Note on forward-looking statements: This document contains "forward-looking statements" within the meaning of federal securities laws, including RevPAR, profit margin and earnings trends, estimates and assumptions; the number of lodging properties we expect to add to or remove from our system in the future; our expectations about investment spending; and similar statements concerning anticipated future events and expectations that are not historical facts. We caution you that these statements are not guarantees of future performance and are subject to numerous risks and uncertainties, including those we identify below and other risk factors that we identify in our most recent quarterly report on Form 10-Q. Risks that could affect forward-looking statements in this document include changes in market conditions; the continuation and pace of the economic recovery; supply and demand changes for hotel rooms; competitive conditions in the lodging industry; relationships with clients and property owners; and the availability of capital to finance hotel growth and refurbishment. Any of these factors could cause actual results to differ materially from the expectations we express or imply in this document. We make these forward-looking statements as of October 29, 2014. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Marriott

Marriott International, Inc.
Third Quarter 2014
Earnings Conference Call Transcript[1]
October 29, 2014

Operator: Welcome to the Marriott International third quarter 2014 earnings conference call. Today's call is being recorded. At this time for opening remarks and introductions I would like to turn the call over to the executive vice president and chief financial officer, Mr. Carl Berquist. Please go ahead.

Carl Berquist: Good morning, everyone. Welcome to our third quarter 2014 earnings conference call. Joining me today are Arne Sorenson, president and chief executive officer, Laura Paugh, senior vice president, investor relations and Betsy Dahm, senior director, investor relations.

As always, before we get into the discussion of our results, let me first remind everyone that many of our comments today are not historical facts and are considered forward-looking statements under federal securities laws. These statements are subject to numerous risks and uncertainties, as described in our SEC filings, which could cause future results to differ materially from those expressed in or implied by our comments. Forward-looking statements in the press release that we issued last night, along with our comments today, are effective only today, October 29, 2014, and will not be updated as actual events unfold. You can find a reconciliation of non-GAAP financial measures referred to in our remarks on our web site at www.marriott.com/investor.

We were delighted with our third quarter results. Diluted earnings per share totaled $0.65, 4 cents above the midpoint of our guidance of $0.59 to $0.63. We beat guidance largely due to strong RevPAR growth.

There were several unexpected but offsetting items in the quarter. On the upside, we received 2 cents from deferred fees associated with an owner's sale of Courtyard hotels and 2 ½ cents on the equity in earnings line associated with tax law changes affecting two international joint ventures.

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

On the downside, EPS reflected a penny expense associated with Venezuela currency devaluation, 1 ½ cents from higher bonus accruals, and 2 cents from a non-recurring tax item.

Third quarter worldwide systemwide RevPAR was strong, rising more than 8 percent on a constant dollar basis. For company-operated Marriott hotels in North America, transient RevPAR increased more than 8 percent while group RevPAR rose over 10 percent. Transient business benefited from improving mix, as we reduced discounting and increased high-rated retail business. Leisure demand was extraordinary. Third quarter RevPAR from leisure guests increased 10 percent for the Marriott brand and 9 percent for Courtyard.

For company-operated Marriott branded hotels, group roomnights increased nearly 9 percent. The surge in group occupancy was in part due to shifting business from other quarters, likely due to holiday timing. At the same time, group attendance and last minute group bookings exceeded our expectations.

Property-level catering revenue for the Marriott brand increased 6 percent in the third quarter. Meeting planners continue to make last minute food and beverage upgrades. Looking ahead, we are increasing F&B minimums during peak demand periods and increasing catering prices, as well.

In the quarter, we saw double-digit RevPAR improvement in Atlanta, Boston, New Orleans, Orlando, the California desert, Denver, L.A., San Francisco, and Washington, D.C. Demand strength was widespread, particularly in the financial, health care, professional services, insurance and manufacturing sectors.

In the Greater D.C. market, higher government demand reflected easy comps to last year's sequestration. More important, D.C. saw strong special corporate and group business in the third quarter taking the market's RevPAR up 11 percent.

Outside North America, third quarter systemwide constant dollar RevPAR rose nearly 6 percent. In Europe, RevPAR increased 3 percent benefiting from greater Middle East travel to Paris, Vienna, Munich, and Istanbul, while RevPAR in Russia declined. Stronger occupancy in Egypt drove RevPAR in the Middle East and Africa region up 15 percent. In the Caribbean and Latin America region, favorable leisure demand in the Caribbean and Cancun, along with the impact of the World Cup in Brazil increased RevPAR by 11 percent. In Asia Pacific, RevPAR rose 5 percent reflecting greater demand in Shanghai, Hong Kong and India, tempered by declines in Thailand.

House profit margins benefitted from strong room rate growth and solid cost control. At domestic company-operated hotels, house profit margins increased 240 basis points. Worldwide, house profit margins increased 200 basis points.

Total fee revenues were $448 million in the quarter, 19 percent higher than the prior year. This quarter's results included deferred base fees totaling $15 million compared to $2 million of such fees in the prior year. In this year's quarter, we booked a $9 million deferred base fee triggered by an owner's sale of 40 Courtyard hotels and another $6 million deferred base fee due to favorable performance at a 53-hotel limited-service portfolio.

Total incentive fee growth reflected strong RevPAR, solid cost controls and higher house profit margins. Nearly all of the incentive fee improvement in the quarter came from properties in North America. Incentive fees at our hotels in San Francisco, Chicago and the Pacific Northwest increased meaningfully.

Turning back to the P&L, owned, leased, and other revenue, net of expenses, totaled $55 million in the quarter compared to $48 million in the prior year. Results reflected strong RevPAR growth, as well as our purchase of the Charlotte City Center Marriott, and the addition of the leased Protea hotels that came with the acquisition, partially offset by the impact of renovations.

General and administrative expenses totaled $172 million in the third quarter compared to $147 million in the prior year. Our $160 to $165 million guidance did not assume the net $4 million Venezuela currency devaluation charge or the $6 million in higher bonus accruals.

Our fourth quarter North America group revenue pace for the Marriott brand has improved steadily since June, but remains about flat with the prior year. Flat group bookings imply less occupancy compression, and more modest room rate growth in the fourth quarter than in the third quarter. However, given the strong transient demand we've seen in the last few weeks, we expect fourth quarter North America systemwide RevPAR will increase 5 to 7 percent.

Outside the U.S., we expect fourth quarter constant dollar RevPAR will increase 4 to 6 percent. We expect low single-digit RevPAR growth in Asia Pacific, Europe and the Caribbean and Latin America. In the Asia Pacific region, India's holiday schedule presents a tough comparison and business in Indonesia is expected to be weak. In Europe, the fourth quarter reflects continued weak demand in Russia. In the Caribbean and Latin America region, leisure bookings during Christmas are up over 15 percent. Mexico group bookings in the fourth quarter are very strong driven by demand in Cancun. But Central America hotels continue to suffer from oversupply and the weak economy in Brazil.

