Marriott International, Inc.
Second Quarter 2025
Earnings Conference Call Transcript[1]
August 5, 2025

Operator: Good day, everyone, and welcome to Marriott International's Second Quarter 2025 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 2025 earnings call. On the call with me today are Tony Capuano, our President and Chief Executive Officer, Leeny Oberg, our Chief Financial Officer and Executive Vice President, Development, and Pilar Fernandez, our 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.

Marriott reported strong second quarter financial results this morning, ahead of our previous guidance, during a period of notable macro-economic uncertainty. The company's pipeline reached a record level, and net rooms grew 4.7 percent since the end of the 2024 second quarter.

Second quarter global RevPAR rose 1.5 percent. Our industry leading portfolio continued to gain share, and our RevPAR Index, which is already at a substantial premium to peers, rose again in the quarter.

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

International RevPAR rose over 5 percent, led by growth in both APEC and EMEA. RevPAR in APEC rose 9 percent, driven by strong ADR growth and higher demand from international guests. Key markets like Japan and Australia saw double digit RevPAR increases.

Second quarter RevPAR in EMEA rose 7 percent, on solid increases in both ADR and occupancy, with strong transient demand from both in-country and cross-border guests. Despite June being impacted by the conflict in the Middle East, second quarter RevPAR rose over 10 percent in the Middle East and 4 percent in Europe.

With its high reliance on U.S. travelers, CALA was impacted by weaker leisure and government-related demand. But strong ADR, especially at our luxury hotels, drove RevPAR up 3 percent. RevPAR in Greater China declined half a percent year-over-year due to the weaker macro environment, with lower business and group results, though our properties continued to gain market share.

RevPAR in the U.S. and Canada region was flat year-over-year and grew nearly 1 percent when adjusting for the Easter shift. RevPAR growth was again strongest at the high end, with luxury RevPAR up 4 percent, and it weakened going down the chain scales, where results came in below our prior expectations.

Second quarter U.S. and Canada select service and extended stay RevPAR declined around 1.5 percent year-over-year, primarily due to a decline in government demand, as two-thirds of government revenues are in the select service segment, as well as weaker demand from smaller business customers. Across chain scales, group RevPAR in the U.S. and Canada was also softer than previously anticipated, primarily due to fewer near-term bookings and elevated attrition rates.

Looking at RevPAR by customer segment, leisure transient grew the fastest this quarter, with leisure transient RevPAR rising 3 percent globally and 1 percent in the U.S. and Canada. Group RevPAR rose 2 percent globally and 1 percent in the U.S. and Canada. Second quarter business transient RevPAR declined 2 percent globally, and in the U.S. and Canada, in part because of the shift in Easter timing.

With ongoing economic uncertainty, we now estimate full year RevPAR growth to be in the lower end of our prior range, an increase between 1.5 and 2.5 percent over last year. Leeny will share more details on our outlook during her remarks.

We still expect strong net rooms growth in 2025 and beyond, as owners continue to show preference for our brands. Even with higher construction costs and the challenging financing environment in the U.S. and Europe, second quarter deal signings rose 35 percent, with every region signing more projects than in the same quarter last year.

As a result, our pipeline grew to a record of over 590,000 rooms at the end of the quarter, with 40 percent of those pipeline rooms under construction. Conversions remain a significant driver of growth, representing nearly 30 percent of both room signings and openings during the first half of the year.

As we continue to focus on being in more places with the best brands and experiences, we are making excellent development progress across all of our chain scales. With their highly efficient operating models and strong value propositions, our existing midscale brands – City Express by Marriott, Four Points Flex and StudioRes - are attracting significant interest from owners. At the end of the second quarter, we had around 200 open midscale hotels with another nearly 200 in the pipeline.

In May we announced the global launch of our latest collection brand in the midscale to upscale segment, Series by Marriott. We created Series by Marriott to bring established quality regional hotels into our portfolio and to further our reach among value-conscious travelers, provide additional choice for our existing Marriott Bonvoy members and guests, and offer more affiliation opportunities and growth for local owners. In conjunction with the launch, we announced a founding deal to affiliate the Fern portfolio, which has over 100 open and pipeline hotels across India, with Series by Marriott. We also recently closed on the acquisition of the innovative, tech-forward lifestyle brand, CitizenM. We see meaningful opportunity for global growth for both of these recent brand additions.

At the upper end of the chain scale, we continue to expand our leading global luxury portfolio, where our distribution of nearly 168,000 rooms across 670 open luxury properties is currently over 40 percent larger than our next closest competitor. This year we plan to open[2] 27 luxury properties, and we have an additional 270 projects in the pipeline, as we look to provide new opportunities to deliver bespoke experiences in iconic destinations. Recent notable highlights include the openings of the All-Inclusive W Punta Cana and the JW Marriott Crete Resort & Spa, and last month we celebrated the inaugural voyage of Luminara, the third addition to The Ritz-Carlton Yacht Collection.

