Marriott International, Inc.
Fourth Quarter 2024
Earnings Conference Call Transcript[1]
February 11, 2025

Operator: Good day, everyone, and welcome to Marriott International's Fourth Quarter 2024 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 Burka: Thank you. Good morning, everyone, and welcome to Marriott's fourth quarter 2024 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 new 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: Thanks, Jackie, and good morning, everyone.

Marriott had excellent results in 2024, reflecting continued robust demand from customers, owners and franchisees for our more than 30 brands. For the full year, we achieved net rooms growth of 6.8 percent, and global RevPAR rose over 4 percent.

We ended the year on a high note, with fourth quarter worldwide RevPAR increasing 5 percent. ADR rose 3 percent and occupancy increased over 1 percentage point. All of our regions produced better RevPAR growth than we had previously expected, with strength across all of our customer segments.

U.S. & Canada saw its best quarterly RevPAR growth of the year, with fourth quarter RevPAR rising over 4 percent, primarily driven by higher ADR. The drop in occupancy around

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

November's U.S. election was not as severe as we had anticipated, with demand rebounding quickly after the election.

International RevPAR rose over 7 percent in the quarter, driven by a 4 percent rise in ADR and 2 percentage point gain in occupancy. APEC RevPAR increased 12.5 percent, led by strong growth in Japan, India and Thailand, and aided by strong cross-border demand, especially from Greater China. RevPAR in the EMEA region rose 8 percent, with broad-based growth across the region, led by strong leisure demand.

RevPAR in Greater China declined 2 percent, better than prior expectations, as the region benefited from the recent expanded visa-free transit policy and better than anticipated demand across multiple holidays and city-wide events. By region, RevPAR growth was positive in Tier 1 cities, Hong Kong, Macau and Taiwan while Hainan Island again saw the largest RevPAR decline. Hainan was again impacted by weak domestic leisure demand as wealthier travelers continued to vacation across other parts of the region. However, Hainan did see nice sequential improvement, with RevPAR down 16 percent in the quarter compared to down 24 percent in Q3.

Turning to trends by customer segment - leisure, which comprises the largest portion of global room nights, at 44 percent, had its strongest RevPAR growth quarter of the year and was the fastest growing of our customer segments. Fourth quarter leisure RevPAR rose 6 percent globally and 4 percent in the U.S. & Canada, driven by gains in both room nights and ADR, with strength across all tiers, from luxury to select service.

Business transient contributed 33 percent of global room nights in the fourth quarter. Solid gains in ADR drove business transient RevPAR up 3 percent globally and up 4 percent in the U.S. & Canada.

Group RevPAR, which comprised 23 percent of room nights, rose 3 percent in the quarter. As expected, this was group's lowest growth quarter of the year, due to fewer group events in the U.S. around November's election and a decline in group RevPAR in Greater China.

Looking at full year 2024, all customer segments experienced solid RevPAR growth on a global basis, with group increasing an impressive 8 percent and leisure and business transient rising 3 percent, respectively. As Leeny will discuss further during her remarks, we are pleased with the solid momentum we have in our business as we start off 2025. At the end of 2024, global group revenues were pacing up 6 percent for 2025 and 10 percent for 2026, on increases in both room nights and average daily rate.

Shifting to development, 2024 was another terrific year. Net rooms grew 6.8 percent, helped by the addition of around 38,000 rooms from our agreement with MGM and approximately 9,000 rooms from Sonder. Conversions were again a large driver of growth in 2024, contributing about a third of our signings and over half of our openings. Our industry leading global lodging portfolio now boasts over 1.7 million rooms across 144 countries and territories.

With a record of over 1,200 deals signed last year, we ended the year with over 577,000 rooms in our pipeline.

In the U.S. & Canada, our largest market, we led the industry in gross room additions, with around one-third of all rooms opened during the year flying one of Marriott's flags. While financing in the U.S. remains particularly challenging for new construction, we also had the leading share of new build construction starts in 2024, as banks have shown preference for deals associated with our strong brands and an experienced player like Marriott.

During the year, we also meaningfully expanded the breadth and depth of our portfolio across customer tiers, from luxury to midscale, and across both traditional and alternative lodging product offerings. We continue to have strong owner interest in all of our midscale brands, given their compelling brand design, the power of our revenue engines, and their simple, bundled affiliation costs, which we believe are the lowest in the industry. At the end of the year, we had over 300 open and pipeline Four Points Flex, StudioRes and City Express by Marriott properties, just a year and a half after entering the midscale tier.

We also continued to expand our incredible luxury portfolio, with the opening of several notable hotels, including the St. Regis on the Bund in Shanghai, the W Prague and the W Sao Paulo.

