on the books for 2022 and 2023.

So at the end of December of 2021, as we looked at definite bookings for 2022, we were down just a shade under 22 percent compared to end of 2019 for 2020. When we look at what's on the books for 2023 at the end of 2021, we're down just a shade under 15 percent versus what we had on the books at the end of 2019 for 2021. And so to your specific question, we are seeing steady and encouraging forward bookings in the group segment.

And the other thing I would point out, Robin, you heard in my prepared remarks the comment about that big piece of Salesforce business that was booked just one month before. We expect to continue to see improvement from the levels I just described to you because we're seeing more short-term bookings, and that's been the trend over the last number of weeks and months.

Leeny Oberg: Just to add one point, Robin. When you look at Q1, understandably, with Omicron, clearly, you're looking at a weaker group picture than you are as you get into Q3, which is meaningfully better. So your point is well taken that it should move as we go through the year. And I think the other part that is just fantastic is that rate, both in 2022 and 2023, already, from what's on the books, is up 3 percent to 4 percent.

Robin Farley - UBS Investment Bank: Okay. Great. No, that's helpful. And then just one follow-up question is in terms of the visibility of just sort of business transient or transient in total, has that moved out? And I know it's tough after the last six weeks because maybe it was moving out and now contracted a little bit.

But how far in advance -- I feel like, pre pandemic, you used to talk about a 30-day booking window, and maybe last year, it was like a 7-day booking window. So just wondering if you're seeing transient a little more visibility or a little bit of improvement in the pace of that?

Leeny Oberg: So the booking window has extended, but it is not the way it was back in 2019. So it's improved, but it is still the case that we're not back to where we are.

And I think, clearly, in Q1, Robin, January is a great example, where you saw special corporate particularly weaker with what was going on with Omicron. So I think part of this, you're going to see it get -- see more visibility as we get further and further into the year, but it is a bit better than it was in 2020.

Tony Capuano: And Robin, let me just give you a little more granular information to try to address your question. This is a global number. But if you look at the global booking window, it really got the shortest in the second quarter of 2020, where it was down to 5 years.

Jackie Burka: 5 days.

Tony Capuano: Excuse me, 5 days. If you look at fourth quarter of 2021, it had risen to about 17 days. So to Leeny's point, certainly not back to where we were pre-pandemic but trending in the right direction.

Joseph Greff - J.P. Morgan Chase & Co.: Throughout much of last year, leisure demand was fairly inelastic to rate in the industry's tough -- fairly robust rate gain, as you alluded to this morning. Can you talk about leisure price elasticity, thus far, in 2022 and in your forward bookings?

And are there any changes relative to last year, i.e., are you seeing demand become more sensitive to further rate gains? Maybe more pronounced in markets or chain-scale segments, where service levels might be constrained by labor availabilities?

Tony Capuano: Of course. Obviously, we're early in the year. But maybe a good indication that addresses your question as we gear up for President's Day weekend here at the end of the week, this is a U.S. data, but the RevPAR numbers are pacing up about 12 percent ahead of where we were in 2019 for Friday through Sunday. And to your specific question about pricing power, ADR is pacing up about 20 percent versus 2019.

Joseph Greff - J.P. Morgan Chase & Co.: Great. And then a follow-up question on new development. Can you talk about the cadence of net rooms growth or net rooms growth rate this year? Is it even throughout the year? Is it more heavy in the second half? And lastly, how does the full-service, select-service mix of net room development in 2022 compare to that mix the last couple of years?

Tony Capuano: Of course. What I will tell you is pretty consistent for the last decade or more is our transactors, they are a big fourth quarter team. We tend to see a big pop in signings volume in the fourth quarter.

But because our conversion volume was meaningfully higher in 2021 versus history, when you have a deal like Sunwing, which I think was in the second quarter, that can impact the quarter-to-quarter numbers. But fourth quarter tends to be the biggest volume of signups.