We see two stories in the Middle East and Africa region. In Africa, our integration of Protea is on track and the hotels are now available on marriott.com. We acquired the Protea brand in April 2014 and expect the brand to generate roughly $12 million in EBITDA for the nine months of 2014.

The most obvious risk in the continent is Ebola. This awful disease has taken a terrible toll on the people and economy of West Africa. Occupancy rates at our 11 Protea hotels in Nigeria have declined and we've seen a few group cancellations in South Africa. We are watching the situation carefully, raising the awareness of our staff and reinforcing existing operating procedures and business continuity plans.

In the Middle East, with greater political stability, travel is returning to Egypt. This should contribute to a mid to high-teens growth in comparable hotel RevPAR in the MEA region in the fourth quarter.

Given this global RevPAR outlook, we expect earnings per share will total $0.62 to $0.66 for the fourth quarter and $2.48 to $2.52 for the full year 2014. We expect full year 2014 adjusted EBITDA will total over $1.5 billion, a 14 to 15 percent increase over the prior year. At the midpoint, our adjusted EBITDA guidance for 2014 is $25 million higher than our guidance last quarter and $55 million higher than our initial view of 2014 issued just eight months ago, largely due to strong operating fundamentals.

For the full year 2014, investment spending could total $800 million to $900 million, including about $100 million in maintenance spending, roughly $200 million for the Protea acquisition, and roughly $225 million on the two EDITIONs under construction. We remain disciplined in our approach to capital investments and share repurchase. We expect to recycle $600 to $700 million from asset sales and loan repayments during 2014 including the completed sales of the London EDITION and the Barcelona Renaissance and the pending sale of the EDITION hotel and residential real estate in Miami. Year-to-date through the third quarter, we've recycled over $300 million.

We expect to return $1.6 to $1.7 billion to shareholders through share repurchases and dividends this year. Year-to-date through today, we've already repurchased more than 20 million shares for approximately $1.2 billion.

To talk about our 2015 outlook, let me now turn it over to Arne.

Arne Sorenson: Thanks, Carl. Good morning everyone.

Carl's remarks this morning demonstrate a simple truth. While global economic growth is important for the long-term strength of the industry, performance can vary considerably from market to market and quarter to quarter, often driven by local economics, events, politics, and supply.

Still, there are some broad and common themes that bear exploring.

The first is room rates. In the third quarter, the combination of very high occupancy rates, a strong book of group business, great corporate and leisure transient demand and low supply growth all provided the compression needed to drive room rates. North America room rates rose 5 percent in the third quarter while room rates on Marriott brand group business booked in the third quarter for all future periods rose 7 percent. This combination of low supply and favorable demand drove room rates in markets around the world including the Caribbean, Mexico, Japan, Kazakhstan, Germany, Hungary, and the Northern U.K.

Hotel real estate is another theme.

STR estimates U.S. lodging room supply will increase by only 1.3 percent in 2015 and we don't believe we will see supply growth reach 2 percent until 2016 or maybe 2017.

While supply growth is modest, there is still considerable demand from investors for hotel real estate. Year to date, 10 percent of our North American limited-service hotels and 4 percent of our full-service hotels have changed ownership. As hotels change hands, renovations are frequently accelerated and our relicensing fees increase. In addition, sellers, in many cases, are redeploying the cash to purchase other hotels or pursue new development deals.

Marriott is garnering a significant share of the new deals. Once again this quarter, with only a 10 percent share of existing rooms in the U.S., Marriott brands represent more than one-quarter of all new U.S. construction, more than any other company according to Smith Travel.

To state the obvious, new deals depend on owners choosing Marriott brands over the brands of our competitors. A major factor in their choice is the relative performance of our brands. Let me highlight one of our brands to illustrate the point. In the third quarter, The Ritz-Carlton posted RevPAR growth of 7.6 percent in North America and 6.8 percent outside North America. Without looking at its RevPAR index figure, it's hard to know how good that RevPAR performance really is. The short answer is, it was great. Worldwide, The Ritz-Carlton increased its RevPAR index by 200 basis points over the last 12 months, a meaningful outperformance against luxury hotel competitors in the same markets. Maybe even better, in the third quarter, the Ritz-Carlton team improved hotel level house profit margins by a full 3.9 percentage points in North America and 1.4 percentage points outside North America, for a worldwide flow through of almost 70 percent. This performance drove from 32 to 43 the number of highly profitable Ritz-Carlton hotels paying incentive fees in the quarter compared to the year-ago quarter. This is precisely the kind of performance that explains why we have 37 new Ritz-Carlton hotels in our development pipeline.

As we noted at our analyst meeting last month, we expect our worldwide unit growth to accelerate from the 3 percent average net growth over the past four years, to 5 to 7 percent over the next 4 years. We've signed roughly 60,000 rooms year-to-date in 2014 and expect to sign a record 80,000 to 90,000 rooms in the full year, an estimate that is higher than our signings forecast at the analyst meeting we held in September. New brand platforms have helped this growth. One-third of our newly signed rooms year to date are in brands we didn't have five years ago and 30 percent are luxury or lifestyle rooms.

Our experienced development organization and strong brand platforms have driven our pipeline to nearly 225,000 rooms and our system to over 700,000 rooms at the end of the quarter.

Our third theme relates to the next generation of travelers. We talked quite a bit at our analyst meeting about how Marriott is positioned to win with the growing numbers of young travelers. We opened our first Moxy hotel in Milan last month. Moxy guests include both the young and the "young at heart", and the guest reviews are fantastic. We expect to have nearly 40 Moxys open in Europe by 2017.

Our first North American AC Hotel should open in New Orleans next month. Millennial travelers are impressed with the style of this brand. We already have 37 hotels under the AC brand in our development pipeline in North America and we are in talks on another 30 sites. This brand has grabbed the attention of our franchisees.

Next generation travelers also expect outstanding mobile services. In the third quarter, reservations on Marriott Mobile were up over 45 percent year-over-year. Since its launch in August 2011, our mobile app has been downloaded over 4 million times. To date, we've rolled out mobile check-in to approximately 1,200 hotels, so guests can use their smart devices to connect with their hotel and experience a faster, more seamless arrival. By the end of 2014, we expect guests will be able to use their mobile devices to check-in and check-out of almost all of our more than 4,000 hotels worldwide.