In the non-traditional lodging space, in December we announced our plan to launch an outdoor-focused collection, which will be anchored by founding deals with Postcard Cabins and Trailborn, two innovative outdoor hospitality brands. Ilma, the second luxury superyacht in the Ritz Carlton Yacht Collection, had its maiden voyage in the Mediterranean last September, and our third superyacht, Luminara, is expected to set sail this summer, with itineraries in the Mediterranean, Asia, Alaska and Canada.

Our focus on offering fantastic travel experiences for every trip purpose is key to ensuring that Marriott Bonvoy remains the industry's leading travel platform. We added over 31 million new members to our loyalty program last year, growing to nearly 228 million members at year end. Bonvoy member penetration of room nights achieved historic highs in the fourth quarter, at 73 percent in the U.S. and 66 percent globally.

As we grow that member base and our global portfolio and add travel adjacent products and collaborations like our 33 co-brand credit cards and tie-ups with partners like Uber and Starbucks, we are deepening engagement with our members and capturing more of our customers' share of wallet. Driven by a strong increase in global card spend, our co-brand credit card fees rose nearly 10 percent last year.

Our digital channels, and mobile in particular, remain key drivers of direct bookings, at a lower cost to our owners. In 2024 Marriott Bonvoy app downloads rose nearly 30 percent year over year. We are excited about enhancing the customer experience across all our digital channels through the multi-year digital transformation we have underway that we expect to begin rolling out a little later this year.

Before I turn the call over to Leeny to discuss our financial results in more detail, I want to thank our teams around the world for their hard work and dedication and for making Marriott a place where innovation and excellence thrive. Leeny?

Leeny Oberg: Thank you, Tony.

I will start by reviewing our solid financial performance. Fourth quarter total gross fee revenues grew 7 percent to $1.3 billion, primarily due to higher RevPAR, room additions, a 13 percent increase in credit card fees and a near doubling of residential branding fees.

Incentive management fees, or IMFs, decreased year over year, as strength in APEC was offset by declines in Greater China and in the U.S. & Canada. The decline in the U.S & Canada was primarily driven by lower fees in Maui given the timing of fee recognition in the prior year.

G&A declined 12 percent year over year to $289 million, primarily due to lower administrative, bad debt, and litigation expenses. Fourth quarter Adjusted EBITDA grew 7 percent to $1.29 billion.

At the hotel level, profit margins at our worldwide managed hotels rose 110 basis points in the quarter and 40 basis points for the year, helped by continued productivity improvements. We were also pleased that our guest surveys indicated that customer satisfaction continued to rise, with our 2024 intent to recommend scores increasing in every one of our regions.

For the full year, gross fees and Adjusted EBITDA both increased 7 percent. We were pleased that with the power of our strong cash-generating, asset-light business model and our disciplined investments, we returned over $4.4 billion to shareholders through a combination of dividends and buybacks.

I will now talk about our 2025 expectations, starting with net rooms growth. With our industry leading pipeline and strong momentum in conversions, we expect net rooms growth of 4 to 5 percent. Conversions of course can enter the system quickly. Conversions that were added to our system in 2024 had been in the pipeline for 14 months on average and nearly 20 percent of conversions opened so quickly they were not in any quarter-end pipeline number. Over the 3-year period from year-end 2022 to year-end 2025, we continue to expect net rooms to grow at the compound annual growth rate of 5 to 5.5 percent we discussed at our 2023 investor meeting.

For full year 2025, we expect global RevPAR growth of 2 to 4 percent. With the exception of Greater China, RevPAR growth in international regions, though continuing to normalize, is again expected to be higher than in the U.S. & Canada. We currently anticipate RevPAR in Greater

China to be roughly flat year over year. As Tony discussed, we are off to a great start, with January RevPAR rising 6 percent globally.

The sensitivity of one percent change in full year 2025 RevPAR versus 2024 could be around $50 to $60 million of RevPAR related fees and $5 million in owned leased profits.

For the full year, gross fees could rise 4 to 6 percent, to around $5.4 to $5.5 billion. Co-brand credit card fee growth could be a couple hundred basis points lower than the nearly 10 percent growth in 2024, primarily due to the normalization of international card fee growth. Residential branding fees could decline nearly 50 percent, solely due to the timing of unit sales, while timeshare fees, as usual, are expected to be relatively in-line with the prior year, at around $110 million. FX is expected to negatively impact gross fees by roughly $25 million.

Owned, leased and other revenues, net of expenses, is expected to total $345 to $355 million, relatively in-line with 2024's results, somewhat impacted by a larger number of renovations at our owned and leased hotels.

2025 G&A expense is anticipated to decline 8 to 10 percent to $965 to $985 million. This decline is the result of the expected $80 to $90 million of above-property savings from our enterprise-wide initiative to enhance our effectiveness and efficiency across the company. As we have previously noted, this process should also yield cost savings to our owners and franchisees. In December, we announced that we would reduce our loyalty charge-out rates by roughly 5 percent.