Leeny Oberg: And for openings, Joe, I think we definitely saw in Q4 of this year that you clearly saw a bunch of owners wanted to get ahead of this recovery that's moving forward. So we had a great fourth quarter. But we have traditionally -- it's been fairly steady, unless there is a certain group of hotels that have all kind of come on at the same time.

So I would say, we've always tended to have some quarter-to-quarter variations, but that should march forward fairly squarely throughout the quarters on the openings side.

I guess, the only other thing to point out is just a reminder that construction for a limited-service hotel takes, broadly speaking, two years, and full-service takes longer. So as you'd start to think about 2020 and recognize that as you get into Q3 of 2020, you were in the depths of the pandemic and starting to really see the impact on construction starts. That will start to obviously then have an impact as you go into 2022.

Thomas Allen - Morgan Stanley: So your non-RevPAR fees have been really encouraging. And Leeny, thanks for the commentary that you expect growth in 2022. Can you just give us a little bit more color there?

I think I calculated that your 2021 non-RevPAR fees are about 15 percent above 2019 levels. What's giving you the confidence that, that should continue to grow?

Leeny Oberg: Yes. So first of all, thanks very much. Just as a reminder that our credit card fees make up roughly 2/3 of our non-RevPAR-related fees. And so obviously, that's a big driver. They ended up, up 4 percent over 2019 levels for the full year in 2021. And that was with really quite a weak Q1 as we were still in the heaviest part of the pandemic.

So as we continue to see great card acquisitions and credit card average spend, I think we feel very good about those. I think residential branding fees, that business has been doing extremely well. And we expect to continue to see strong openings of those, which is when we get the fees.

And then we continue to have application and relicensing fees as, obviously, our business continues to grow on the franchise side. So we feel quite confident in the growth of that fee stream based on a continued strong economy.

Thomas Allen - Morgan Stanley: And just a follow-up, Leeny. Not asking for 2023 guidance, but there is some -- when we think about starts, right, like there is some impact from openings and close -- sorry, there is some impact with starts not only for NUG, but like for residential branding fees, for example. Does that look like it's going to continue to grow as you go past 2022?

Leeny Oberg: No, that's a good reminder, actually, Thomas, to remember that while we do get annual management fees, that is the smaller part of the fee stream that we get from residential. And those are overwhelmingly one-time fees that we get when the unit is ready for occupancy.

So in that regard, even in 2022, I would expect our fees to be a little bit lower than they were in 2021. Because in 2021, it was -- we just had so many sales in residential. So I expect them to be a bit lower, although still meaningfully higher than our traditional levels of residential branding fees.

And yes, you're right. They're lumpy because you can have one unit of 100 units that goes into sales and closes literally within a quarter or two, and then another one might not happen for two more quarters. So it is likely to be lumpy. And again, overall, we're really pleased with new signings that we're getting in the residential branded business. So I think you'll continue to see that business grow very nicely.

Patrick Scholes - Truist Securities, Inc.: Tony, I have a question and a follow-up question. Tony, my first question is a high-level question. Last year, in March and April, we certainly saw a very large acceleration in U.S. leisure demand. And what that means is we certainly have a very tough comp for U.S. leisure demand coming up.

As far as your intuition, Tony, do you think U.S. leisure demand, once we hit those tough comps in April onwards, could actually eclipse last year's very strong levels? Just curious what you think about that.

Tony Capuano: Of course. Thanks, Patrick. Well, we continue to be really optimistic that there's still a significant tailwind for leisure demand. And I think part of that is because of the evolution of the way folks work. The incremental flexibility that you're seeing in working from home, working from anywhere, has been an accelerant for leisure demand. And if anything, we expect further acceleration in that regard.

And then when we look at our forward bookings, we already have more leisure on the books for months further out than we did in the same months last year. So we continue to be quite bullish on accelerated growth in leisure. And remember, leisure was already growing much more rapidly than business transient even pre-pandemic.

