



Marriott International, Inc.
First Quarter 2025
Earnings Conference Call Transcript¹
May 6, 2025

Operator: Good day, everyone, and welcome to Marriott International's First Quarter 2025 Earnings Conference Call. Today's call will be recorded. It is now my pleasure to turn the call over to Senior Vice President, Investor Relations, Jackie McConagha.

Jackie McConagha: Good morning, everyone, and welcome to Marriott's first quarter 2025 earnings call. On the call with me today are Tony Capuano, our President and Chief Executive Officer, Leeny Oberg, our Chief Financial Officer and Executive Vice President, Development, and Pilar Fernandez, our Senior Director of Investor Relations.

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

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

We reported strong first quarter results this morning, despite an uncertain macro-economic environment, and each of our regions outperformed our expectations. Development activity remained robust, with record first quarter global signings, and we grew net rooms 4.6 percent over the trailing twelve months through March.

First quarter global RevPAR rose 4.1 percent, just above the top end of our 3 to 4 percent guidance range, with ADR increasing 3 percent and occupancy rising 1 percentage point. RevPAR in the U.S. and Canada region rose over 3 percent, with our luxury and full-service hotels meaningfully outperforming select-service properties, thanks to solid demand across both group and transient guests.

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

International RevPAR was up nearly 6 percent, led by growth in APEC. APEC first quarter RevPAR rose 11 percent, driven by strong ADR growth and higher demand from international guests. Growth was broad based across the region, with RevPAR increases of 16 and 17 percent, respectively, in its two largest markets, India and Japan.

RevPAR in CALA rose 7 percent, led by strong luxury and resort results. In EMEA, RevPAR rose 6 percent, on solid increases in ADR as well as occupancy, with strong transient demand from both in-country and cross-border guests. First quarter RevPAR in Greater China declined 2 percent due to the weaker macro environment and tough year-over-year comparisons, though it did come in ahead of our prior expectation primarily as a result of strong domestic demand.

This quarter, group was again the stand-out customer segment. Group RevPAR rose 8 percent, both globally and in the U.S. First quarter business transient and leisure transient each grew 2 percent globally and 1 percent in the U.S., with growth driven by ADR increases.

While RevPAR trends internationally were strong throughout the quarter, our U.S. and Canada region saw softer growth in March, particularly in the select-service segment.

We operate a cyclical business, and there is no doubt that today we are in a period of heightened macro-economic uncertainty, especially here in the U.S., with many concerned about slowing economic activity and lower consumer confidence. Throughout our long history, we have shown our agility and resilience, while also continuing to deliver solid system growth throughout economic cycles.

As Leeny will discuss in greater detail, against this macro backdrop, we are lowering our guidance for full year RevPAR growth by 50 basis points due to a more cautious outlook in our U.S. and Canada region.

In whatever environment we find ourselves, we remain focused on driving returns at our hotels and executing our proven long term growth strategy. You can see in our first quarter G&A results the positive benefit from the work we did last year to enhance our efficiency and productivity across the company. While we are marginally lowering our 2025 RevPAR guidance range, we still expect strong net rooms growth for the year and the future.

Owners continue to show preference for our brands. Our global signings have been excellent so far this year, despite uncertainty around construction costs and the challenging financing environment in the U.S. and Europe. Our first quarter signings were up 35 percent year-over-year.

Our pipeline totaled a record of over 587,000 rooms at the end of the quarter, with 42 percent of pipeline rooms under construction. Conversions, including multi-unit opportunities, remain a significant driver of growth, representing around one third of both signings and openings in the quarter.

I am very excited about our recent citizenM announcement and the expected addition of this unique lifestyle portfolio to our system later this year. This transaction builds on our commitment to expand our industry leading global portfolio to provide even more exciting and innovative options for guests and hotel owners. Comprised of over 8,500 open rooms and 600 pipeline rooms, citizenM is a differentiated brand with unique characteristics that we believe will be a great complement to our existing lifestyle select brands AC, Moxy and Aloft. CitizenM is known for its tech-savvy in-hotel experience, highly efficient use of space, and focus on art and design, and we see a large runway of growth for the brand in markets around the world.