Full year adjusted EBITDA could increase between 6 and 9 percent, to roughly $5.3 to $5.4 billion. Full year adjusted diluted EPS could total $9.82 to $10.19. EPS growth will be impacted by an expected effective tax rate of around 26 percent, compared to under 25 percent in 2024, reflecting certain international tax rate changes. Our underlying core cash tax rate is anticipated to remain in the low 20's percent range.

For the first quarter, global RevPAR could increase 3 to 4 percent, benefiting from Easter shifting from March to April this year as well as January's inauguration and the Superbowl in New Orleans benefiting the U.S. & Canada. First quarter gross fees could increase 2 to 3.5 percent. Solid growth in management and franchise fees are expected to be partially offset by a decline in IMFs, partly due to a decline in Greater China given their strong first quarter a year ago, as well as certain properties in the U.S. & Canada undergoing renovations. First quarter owned, leased and other revenues, net of expenses, of around $55 million is expected to decline year over year primarily due to the Elegant portfolio undergoing renovations as well as the timing of termination fees.

We expect $1 to $1.1 billion of investment spending in 2025. There are three major areas of expected spending that are each around a third of this total. The first bucket is another year of higher than historical investment in technology. Over half of this investment is associated with the multi-year transformation of our property management, reservations, and loyalty systems, the overwhelming portion of which is expected to be reimbursed over time. The second bucket is spending for our owned/leased portfolio. This spending is expected to be above historical levels in 2025, with about half of the expected investment driven by the completion of renovations on the Elegant portfolio in Barbados as well as renovations on a handful of other hotels. We expect to sell the Elegant portfolio after renovations are complete, subject to long-term contracts to remain in our system. The last bucket is expected investment in our contracts, largely for new units as we continue to expand our global portfolio.

Our capital allocation philosophy has not changed. We are committed to our investment grade rating and investing in growth that is accretive to shareholder value. Excess capital is returned to shareholders through a combination of share repurchases and a modest cash dividend, which has risen meaningfully over time. In 2025 we expect another year of strong capital returns of approximately $4 billion.

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

Question and Answer Session:

Shaun Kelley - Bank of America: I was hoping you could just update us on your cost kind of transformation and efficiency program, if you could. Obviously, this is sort of a unique initiative to Marriott. What did you learn out of that? What areas have been a focus on? We've heard a little bit about select service management. And sort of what's been some of the response from the ownership community and internally?

Tony Capuano: Sure. Well, thanks for the question, Shaun. It's obviously a little early the resultant impact to our org structure and model have just been put in place. So I think most of my responses are going to be a little more qualitative where I will tell you internally, I think there is energy across the enterprise, about how streamlined our decision-making will be as a result of this, particularly in the field.

And I have heard parallel enthusiasm from the owner and franchisee community. Their ability to engage with the continent teams who they deal with each and every day. They can already feel the empowerment in the continents. And I think they have high hopes for how that will improve the relationship we have with the owner and franchisee community.

Shaun Kelley - Bank of America: And then maybe, Leeny, just as a quick follow-up, the investment spending buckets are a bit higher than what was outlined kind of back at the Analyst Day a couple of years -- 18 months ago or so. Could you just expand on that a little bit, sort of what's kind of a little different than maybe your expectations a little while ago? And then kind of back to the capital recycling point, when do you expect to get some of that, especially that technology spending back? Or when should we see that level off or start to decline?

Leeny Oberg: Yes. Sure, Shaun. When I outlined those three, as I pointed out, in the one-third that is largely around investing in our owned leased properties. That is higher than normal because, as I pointed out, our investment in the Barbados properties, which will be largely this year and should be completed at the end of this year, and then that is towards $100 million of that overall amount.

And then you've also got a handful of a bit larger than normal renovations in leased properties. And I would say those are also not ones that you should continue to expect on a normal run rate basis. So that's part of it, getting you down to the $800 million to $900 million that we do believe is the appropriate kind of post 2025 and post the transformational tech investing that we're doing levels.

As we've talked about, both in 2024 and 2025, we got higher than typical tech investments in the system that we do expect to start rolling out later in 2025. When you think about how those will be paid back by the owners, I think one of the things you probably noticed in our reimbursed depreciation calculation for adjusted EBITDA in 2025 is this level that is a bit higher. And that again reflects exactly your question about the normal charges going to the owners reflecting kind of the repayment of some of these CapEx expenditures. So I think you'll see it over the next several years, as we move into implementing this throughout the system. So again, the normal levels that we talked about, I think, are still the right ones for your longer-term model.

Patrick Scholes - Truist Securities: Great. What do you feel is your appetite for additional tuck-in acquisitions this coming year? Or would you see this year more as a Europe, should we say, digestion of previous acquisitions? And then I have a follow-up question.

Tony Capuano: Sure. So just as Leeny talked about our capital allocation philosophy remaining intact. I would say the same thing in response to your question. We obviously, if you look at our history over the last decade or so, when we have identified a gap either in our brand portfolio or in our geographic footprint that we thought could be more effectively filled through tuck-in acquisition. We've done that.