And maybe the last part of my answer would be, you heard Leeny talk a little bit about how modest cross-border travel has been. We've really only seen domestic leisure travel. And as

more and more borders open, we think that influx of international leisure travel will also serve to accelerate the pace of leisure demand growth.

Patrick Scholes - Truist Securities, Inc.: Okay. That's definitely encouraging, and good points on the international. Shifting gears on my follow-up question here. Certainly, it's been tough sledding for the hotel industry in China due to the zero-COVID policy. With RevPAR really still significantly down in China, have you seen that -- any impact on your pipeline given how much the -- in China, given how much the industry is struggling in China?

Tony Capuano: That's a good question. But thankfully, the answer is no. We continue to see really strong momentum, both on the signings and the openings front. And I think, in many ways, our owners and partners in China are the mirror image of our owners and partners in other areas of the world.

They don't try to time the market for the next quarter or two. They tend to be long-term investors. Many of the projects that are getting done are parts of larger mixed-use projects. And the hotel components, in some ways, define those projects, so they are critically important. So we've not seen any sort of meaningful slow down, quite the contrary. We continue to see really strong demand for our brands from a development perspective across China.

Patrick Scholes - Truist Securities, Inc.: Okay. Good to hear. Go ahead.

Leeny Oberg: Just one quick follow-up for you -- one quick follow-up for you on that. When you look at how many rooms we've currently got in Greater China, it's around 140,000. And our pipeline is only about 20 percent to 25 percent less than that for the pipeline for Greater China. So it's really -- you're looking at doubling that business potentially in not too long.

Smedes Rose - Citigroup Inc.: I wanted to just circle back on your commentary around conversion activity, which, I think, you said was about 18,000 rooms in 2021. And I know you had said that you think it will continue to be strong.

But can you maybe just -- do you think it can surpass what you saw in 2021? And maybe you can talk a little bit about where you're seeing the conversions coming from on a regional basis. Is it mostly U.S.? Or...

Tony Capuano: Sure. So I will remind you that one of the most significant contributors to our conversion volume in 2021 was the conversion of about 7,000 all-inclusive rooms in the Caribbean with Sunwing. And I raise that not to apologize. Those sorts of large portfolio conversion opportunities are a meaningful part of our strategy and something that we'll continue to look for.

But in terms of baseline conversions, we are seeing elevated interest from the owner and franchise community for our brands. And so we expect to see really strong volume continuing into 2022 and beyond.

And as we talk with our owners and franchisees, not only do they like the flexibility of some of our soft brands, they like the fact that we've got conversion-friendly platforms across multiple chain scales. And they are focused not just on the ability of the company's revenue engines to drive top line revenue, but also some of the margin efficiencies that result from affiliation with our brands.

Leeny Oberg: And Smedes, just as a reminder, 27 percent of our signings in 2021 were for conversions. One of the things that's been really gratifying to see is the number of owners who want to do a conversion, but with meaningful investment in the property.

Tony Capuano: Yes, and I think that's a great point.

Leeny Oberg: They may take 12 months to actually get open, but they're turning it into a beautiful representation of one of our brands and putting meaningful investment in it. So whether it opens specifically in 2022 or 2023, it's all going to be great for our guests and, frankly, for our associates and for the owners.

Tony Capuano: And that 27 percent, Smedes, was about 10 percentage points higher than what we saw in the signings in 2020 and in 2019.

Smedes Rose - Citigroup Inc.: Great. And then I just wanted to ask you, when we were out at ALIS meeting, we met with a lot of owners. And there continues to be a lot of discussion, as you guys have commented on as well, of helping to reduce their costs being affiliated with large brands.

And I'm just wondering, do you think there's a lot more to go there? Or do you feel like your sort of streamlining of brand standards are changing sort of customer expectations is kind of reset now? Or how is that sort of relationship sort of panning out? I mean, we heard, frankly, like just a broad range of commentary. Just wondering how you're seeing it from your side.