Delivering exceptional guest experiences helps fuel the growth of our powerful global loyalty program. With an acceleration in enrollments, our Marriott Bonvoy loyalty program grew to nearly 248 million members at the end of June. Marriott Bonvoy member penetration rose again, reaching a record of 69 percent of room nights globally and 74 percent in the U.S. and Canada.

In June we announced the introduction of the Marriott Media Network, a media network that will help brands connect more meaningfully with guests across their travel journey. Leveraging our leading scale and Marriott Bonvoy loyalty program, Marriott Media Network will allow advertisers to use our deep insights into traveler behavior and preferences to reach high value audiences through curated touchpoints, like the Marriott Bonvoy app and in-room televisions.

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[2] Said “an additional”

Everyone has likely seen the news that Leeny will be retiring from Marriott in March of next year. As you all know, Leeny is an incredible leader with an unwavering commitment to excellence and the creation of shareholder value. It has been an absolute privilege to work with her, and I am one of the many, many people who will miss her greatly when she retires next year. Leeny will remain the company's CFO through the filing of this year's 10-K in early 2026, and I am pleased that upon her retirement, two long-time veterans will succeed Leeny. Jen Mason, our current Global Officer, Treasurer and Risk Management, will become our CFO and Shawn Hill, currently the head of development of APEC, will become our global head of development.

I will now turn the call over to Leeny. Leeny?

Leeny Oberg: Thank you, Tony, and thank you for your kind words. This was a hard decision, and very bittersweet, as it is never easy to leave a company and job that you love. I have the utmost confidence in Jen and Shawn and look forward to working with them on a smooth transition. As Tony noted, I am not leaving anytime soon, so let's now talk about our financial results and outlook.

Second quarter global RevPAR increased 1.5 percent, driven by a nearly 2 percent ADR growth, offsetting a 30 basis point decline in occupancy, largely reflecting declines in U.S. and Canada select service hotels. Average daily rate has held up well in most regions, demonstrating excellent revenue management across our system despite short booking windows.

Second quarter total gross fee revenues increased 4 percent year-over-year to $1.4 billion. The increase reflects rooms growth and higher RevPAR and co-branded credit card fees, partially offset by an $8 million decline in residential branding fees related to the timing of unit sales.

Incentive management fees, or IMFs, rose 3 percent to $200 million in the second quarter, with roughly two-thirds earned by international hotels. Higher IMFs in all international regions were partially offset by declines in the U.S. and Canada, primarily due to some large hotels undergoing renovations.

Owned, leased and other revenue, net of expenses was ahead of expectations and rose 14 percent compared to the prior year, largely driven by contributions from the Sheraton Grand Chicago, improved performance at other hotels in the portfolio and favorable currency impacts.

Second quarter G&A declined 1 percent year-over-year, primarily due to lower compensation costs, as we continue to benefit from the work we did last year across the enterprise to enhance our efficiency and productivity. Our Adjusted EBITDA rose 7 percent to $1.42 billion.

Now, let me talk about our third quarter and full-year 2025 outlook.

With ongoing economic uncertainty, we expect global RevPAR to be flat to up 1 percent in the third quarter and up 1.5 to 2.5 percent for the full year. Our full year RevPAR growth is still expected to be meaningfully stronger internationally than in the U.S. and Canada, even with Greater China RevPAR still anticipated to be around flat compared to last year. The luxury and full-service segments, where we are extremely well positioned, accounting for over half of our open global rooms, are expected to continue to nicely outperform lower-end chain scales.

Globally, fourth quarter RevPAR growth is anticipated to accelerate from the third quarter, in part due to holiday shifts and the timing of certain large events. Examples include the positive impact of the Paris Olympics and EuroCup in the 2024 third quarter …. the positive impact of the Republican and Democratic Conventions in the 2024 third quarter and then the negative impact of the U.S. Presidential election in the 2024 fourth quarter…. plus F1 in Singapore is shifting from the third quarter last year to the fourth quarter this year.

At the end of June, on a global basis, revenues for group, the customer segment where we have the most visibility, were pacing down 2 percent for the third quarter and pacing up 6 percent for the fourth quarter, reflecting some of these calendar impacts. Full year 2025 group revenues were pacing up 3 percent, below the pace we saw a quarter ago, primarily due to fewer near-term bookings. However, group bookings for future periods have strengthened, with group revenues for 2026 pacing up 8 percent in the U.S. and Canada and globally, up from 7 percent a quarter ago.