In some instances, we filled those gaps through the development of organic platforms. And we'll continue to look at both the breadth of the brand portfolio and our expanding global footprint. And if we think there's an opportunity to fill those gaps, we will certainly consider a tuck-in acquisition, but that will apply the same sort of rigor in terms of evaluating the economics. But you should certainly assume going forward, the vast, vast majority of our rooms growth will be organic growth.

Patrick Scholes - Truist Securities: Okay. And then my follow-up question. I've been reading some news articles very recently regarding Canadian and Mexican travelers canceling reservations or pulling back their travel plans, and this is related to recent political tensions related to tariffs, et cetera. Is that something that you are seeing as well in your reservations and bookings from these customers from these two regions?

Leeny Oberg: Yes. Sure. Yes, it would be too soon to say that we're seeing anything of note. Just as a reminder, when you look overall, the US & Canada is overwhelmingly driven by domestic travelers. The two largest international markets of travelers coming to the US are from Canada and Mexico, but they make up really a very small part overall, call it, 1 percent to 2 percent of our nights in the US. So we'll see over time, but certainly too early to say and overwhelmingly a very small part of our business in the US.

Conor Cunningham - Melius Research: So there's been -- just going back to the whole -- the tech migration. Can you just -- it seems like you're going to be down with that at year end. Can you just talk about how that's going to be implemented. And then what that actually means for your business going forward? I assume it's going to be a benefit to the 2026. So if you could just talk about that a little bit more, that would be helpful.

Tony Capuano: Sure. So as we mentioned in the prepared remarks, elements of that tech transformation will start to roll out later this year. We've talked about this a bit in the past. We think there are far-reaching impacts to this transformation to all the constituents we serve. Starting with Marriott associates, the simplicity and the streamlined training, we think will be a big advantage as we go out there and try to attract best-in-class talent, especially from a next-generation workforce. For our guests, we think the transformation will create tremendous capacity at the hotel level so that our associates can better engage the guests in person.

It will also meaningfully help our call agents and their ability to help with broader travel planning questions. And then we think for the owners really advantages or opportunities both on the revenue and expense side. Certainly, on the expense side, we expect there to be enhanced efficiency. But one of the things that our owner community is most excited about, there are a wide range of products and services that we offer our guests every day beyond guest rooms, food and beverage, spa, golf, et cetera. The ease with which a guest can shop across all of those categories on our new reservations platform, we believe represents meaningful revenue upside for our owners.

Leeny Oberg: And given the only thing I would add is -- just one more thing to add is that given the size scale of this transformation, which is, as you heard, involves our reservations, our property management systems and our loyalty program, this is going to be something that will take a number of quarters to roll out around the world. So you should expect this over the next couple of years or so.

Conor Cunningham - Melius Research: Okay. And then on the composition of RevPAR, can you just talk about ADRs versus occupancy. Obviously, you saw a nice cadence in the fourth quarter. But just curious on how you're thinking about it for 2025 in general and just to be a level set around that thought that would be great.

Leeny Oberg: Yes. So the way I think about it is, as you've heard, we've had in the full year this year, kind of group with the was the big winner, up 8 percent for the full year with BT and leisure, both also very strong. When I think about 2025, I would say, still think group with the pace that's up right now of 6 percent for 2025, that, that will likely be the leader in the clubhouse for RevPAR, with BT continuing to be sturdy in this macroeconomic environment in the low single digits and probably leisure in the flat to slightly up.

And I would say overwhelmingly ADR driven. We do expect a little bit of occupancy gains as well. But when I compare it to this year, I would say it's going to be more -- we would expect it to be more heavily weighted towards ADR in 2025.

Richard Clarke - AB Bernstein: I appreciate you gave some of this color for the first quarter. But just on the full year basis, RevPAR plus net unit growth is 7.5 percent. It sounds like you're going to grow the non-RevPAR fees a bit above that, but you're getting to gross fee growth of only around 5 percent. So what's the bridge we should think about to get down to that 5 percent there?

Leeny Oberg: Sure. As you probably heard in my comments, there are a couple elements impacting fees that are not necessarily repeated every year. I'd say the first one is FX, which is a headwind for us of about $25 million. Then the other is lower residential brand fees, and that could be as much as almost 50 percent reduction next year. Part of that is because they were so particularly strong in closings this year. We do expect, for example, by the time you get to 2026, we'd expect them to pop back up. This is all around when these buildings are built and the units are closed so that the sales can occur and the fees recognized. So those fees tend to be fairly lumpy.