Leeny Oberg: Sure. So I think, first of all, I think the partnership during the pandemic between us and our owners and franchisees have never been better in terms of trying to manage these dramatically lower occupancy levels. And as I said in my comments, I think there is quite a bit of the savings that we put into place that is permanent, that will mean kind of significantly lower costs and significantly better productivity as we move forward.

Now as you know, we've got the reality that for more complex hotels, there is a much higher percentage of costs that are labor-related. And we're obviously seeing a lot of pressure on that side, just like every other industry in the U.S. So there, we are -- we will continue to find ways to try to improve the margins.

Rising occupancy, obviously, always ultimately helps you when you're spreading costs at a hotel. But it also means you've also got to make sure to have enough people there to deliver the service that our guests expect. And we are committed to making sure that we deliver those experiences that bring them back to our hotels over and over.

And then the last thing I'll mention is just the great part about our business is we do reprice our rooms every day. And so when you think about what's been going on with our ADR, that has been a fabulous mitigation of what's been going on the labor cost side. So we will certainly continue to find new ways, but we are determined to make sure to deliver what our customers want.

Michael Bellisario - Robert W. Baird & Co. Inc.: Just a question for you on loyalty in -- and your top customers. Maybe help us understand how are they spending today versus pre-pandemic levels? And then when you think about the lifetime value of that, say, top-tier platinum customer, has your view changed on who that customer is, who that platinum customer is on a go-forward basis?

Jackie Burka: Michael, sorry. You're breaking up. Can you start the question from the beginning?

Michael Bellisario - Robert W. Baird & Co. Inc.: Can you hear me better?

Jackie Burka: Yes.

Michael Bellisario - Robert W. Baird & Co. Inc.: Just a question for you on loyalty and your top-tier customers. How are they spending today? And where are they spending differently versus pre-pandemic levels? And then when you think about lifetime value, say, of a top-tier platinum customer, has your view changed on who that customer is going forward, given the changes in travel patterns today?

Tony Capuano: Okay. I said -- Mike, I apologize, you were breaking up a little bit. I think I heard your question. I think maybe our penetration rates, especially in the U.S., are maybe the best indication. We were back to 57 percent penetration in the fourth quarter, which is almost back to where we were pre pandemic. So we're quite encouraged about the penetration rates, the passion and the enthusiasm we see within the Bonvoy base and, as you heard in my prepared remarks, the pace at which the program continues to grow.

And I think one of the really exciting things for us was, as our credit card platforms continue to grow, they really gave us a unique opportunity to stay engaged with those most valuable Bonvoy customers, even when they had hit the pause button on the volume of travel they experienced prior to the start of the pandemic.

Leeny Oberg: And just to add fuel to Tony's fire, I'll mention two things. Number one, we have started doing credit card programs in other countries and found them to be really well received by the customers and seeing nice card acquisitions on that front. And then also, just when you think about the growth in our digital share, and that is very much tied to the Bonvoy platform.

And when you look at our digital share compared to 2019, the share of reservations has gone up almost 500 basis points on our digital channel. And overall, we've grown up 300 basis points in our direct channels, up to 76 percent. So I think that all ties very well into the power of Bonvoy.

Richard Clarke - Sanford C. Bernstein & Co.: Just first, just following up from some of the questions you've had already on inflation, and particularly with regard to your incentive fees and the owned and leased portfolio profitability. If we get a full RevPAR recovery kind of into 2023, is that enough to get the incentive fees back to pre-pandemic levels?

Or what's the dynamics that will kind of keep us away from that? And then a similar question on the owned and leased profitability, is inflation going to hold back the recovery there?

Leeny Oberg: Right. So a couple of things. You are right to point out that nominal level of RevPAR is not the same as real. And so when we think about it, for example, now, the real recovery of RevPAR is about 3 points worse relative to the nominal just because of -- in 2021, to your point, about inflation.