On a global basis, for the full year, we now expect leisure transient and group RevPAR to grow in the low single digit range. Business transient RevPAR is now expected to be around flat year-over-year, with government demand expected to remain weak. Government room nights in the U.S. and Canada were down 16 percent year-over-year in the second quarter, more than in March, but do appear to have stabilized around these levels.

Turning to the P&L - in the third quarter, gross fee growth could be in the 2 to 3 percent range. Third quarter growth will be impacted by the timing of residential branding fees, which are expected to be down significantly year-over-year. IMFs are expected to see declines around 15 percent in the third quarter, largely reflecting tougher year-over-year RevPAR comps, continued renovations at some large properties in the U.S. and Canada region and the receipt of business interruption insurance proceeds at certain Florida hotels in the last year third quarter.

Fourth quarter IMFs are expected to increase in the mid to high single digit range, partly due to easier comps as a result of hurricanes impacting some Florida hotels last year as well as improved performance at renovating hotels. Full year IMFs are anticipated to be flattish to slightly down year-over-year. Third quarter Adjusted EBITDA is expected to increase 5 to 7 percent.

For the full year, with a reduction in the upper end of our RevPAR range, we now expect gross fees of $5.37 to 5.42 billion, up 4 to 5 percent year-over-year. For the full year, co-branded credit card fee growth is still expected to be a couple hundred basis points lower than the nearly 10 percent growth in 2024, and timeshare fees are still expected to be around $110 million. With a shift in the expected timing of sales for certain properties, full year residential branding fees are now anticipated to decline around 30 percent.

Owned, leased and other revenue, net of expenses, is now expected to total $360 to $370 million, primarily reflecting the flow through of second quarter results.

2025 G&A expense is still anticipated to decline 8 to 10 percent to $965 to $985 million. This decline reflects the expected $80 to $90 million of above-property savings from our enterprise-wide initiative to enhance our effectiveness and efficiency across the company that is also expected to yield cost savings to our owners.

Full year adjusted EBITDA could increase between 7 and 8 percent, to $5.3 to $5.4 billion.

Full year adjusted diluted EPS could total $9.85 to $10.08. Our full year adjusted effective tax rate is still expected to be roughly 1 percentage point higher than a year ago, given a shift in earnings to higher tax rate jurisdictions. Our underlying full year core cash tax rate is still anticipated to be in the low 20 percent range.

Let me also share some sensitivities to help with modeling. The sensitivity of a one percent change in full year 2025 **U.S.** RevPAR versus 2024 could be around $35 to $40 million of total RevPAR related fees. The impact of a one percent change in full year 2025 **global** RevPAR versus 2024, assuming equal changes across all hotels around the world, could be $50 to $60 million.

Our 2025 net rooms growth is still anticipated to approach 5 percent. As we look ahead, with our strong momentum in global signings, we still expect long-term global net rooms growth in the mid-single digit range.

Total investment spending is still expected to be $1.36 billion to $1.46 billion, or $1 to 1.1 billion excluding $355 million for the citizenM transaction. Our capital allocation philosophy remains the same. We are committed to our investment grade rating, investing in growth that is accretive to shareholder value, and then returning excess capital to shareholders through a combination of a modest cash dividend, which has risen meaningfully over time, and share repurchases.

We are pleased with the company's strong year-to-date cash flow performance and outlook. Given strong cash flow generation, we still expect full year capital returns to shareholders to be around $4 billion, while maintaining our leverage in the lower part of our net debt to EBITDAR range of 3 to 3.5 times.

Before ending our prepared remarks, Tony and I want to express our gratitude to our incredible team of associates around the world for their continued hard work and dedication. The operator can now open the lines for questions. Please ask just one question each so we can speak with as many of you as possible. Thank you.

Question and Answer Session:

Stephen Grambling, Morgan Stanley: Leeny, I know you still have time, but congratulations, and thanks for all of your consistent insight and support.

Leeny Oberg: Thank you, Stephen.

Stephen Grambling, Morgan Stanley: So I think we've talked about this in the past, but maybe this is a big picture question, but given all the advances in technology, particularly around AI, where are we in the technology transformation project as it relates to timing and spend, and what are some of the major changes both owners and travelers can expect to see over the next few years?

Tony Capuano: Sure. Thank you, Stephen, for the question. As you know, we are in the midst of a multi-year transformation of our three main systems; loyalty, reservations and PMS. We expect to start deploying the new cloud-based central reservations, PMS in the U.S. and Canada select service hotels later this year.

The strategy is intended to do a few things. It's intended to meaningfully enhance the ease with which our associates are trained on those platforms. In turn, enhancing our competitiveness, particularly for next-generation future associates. It should make the experience for our guests, both on property and when they're engaging with our customer engagement centers, much more seamless, much more efficient.

And then from an owner perspective, it should drive both some opportunities to improve the efficiency of our operations, but maybe even more compelling the ability to better merchandise and sell the full range of products and services that we want to make available to our guests ideally representing some revenue upside for the owners.