And then the last thing I'll point out is that you do have IMFs really only changing slightly next year, and that is a function of two things. One is obviously greater China continues to have headwinds on the RevPAR front and their Q1 is particularly challenging because in Q1 of 2024, they had a 6 percent RevPAR growth quarter. So for the full year in 2025, I would expect to see their IMF decline. And then the US & Canada, we've got some renovations going on that are going to also impact their IMFs in 2025. And you put that together, and that's where you'll see the overall fee growth perhaps slightly lower than you might have expected given our strong rooms growth and RevPAR.

Richard Clarke - AB Bernstein: Maybe just a follow-up on that then. I guess at your CMD, you guided to non-RevPAR fees growing 12 percent across 2024 and 2025. Where do you actually expect that to come out across those two years? Maybe I think I interpret it as credit card growth, but all in, what do the non-RevPAR fees grow at across 2024 and 2025 --

Leeny Oberg: Yes. It's really -- I think there are lots of moving parts in there. I think the biggest drivers are the ones that I mentioned, which credit card fees being a couple of hundred basis points lower growth than this year. And then obviously, residential branding fees dropping from the $80 million this year to likely roughly half and then timeshare fees being essentially flat. Those are the three big drivers.

Robin Farley - UBS Group: Just circling back to your unit growth guide for the year. Roughly what percent of that are you expecting to come from conversions versus new construction?

Leeny Oberg: So I think as you've seen this year, particularly high this year, Robin, and as we were able to fold in the MGM Sonder rooms. So it was over half. I think this year's signings at 34 percent reflects how I think you could think about it going forward, which that clearly could be 30 percent to 40 percent coming from conversions in our openings in 2025.

Robin Farley - UBS Group: Okay. And maybe just one final question. On the one-third of the capital spend that's for contract investments for new units. Are those -- is that a mix of that key money, some loans, some equity slivers sort of how should we think about if it's showing up in capital spend that's probably not a loan that you get back from a hotel owner? Or how should we think about the return on that?

Tony Capuano: Sure. So Robin, as you point out, we've got lots of financial tools in our toolbox for those deals that we think will provide outsized volumes of fees. Here in the US & Canada, the competitive landscape has really shifted towards key money being the tool of preference in a lot of ways. As we look at trends in key money, we are seeing a bit more key money required across more tiers, meaning occasionally, we're seeing it used in lower chain scales, which is a bit of a new development.

Given our rapidly growing scale, we saw slightly less key money used per deal, which I think is interesting if you compare 2019 to 2024. The absolute volume of dollars grows as our system grows dramatically, but key money investment per deal is down compared to where we were back pre-pandemic.

Leeny Oberg: And Robin, when you think about the makeup, I would think about investments in growth to be overwhelmingly key money. We do have obviously debt service guarantees, operating profit guarantees. But when you think about the broad brush of it, that's going to be a relatively smaller amount. We do, from time to time, we'll do a mezz loan into a deal which is recyclable, and you've actually seen some of that recycling going on this year as we get that money back. But I think the biggest component of that investment is in the form of key money.

Stephen Grambling - Morgan Stanley & Co.: There's been a number of kind of puts and takes that people have been asking about regarding the September Analyst Day back in 2023. And I guess if you could zoom out to compare kind of the 2025 outlook versus then what perhaps surprised to the upside? What's been a bit more of a challenge? And what do you think all these puts and takes mean for the trajectory of EBITDA and free cash flow as we think about the longer-term growth potential?

Leeny Oberg: Yes, I think -- thanks for the question. I think when you get the classic question that I know we are often asked is around this equation, around rooms growth and RevPAR. And as you can tell, this year, with the midpoint of the guidance that we've given in 2025 being around 7.5 percent to 8 percent that kind of fits pretty squarely in this view of RevPAR and rooms growth.

I think we see a lot of opportunity for us to continue to grow and think about the pace of that with the work that we've been doing over the past year, as Tony described about being as efficient and effective as we can be for opportunities to improve on that. I think the basic equation that we laid out in September of 2023 has held up very, very well. You have had a few puts and takes relative to things like FX and kind of what's going on with RevPAR in certain parts of the world. But I think overwhelmingly, the equation has worked really well. And when you think about the capital return and the growth in EBITDA that we see for many years to come, it's very robust.

Tony Capuano: And the only thing I would add, Stephen, you'll recall at that Investor Day was the first time we maybe zoomed in a little on thinking about net unit growth on a CAGR basis rather than a specific point in time. And since the time of that Investor Day, there have been some instances that underscore the importance from our perspective of looking at it over a multiyear basis, the shift in timing of MGM maybe being most relevant illustration. But we continue to feel really confident in our ability to deliver the 5 percent to 5.5 percent CAGR that we laid out on the Investor Day.

Leeny Oberg: The last thing I'll mention is just a reflection that on that day when we talked about a tax rate, we gave one that was over the entire three year period. And as you heard me describe in 2025, we had seen with some jurisdictional tax rate changes in certain parts of the world that when we look at 2025. And frankly, from what we can tell, probably a view of how you should think about it going forward is that 26 percent -- roughly 26 percent effective tax rate is the updated one as compared to what we talked about in September of 2023. And then obviously, RevPAR has been excellent.