Our powerful industry leading Marriott Bonvoy loyalty program had nearly 237 million members at the end of March. Marriott Bonvoy member penetration rose again, reaching a record of 68 percent of room nights globally. Honoring our members' appetite for experiences, we recently launched our newest global ad campaign titled "You Are The Greatest Souvenir," which showcases our wide range of offerings and celebrates travel's power in creating lasting memories.

We are making great progress on the multi-year digital and technology transformation of our reservations, property management and loyalty systems. We expect this new technology platform to further strengthen our efficient operating model, enhance Marriott Bonvoy, and elevate both the associate and customer digital experience. It is also expected to unlock new revenue opportunities through enhanced functionality and options such as booking specific room types and amenities in advance and seamless shopping across lodging, F&B, spa, and other non-lodging products.

As always, I have spent much of my time so far this year traveling around the world. I have visited properties and spent time with associates in every one of our regions, and I have seen first-hand their ability to adapt to changes in their markets and their dedication to delivering outstanding experiences to our guests. I want to express my gratitude to all of our global associates for their hard work and dedication.

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

Leeny Oberg: Thank you, Tony.

As Tony noted, first quarter global RevPAR increased just over 4 percent. Looking more closely at how we finished the quarter, RevPAR in March rose 2 percent globally. March RevPAR for our international regions was a bit ahead of our prior expectations, rising 2.4 percent, or 5 percent excluding the impact of Ramadan.

After January and February results were stronger than we expected, demand in the U.S. did soften in March, primarily due to a 10 percent year-over-year decline in U.S. government RevPAR. RevPAR in the U.S. and Canada region rose 2 percent year-over-year, which included a nice benefit from the timing of Easter. In 2024 the U.S. government segment contributed

around 4 percent of the U.S. and Canada region's room nights at an ADR that was 21 percent lower than the region's average.

To a lesser extent, we also experienced softness in select-service and extended stay demand in the U.S. in March, mainly driven by lower leisure transient demand given the less certain macro environment. Notably, the uncertainty did not impact results at our higher chain scale hotels, and we did not see signs of trade-down from our higher end customers during the quarter.

While we do not have final results for April yet, it looks like year-over-year RevPAR, excluding the impact of Easter in both months in the U.S. and Canada, improved sequentially from March to April.

First quarter total gross fee revenues increased 5 percent year-over-year to \$1.28 billion. The increase reflects higher RevPAR, rooms growth, an 8 percent increase in co-brand credit card fees and a significant increase in residential branding fees related to the timing of unit sales. Currency had a negative \$8 million impact on first quarter gross fees, in-line with our expectation.

Incentive management fees, or IMFs, fell 2 percent to \$204 million in the first quarter, with roughly two-thirds earned by international hotels. Increases in APEC were offset by declines in Greater China and in EMEA, partly due to a few properties converting from managed to franchise. IMFs in the U.S. and Canada were relatively in-line with last year.

First quarter G&A declined 6 percent year-over-year, primarily due to lower compensation costs. Adjusted EBITDA totaled \$1.22 billion, an increase of 7 percent.

Now let's talk about our outlook for the second quarter and the full year, which assumes the citizenM transaction closes in the back half of the year. Given today's uncertain macro backdrop, we have limited visibility into the back half of the year. The updated view that we are sharing today does not incorporate a recession. It reflects our current booking trends and assumes that, broadly speaking, they continue. It is important to remember that we have a short average booking window of around three weeks for our transient customers, which represent around three-quarters of our total room nights. So demand could of course change quickly.

Global RevPAR is now expected to increase 1.5 to 2.5 percent in the second quarter, which includes a negative impact from Easter in April, and 1.5 to 3.5 percent growth for the full year. Our update incorporates lower than previously anticipated RevPAR growth in the U.S. and Canada region for the second through fourth quarters of the year. This is primarily due to an expected continuation of declines in U.S. government demand. It also assumes slightly slower growth from U.S. select-service hotels due to lower transient demand and marginally lower group RevPAR.

Internationally, demand trends in all regions except Greater China have remained strong, and we have not changed our outlook for international RevPAR. Full year RevPAR growth is expected to be meaningfully stronger internationally than in the U.S. and Canada, even with Greater China RevPAR still anticipated to be around flat compared to last year.

On a global basis, looking at full year RevPAR growth by customer segment, though each segment's expectations have softened slightly due to lower U.S. and Canada assumptions, we continue to expect the strongest growth in group. For the full year, group was still pacing up 6 percent at the end of March, but as usual, could moderate a bit over the remainder of the year. This is followed by business transient, which could be up low single digits, and then leisure transient, which could be flat to up low single digits.