Pivoting to AI, I think I talked about this last quarter. We have stood up a Marriott AI incubator that is working on a variety of proof of concepts. Some of those early proof of concepts were in areas like reimagining the concierge function where we think there's a real opportunity to take advantage. We're also looking at pilots in our customer engagement centers to help those agents navigate such a broad and diverse portfolio.

As you may know, we've incorporated AI into the Marriott Homes and Villas platform. And while it's early, the early reaction of our guests has been terrific. And then we've also launched an ambassador trip planning tool that is fueled by AI. So lots of work going on in the AI space.

But again, all of it focused on, number one, serving each of the constituents that we serve every day. And number two, creating capacities for our associates to better engage guests.

Leeny Oberg: And Stephen, just on your question about the funding of the project, for the tech transformation, the heaviest spend levels are really 2024, 2025 and 2026. And as you know, there will be several hundred million that will go on to Marriott's balance sheet be paid off over time. But the delta is not huge kind of compared to normal, but probably is, call it, $100 million more than you might typically expect on the tech spend side for those years.

Shaun Kelley, BofA Global Research: Good morning, everyone. And Leeny, I'll pass along my sentiments as well. You'll be sorely missed when we get to that moment, but I think we have another quarter or two together. So appreciate all you've done.

Leeny Oberg: Thank you.

Tony Capuano: But Shaun, you can share those sentiments the next two quarterly calls as well.

Shaun Kelley, BofA Global Research: It's just going to be a really long farewell. So Tony, where I wanted to go with my question was actually some of the implications on the One Big Beautiful Bill. So obviously, some certainty here for the sort of broader kind of investment community and the way people think about it.

But if you could put your development hat on for us for a second, given some of the expensing features in that legislation, I'm curious on whether or not you think this can drive some renovation capital to the space, possibly some more development or optimism on that side?

And then, Leeny, for you, anything on the Marriott corporate side in terms of interest deduction, accelerated depreciation or anything that would matter for Marriott corporate? Thank you.

Tony Capuano: Yes. Thank you, Shaun. Maybe I'll talk macro and Leeny can be a little more granular. In some ways, the best thing about the Big Beautiful bill is it's done, right? And so the level of uncertainty, both among consumers and among our owners and franchisees, improves meaningfully with the signature on that bill.

Most of our owners, we've talked about this in the past, are long-term investors in the sector. They don't tend to jump in and out based on the ups and downs and what's going on in Washington. But I do think the stability that comes from no more talk about it and the implementation of the various components of that bill are a net positive for us.

With that said, the factors that our owners consider as they think about putting shovels in the ground are all around yields. And so to the extent that there remains uncertainty around tariffs, that will give them some measure of pause. But again, they're long-term investors. And so we've seen a bit of an uptick in the construction starts, certainly not to where we'd like to see it in a pre-pandemic world.

We continue to see really strong and accelerating traction on the conversion front. You heard in my prepared remarks in just a quarter, we've seen our global pipeline of mid-scale doubled from 100 projects a quarter ago to 200 at the end of Q2. Leeny, I don't know if you want to add any color there?

Leeny Oberg: Yes. So let's talk for a minute about the broader picture that you're asking about, Shaun. And clearly, as it relates to certain kind of depreciation factors, et cetera. That is one element that can be encouraging, but I think it's, again, it's a broader picture about economic stability about interest rates, about kind of where the transaction market is and bid-ask spreads, et cetera.

And I do think that with, as Tony said, the bill passing and hopefully, a more concrete view about where tariffs are going to end up, that we've got the possibility of the transaction market starts to open up some more, that is certainly helpful as we think about having some assets that we're finishing fantastic renovations in, and we would like to recycle that capital. So from that standpoint, we're looking forward to opportunities on that front.

Dan Politzer, J.P. Morgan: Good morning, everyone. And Leeny, thanks for everything. I'm glad we'll have you for a bit longer though to help us out. I wanted to go zooming on the group business a bit. It seems like it's been choppier near term, but you mentioned 2026 is actually tracking a little bit better than even last quarter.

Can you maybe unpack that a little bit in terms of what you're seeing in terms of lead volumes versus some of the deferrals possibly? And is it an actual change in the type of customer or booking that you're seeing? Or what exactly is going on there?

Tony Capuano: Sure. I'll give it a try. As you rightly point out, the -- a quarter ago when we gave you visibility into group pace for 2026, we were tracking up 7 percent. That's ticked up 100 basis points.

We're now tracking at 8 percent, not a meaningful shift in distribution across the various sources of group.

I mean as you know, we get 45-ish percent of all group comes from corporate. That seems to be staying pretty consistent. About one-fourth comes from association that is remaining fairly consistent as well. We are not seeing any sort of above normal volume of cancellations in the group segment.