David Katz - Jefferies Financial Group Inc.: A lot of talk about key money. Can you just sort of walk us around the rest of the terms as you're seeing them in the market, right? If key money, and I heard correctly, is starting to become more of a bigger button to do the return shrink? Does the length of the contracts get longer? How does that all sort of fit together compared to where it would have, say, five years ago?

Tony Capuano: Yes. I mean I think, David, it's a good question. And I'm going to probably repeat myself a bit. The fundamental philosophy we have around dealmaking remains consistent. We believe the best model for Marriott is to do long-term stable contracts. We consider using the company's balance sheet in deals where we believe the use of those capital tools will drive outsized fees. And so it's not a circumstance where we're getting -- the castle is getting attacked on all four walls, meaning we're not seeing deals where we're making a key money contribution being forced to do shorter terms, being forced to deviate materially from the sorts of base and incentive fees or franchise fees that we've established.

David Katz - Jefferies Financial Group Inc.: Right. So at the end of the day, it feels like it's become just a bit more competitive, but you feel like you're steadfast in the structure of what those management contracts are?

Leeny Oberg: So I'll just add a couple of numbers to help on this, David. When I think about the amount of money that we're going to put out the door in cash for key money in 2025. It's not materially different than 2024. And we have talked before about getting a premium in net present value on contracts where we use key money and there continues to be a good premium for the deals that involve key money compared to deals that don't involve key money.

So I think it's -- the best way to think about it is the way Tony described, which is that it's a tool in the toolbox and owners and franchisees use these various tools in a variety of ways. Sometimes it's a fee ramp. Sometimes, it's how we're thinking about how we participate in renovation, et cetera. But I think overall, it is -- we continue to see the contracts coming in with very, very strong returns on invested capital.

Tony Capuano: And David, the last point I would make on key money, while I mentioned in the first part of my response that we are seeing it leak into some of the lower quality tiers. Occasionally, it is much more prevalent in the highest value tiers, upper upscale and luxury. And that represents 40 percent of our pipeline. And so our shareholders should want us to be holding those tools largely for those most valuable opportunities. And I think our focus on leading in those tiers is reflected in nearly or over 40 percent of the pipeline being in those two quality tiers.

Brandt Montour - Barclays Bank PLC: I want to drill in on the leisure commentary, Tony, which sounded like it was the big surprise for you in the fourth quarter. And yet, the commentary about the full year guide was sort of flat to up leaning. And so just kind of curious, I wouldn't have thought that the first through third quarter comps were any tougher than the fourth quarter 2023, but maybe is it just sort of conservatism because there's not a ton of visibility on that business? Or what are you kind of seeing in that segment?

Tony Capuano: Yes. I mean I think there's a little bit of everything you identified. The booking windows are still relatively short kind of sub three weeks. And so the ability to predict there, maybe we don't have as much visibility as we might like or we've had historically. But we looked at those fourth quarter numbers as really encouraging. I mean there have been many predictions of the end of the run on leisure and understandably so. I mean, since 2019, you've seen a 40 percent improvement in leisure RevPAR. And so to me, I think the fourth quarter numbers are reflective that there are still some legs in leisure and the guidance that Leeny walked you through is reflective of an expectation that while we'll continue to see growth, it's kind of normalizing a bit.

Leeny Oberg: I'll just add, to your point. It was encouraging to see that our RevPAR at our luxury and resort hotels, RevPAR in Q4 grew at 6 percent. And obviously, that's helped by both room and BT and also this leisure that we saw. I think as Tony talked about it being a little bit harder to predict, I would point to just the overall macroeconomic picture that will always be a huge element to how leisure business developed at our hotels, and we'll all be watching that very closely.

Brandt Montour - Barclays Bank PLC: Okay. And then, Tony, I have a question about the other side of the key money coin. Just sort of the availability of capital is something you've talked a lot about at panels and conferences and things. I mean rates are high, but they've been high for a while. It's the availability of capital, which is the problem, and that's sort of a separate issue. Do you think there's anything in the horizon that could sort of unlock that?

I mean do you have to see deregulation from the sort of -- within capital markets? Or is it just sort of a getting past the hangover of the post-COVID office loan issues that are still a problem for some regional banks. What do you think is sort of the factors that could or should alleviate over time? Are you optimistic about that for 2025?

Tony Capuano: Yes, there is certainly a regulatory element here. The irony is when we talk to lenders, often, the hospitality loans in their commercial real estate portfolios are the best-performing sector. And so there -- if they have reluctance to lend on new construction, it has little to do with the fundamentals of hospitality projects and much more to do with unknown about what Basel III or other regulatory requirements might be imposed upon them.