In the second quarter, gross fee growth could be in the 3 to 4 percent range. Growth will be impacted by the timing of residential branding fees, which are expected to be down nearly 60 percent year-over-year. IMFs are expected to see slight declines, primarily due to renovations at certain properties in the U.S. and Canada region. Adjusted EBITDA is expected to increase 3 to 5 percent.

For the full year, we expect gross fees of \$5.4 to 5.5 billion, with IMFs still expected to be relatively in-line with last year. We still expect gross fee growth of around 5 percent at the midpoint, despite the midpoint of our full year RevPAR growth outlook coming down 50 basis points. This is primarily due to a less meaningful negative fx impact from a weakened dollar and a small fees contribution from citizen in the back half of the year. Additionally, with two-thirds of our IMFs coming from international markets where there is often no owner's priority and the change in our full year RevPAR expectation coming from U.S. and Canada, as I noted, our IMF outlook is not changing.

For the full year, co-brand credit card fee growth is still expected to be a couple hundred basis points lower than the nearly 10 percent growth in 2024. Residential branding fees are still anticipated to decline nearly 50 percent, solely due to the timing of unit sales, while timeshare fees are still expected to be around \$110 million.

Owned, leased and other revenue, net of expenses, is still 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 still 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 that is also expected to yield cost savings to our owners and franchisees.

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. We still anticipate 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 full year core cash tax rate is still anticipated to be in the low 20's percent range.

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

On the back of the citizenM transaction, we now expect our 2025 net rooms growth to approach 5 percent. As we look ahead, with our strong momentum in global signings, we still expect long-term global net rooms growth in the mid-single digit range.

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

We are pleased with the company's strong first quarter cash flow performance and outlook. Given strong cash flow generation, we still expect full year capital returns to shareholders to be around \$4 billion, even after factoring in the \$355 million for the citizenM transaction, while maintaining our leverage in the lower part of our net debt to EBITDAR range of 3 to 3.5 times.

Tony and I are now happy to take your questions. Operator?

Question and Answer Session:

Michael Bellisario - Robert W. Baird & Co Inc.: Thanks. Good morning, everyone. Just to start on the macro, can we just zoom in on the sort of weaker select-service performance that you noted? I mean, how much of that do you think is regional versus the Easter shift impacting demand patterns? And then just more broadly, any more thoughts that would be helpful, especially in light of the fact that you said you're not seeing any trade down effect?

Tony Capuano: Yeah, maybe I'll make a couple of broad macro comments, and then Leeny might give you a little more granular response to your answer.

You know, we came out of the start of the year really strong. January and February were terrific. March, as Leeny mentioned in her prepared remarks, we saw a little bit of softness around the edges in the U.S. and Canada. And it was as if the travel community felt a little bit of shock and awe from the early days of the administration.

One of the things that's encouraging to us, you heard Leeny talk about preliminary April results. And if you normalize March and April by excluding the impact of Easter, you saw sequential improvement from March to April, which is encouraging. So the hope is, and embedded in our assumptions, is a bit of steady as she goes.

Leeny mentioned, we're not assuming a recession scenario. We expect to continue to see pretty solid demand on a global basis, a little more weakness in the U.S. and Canada. And the 50 basis point reduction in guidance really is reflective of Leeny's comment, which is tougher visibility into the back half of the year, given the relatively short booking window.

Leeny Oberg: Yeah, the only thing I'll add is when you think about the impact of Easter, that ends up being almost kind of around 250 basis points for the month or close to 1 percent for the quarter, and that's really across all U.S. and Canada.

The other thing that's interesting is that, when you take March and April together, so you look at it 2025 over 2024, which really then, if you look at those months together, which negates the impact of Easter, you see RevPAR going up 1 percent in U.S. and Canada. Obviously international has been higher.

And then, the point that I want to kind of emphasize, there is that we do believe March had some – almost a bit of a one-time impact from the shock of the government layoffs, as well as a lot of tariff announcements, etc. And the sequential improvement that Tony talked about is something that we see continuing, with the one caveat that we do believe that the biggest impact of our reduction in RevPAR in the U.S. and Canada for the rest of the year is all about continued reduced government nights.