I think in our prepared remarks, we may have mentioned a little uptick in attrition here in Q2 and into the back half of 2025. But again, those pace numbers for 2026 are really encouraging.

I would -- the other thing I would say, we talked in response to one of the earlier questions about some of the fluidity in the macro environment. That's really, I think, been the driver and a little drop in in-the-year-for-the-year bookings, certainly in Q2 of this year and an expectation for the back half of the year.

Leeny Oberg: And just to -- for one follow-up, when you think about how much of the drop in Q2 grew relative to our expectations a quarter ago, not quite half was from attrition and the rest was from weaker in-the-quarter-for-the-quarter bookings. So kind of a fairly even mix of the two.

And then as Tony said, I think some real uncertainty around the state of play in the economy. The other thing that's worth noting is that, obviously, with a number of both holidays and event shifting, that's also partly what you're seeing in the group outlook for Q3 and Q4 being different between those two quarters.

Conor Cunningham, Melius Research: Hi everyone. Thank you. And congrats, Leeny, on the retirement. I also look forward to getting some more insights over the next couple of quarters. But I was hoping you could talk a little bit about the Marriott Media opportunity. I realize it's still very, very new, but other travel companies talk about this opportunity on media and ads.

And just a significant driver of profits and whatnot. And I'm just trying to understand the potential opportunity set ahead? Is it on the level of like a co-branded credit card contribution at full maturation? And maybe you could just talk about how you view it. Is it -- is it companies that are coming into the Marriott ecosystem? Or is it an ad-based type platform? Just any thoughts would be helpful. Thank you.

Tony Capuano: Yes. Conor, happy to talk about it. And I was with Peggy Roe and her team at Cannes Lions earlier this summer, where we did our official launch and certainly, if the early level of interest that we saw from prospective advertisers is any indication, I think we ought to be really optimistic about the future of the network.

It's really fundamentally, Conor, a network that helps brands connect with audiences throughout the guest journey. It allows us to take both the deep insights we have into travelers and their preferences and then provide that guidance and then access for those advertisers across our digital platforms and our physical environments in our guest rooms to try and offer really bespoke campaigns that appeal to traveler interest.

It's really too early to give you a sense of what the economics might look like. We're in very early days. But again, the level of the interest, I think, has exceeded our expectations, and it gives us a lot of optimism about the future of the network.

Leeny Oberg: The only thing I would add to that is we do expect to be sharing the returns with our owners as well. I think it's one of these great examples of complementary adjacent businesses that help our overall power of Bonvoy but also help the P&L of both the company and our owners.

Richard Clarke, Bernstein: Hi. Thanks for taking my questions and just continue the thanks for Leeny. It's been a pleasure working with you the last few years. I guess I just want to ask a question on the residential branded fees. It seems to be coming up every quarter as a piece of volatility. And I guess investors in hotel stocks don't like volatility very much. So just your commitment to the residential business and how you're feeling about the long-term outlook in continuing to pursue that opportunity.

Leeny Oberg: Sure. Thank you very much for the question. And I will kind of double down, emphasize our excitement about this business. We are the clear leader in the branded residential business across a number of our brands around the world, and we are thrilled with what we see in terms of continued openings, continued strength of the prices that these units are selling for, which then feeds into branding fees for us, it's worth mentioning that we also do get management fees from these, which are in our base management fees. They are obviously a smaller amount, and they do not have the same volatility associated with them.

But as an example, last year was $80 million. So while I hear your point about investors not liking the volatility of them, it's still not a huge part of our overall fee stream -- and this year, we now expect them just from a timing perspective to be more like 30 percent down. That's actually better than it was a quarter ago when we had talked about them being down close to 50 percent.

And again, in the big scheme of things, not such a huge impact on earnings, but they are high return on investment fees and typically also associated with a hotel next door and provide tremendous value to those hotels as well. So no, we are huge fans of our residential business, and I would be remiss not to thank that team for the extraordinary work that they do in delivering these results.

Tony Capuano: And Richard, the only other color commentary I would add, I talked both in my prepared remarks and in response to an earlier question about the continued strength we see in luxury. I think the impact that our branded residential business has on the perception of those brands, on the confidence in the quality and service delivery in those brands, residential is a meaningful contributor to that growing lead that we enjoy in the most valuable tier.

Brandt Montour, Barclays: Good morning, everybody. I want to extend a heartfelt congratulations to Leeny. You'll definitely be missed. I wanted to ask about business transient trends, obviously, down in the quarter and low visibility within this business. But maybe if you could break out non-government business transient and just give us a sense on what you've sort of baked into your assumptions going into the third and fourth quarter within guidance. What are you hearing, Tony, from the larger corporates, especially that we know you have good relations with and what they're thinking?