So let's talk about our RevPAR outlook for 2015. Our budget process is just beginning, and there are, to be sure, many uncertainties around the world, from Ebola to the Ukraine, from the Middle East to Europe's economy. We aren't prepared to offer EPS guidance yet, but we would like to share our early thinking.

Recent occupancy rates at our hotels in North America have been very strong. Transient demand is growing. Our group booking pace for 2015 for the Marriott brand is up nearly 4 percent and has been improving steadily, month by month and quarter by quarter. All of these facts set us up for room rate expansion in North America again in 2015.

Given our bullish outlook for group and continued strength in transient demand, we believe systemwide RevPAR at North American hotels will increase at a 5 to 7 percent rate in 2015, with the improvement largely coming from rate.

In Europe, new hotel supply growth should remain under 1 percent, despite higher supply growth in some markets, including London, Berlin and Amsterdam. Our outlook assumes an ongoing Russia-Ukraine conflict, weakening trends in Germany, and continuing soft conditions in France. But the U.K. should benefit from stronger group volume and from the Rugby World Cup in the fall of 2015. Given this, we expect constant dollar RevPAR will increase at a low single-digit rate at our European hotels in 2015. Europe contributed about 8 percent of our fee revenue in 2013.

We expect continued good economic growth in Asia and are modeling a mid-single-digit constant dollar RevPAR growth in 2015, similar to our performance in 2014. We expect RevPAR growth in China to remain strong in 2015 reflecting the impact of a growing economy and maturing hotels. China remains our largest market outside the U.S. with nearly 27,000 rooms and we continue to sign hotels at a rapid clip, driving our China distribution and market share higher. Year-to-date in 2014, we've signed over 10,000 new rooms in Greater China, on pace with 2013 signings. We are carefully watching the economy, supply growth, and the government's efforts to slow the frothy residential market… but beyond some individual market issues, to date, we are not reining in our expectations for RevPAR growth or new hotel openings.

In 2013, Asia contributed roughly 9 percent of our fee revenue with about half of that coming from China.

In 2015, we expect constant dollar RevPAR in the Caribbean and Latin America to grow at a mid-single-digit rate with particular strength in Mexico and the Caribbean. By the way, we are pleased to welcome the 3,400-room Atlantis, Paradise Island, to our Autograph portfolio as of this month. CALA represented 4 percent of our fee revenue in 2013.

In the Middle East and Africa region, we are modeling a mid-to-high single-digit RevPAR growth for 2015 on easy comps in Egypt. The Middle East and Africa region represented 2 percent of our fee revenue in 2013.

In summary, we are very bullish about the future. We see great momentum in demand with meaningful group business already on the books. Supply growth is modest in most markets. We expect to price aggressively and anticipate a 5 to 7 percent worldwide constant dollar RevPAR growth in 2015. With strong RevPAR growth, mostly from rate, more hotels should be paying incentive fees. Room additions are accelerating as we enter new markets and expand our new brands. We expect to increase our worldwide rooms distribution by roughly 6 to 7 percent gross in 2015 alone, with most of that already under construction. Taken together, these elements imply a strong 2015 and continued attractive cash distributions to our shareholders through dividends and share repurchases.

We appreciate your interest in Marriott. So that we can speak to as many of you as possible, we ask that you limit yourself to one question and one follow-up. We are not limited to one hour today and we expect to stay until all of your questions are answered.

Question and Answer Session:

Felicia Hendrix, Barclays Capital: Arne, since you spoke last, I will ask you first. You gave us your 2015 outlook, which was very helpful. And acknowledging that it is early, you are obviously bullish about what you are seeing so far next year, obviously based on already strong data points, especially in the group business which you touched on.

I am assuming the transient demand that you discussed, though, is more close in. So I am wondering what gives you the confidence that the transient demand will continue at the current pace. Then, also, how you're thinking about balancing the strong group demands with the potential benefit you could get from the transient segment.

Arne Sorenson: Yes, all good and fair questions. And you are absolutely right; the booking window for transient business, particularly business transient, is dramatically shorter than for group business. So we would, sitting here today, have virtually no business transient on the books for 2015.

We would have some leisure transient, which obviously books a bit further out, but would be focused primarily in the resort markets. But I think what we see is that we are obviously performing at record occupancy levels today. We see in Q3 positive upside in terms of both transient and group demand, and if anything, some building momentum on the demand side.

And when you look at demand -- what is driving those demand trends, clearly the U.S. economy is a big piece of that. And we see nothing to suggest that those trends are likely to moderate in the near term. And I think, as a consequence, with that high occupancy and with the group base, we should be able to continue to drive rates.

Felicia Hendrix, Barclays Capital: Okay. Helpful. Then, just as my follow-up, slipping to internationally, similar to your outlook there and next year seemed pretty solid despite the macro headwinds, just wondering, what are you seeing in your business? And you have touched on some of the things, but really that gives you confidence about the international outlook, because I would have thought, given what is going on in the macro environment, perhaps you would have been inclined to build some cushion into that outlook.

Arne Sorenson: Well, we have got -- I think when you roll up those international markets that we went through continent by continent, we would expect the RevPAR outside the U.S. to be modestly lower than RevPAR in the U.S. next year. Probably, if our U.S. number is 5 percent to 7 percent and global number is 5 percent to 7 percent, probably a 4 percent to 6 percent range outside the U.S.

It is more difficult to predict RevPAR outside the U.S. then to predict it in. But we expect Europe will continue to muddle along sort of the way it has this year and last year in low single-digit land for the reasons we have talked about. Russia, obviously, is the weakest market in Europe. I think, in Russia, where we have 17 hotels, we were down about 20 percent RevPAR, for example, in Q3. We have no expertise and no basis to really build a model that assumes that things change as far as Russia and the rest of Europe is concerned. So we would expect that to stay quite weak.

On the other hand, you have got markets like Egypt, where with stability that is returning, we will see RevPAR, we think, continue to build very well. RevPAR in Egypt in our third quarter, for example, was up 100 percent. Now, to be fair, that is because a year ago, in 2013 conditions were awful and they still are not back to the levels that we had in 2010, before the government changed there. And we will see how that goes as we go forward.

You go -- you tick around the world and you see different trends in different places. Caribbean and Latin America is more derived from the U.S. We think as a consequence will reflect the strength of the U.S. Mexico is doing quite well; Central America and Brazil doing less well.

You get to Asia, hopefully, knock on wood, we will have easy comparisons in Thailand where we have had a very rough year this year, and continuing solid performance, if not eye-popping performance, in markets like China and India. China and India, for us, in Q3 this year were both about plus-7 percent RevPAR. And, obviously, in China you have got government, which has a profound ability to impact the economy there. And we will see how that devolves, but we would expect that the sort of current trends will continue there.