At the same time, one of the things I think is -- what's been so impressive about the operating teams is we used to think about breakeven levels for a full-service hotel of 40 percent to 50 percent occupancy. And what you're finding is that, with the great work that they've done on managing the hotel at dramatically lower occupancies, that they've been able to return these hotels to either neutral or profitability at dramatically lower levels of breakeven occupancy. And so I think that will really help offset on the inflation side.

The other comment I'll make is on the incentive fee side is just a reminder that it depends a whole lot on where. So just when you think, broadly speaking, we were at almost 72 percent of our hotels were earning IMF in 2019, and we're now still a tad under 50 percent. And where you see the biggest difference is really domestically in the U.S. And that is that, with owners' priorities, that is going to mean you really need to get back to those hurdles of levels of actual real profits before we're going to get our incentive fees.

Now internationally, no surprise, where you've got quite a bit more of hotels without the owner's priority. There, you're already seeing dramatically higher percentages of hotels earning IMF. So I think we've got some great potential in the international hotels, where there have been such restrictions on entering the country, and they're more dependent on international travelers. I think of Asia Pacific outside of China as an example there.

And in the U.S., I think, as you heard me say in our comments, the IMF that we're getting from the resorts have just been fantastic and, in many cases, are already above 2019 levels. So when you think about the large cities in the U.S. and their greater relative dependence on international travel, I think it delivers a lot of confidence that we will get back. I just think predicting whether that is 2023 or not is probably a bridge too far, but certainly moving in the right direction.

Richard Clarke - Sanford C. Bernstein & Co.: And just as a follow-up. Last year, you talked about trying to cut some of the kind of cost reimbursement fees for the underlying hotels to help out their profitability. In Q4, it looks like that cost reimbursement revenue is about 85 percent of 2019 level.

So it's recovered basically in line with your other fees. So just where are we in that process of sort of lowering that sort of reimbursement contribution from the owners?

Leeny Oberg: So a couple things. One is a reminder that 85 percent of our reimbursed costs are based on the top line revenues of the hotels. So an overwhelming part, like, for example, our sales and marketing fees are contractually set at a percentage of revenues of the hotels. So they are, by nature, going to move up and down.

The other thing is to recognize that we worked very hard on certain parts of the fees where we were able to impact kind of the fixed and floating component. And so that we do believe that there is more efficiency as we grow larger in terms of what we can do for the hotels.

And as an example, when your digital share -- your direct share of reservations is growing as well as it is, it's just a reminder that those are some of the lowest-cost reservations for a hotel as possible. But we did lower our fixed cost by roughly 30 percent for the system. But as I said before, overwhelmingly, the charges are based on a function of hotel revenues.

Vince Ciepiel - Cleveland Research Company: You spoke about delivering the service that the guests expect. And when I hear that, I think about food and beverage, I think about housekeeping. I'm curious kind of what percent of the way back you are as it relates to your breakfast buffets in select-service hotels, your 3-meal-a-day restaurants in more full service?

And can you remind us what percentage of guests are kind of -- are you on the opt-in model? And what percentage of guests are opting in for housekeeping?

Tony Capuano: Sure. So on housekeeping, we continue to evolve our approach. Today, in our select-tier hotels, it is an opt-in approach. Daily housekeeping is available at the discretion of the guest. And at luxury, we are doing daily housekeeping.

We're testing those options today. We're using those learnings to try and strike the right balance between guest expectations and economic realities for the owners. And as we work through those tests, we intend to launch a definitive approach sometime here early in 2022.

Vince Ciepiel - Cleveland Research Company: Great. And how about on the food and beverage side? What percentage of the way back are you there?

Tony Capuano: So we're getting there. It's -- we are largely back to where we were in the markets that have seen the most rapid recovery. So if you are lucky enough to visit our hotels, particularly in resort destinations, you'll experience food and beverage services and offerings very similar to what you saw pre-pandemic.

An example of that, we just had our Board meeting down in South Florida. Most of us had to order in-room dining because the restaurants couldn't offer us reservations prior to 10:45 p.m., and they were full. In those markets where we've seen demand recover more slowly, we are moderating the pace at which we bring back our food and beverage offerings and trying to have that pace match the pace of demand recovery.