Tony Capuano: Yes. So maybe I'll start with the government piece. Just to ground you and remind you that last year, in full year 2024, about 3 percent of global room nights and about 4 percent of U.S. and Canada room nights were U.S. government workers. That's federal, state, local.

And we've done our best to try to estimate government adjacent room nights as well. And in the U.S. and Canada, we would guess that would be about another 1 percent. And it sort of scales by chain scale, meaning if you go to the select service scale, about 6 percent of room nights come from government, about 3 percent in full service and about 2 percent in the luxury tier, which maybe speaks a little bit to some of the trends that we've seen.

Talking more broadly about business transient, most of the corporates that we work with are, to a certain extent, I would characterize them as back to normal. A lot of the travel restrictions they had coming out of the pandemic are largely gone. You're seeing more and more return to the office, either voluntary or mandated.

And I think that's having some impact on business transient volume as well. But the volatility and the uncertainty that both Leeny and I talked about in our prepared remarks appears to be the biggest contributor to the bit of softness we saw in the quarter.

Leeny Oberg: And Brandt, to break out kind of your specific question about the impact without the government, globally, business transient RevPAR was down 1 percent if you exclude the government because government transient RevPAR was down 17 percent in the quarter.

And that's a bit more than it was, say, in March of 2025. But it does appear to be kind of steadying out. So I think if you kind of unpack that a bit, you continue to see that BT apart from government is experiencing this kind of lower growth that fits what's going on with global economic activity, which is clearly lower than what was expected at the beginning of the year, but also not falling dramatically.

Robin Farley, UBS: Great. Thank you. And I want to echo everyone's sentiment about Leeny as well. My question is on the pipeline and rooms under construction. Obviously, the development environment is different than it's been historically that looks like about 40 percent of your pipeline is under construction.

And if we with change in how you count conversions, that would be somewhere in the 30 percent range. And if we think about how that was close to 50 percent kind of pre-pandemic or like what the old normal was. Can you help us think about what conversions as a percent of openings needs to grow to next year for to hit that same kind of mid-single-digit range in unit growth, just what conversions in the percent would have to grow to kind of offset maybe what's not kind of new being newly built? Thank you.

Leeny Oberg: So Robin, I think the best way to talk about this is the reality that conversions have been, call it, 30 percent, even a little bit over often a percentage of our signings for several years now. So you really -- it's not as comparable to the specific of the pipeline in 2019 because you've now seen some rolling years of these higher percentages of conversions that stay in your pipeline or in general, a shorter period of time.

So we would expect to continue to see over the next few years that we would have, call it, roughly one-third rooms openings that are conversion rooms, and that includes adaptive reuse in Greater China, which are kind of a mix of new construction and conversion rooms and continue to see this strong amount of signings being in the conversion space.

And as we look at a pipeline that is over 5 percent higher than a year ago, with, again, this heightened element of several years of conversions, we're confident that we're building the track record for this mid-single-digits net rooms growth over the next several years.

Tony Capuano: And Robin, the only thing I'd add two things to that. I would -- I think I mentioned this in my prepared remarks. We're just getting started in the mid-scale tier where we think there is tremendous opportunity.

As I mentioned, the number of mid-scale deals in the pipeline globally doubled just from a quarter ago. And with the introduction of something like Series, that really enhances an effort that we've talked about the last few quarters around portfolio conversions, which is really encouraging to us.

Duane Pfennigwerth, EVERCORE ISI: Good morning. As you think about the expected improvement from third quarter to fourth quarter, just a couple of assumptions I wanted to check with you. Is this primarily a domestic pickup? Or are there other regions of the world where you also expect sequential improvement and then relatedly, by segment, it sounds from your commentary, clearly, group -- the group pace is higher. Is that the biggest sequential driver? I mean our sense is BT is actually improving. Business travel is improving. -- we're in a peak leisure period now, so it's a little bit hard to measure. But how are you thinking about pickup for BT specifically into the fall?

Leeny Oberg: Yes. So I think you make a couple of good points. And let me first talk about your broad question about Q4 over Q3, which is, again, the items clearly that we mentioned, clearly pointed out in the U.S. But you've also got things like easier comps in China as you move through the year and that becomes even more heightened as you get to Q4 which obviously at close to 10 percent of our systems is a nice help as you look at the overall pickup. And then obviously, you pointed out the group difference.

But I would also agree with you that just from a BT standpoint that it is a generally heavier period of BT travel and with some of the resolution of things like either the bill or continued progress about tariffs that there is -- and potentially interest rates, that there is a bit more of an open view about where the economy is going. We are not assuming a fundamental shift in business transient, but more seasonality impacts, as you pointed out. But from a general level of economic activity, we are assuming pretty much steady as she goes and not some sort of big pickup in the economy that is different than what we're generally seeing overall.