Steven Kent, Goldman Sachs: Two questions. First, IHG and Starwood both suggested there were supply and demand issues in China that sounded a little bit worse than the way you are viewing them. And I just wanted to understand what you are seeing versus what they were seeing.

And then, Arne, on the lifestyle brands and the affiliation brands, so Autograph, Moxie, Edition, we are starting to see lots of other companies launch those, too. And I just wanted to ask you what you are seeing on activity and desire for affiliation with your brands and what seems to be winning. And where are you seeing competitive pressures?

Arne Sorenson: Yes. So let's start with China. I think there are two things in China that bear asking, I think. One is the impact of supply growth and the other is impact of economic conditions, particularly in the residential market in China.

I think there is nothing new in the supply side. Obviously, in many markets in China, we have seen healthy supply growth now for a good number of years. That is what you should expect in a market that is growing the way China is growing.

We have, as we sit here today, I am guessing a little bit, but I think we probably have 25 or 26 hotels open in the city of Shanghai. So we are a piece of that supply growth. Notwithstanding that, we have high single-digit RevPAR growth in the city of Shanghai, because it is a really important commercial destination and it is a great city. And I don't think the supply trends are likely to change very much. If anything, the supply may decelerate a little bit for the market as a whole.

That, then, gets you the question of residential growth and new intakes, if you will, to the development pipeline. And there, too, I think we have been watching the residential market all of this year. I think if you had asked these questions a quarter ago, we would have had exactly the same level of concern we have today, which is some. I mean, clearly, there will be a slowdown in residential development in China. A number of hotels are developed as part of mixed-use projects that include a significant amount of residential. And so we will see a bit less than that, I suspect, than we would have if the residential market had been stronger.

But, having said that, you have still got a market which is growing well and you have got both domestic travel and outbound travel in China, which is growing very, very strongly. And as a consequence, we continue to be pretty optimistic about that market.

Your question about lifestyle and affiliation brands, we are in one of those stages where it seems like every few weeks we see somebody announce a new brand launch. That is probably a sign that conditions are good. And it is probably also a sign that folks see some of the opportunity available in this space.

We really have not seen any impact, though. So when we look at Autograph growth and we look at AC hotels growth, and those two are the places where new brand launches are probably most relevant, we still see a great appetite from our hotel-owning partners for both of those brands. We gave you the statistics for AC hotels in the U.S. in the prepared remarks.

We didn't give you Autograph's statistics. I am not sure I can give them to you of the top of my head, but if you look at our unit growth schedules in the deck, you will see that Autograph is continuing to grow really well, both in Europe and in the United States; a little bit less so in Asia, which is primarily a new build market, but we are seeing some growth there as well. So it seems to have good momentum to those new brands.

Steven Kent, Goldman Sachs: Just one quick question for Carl. I think you mentioned that 2015 group pace is up mid-single-digits, 60 percent of expected group business booked so far. Can you just give us a sense how that compares to Q2 and how that compares at this point last year at the same time?

Carl Berquist: Yes. I don't have last year's number, but I think we have seen it -- we have seen group pace build over the last three quarters. And so, as you mentioned, we are at probably about 4 percent group pace, 4 or 5, right in that neighborhood as of the end of the third quarter. So what we have seen over this year is that has built up to that number.

But, again, we are only at 60 percent of what we would expect the total group to be. So we still have plenty of runway. And, as you know, that number continues to move around. It is just a point in time what your pace is compared to last year at this time. So I would say we were up 4 percent over last year.

Laura Paugh: Steve, If you give me a call, I would be happy to get you the number for a year ago at this time.

Steven Kent, Goldman Sachs: Okay great, thanks Laura.

Joel Simkins, Credit Suisse: Arne, and Carl, you guys spoke pretty positively about strong transient demand, continued growth at Marriott.com. It seems pretty clear throughout earnings that leisure travel is generally pretty healthy. I know you guys don't use a lot of OTA business, but perhaps is this strength in leisure/transient give you guys some ability to continue to push down some of these partners a little bit harder in 2015?

Arne Sorenson: That’s an interesting question, and I am not necessarily sure I would connect them exactly that way. Obviously, the OTAs are more relevant in leisure business than they are in business transient or in group. And I think that is one reason we are seeing OTA volumes grow for the industry as a whole, as leisure demand comes back a bit. We will obviously have to watch.

Our philosophy is really to try and sell rooms the way our customers want to buy them. We want to, at the same time, make sure that we are managing the costs as well as we possibly could. And we will work the tension out between those two things step-by-step as we go along.

Joel Simkins, Credit Suisse: Sure, and one quick follow-up. Obviously, you have got some pretty strong momentum in the pipeline, which you highlighted at the analyst day and obviously earlier today. Some of your competitors look like they are falling behind a little bit in select service. Does is give you any concern, perhaps, that others might get a little bit more aggressive on key money and incentives?

Arne Sorenson: I don't know that that is much of a change from where we have been before. We have got -- it is obviously a highly competitive industry, and we have got some competitors with very strong brands that compete against the brands that we have in the limited-service space and we have got some competitors with weaker brands than we have.

By and large, those trends are not new. And I think one of the things we are pleased about in terms of the industry is, we are getting to a place where the companies are, on average, longer-term in their focus. And more disciplined about driving value and not simply looking at a short-term, what do I do to get my company ready for a listing, which is happening in the real near-term or something else of this sort. And so I think, while some of our competitors are more aggressive with key money or other financial incentives, I think by and large we see an industry where at least the branded companies are hopefully managed by rational folks who are trying to create value for the long-term.

Thomas Allen, Morgan Stanley: Two questions. The first question, from last quarter's guidance, Q3 fees obviously outperformed, but it appears your expectations for 4Q have come down a bit. What drove that? Were there fees you expected you booked early? Or did what is going on with international macro make you a little bit more cautious on Q4?

And the second question is, releasing your earnings the same day as Starwood I guess is kind of a blessing and a curse, as it makes us compare the two companies even more than we usually do. But you got international RevPAR for the fourth quarter up 4 percent to 6 percent. They guided their entire system up 3 percent to 5 percent. Their commentary suggests that their international guide is probably lower than that. So why do you think your expectations for 4Q international RevPAR is so much higher than theirs? Thank you.

Arne Sorenson: Let's see, a couple of things there; the fourth quarter first. We have looked at that. And I actually think our fourth quarter -- expectations for total fee performance in the fourth quarter are roughly the same now as they were a quarter ago. There is a little bit of movement in there place to place. I mean, we may have -- we did have some outperformance in Q3 on incentive fees and we will probably give a little bit of that back. But I think we are probably also a little bit modestly higher in some of the other fee categories. And so, within the realm of predictive accuracy, I think our expectations for the fourth quarter are about the same.