Vince Ciepiel - Cleveland Research Company: That makes a lot of sense. My second question is on distribution. With special corporate being down, I imagine OTA contribution is up. But can you just remind us, I think -- pre pandemic, I think you were in the low double digits for OTA contribution. What did that end up being in 2021?

And then I think your digital direct channel was growing pretty fast, maybe even faster than OTA. How has that evolved? And where do you see that going in 2022?

Leeny Oberg: Sure. So I think a couple things. And that's just a reminder that, in 2019, you also had -- special corporate is classically done through what we call GDS. And that is what is obviously taking the biggest dip. So now when you look at kind of their percentage share, they're down 600 basis points as compared to 2019.

Now the OTAs are up with all this leisure business by 200 basis points, and they're at 14 percent in 2021. But at the same time, a direct share of total room nights is up to 76.3 percent, and that's actually up 340 basis points.

So actually, our direct channels have grown meaningfully more than the OTAs. The OTAs have clearly, obviously, benefited from the leisure business. And GDS, classically, and more related to business travel has been the one that has lost the most share.

And the only other thing that I'll mention because I just find it interesting that also within the direct share growth is the movement off of voice to digital. And I think that all makes sense when you think about our Bonvoy technology and our app and how many downloads we get that our guests are feeling more and more comfortable using the digital channel, which, again, is an incredibly efficient channel from a cost perspective and from a value delivery to the customer.

Richard Hightower - Evercore ISI Institutional Equities: So just on the development pipeline and as I think about supply chain delays and the like, maybe help us understand, if we go back to the beginning of 2021, what your outlook was for rooms growth at that time? How many of those projects got delayed versus your original outlook and maybe pushed into 2022? And then likewise, what sort of cushion do you give to the 2022 forecast as you think about ongoing delays and so forth?

Tony Capuano: Yes, I'll take a try at that one, and Leeny may chime in. I think about it a little bit -- I think about the pipeline a little like a conveyor belt. We've got some projects - one of the reasons that our openings were so strong in the fourth quarter is we saw some projects that, in our earlier forecast, we assumed would open Q1 2022. And they actually got done a little more quickly and opened in December.

We do see some delays that come out the back end. But I think maybe the most relevant statistics are the pace at which shovels are going in the ground and the lengthening we've seen in the construction cycle. You heard Leeny in her remarks talk about roughly 24 months, start to finish, as an average for our select-service hotels here in the U.S. There's not a lot we can do to accelerate that.

If anything, we've got some challenges with supply chain and the like. But that 24 months seems to be holding. It's one of the reasons we continue to be so focused on conversions in the year for the year.

Leeny Oberg: And as Tony said, we do -- for what it's worth, when we build our budget, we do go project by project, country by country. So it is a quite detailed estimate. But as Tony pointed out, there are some that finished a little bit earlier and some that end up being a little bit later. And we do our best every year at estimating.

But the other part that I'll point out when we talked about where we were at the beginning of 2021 is that we actually expect the deletions to be higher. And I think you all will remember that my comments then reflected probably about 50 basis points of an expected COVID-related hedge that it was hard to predict at that point where exactly all these hotels would go as we move through the pandemic.

And I think happily, with a lot of work on everybody's part, including the owners, in revenue management and on the cost side, that -- and the banks have been very good partners to work with as well, we have seen deletions come in better than we expected. And that has also ended up helping the net rooms growth number even compared to where we were four months ago.

Richard Hightower - Evercore ISI Institutional Equities: That's really helpful color. And if I could just add one follow-up, maybe back to, I think, one of your responses on the leisure side and thinking about demand and pricing power in that segment. If we look at some of the nontraditional short-term rental companies, for instance, Airbnb and so forth, everybody sort of talks about their leisure customer the same way.