Tony Capuano: And Duane, the only thing I would add, we talk about group, one, the trends are encouraging. Two, we've got a little longer-term visibility than we have on the transient side. And so just to remind you, in the quarter, the global average booking window for transient was only 20 days. And for BT, it was only 16 days and so I think your observations are spot on. We just don't have as much visibility into transient as we do in group.

Leeny Oberg: That's a great point.

Smedes Rose, Citi: Hi. Thanks. I know it's a long goodbye but will definitely miss you. I just wanted to follow up on the group a little bit because it sounds like maybe the pace has stalled a little bit through the balance of this year, but you and other companies are talking about picking up into next year.

And I'm just wondering, at this point of the year, like how much confidence do you have that, that pace can continue? Because it doesn't really feel like -- I mean you said sort of constant economic growth, but it feels like I don't know.

I mean there just seems to be much more uncertainty, I guess, on a lot of levels despite maybe some tax certainty and things. And I guess I was just wondering how confident do you feel in that, that pace can continue? Or do you think people are just holding space and they might just cancel later?

Tony Capuano: Yes. It's a good question, Smedes. But as I said, while it's a little early, the -- I might have a different answer for you if the weakness we saw in the back half of this year was the result of wholesale cancellations. The fact that the contracts are holding pretty firm and really, as you heard from Leeny, it's a matter of some attrition likely related to some of the macro uncertainty, coupled with the fact that we're up 100 basis points since a quarter ago on definites on the books for 2026, does give us a measure of confidence about the continued strength in the group segment.

Leeny Oberg: The other thing I'd point out, which is a smaller fact, but just interesting is that the food and beverage component of this group business has not been bad. I mean, F&B has been about 4 percent, and it's generally been sturdy. So sometimes what you see is everybody scales back down to the bare nub on the group meeting that they're having.

And what we're seeing is that it has continued to be robust. They're clearly -- I would say there is more uncertainty about the near term in-the-year-for-the-year bookings in 2025 than we thought a quarter ago. But I will say for the group that continues to roll through, the quality of it is excellent.

Tony Capuano: And maybe just to build on Leeny's point, we've talked a lot on this call about luxury. Those numbers in food and beverage spend are even more compelling in the luxury tier. In the quarter, globally, luxury F&B spend was up 6 percent and up 7 percent in the U.S. and

Canada. And if you just look at food and beverage spend for meetings and events, it was up 9 percent globally and 10 percent in the U.S. and Canada within the luxury tier.

David Katz, Jefferies: Morning, everybody. Thanks for taking my question. Good morning, everybody. Leeny, thanks is probably not enough, but I'd rather spend the next two quarters trying to talk you out of it.

Tony Capuano: You and me both.

Leeny Oberg: Thank you, David.

David Katz, Jefferies: You're welcome. Look, I think we've covered a lot on sort of the cadence of quarters and I'd rather sort of talk a little big picture. With the discussion about residential and some of the affiliation deals that we've seen, Leeny, you hosted a bunch of us on a tour of a yacht not too long ago.

Can we just sort of talk about those other channels? And what could be for Marriott longer term? And the follow-up to it, obviously, is thinking about the economic intensity of those other channels and how attractive they may or may not be relative to the core business that you've grown so far? Thanks.

Tony Capuano: Yes, David, thank you for the question. Maybe I'll talk a little strategically and then let Leeny chime in. You and I talked about this maybe last time we were together in person in New York. Broadly, as demonstrated by some of the recent deals we've done, our strategy continues to be on this focus of keeping our loyal guests within the Marriott ecosystem.

And so it is not adding brands for the sake of adding brands. It's not adding things like homes and villas, outdoor collection, Ritz-Carlton Yacht simply to have stuff to talk about on the earnings call.

It's about really listening to our guests across every tier, understanding how their preferences and how they travel continues to evolve and filling in gaps -- making additions to our core lodging business in a way where irrespective of trip purpose irrespective of destination, we have a platform that allows them to satisfy all their travel needs within that Bonvoy ecosystem without ever looking outside.

Leeny Oberg: So on the economic model, David, I'd point to a couple of things, and that is that kind of let's first talk about the ever-widening range of travel opportunities with Marriott. And I would say what you're seeing, for example, with the Fern announcement that we talked about is kind of classic franchise economics. MGM to be fair, while it is essentially franchise economics is a different structured sort of contract, given that we are largely sharing two incredibly powerful brands.

But when you think about some of these other multi-unit deals we are doing, they do fall much more in the classic sort of franchise super high ROIC sort of economic models. And then when you think about broadening it to things like co-brand credit cards, there you again are seeing also a very high return sort of adjacency that actually extends beyond just earning on travel expenses, but on the ability for people to be buying gas and we ultimately earn branding fees.