When you look at the full year numbers, though, and we were sort of wrestling with these numbers this morning a little bit to try and make sure we understand what was going on, I suspect we had a fairly broad full-year RevPAR range -- maybe a little broader than we needed when we reported results a quarter ago. So, a quarter ago, we were still looking at a full two points of RevPAR range and the fee range that went with that. So we had a range in our total fees, I think, of $40 million, if I remember right.

Halfway through the year, that is probably a pretty big range, although consistent with the way we have done it in the past. It sort of suggests, since two quarters were already in the books, it suggests that, in effect, it is looking at a three or four point RevPAR range for the final two quarters of the year to get to that change.

And so here we sit with a better Q3 than we anticipated, to be clear, with a Q4 expectation which is roughly equivalent to what we thought a quarter ago. But the full-year RevPAR numbers that are implied by the guidance we are giving you today are still within the full year range of RevPAR we used a quarter ago, albeit at the higher end. So it is not so much that we are taking back, it is just that the range has, in effect, narrowed a little bit, including on the top end.

Let's see. Comparing our expectations for the rest of the world with one of our competitors, I am not sure we are really in a position to do that. They are looking at whatever data they look at and they are looking at their own distribution, which is certainly different from ours in some respects.

We are doing the best we can. I guess, on balance, that means either we are a bit more optimistic than they are, or our distribution is little bit better than theirs is, at least as it relates to fourth quarter RevPAR. We are giving you our best estimate of where we think we will end up.

Shaun Kelly, Bank of America Merrill Lynch: I just wanted to ask my question on the unit growth side. So you guys gave, I think, the latest expectations for 6 percent to 7 percent gross room openings next year. And so my question is, how much of that kind of generically can you break down for us as coming out of the United States versus out of international right now or directionally, what would you think on that?

Arne Sorenson: I would think 50 percent to 60 percent is U.S. and 40 percent to 50 percent is international, rough that order of magnitude. I think, so far we are running about 50 -- the pipeline is maybe 54 percent in the U.S. and 46 percent outside. And I can't tell you exactly what the 2015 openings look like, but I would expect they would be somewhat similar to those ranges, give or take a few points.

Shaun Kelly, Bank of America Merrill Lynch: That is helpful. And you mentioned that right now you haven't kind of seen any need to change your outlook for China. But maybe just a little bit more clarity on, if China were to slip, how much of that number do you think could be at risk? Are we talking 50 basis points? Or are we talking a material kind of percentage point?

Arne Sorenson: Well, remember, the numbers we gave you -- now, we used full year 2013 fee numbers because 2014 is not over yet. But about 8 percent of our total fees came out of Asia and about half of those came out of China. China has grown a little bit faster than the rest of Asia for us, so the 2014 numbers -- when 2014 actually comes to a rest, we could see a little bit more coming out of China than that 4 percent, but that would be our sort of total exposure to that market.

So, if you factor in a few points of better or worse RevPAR, it is not likely to be a huge impact to Marriott.

Joe Greff, JP Morgan: Two quick questions for you, one in your 2015 group commentary for the Marriott brand. Of that 50 percent of the expected bookings that are on the books so far, how much of that do you estimate was booked this year? How much of it was booked in years prior? And, when you look at that -- or if you do look at that in those two buckets, how much stronger is the 2014 group bookings made for 2015 versus the prior years? And then I have a quick follow-up.

Arne Sorenson: So, on a rough order of magnitude for 2015, 40 percent or so; maybe 35 percent or 40 percent of the group business would have been on the books before the end of 2013, leaving about 60 percent to be booked in 2014 for 2015, and in the year for the year within 2015. Now, tell me again, Joe, your second question.

Joe Greff, JP Morgan: I guess if we sort of just isolate those two buckets, I would imagine the group bookings made for 2015 this year probably have higher pricing, better F&B and catering terms than in years prior to this year.

Arne Sorenson: Absolutely, yes.

Joe Greff, JP Morgan: Is there some sort of metric that you can communicate to us to sort of just gauge that? I would imagine the 40 percent left to be booked for 2015 would also follow a similar trajectory.

Arne Sorenson: Yes. I mean, we have seen every month that the rate ADR for the group business on the books for 2015 has improved. And so when we started the year, started 2014, I think our 2015 bookings would have had rates equal to 2014 rates. And, as we sit here today, we are probably up about two points in rate alone.

Now, you are obviously moving -- you have got to move through your new bookings, the averages from the bookings that were already on the books. We did use one statistic in the prepared remarks, which I think is pretty powerful. And that is, group bookings made in Q3 2014 for all future periods, rates were up 7 percent. That includes bookings for the balance of 2014, the bookings for 2015, the bookings for all future years.

But that number, too, is strengthening quite well.

Joe Greff, JP Morgan: That’s helpful.

Arne Sorenson: And I suspect that is kind of the trend we will continue to see.

Now, when you talk about food and beverage, food and beverage is a little bit more influenced by volume and current conditions than by pricing at the time the booking was made. So ultimately, in part, because there will be in anticipation of F&B when the booking is initially made, but those can easily be adjusted as you get closer to the event. And so we will see in stronger economic environments lower rated group business booked in weaker times still come in and say, we want to upgrade our food and beverage. Or the volumes of folks that we are going to have showing up for the meeting are higher because of the stronger economic conditions. And so food and beverage ought to grow even for prior group business, maybe a bit better.

Laura Paugh: Also, I might add, in answer to Steve Kent's question earlier, the booking pace for 2014 a year ago at this time, where we sat a year ago, looking at 2014, was about in the same place. Booking pace was around 4 percent and the room rates at that time were flat. So you are seeing a meaningful improvement in pricing that is reflected in the booking pace.

Joe Greff, JPMorgan: Great. That's helpful, Laura. Carl, in your earlier comments, talking about full year 2014 investment spend and capital recycling and asset sales and loan repayments, you mentioned part of the $600 million to $700 million of that asset sales and loan repayments include the Edition Miami Hotel and residences. Could you remind us what that total would be?

Carl Berquist: We think that the total of the two combined will be around $330 million, probably about $230 million for the Edition hotel and another $100 million or so on the residences that will close in 2014. It is really -- the residence part will be on the timing of the closing.

Joe Greff, JPMorgan: And the $100 million for the residences, is that it? Is that over or is there some spillover into 2015?

Carl Berquist: No. No. We have got about 65 percent of the units sold to date. So we will start closing those once the hotel opens. The hotel is scheduled to open, actually, next week. In fact, we have actually closed on a couple already that wanted to get into the condos to start doing all their decorating and everything.