I think Lenny talked about this earlier. We are seeing an uptick in construction starts not back to pre-pandemic levels to be sure, but that's encouraging. And the other thing I felt really encouraging, and I mentioned this in my opening remarks. Largely, this is a US & Canada issue, although there's a bit of it in Europe as well. But in the US & Canada, we had a leading share of the new build construction starts out there, which would suggest that the lenders that are active in lending for new build, they are using the same criteria they've always used.

They're looking at the track record of the developer and they're looking at the affiliation with the right brand family. And I think that speaks really well to our ability to over-index in terms of capturing the new construction originations that are out there. But our sense is barring some significant regulatory change, slow and steady improvement in the lending.

Duane Pfennigwerth - Evercore ISI: Can you just remind us your view regarding how recovered business transient is both from a volume and a revenue basis. And then as you're thinking about the year, any deeper insights you can offer on how you see that recovering either from a geographic or industry vertical perspective?

Leeny Oberg: Yes. So I'll start and Tony can follow up with anything he's got. First of all, business transient has recovered to 2019 levels. just in a little bit different form -- the small- and medium-sized businesses came back faster than the largest corporates when you think about the large companies that have had more remote work since COVID, et cetera. You still see their nights meaningfully behind 2019 levels, although I will say that some other of those large corporates like in the financing sector of the economy, they are actually back to more than recovered.

So overall, the business has recovered. You have seen more growth in leisure as compared to the BT sector. One thing I thought was interesting when I looked at overall nights of the week, for example, you are seeing overall occupancy of our global system as being higher than 2019 levels. But Monday, Tuesday, Wednesday are still the nights whose occupancy has not recovered while the other nights of the week are actually higher occupancy than we had pre-COVID. So we continue to see bit by bit additional recovery in those large corporates during the year, and we expect that to continue into 2025, but they are still not back to the level of 2019, while BT overall is.

Duane Pfennigwerth - Evercore ISI: And then maybe just for a follow-up, maybe you could speak to it at a high level. Can you just remind us the structure of your co-brand relationships. Are those global in nature? Are they country specific? And when would we see an opportunity for a significant renewal or extension?

Tony Capuano: Yes. So the -- our two biggest relationships are with JPMorgan Chase and American Express, which is largely a domestic set of relationships around the world. We tend to partner with local banks. We've got cards in 11 countries[2] and continue to evaluate other countries where it might make sense to establish a local relationship. We're in great shape as evidenced by the numbers on growth that Leeny shared, and we're not ready to really talk about when we might enter into a renewal.

Leeny Oberg: They're multiyear agreements. So there is not a particular pressure on them, but always in discussions.

Smedes Rose - Citigroup Inc.: I wanted to ask you, you mentioned investing in the elegant portfolio in Barbados and then looking to sell that. Are you actively seeking investors now or potential buyers? And I was just wondering if are there challenges to selling an all-inclusive portfolio that might be unique to that sector or that region of the world. I was just wondering if you could maybe just talk about your sort of time line there a little bit.

Leeny Oberg: Yes, sure. I wouldn't have any particular expectations. I think given COVID and what would not be surprising to you and some supply chain challenges related to that following COVID. We've got all the plans in place. We're executing. Some of it was done in 2024, and we're really going to get the vast majority completed in 2025. So that would be kind of the normal pathway for us to complete that and then execute the sale where you're not in a

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[2] Edited. Said "We've got 11 of those relationships"

position where somebody is having to kind of do a quarter or a third of the renovation themselves. It makes it for a nice clean sale of the hotels.

Nothing in particular at this point to talk about the marketing process for that. Obviously, as you've seen us do, Smedes, over time, we're constantly evaluating market opportunities, buyer opportunities and thinking about when is the appropriate time to sell it.

Tony Capuano: And the only thing I would add, Smedes, the part of your question was any particular concerns. I think as we watch the competitive landscape, as we watch the transaction market, you are seeing more and more institutional investment dollars going into the all-inclusive space. And I think that bodes well when we're ready to recycle this capital.

Leeny Oberg: And we have -- frankly, since we have acquired it, the performance has been excellent of those hotels. It is a wonderful addition for us for our global Bonvoy traveler. We have not had a presence in Barbados before. So it's been a really wonderful set of hotels to add to the portfolio. It's done quite well.

Smedes Rose - Citigroup Inc.: Great. And then just one small one, but did you complete the purchase of the Chicago Sheraton in the quarter? And is that would be included in your owned and leased outlook, I guess, going forward?

Tony Capuano: Yes, we did. So we are the proud owners of the Sheraton Chicago and our value is performing well. We think it will be a good cash flow generator in the owned leased line. and we will embark on an evaluation of the asset’s capital needs.

Ari Klein - BMO Capital Markets: Maybe just going back to key money. I was curious to say from a little bit of a different perspective, if there was an opportunity to actually be more aggressive on that front given that it's accretive to growth, and you have such a strong cost of capital. Maybe what are some of the puts and takes on that front from your point of view?