And a lot of this is the business has improved meaningfully with work from home and a hybrid workforce and all that kind of stuff. I mean, would you say that there's more or less or about the same customer overlap as you think about your core leisure customer versus what we see in the short-term rental space? And how has that changed over the course of COVID?

Tony Capuano: Well, I think, if you look particularly at the performance we've seen in our luxury-tier resorts and our full-service resorts, one of the things we hear from our customers pretty clearly is their desire for a full complement of services and amenities. And as we've said in response to versions of this question in the past, that's probably the most significant differentiator between our product offering and some of the short-term rental offerings that are out there.

Leeny Oberg: The other thing I'll mention is, clearly, in the beginning of the pandemic, when you were kind of imagining searches for people wanting to get away, there was larger proportion of searches that were for places that are out of the way, truly places where people felt comfortable going where they could be away from others.

And we have seen that gap narrow in terms of the searches for kind of classic room-sharing type places as well as hotels. We've seen that gap narrow, which, I think, makes sense given the progress as we move through the pandemic.

Stephen Grambling - Goldman Sachs Group, Inc.: On the owned and leased segment, can you give us a little bit more color on some of the puts and takes that could impact that segment's RevPAR and margin performance versus the system-wide trends in 2022? And maybe even tie in how you're thinking about any asset sales there, if possible, given how strong the transaction market has been?

Leeny Oberg: Sure. I think on the asset sales, we will obviously continue to be opportunistic, Stephen. And it really depends on where the hotel is, both in terms of its stage of capex. As you know, in a number of hotels that we own, we really want to get them to be great representations of our brands. And in cases where the markets have really not recovered, we are not going to feel compelled to rush that sale. So in that regard, it will really vary.

We've also got JV interests, as you know. For example, our St. Regis Punta Mita JV was sold during 2021. That market was doing great. That hotel was in great shape, and we were able to get a really good sales price on that asset. So I think it really does depend a lot on the situation.

Remember that owned-leased also has termination fees. And that, also, I would expect not to be growing, but also to continue to provide somewhere in the ballpark of \$40 million in fees a year. And then on the owned-leased profits, I think you will continue to see progress. But do remember that we have a chunk of leased hotels.

And there, you obviously need to get to where you're covering your fixed rent payment, to the extent it is fixed rent, which will mean it behaves a little bit more like a U.S. owner's priority, where you need to get to a floor before you're actually getting any profit. So I think we look forward to seeing the numbers get better and better. But in terms of getting back to the full levels of 2019, I think it will take a little bit of time.

Stephen Grambling - Goldman Sachs Group, Inc.: Makes sense. And perhaps as a big picture follow-up, Tony, now that we're coming up on the roughly one-year mark that you've taken over as CEO, I'm curious how you could characterize where your top priorities are now in addition to the company, not only for its unique recovery, but longer term, and how they may have shifted over the course of the year, particularly given you've met with folks in the field more recently?

Tony Capuano: Sure. Thanks. I don't think they've shifted meaningfully. I mean, I think we are encouraged, as you've heard this morning, about the pace of demand recovery. But the priorities really continue to revolve around our key constituents, leading with our associates, certainly our guests and, as we've discussed at length this morning, the economic health of our owners.

Okay. Well, thank you all for your questions this morning, for your continued interest in Marriott. And with increasing frequency, we look forward to seeing you on the road. Thanks, and have a great day.

--End--

Note on forward-looking statements: All statements in this document are made as of February 15, 2022. 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 possible effects on our business of the COVID-19 pandemic (COVID-19); recovery in lodging demand; travel and lodging demand and trends; our growth prospects and expectations; future performance of the company's hotels; our development pipeline, signings, rooms growth and conversions; our investment spending expectations; our expectations regarding capital returns to shareholders; 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 the risk factors that we identify in our Securities and Exchange Commission filings, including our most recent Annual Report on Form 10-K or Quarterly Report on Form 10-Q. Any of these factors could cause actual results to differ materially from the expectations we express or imply in this document.