Michael Bellisario - Robert W. Baird & Co Inc.: Got it. That's helpful. And then just one follow-up on citizenM. What's the owner's commitment to build or convert more hotels for that brand? That's all for me. Thank you.

Tony Capuano: Yeah, I mean, I think it's less of a commitment and just really profound enthusiasm about the positioning of the brand. Among, as we talked with the owners of citizenM, the thing I believe they found so intriguing about this partnership is the ability to plug in Leeny's extraordinarily strong network of developers around the world and really accelerate the growth of the platform, the way they always envisioned.

Shaun Kelley - Bank of America: Hi. Good morning, everyone. Tony or Leeny, maybe we could tackle the development side of the equation. Obviously, your comments and it looks like your activity in the quarter were very encouraging, but could you help us dig in a little bit, particularly on the full-service side? Just how are conversations like in the U.S. right now? What are some of the risks around just slippage with tariffs or kind of uncertainty? And how are developers sort of reacting to what we consider the run rate here in March and April, once some of this uncertainty has kicked in a little bit? Thank you.

Tony Capuano: Sure. So again, maybe I'll start at a high level and then let Leeny give more detail. To me Shaun, the most encouraging metric on growth that we shared was we signed more rooms in Q1 than in any Q1 in our history. So that in many ways reinforces a theme we've talked about the last number of quarters, which is the vast majority of our owner and franchisee community are long-term investors in the sector, not necessarily getting spooked by some of this short-term turbulence.

They believe in the long-term opportunity and the long-term demand trends in travel. They are excited, particularly here in the U.S. and Canada, about a continuation of historically low additions to supply and what that means for them in terms of opportunities. They are, to be sure, a bit frustrated about the relative lack of availability of debt financing for new construction, but they are quite bullish on the long-term.

Leeny Oberg: Yeah, I have a couple of comments for you, Shaun. One is to reinforce what Tony was saying, is that our signings were up very nicely in every continent around the world, except for one, and that was solely because they had a very large multi-unit deal a year ago in the first quarter. And so when you kind of look at year-over-year increases in signings that were over 30 percent compared to the year-ago quarter, I think it continues to demonstrate the real momentum. We continue to have a view that conversions will be around 30 percent, and that has continued to be the case in signings.

And then, kind of lastly, I'll touch on your point about under construction, which is, there's no doubt that owners are evaluating what's going on with their construction costs and how they are thinking about kind of the elements of kind of raw materials, etc. But we haven't seen the pace of construction starts drop.

Are they still below 2019 levels? Absolutely. Marriott's had the most new construction starts in the U.S. and Canada in 2024 in the U.S., and we're pleased with what we see. But there is no doubt to your question, quite a bit of watching to see what looks to be the impact on construction costs. But for the moment, it's steady as she goes in the U.S. and Canada for new construction starts.

And then Shaun, maybe just one other statistic to further reinforce the confidence within our owner community. Generally, we're seeing fall-out in the pipeline pretty consistent with what we've seen historically. But interestingly in Q1, and to be sure that one quarter doesn't make a trend, but the fall-out was about half of our typical quarterly average. So the strength of the pipeline continues to be pretty encouraging.

Shaun Kelley - Bank of America: Thank you. And then maybe just as a very brief follow-up, but Tony, there's some high-level concerns out there about just sort of U.S. brands operating in China, specifically given the specific trade tensions there. Could you just kind of think about, help us think about your positioning there? How do you kind of navigate that as a CEO? Just a few thoughts on that and that's it for me. Thank you.

Tony Capuano: Thank you, Shaun. Yeah, so we've talked about this a bit in the past. To me, one of the things that gives me a lot of confidence about the long-term opportunity for China, which is in fact our second largest market, we really are woven into the economy there. Almost the entirety of our 600 plus hotel operating portfolio, almost the entirety of our more than 400 hotel pipeline, is Chinese owned.

The vast, vast majority of the associates working in those hotels are domestic Chinese associates. And so, I don't think there is a view in that market that we are just a big American company. I mean, it is viewed in many ways as a Chinese business. The fact that the market is being so driven by domestic Chinese demand, and the way that we're performing there, I think is reflective of the manner in which that domestic Chinese traveler has embraced our portfolio.