Tony Capuano: Yes. Maybe I'll start, and then I'll turn it over to our Head of Development here in a minute. Again, at the risk of repeating myself, key-money is a valuable tool in the right circumstances from our perspective. We are not anxious to go buy growth at any cost. We use the same discipline and the same evaluation of the value creation of each individual transaction. Marriott investment, whether it's key money or one of the other tools we have available is obviously incorporated into that calculation. And to the extent we see opportunities for deals that will generate higher than typical fees, we are certainly not shy about using that tool, but it's got to be through that disciplined lens.

Chad Beynon - Macquarie Bank: Tony, at the outset, you talked about continued strength in 2024 with the Bonvoy members. Can you just kind of touch on where you're seeing the growth? Or maybe a particular age or region and if this saw a nice benefit from the MGM deal?

Tony Capuano: Yes, of course, Chad. The good news is we're seeing it everywhere. The continent teams around the world, the property teams around the world have really embraced our efforts to continue to add high-value members to the program. I think we talked in my prepared remarks about the rapid progress we've made in our entry into the mid-scale tier. My view is that creates a great opportunity to open the aperture and bring in younger Bonvoy members, maybe less frequent those that are just starting their -- the evolution of their travel journey.

So I think that's a big opportunity for us. But it's really around the globe where we're seeing those opportunities. We'll continue to push at the property level in 2025. And I think you'll see a renewed focus on leveraging some of the amazing partners we have like Starbucks and MGM to try to continue to grow the platform.

Chad Beynon - Macquarie Bank: And then lastly, just in terms of the China recovery curve. Can you talk about anything that you saw maybe outside of the Tier 1 cities in China with respect to maybe Chinese New Year, some of the near-term data points, if you're starting to see a recovery from those lower tier provinces or regions in China and maybe if stimulus would be the big catalyst to get that going?

Tony Capuano: Yes, I think we all hope that, but it's really too soon to say. As you heard in Leeny's remarks, while we're quite encouraged by the January performance, we've also got to temper that enthusiasm a little bit because some of that is a byproduct of the timing of Chinese New Year. So we'll continue to watch. We are seeing some very small encouraging signs. The fact that the Tier 1 cities were positive is a good sign. The fact that sequentially, the weakness in Hainan is improving, albeit not anywhere close where we'd like it to be is encouraging.

We've seen some stimulus programs coming out of the central government. None of which to date, at least, we believe will have a material impact on demand patterns or for that matter on the property sector. But long term, we continue to be really bullish on Greater China. It's quite interesting to us that even in the face of some short-term operating weakness, we had record level of deal volume performance in 2024. And I think that's indicative of the development community's confidence long term about China growth trends.

Lizzie Dove - Goldman Sachs: I'm wondering if you can just expand on your comments around international RevPAR being higher than the US. You mentioned China would be flat, but anything you can share there, whether that's Middle East or Europe? I know you're lapping the Olympics, but you have Jubilee in Italy. So just any kind of color you can give around that?

Leeny Oberg: Well, obviously, first of all, basics on RevPAR are very much tied to GDP. And you've got -- in some markets around the world, I'll point out India as an example, you've got meaningfully faster growth in GDP, and those are areas where our rooms are growing at double-digit rates. So there's obviously benefits like that. You've also seen when we talk about cross-border travel, the strong dollar has been very encouraging for travelers to be going overseas. I think in particular, when you think about Europe and Japan, for example, we've seen really outstanding demand. We had stronger percentage of cross-border guests at our hotels than pre-COVID this year. And I think trends like that continue to emphasize the fact that they could be on the higher end of the RevPAR growth as compared to the US, a little bit lower.

Tony Capuano: Great. Well, thank you again for your interest and your questions. As we mentioned at the outset, our teams are energized by fantastic performance in 2024 and excited to welcome you in 144 countries around the world. So safe travels, and we'll talk to you soon.

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Note on forward-looking statements: All statements in this document are made as of February 11, 2025. We undertake no obligation to publicly update or revise these statements, whether as a result of new information, future events or otherwise. This document contains "forward-looking statements" within the meaning of federal securities laws, including statements related to our RevPAR, rooms growth and other financial metric estimates, outlook and assumptions; cash generation and shareholder returns; our growth prospects; our development pipeline; our expectations regarding new brands, offerings and growth opportunities; our Marriott Bonvoy loyalty program; and similar statements concerning anticipated future events and expectations that are not historical facts. We caution you that these statements are not guarantees of future performance and are subject to numerous evolving risks and uncertainties that we may not be able to accurately predict or assess, including the risk factors that we describe in our Securities and Exchange Commission filings, including our most recent Annual Report on Form 10-K or Quarterly Report on Form 10-Q. Any of these factors could cause actual results to differ materially from the expectations we express or imply in this document.