So we think the process of closing on those through the rest of fourth quarter will generate $100 million, maybe as much as $120 million. Really, these closings, they get moved and everything, but you could kind of circle the wagon around $100 million on that.

Arne Sorenson: But the total of residence will be $170 million-ish.

Carl Berquist: $150 million to $170 million on the total. Yes, Joe.

Harry Curtis, Nomura: Just a quick question on incentive management fees. Back in 2007, your incentive management fees included roughly $70 million of Courtyard fees that were -- that kind of drifted away as the CapEx program went into place. So my question is, how close to you -- are you to beginning to receive incentive management fees from the Courtyard brand? And to what degree are you able to make up that difference?

Arne Sorenson: We got $1.6 million in incentive fees on 120 Courtyards in Q3. How about them apples?

Carl Berquist: I think on the select service properties, we did have, during the third quarter, about 120, 130 select service hotels that began paying. But, in total, all those hotels only paid like $1.6 million of fees. And, probably, a large portion of those portfolios may not pay in the fourth quarter, just because of the timing seasonality.

So we have to be careful about the number of hotels paying. I think mathematically, in the third quarter, over 50 percent of our hotels were paying incentive fees. But that number may come down a little bit as these portfolios move in and out of the number of hotels.

Harry Curtis, Nomura: But, I guess my question is, if you got $1.6 million in the third quarter, does that mean that you are pretty close to the cusp of a much more meaningful number going forward?

Carl Berquist: I think it will start building, but I don't think it will be a material number in the next quarter or two or three, is what I am saying. They will move in and out for a while. And then it will start growing.

If you kind of think of the schedule we did in the investor -- in our investor day, where we showed that, once they do start paying, it is an acceleration, I just caution on what we saw in the third quarter. We think some of those portfolios will be moving in and out for the next couple quarters.

Harry Curtis, Nomura: Okay. Then, my follow-up question relates to the owned and leased line item. You mentioned in the press release that there were some hotels that were under renovation and, recently, you have had a benefit of some of those renovated hotels in the leased portfolio contributing. To what degree or how many of the leased hotels are under renovation? And what sort of impact might they have in 2015 as they come out of renovation?

Carl Berquist: Well, as you know, our whole leased portfolio is only about 35, 40 hotels. So you know, a couple of hotels could move it. But, we have probably half a dozen hotels that are in various stages of renovation through this quarter and into next year. And they will come out of renovation at different times next year.

And so, it is probably not going to move the needle that much when ones come in or out. I think Jaragua is one of the ones where it is completely shut down as it is completing going through renovations. So that one, when it comes back online, will have an impact. But that won't be until later next year, probably near the end of next year.

So I think there won't be anybody that comes online that is going to have a material impact to change the numbers in the owned leased.

Harry Curtis, Nomura: Well, if anything, Arne, let's at least congratulate you on your $1.6 million in the IMF.

Arne Sorenson: Yes. Thank you very much. We were pleased to see it.

Robin Farley, UBS: Two questions. Looking at your incentive management fees, and you remarked already on, there was such a big step up in the percent of properties paying. And I realize that just crossing the line doesn't necessarily mean huge dollar amounts. And you mentioned some of those will move in and out of paying incentive management fees for a few quarters.

But, if you take your 2015 outlook and assume that the things stay at those levels, is there some inflection point here where next year we will see that percent of properties paying management fees in that 40 percent to 50 percent range? Because this is -- I don't remember a quarter where you had where such a significant step up in paying properties.

Arne Sorenson: Yes. And it shouldn't surprise you that that 120 Courtyards, when they pop in, it has an impact on the number of hotels paying almost more profoundly than it does on the dollars of incentive fees that we receive. This is one of the challenges of coming out with any comments on 2015 before we have started a budget process. There is still a lot of work that we have to do in order to give you detailed answers for 2015.

All we really wanted to do was give you a sense for RevPAR and unit growth, which we can have the most insight to at this stage of the process. I think that, in terms of incentive fee growth and owned and leased growth, the last couple of questions that have come in, probably still the best source for you on our thinking about that is what we shared at the analyst meeting in September, which was built on not as thorough a plan as individual hotel budgeting, but it was well done and is still probably the best thinking we have as we sit here today.

Robin Farley, UBS: Okay. Thanks. And my other question, circling back to group business, which I think everybody is trying to understand why we are hearing different outlooks in group, and you have mentioned the kind of improving from quarter to quarter. Is there -- I'm just sort of mathematically trying to think about how -- what may be happening out in the market overall and not necessarily to Marriott. But have you experienced cancellations where your bookings earlier in the year for group were strong, but some of those later got canceled? Or -- just trying to struggle with some of the comments about group, not necessarily -- not yours, but trying to see them as consistent with other comments.

Arne Sorenson: Yes. Here is what I would say about group. And I don't know everything that has been said out there, so I can't comment on that. But, when we have looked at our fourth quarter of 2014, all year long we have seen in the fourth quarter a weaker quarter. And I don't think that has anything to do with fundamental economic conditions or the pace of recovery in the lodging business.

I think there is always a bit of arbitrariness or seasonality. I think Q3 was good. The holiday calendar in September was almost as good as we can have it. The holidays fell very near weekends. And so it didn't disrupt regular travel or group business as much as might be the case.

And it may be that Q3 benefited a little bit at the expense of Q4, but because people know about those holidays long in advance, that means the strength of the advanced bookings was higher in Q3. It was higher in Q1, Q2, and Q3 than Q4 for a long time. And I think that there is an industry dynamic which is at play there.

I think it would be wrong to conclude that a relatively weaker Q4 is the shape of things to come. In fact, when we look at Q1 and Q2 for 2015, we see group bookings higher than our averages for 2015 as a full year. And what that tells us is, this is about the unique attributes of Q4 2014 and where the holidays fell, maybe a little bit the way the rhythm of group business sometimes plays out arbitrarily, and that as we get into 2015, we should see a good healthy performance in group again as we go forward.

By the way, Q3, or September, specifically, in 2015 will not be as good a calendar as September was in 2014. And that will be something that nobody will remember, but we will undoubtedly talk about when we talk about group results in Q3 2015 a year from now.

Carlos Santarelli, Deutsche Bank: I just wanted to dig in a little bit more on the pipeline you guys spoke about earlier. I think, Arne, you said 54 percent was U.S. Would you guys mind may be giving a little detail, to the extent that you can, on how you split between full and limited-service within that and maybe top 25 versus non-top 25?