David Katz - Jefferies LLC: Hi, good morning. Thanks for taking my questions. So I wanted to drill down just a bit on the NUG guidance, which is 4 percent to 5 percent, inclusive of citizenM, and noting your commentary that it's pushed toward the higher end. Could you just talk through maybe the puts and takes of, if citizenM is adding 50 basis points, is there a reasonable thought that it could have risen to 4.5 percent to 5.5 percent? And what if anything changed that may have altered the thinking there?

Leeny Oberg: Yeah, sure. No, I think it's the reality, David, that we start at the beginning of the year with as wide a range as we do, given you are at the very beginning of the year. It's absolutely no other change to our view, except that we're farther in the year, we've got greater visibility, and this is our best thinking at the moment, that with citizenM we're approaching 5 percent. So no change compared to a quarter ago.

David Katz - Jefferies LLC: Got it. And if I can ask one other quick follow-up with respect to the guidance. In going through it, a number of the metrics came down, a very small amount, but the EPS remained the same. Is there anything to that other than just one quarter farther down the road with some buybacks, or is there any other movement in there that looked like the tax rate's the same, etc.?

Leeny Oberg: No, I think, as I talked about in my comment, we basically had, yes, a reduction in RevPAR, which obviously has its impact on fees, but we had several other items that basically helped to get us back to that \$10 midpoint for EPS. One of it is a little bit less FX impact, negative FX impact as the dollar's weakened a little bit. You do have a little bit of assumption of citizenM fees, assuming that the deal closes in the back half of the year.

And then, as I talked about on IMF, because we are not changing international RevPAR, and those IMFs really flow through without the owner's priority, the IMF picture for the company, even with the change in RevPAR, is not changing. And so you put all those together, and as you know, a number of our other areas stayed the same relative to owned and leased and G&A, and that frankly, it puts you right back at the \$10 midpoint for EPS.

EBITDA, that midpoint lowered ever so slightly by \$10 million, and that is solely a function of a refinement of a couple of add-backs that we have in our EBITDA, one being reimbursed – depreciation on reimbursed costs that impacted that. So again, overwhelmingly no change.

David Katz - Jefferies LLC: Understood. Thank you very much.

Stephen Grambling - Morgan Stanley: Hi, thanks. Maybe just to follow-up on the pipeline conversation. I think there's been some questions around both fees per room over time, as well as key money or the need to lend associated with development. I'd love to hear just how you think about the fee per room kind of trajectory that's embedded within the pipeline and any capital support, whether it's contract acquisition costs or otherwise, and how you see that changing over time. Thanks.

Tony Capuano: Sure, maybe I'll take the key money one and you can take the fees per room one.

On the key money, to be sure, particularly given the growing importance of conversions across the industry, you are seeing incrementally more use of key money. It tends to be more frequently used in the upper quality tiers, luxury and upper upscale, although occasionally we'll see it come down a category or two, particularly for some of the larger custom urban deals.

As our system grows and grows meaningfully, not unreasonable to assume that the absolute amount of key money will go up, but interestingly in 2024, the average amount of key money per deal came down a bit.

And so I think the takeaway from that should be, we continue to use the same rigor and discipline that we always have in evaluating when and if we should use some measure of Marriott balance sheet capacity to drive growth. And as we've talked about frequently, we tend to use Marriott capital in deals that drive disproportionately high fees.

Leeny Oberg: And on the fees per key, obviously the basics are first, that fees per key are going to go up with RevPAR. So just a reminder that as RevPAR goes up, you're going to get some natural growth there, and sure enough, our fees per key are increasing.

I'll also say that when you look at our overall pipeline, given we're growing more internationally than we are in the U.S., and that is disproportionately full-service, you've also got greater strength there supporting the continued growth in fees per key.

Lastly, as you know, there are non-RevPAR related fees, which also tend to grow a bit faster than RevPAR. And you put that together, and I would say seeing fees per key continuing to grow, assuming the kind of RevPAR assumptions that we've given you would be our best estimate.

Stephen Grambling - Morgan Stanley: Super helpful. And maybe one other quick follow-up. Just on the co-brand credit card, I'm curious if you saw anything in the spend on the co-brand credit card that may suggest any kind of stocking up, more focus on goods or retail versus typical travel that may have occurred at any point during the quarter. Thanks.

Leeny Oberg: I think, and you've heard this, I'm sure, from the credit card companies as well. There continues to be, frankly, from our perspective, a really positive continued interest in travel, and a real prioritization of travel when people look at what they are doing.