Tony talked about the Marriott Media Network with the opportunity to kind of there, again, expand our adjacency to be able to help link customers to great experiences and great products in a way that economically advantages both Marriott and the owners without, frankly, a tremendous amount of investment. So I think the opportunities are terrific as we look longer term. And I think we all believe we're just beginning.

Steve Pizzella, Deutsche Bank: Good morning. And thank you for taking our questions. I also wanted to echo the comments to you, Leeny. Just wanted to follow up on conversions, if we could. Can you talk about what you're seeing in the current environment, both domestically and internationally from a competitive standpoint, including how much key money is being used. And in addition, what do you view as the addressable market for conversions and licensing agreements, including some of the more bulkier, say, 500 to 1,000-plus room deals?

Leeny Oberg: I didn't hear the last part of the question, but I'll start in terms of kind of what we're seeing broadly. Just as a reminder, globally, about half the hotels in the world are branded. Obviously, that's dramatically higher in the U.S. and dramatically lower outside the U.S. So we see just extraordinary opportunities for conversions extending as far as you can see into the future, particularly with the layout of soft brands that we have when you think about Luxury Collection, Series, Autograph, Tribute, et cetera.

And then you've also got just from a standpoint of the ability to make that work economically. In many cases, you've got hotel owners who are evaluating taking an existing hotel rather than building a whole new one, it's a question of how much do they need to reinvest in it to make it fit one of these conversion brands.

And also with the affiliation costs efficiencies we've been able to drive. In that case, you see just really great returns for the owner for being able to put a little bit of money into their hotel and then not having to pay too much to affiliate with one of our brands. So we see great possibilities on the conversion front.

On the use of key money, frankly, it's the same as we've talked about before. There's really not a substantial difference this year relative to what is required. Is it extremely competitive? Absolutely, and key money is part of that. So are the terms of the contracts and the way that the investment is required as well. We do see a bit more key money in the lower chain scale than we saw, for example, in 2019. But when you think about it, broadly speaking, this year over last, it hasn't changed dramatically.

Tony Capuano: And then just to remind you, we may have talked about this a quarter ago. Nearly 40 percent of the pipeline rooms are luxury and full service which, by their nature, tend to command a bit more key money investment, but obviously generate meaningfully higher fees.

Lizzie Dove, Goldman Sachs: Hi. Thanks for taking the question. Congratulations, Leeny. I echo everyone's sentiments and thank you for everything you've done. Just on the development side, going back there for a second. I'm curious specifically just around China and what you're seeing there. It feels like so far, the development trends have kind of defied the mixed RevPAR outlook or environment. So just curious kind of what you're seeing the latest there.

Leeny Oberg: So yes, we have continued to see fantastic room signings this year in Greater China. And again, I really appreciate all the team's hard work. We've seen particular strength in the select service brands, which if you think about it makes sense given the perspective of hotel owners. These are relatively speaking, lower risk, less complex assets, require -- kind of allow for greater diversification. They are lower cost per key and have solid returns.

And so in that regard, that's where we've seen -- about 70 percent of the rooms in the first half of this year have been in select service brands in China, and we're very excited about how our select service brands are performing against competitors for these signings.

And we continue to see solid movement as they go into the pipeline and then start moving through to come through opening. The rooms growth that we have in Greater China is in the high single digits and I think reflects the success that we're having with all of our brands there.

Tony Capuano: And just to give you a little more quantitative context to Leeny's remarks, if you look at the first half of 2025, our room signings are up almost 20 percent year-over-year.

Kevin Kopelman, TD Cowen: Thanks so much. And I'll add my congratulations to Leeny. Thank you for your help and for your kindness. I have just a question on leisure transient. Can you touch on how you would characterize current underlying leisure transient trends after you strip out any calendar changes?

Leeny Oberg: Yes. So I have to admit this has probably been the surprise outperformer for us. And again, I will point to the luxury and certain parts of the premium segment. For example, resorts have just performed extremely well. So I think kind of when you think about kind of wealth and wealth movements in age groups around the world that demographics probably plays a role.

But the reality is people with these levels of unemployment, you're still sort of seeing people take vacation and they love to travel. This desire for experiences over goods continues and the underlying trends that we see are excellent.

Now as Tony pointed out earlier, the booking window is obviously quite short. So you can't really predict much more than three weeks in advance. But so far, we continue to see solid leisure trends. But again, I would not call them that they're accelerating.

Tony Capuano: Great. Well, thank you all again. I promised I wouldn't make Leeny cry on this call, but there's more in that to come. So thank you all for your kind sentiments. Thank you for your continued interest in Marriott, and we look forward to seeing you on the road in the coming weeks and months. Thanks.

Leeny Oberg: Thank you.

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