Arne Sorenson: 8 percent and 46 percent is limited-service and full-service, 46 percent and 8 percent. Top 25 and other, I don't know that I have, to tell you the truth. Obviously, the limited-service has got mostly secondary markets, I would think. Now, some of those may be in top 25 MSAs, but would be suburban locations as opposed to city center locations.

So you can tell from those numbers that it is still very little full-service or upper upscale and luxury supply growth in the United States. Of those 8 percent or so of rooms, so that would be 16,000 rooms, ballpark -- 16,000, 18,000 rooms, you have got some notable big hotels that are working their way through the system, like JW Marriott Austin, which will open next year; a Marriott Marquis in Chicago that will open in, I don't know, 2017, 2018, maybe, something like that; and Houston Marquis which is under construction, I think, is opening in 2016, if I remember right.

But these are all 1000- or 2000-room hotels and they really are coming not so much as a leading edge of supply growth, but as a function of cities building their convention facilities and convention headquarters hotels.

Carlos Santarelli, Deutsche Bank: Okay. Thank you. That is helpful. And one quick follow-up, if I could, for Carl. Within the context of the 10 percent to 12 percent fee guidance you guys shared at the analyst day, when we think about some of the deferral items, how should we treat them on a go forward basis? Or how should we think about them with respect to the growth within the fee business?

Carl Berquist: Yes. I think, when we have an item like where we get these deferred base fees from sale of an asset, those are -- they are rare and they are one-off kind of things. And we will always call those out to you. And we don't put those in our projections or our forecasts or our assumptions.

The other ones, though, are when they are basically subordinated fees. So when you have -- operations improve and you hit certain levels, then you get paid those fees. Those come as your economy gets better. As our operations get better, we will start realizing some of those subordinated fees that you saw in the third quarter.

And we had some last year, too. We had a couple million dollars last year. But I think you can kind of think of those as just part of the normal process that we have from time to time. It is a little lumpy, but they are not really big numbers when you think of the realm of the total fees.

So that's the two pieces you saw this quarter, one being as a result of a transaction. The other is just because of improved operations and they will continue.

Jeff Donnelly, Wells Fargo: Actually, let me just -- building on that earlier question, when you look at that forward look at U.S. supply growth, I think you were saying you thought it was going to accelerate from 1 percent growth to 2 percent by about 2016 or 2017. What share of that incremental growth do you think you guys are capturing and how do we think about your year-over-year unit growth? How do you see that accelerating over that timeframe?

Arne Sorenson: Well, I think we will see, inevitably, that we are opening more into our system in the U.S. than we have in the past, in the limited-service space particularly. Our approvals have been steadily coming up over the course of the last, I don't know, 18 months, maybe; two years, something like that. And, obviously, you go from an approval to an opening over the course of about two years, I suppose, for a limited-service hotel.

And so we will see more openings. We use the quarter number -- 25 percent number. We think, of all the hotels under development in the United States, something like 25 percent are headed towards our brands. And so you can do the math, and that would suggest that we ought to see our supply growth -- Marriott supply growth stepping up in the U.S. from the levels we were at a couple of years ago.

Jeff Donnelly, Wells Fargo: And, just maybe on the other side of the world, on China, how do you handicap the odds that the slowdown in China's economy or the residential development dynamics ultimately impact your ability or your competitors' ability to bring the China pipeline to market in the next 36 months, say?

Carl Berquist: Well, we have got, of our pipeline in China right now about 65 percent of it is under construction. And so those properties will be -- might slip a little bit, but based on everything we know right now, those hotels will be completed and delivered. So it is not a matter of them falling out, but a matter of just the timing of when they get delivered.

I think so -- and as we look at the remaining hotels in our pipeline, right now, we don't see any trends where we are seeing a material amount of them. They might be slipping a little bit timing-wise but they are not falling out of the system, so to speak right now.

Arne Sorenson: Yes, I think -- I don't disagree with anything Carl has said. We signed about 3700 rooms into the development pipeline or added 3700 rooms to the development pipeline in Q3 in Asia Pacific, which is meaningfully more than the rooms we opened or the rooms that we either canceled or delayed. So at the same time, I think our team in China has been saying all year, MOUs may be coming in a little bit slower. There is -- beware, we might see it start to impact the intake of new deals in the development pipeline. So far, those warnings really haven't proven out in the statistics that we are looking at.

Having said that, I think at the moment if I am a developer of a mixed use -- big mixed-use development in China today, I am probably going to be philosophically open to let the thing take a little longer to get to opening than I would have been maybe a couple of years ago because of the strength of the residential market. So I think there is risk that opening dates extend a bit. And I think there is still risk as our team warns us that we could see the intake of new deals in the development pipeline slow a bit over the course of the next few quarters.

Weakness, though, also gives rise to some opportunities, which is hotels that are under construction that are not committed to a brand or maybe some conversion opportunities. My guess is that those are an upside which is not quite as significant as the downside would be in terms of extended opening dates.

Ryan Meliker, MLV & Company: Most of my questions have been answered, but I just wanted you to maybe give us a little more color surrounding the deferred base fees. I guess, first of all, was that in your 3Q guidance when you had issued in July? I would assume, at that point in time, you might have had some idea, particularly with regards to the ones that were based on performance incentives.

And then, the second question is with regards to those deferred fees. How much of your base management fee portfolio is subject to a performance guarantee or performance minimum, where you don't actually see those base fees? I am just trying to figure out how one-time in nature this is versus recurrent.

Carl Berquist: They were not in our guidance.

Arne Sorenson: Well, the $6 million were in the guidance, but the $9 million were not.

Carl Berquist: Yes. The $9 million were not in our guidance. But subordinated fees were in our guidance. So the ones that we record based on performance, we will consider those because we do have visibility. We can't control transactions, so when they are based on the sale of an asset, we don't have that much visibility in that.

And it is typically these things relate to one or two of our limited-service portfolios. So it is not a big part of our total portfolio. And then, when they happen, it is more relates to how those portfolios perform over a period of time. So I don't think it is going to be a huge percentage of our total base fees. But, from time to time, like I said earlier, it will be a little choppy and they will come in and out.

Ryan Meliker, MLV & Company: Okay. And I guess, how many of those portfolios do you guys have that you operate on a select service basis?

Arne Sorenson: I don't think the deferred fee is material to the system. I think if you look at the total fees that we reported in 2014, you are talking about a few million, which might be deferred fees total.

Bill Crow, Raymond James: Arne, we saw international inbound travel up about 8 percent in the first half of the year. You talked about Ebola, strong U.S. dollar, weaker Europe. Are you seeing any change in the velocity of travel inbound? And how able are you to identify changes in demand at your hotels in those core West Coast and East Coast markets?