Now, there is a bit of a difference that we noted in our RevPAR, which is that leisure in the lower-priced tiers was showing some signs of weaker demand. But in the credit card spend, I would say, kind of nothing very kind of meaningful or super obvious so far.

Stephen Grambling - Morgan Stanley: Great. Thanks so much.

Ari Klein - BMO Capital Markets: Thank you, and good morning. Was hoping maybe you could talk a little bit about what you are seeing with respect to inbound international travel to the U.S. and to the extent that that is happening, are other international markets benefiting?

Tony Capuano: Yeah, of course. So the interesting thing, if you look in aggregate, we're actually about a point above where we were pre-pandemic in 2019. About 20 percent of total room nights globally are from cross-border guests.

In the U.S., international room night mix in Q1 was about 6 percent, which was about 70 basis points higher than full year 2024. Every month of Q1, including March, saw a higher international mix than the prior year. And to be sure, Canadian inbound was impacted. It was down about 5 percent in Q1, but strong inbound demand from other countries around the world more than made up for that decline.

Ari Klein - BMO Capital Markets: Thanks for that. And then just on the government, you mentioned some of the weakness you saw there in March. Has that started to stabilize in April? And any signs of weakness at government-adjacent businesses, such as consultants?

Leeny Oberg: Yeah. So, we have not – don't have all the details yet on April RevPAR. I think you certainly can expect that government continued to be down, but kind of as we entered the month, we weren't seeing that it was starting to go down further, but it will take another month for that to kind of square away.

And then, as you think about the adjacent businesses, those depend a bit more on exactly which area they are serving. One interesting thing is that from the big consulting firms, which as you remember have been some of the biggest laggards relative to 2019. We saw some really nice pickup in their business, and obviously, they have a very strong ADR as we came into Q1.

But again, when we think of generally the business travel that is related to government, that in the U.S. would add one more percent of nights. So, it's not a really big part. The 4 percent that we described in the U.S. and Canada that is purely government-related, that is the one where we were talking about RevPAR being down 10 percent.

Conor Cunningham - Melius Research: Hi, everyone. Thank you. I'm just going back to group for a second. So, you talked about the booking curve and how you have some limited visibility, but on group it seems like you have a fair bit. So, if you could just talk about how things have trended, maybe into 2026, where you're seeing – are you seeing any hesitation there at all? That would be helpful. Thank you.

Tony Capuano: Yeah, thanks for the question, Conor. So again, we're a week into May, but if you look at the forward bookings into 2026 right now, definite change, we're tracking at up about 7 percent for 2026 and reasonably well split between occupancy and average rate. About 4 percent up in rooms and about 3 percent up in ADR. So, as you heard in Leeny's prepared remarks, right now we're tracking up 6 percent for 2025, but up 7 percent into 2026.

Leeny Oberg: And the only thing I'll note, when we talked about our RevPAR decline coming down overwhelmingly because of the government, we did mention that there was an ever so slight impact from our expectations on group for the rest of this year. And so, if you look at where we were a quarter ago for U.S. group pace compared to at the end of this quarter, it is ever so slightly down. So just barely down nowhere near a full percentage point. So again, that was kind of built into our view of this lower RevPAR in U.S. and Canada for the back half of the year.

Conor Cunningham - Melius Research: Okay. That's helpful. And then you've talked about stabilization into April. And I'm just – so let's – I know this is more of a hypothetical, but assuming that a broader market slowdown does occur, like I mean, your portfolio is obviously at a really good spot. You've talked about RevPAR holding up better than some of your peers. So, I'm just trying to understand your priorities as you look at the portfolio in general, whether it's through M&A conversions or anything like that. Like, are there any areas in which you think you want to strengthen during a potential downturn? Just where are the priorities within that list? Thank you.

Tony Capuano: No, I think we want to continue to execute our growth strategy. You know, it's one of the both opportunities and challenges of being in nearly 150 countries. We've got very deliberate growth strategies. We intend to execute those growth strategies throughout the economic cycle. These are long-term assets. And we think about the stewardship and the management of these assets through a long-term lens.

Patrick Scholes - Truist Securities: Hi. Good morning. Thank you. You just mentioned the group pace tracking up 6 percent. I know that Ryman Gaylord had called out an uptick in attrition. Is that similar to what you're seeing for your other brands? And if so, where would you think that

plus 6 percent actually settles out as far as actual revenue, assuming that there is attrition for your other brands? Thank you.