Arne Sorenson: We have asked exactly these questions to our revenue management team, including looking at weekly data. Now, weekly data is highly volatile, based on holidays or other trends. But we have seen no indication that inbound international travel to the United States is weakening or is declining. And that is looking at both West Coast and East Coast markets.

Obviously, New York is a place that we have dug into significantly to try and understand that. When you think about Ebola, and nobody has really asked specifically the question on Ebola, but we also tried really hard to canvass our performance around the world and say, is Ebola having an impact now. And what we found is about a sum total of four or five anecdotes around the world that amount, in the aggregate, to maybe a couple million dollars of revenue. So not even --

Laura Paugh: Hotel revenue.

Arne Sorenson: Of hotel revenue…not even a rounding error. It won't surprise you to hear that Nigeria, where we have 10 hotels, but on a full year basis, maybe have $1 million or $2 million of fees. I don't even know off the top of my head. RevPAR in Nigeria is down something like 20 percent.

And, obviously, Nigeria is in West Africa. Even though Nigeria really has had only very light exposure to Ebola, it is close enough to the Sierra Leone and Liberia and the others to have had some impact. Outside of that market, though, we see really nothing. And we don't see it in terms of big travel trends and we don't see it in terms of the bookings in our hotels or the stays in our hotels.

Bill Crow, Raymond James: Thank you. The follow-up question is that you are in or you are entering special corporate rate negotiation period. And I just wanted to see how you are approaching it, what the initial reaction has been from those that you have talked to, what you think the expectations are on the other side of the table?

Arne Sorenson: I think, with each passing year of the recovery, we get that much more clarity about the reasonableness of driving rates, I suppose. And as a consequence, I suspect we will see the trends of the last few years continue. And that is, we will drive rates in special corporate and we will probably reduce special corporate volumes.

So the least attractive special corporate accounts, I think inevitably, will be left without as many hotels participating or maybe no hotels participating, and depending more on rack rate availability at those hotels. So when you look at our Q3 numbers, as an example, our special corporate rates were up less than the hotel as a whole. Special corporate volumes would have been flattish, maybe down a little bit, and rack rated business would have been up substantially, both in terms of room nights and in terms of rates. And I think we will see that continue into next year.

Nikhil Bhalla, FBR: Just sort of take a perspective, I was wondering if there is a way to figure out, maybe on a same-store basis if you can, where your group room nights through the first three quarters of this year and maybe your group rate in aggregate compares to where the last peak was, maybe back in 2007 or 2008? Thank you.

Arne Sorenson: There is certainly a way to do it. And probably the best thing for you to do is to touch base with Laura and Betsy…

Laura Paugh: Yes, give me a call.

Arne Sorenson: …and see what kind of data they can get for you. I know that our group volume is probably still, as a mix of total hotel business, is probably still a point or two lower than what it was in 2006.

Carl Berquist: Yes. For the Marriott brand, it is probably -- the mix is probably lower now than it was in 2007.

Arne Sorenson: But not by a lot.

Carl Berquist: But not by a lot. And I don't know where the rates sit. So the total revenue -- I don't know how that goes. But we could probably get you that if you give us a call.

Laura Paugh: Give us a buzz.

Nikhil Bhalla, FBR: Okay. Just a follow-up question on the group pace for next year, just to be clear, I think you gave the group volume pace -- not the group revenue pace. Is that correct?

Arne Sorenson: No. Revenue pace. Revenue pace.

Nikhil Bhalla, FBR: That was -- okay. So it was 5 percent up revenue pace. Okay. Just wanted to make sure. Thank you.

Chris Agnew, MKM Partners: Sorry to come back to a question on China, but I wanted to ask if your geographic and chain scale exposure is different enough in China that you appear at least to be more sanguine than your peers, do you have less exposure to mixed use projects?

Arne Sorenson: No. I actually think there is a difference, probably. And that is going to vary from company to company, obviously. But we are -- in terms of our current distribution, we are way at the top end. So Ritz-Carlton, we are absolutely convinced, is the leading luxury brand in China. But JW Marriott, Renaissance Marriott, these are all luxury hotels in China. And we have much less in sort of the upscale area, if you will.

So we do have a few Courtyards, but we don't have many and we don't really have small limited-service hotels in any way comparable to what we have in the United States. So that is one difference in terms of our existing portfolio.

The other is, we are much more heavily concentrated in the key cities. So Shanghai and Beijing, we think we have got a leading distribution in those two markets. And markets like Shenzhen and Guangzhou, I suppose, would be next.

I think this is a function -- we have talked about this over the last few years. I think we started focusing on the secondary and tertiary markets in China later than a number of our competitors. And that may have some impact on near-term RevPAR expectations. I don't think that that should explain any difference you might be hearing from us in terms of optimism about new development going forward.

Chris Agnew, MKM Partners: Thanks. And if I could ask a follow-up on mobile bookings, can you share any insights into profile of customers booking direct on mobile? Is there more of a concentration with high-end reward members? And what other channels is mobile taking share from? Thanks.

Arne Sorenson: Mobile -- obviously, all of this comes through Marriott.com, at least when it is our proprietary channel. And I think we are seeing -- and, by all means, touch base with Laura and make sure that these are close. But I think we will do over $10 billion of total sales on Marriott.com this year.

We will do over $2 billion of mobile volume. And that mobile volume has come from nearly zero 3 years ago, and is growing dramatically faster than the Marriott.com as a whole. I think the guests are comparable, though. I mean, they may skew a little bit younger than those that are using other Marriott.com channels, but I think all customers are getting more and more used to using their handheld devices as opposed to desktop devices to engage in commerce, including booking hotel rooms.

There is -- much of the business that comes through Marriott.com, whichever, whether it is mobile or desktop, is rewards business. And it is obviously easier to use both of those channels if we know who you are and we have got customer data in, and the transaction itself becomes faster to book. Does that answer your question?

Chris Agnew, MKM Partners: Yes. Thank you.

Jeff Donnelly, Wells Fargo: One quick follow-up. I think you mentioned about 10 percent of your limited-service and I think 4 percent of your full-service hotels changed hands. What is the mark-to-market, if you will, on the fee differential between what you are charging the new customer versus the prior?

Arne Sorenson: That is a good question. I don't know. I think a few of the brands, we have moved franchise fees up by half a point in the last couple of years. And, essentially, whenever you move franchise fee levels up, as we have done in that example, it would apply only to new projects or to new owners, who are buying those hotels.

There will be some upside associated with it. I can't tell you how significant that is. That is a good question.

Carl Berquist: I don't know. That is a good question. We will take a look at it. I don't know what the number is.

Arne Sorenson: Okay. Thank you all very much. I appreciate your time and attention, and look forward to welcoming you into our hotels on your travels.

--End--