Tony Capuano: Yeah. I mean again, it's early Patrick, but right now, that's not a trend we're seeing across our broader group stay.

Patrick Scholes - Truist Securities: Okay, would that be an idiosyncratic issue to just the Ryman brand, because I'm curious. Thank you.

Tony Capuano: Yeah. I mean, it's a good question for Colin, but obviously those are big strategic hotels. They may behave slightly differently than the group portfolio more broadly, but we're just not seeing it in the data at this point.

Leeny Oberg: Just to give you an example, 70 percent of our group is 100 people and over. So there is obviously very wide variations in the types of groups that are being held at our hotels. But again, broadly speaking, to the extent that we don't have groups end up where we are now at 6 percent, that is more because of in-the-year, for-the-year booking timing, not because of attrition.

As you know, every year as you move through the year, typically your group pace declines as you end up kind of filling in, in-the-year, for-the-year. So we don't see that being a result of attrition.

Patrick Scholes - Truist Securities: Got you. Thank you. That makes sense, and I appreciate the color. Thank you.

Brandt Montour – Barclays: Good morning, everybody. Thanks for taking my question. I wanted to dig into conversions a little bit. This is a segment that has had some counter cyclicity in the past, historically. Tony, you've been around this business for a long time, and you've seen a couple of cycles. Is the conversation that usually happens around increased conversions with your developers happening, i.e., when things are slowing down, conversions pick up, that's kind of the old adage. Are you starting to have those types of conversations or is it still a little too early for that?

Tony Capuano: Yeah, I mean, it's an interesting question. We talk about that a lot. I'm actually quite bullish. As you point out, for the bulk of my career in development, you could almost set your watch by the cycles. In strong economic environments, you saw new build activity spike and you saw conversion volume start to recede a bit. And then, as you started to enter into an area of actual or perceived economic weakness, new build would start to slow and you'd see a big uptick in conversions. Eventually, we'll see more and more availability of new construction debt.

My expectation, however, is you won't see the same sort of parallel slowdown in conversions. Why do I believe that? A few reasons.

I think, number one, we continue to be at historical low levels of incremental new supply growth in the U.S. Number two, while we consider conversions across almost every brand in the portfolio, we have a subset of brands that are really well suited to conversions. You think about our soft brands, you think about Delta, they are really ideal for quick, efficient conversions.

Number three, Leeny and her team have done a terrific job of populating our development teams with resources who are specifically focused on conversions. And I'll even go a layer deeper, not just individual asset conversions, but portfolio conversions, where we've had a really strong run that I expect to continue.

And lastly, I would tell you, the nimbleness of the organization and the creativity, not in terms of budgeting on quality or standards, but the speed with which we are evaluating and executing against conversions. I throw all of that into the blender together and it causes me to be really optimistic about conversion volume being more of a steady state as opposed to a cyclical component of our development story.

Leeny Oberg: Yeah, and that the only thing I'd add to that is the reality that we are seeing more and more comfort around the world with conversions. This was really a trend that started, as you pointed out, earlier in economic cycles, really in the U.S. And then with both the addition of brands, as well as the realization of the kind of improved performance on the top and bottom line when hotels join the Bonvoy system, we are seeing just meaningful increases in the percentages of conversions across every continent. And that leads to Tony's confidence around this being more of a continued trend rather than purely part of the cycle.

Brandt Montour – Barclays: That's super helpful. Thanks for that. And then just a follow-up question, if we could just hone in on China development, just hoping for a couple of stats, the percentage of pipeline that's China, the percentage of pipeline under construction of your pipeline under construction that's China, and then just sort of the stats – sorry, the starts in the quarter. How that – if that grew year-over-year or quarter-over-quarter, however you can show it.

Leeny Oberg: Sure. So, from the perspective of Greater China, it's currently 10 percent of our existing rooms and 18 percent of our pipeline. We had another spectacular quarter of signings in Greater China, another big increase over last year, which was already a really outstanding quarter a year ago.

As we've talked about before, there too we are broadening our range across segments. And in China, there's been terrific interest in particular in our select-service brands. And that when you look at owners wanting to think about diversifying their risk across tiers and across cities, and frankly, across kind of per hotel dollars or RMB that they need to put to work, select-service has been a great place for them to disproportionately add investment. So, very pleased with what we see there, and again, expect for that to continue.

When you think about under construction, remember that China has an interesting kind of mix, as not only just being classic new build and also classic complete conversion from an existing hotel, but they also have a fairly sizable category of adaptive reuse, where a building has not, the building's use has not been entirely determined, but built about halfway or two-thirds before the owner makes a decision about exactly what the function of the building is going to be.

So while conversions in the entire company typically are only in the pipeline for maybe a year, these adaptive reuse ones, which are a good chunk of our signings, can be closer to 18 to 22 months that are in our pipeline. But again, just as valuable room additions as any other.

Brandt Montour – Barclays: Excellent. Thanks everybody.

Duane Pfenningwerth - Evercore ISI: Hey, thanks. Good morning. On your segmentation commentary, which I thought was helpful, group leading followed by BT, followed by Leisure. A big 'if' here, but if the trade overhang moderates and if the clouds begin to part, what segment do you feel like has the most potential energy, or said differently, the biggest chance for reacceleration this year?

Tony Capuano: Yeah, I mean, so much of this is driven by consumer confidence. So to the extent the clouds part in the way that you described, you'd think that would drive consumer confidence, which historically has driven an uptick in leisure demand.

And I think similarly, you hear most business leaders across sectors talking about the challenges of forward planning given uncertainty. To the extent some of that uncertainty starts to evaporate, that could similarly provide some upside and confidence in BT. And I hope you are a fortune teller, but to the extent that happens, that would be our expectation.

Duane Pfenningwerth - Evercore ISI: Big 'if' admittedly. But just for my follow-up, I wanted to ask you about the concept of trade down, high-end chain scale outperformance continues to be just remarkably sticky. Are you surprised at all we're not seeing trade down? And how do you think about this cycle differently than past cycles? Thanks for taking the questions.

Leeny Oberg: Yeah, sure. Absolutely. So, one of the things that I've been studying is just looking at kind of changes in demographics. So just to give you a perspective, in 2004, 22 percent of the U.S. population was 55 and over. That's now 30 percent. And when you think about total U.S. household net worth of being, a few of it's in the ballpark of \$170 trillion. That is going from 61 percent being 55 and over in kind of that percentage of household net worth held in that age group, that's gone up to 73 percent.

So, I do think the reality of some of these demographics and desire for travel is helping to add a base of demand that is perhaps a bit different than in prior recessions. Now again, all this depends on the severity of the recession, if it occurs. Currently, you're looking at GDP growth in

the U.S., let's call it in the ballpark of 1.5. And from that standpoint, we haven't seen the trade down as you described. So, we'll need to see where the economy goes.

Tony Capuano: And Dwayne, just to underscore that with some Q1 statistics that really, I think, illustrates some of the demographic trends that Leeny is watching. In Q1 globally, the luxury tier had the strongest occupancy growth of any tier where we operate. Similarly, the luxury tier had the strongest percentage ADR growth of any tier where we operate, and we're really not seeing trade down, at least through the first quarter of the year.

Leeny Oberg: And again, I'll play a little cheerleader here. Luxury makes up 10 percent of our existing rooms, certainly the leader there. And then we also have almost 10 percent in our pipeline, our luxury hotels around the world. So a strong, continually growing range of great experiences for our Bonvoy members to have.

Robin Farley – UBS: Great, thank you. Just trying to think about the change in rooms under construction year-over-year. And you mentioned in the release that you're kind of defining it a little bit differently with the conversion rooms in there. Is there a way to think about rooms under construction, either without conversions in either period or counting conversions like all conversions? Just trying to think about a comparable metric year-over-year to think about rooms under construction. Thanks.

Leeny Oberg: Yeah. No, I think we, again, define it that way which makes sense, because you really think about what under construction means, which are the ones that you expect to actually open fairly soon. So we think that makes the most sense.

Robin Farley – UBS: Okay, thanks. And then maybe just on the IMS fees, it sounds like no change in your expectation for U.S. and Canada fee payers. Can you just kind of unpack for us a little bit. Sometimes you've shared metrics about kind of what percent of hotels in the U.S. are fee paying and kind of how that may have changed year-over-year. I don't know if higher wage costs are impacting the U.S. businesses. It sounds like there was no change in your expectation for those fees, but just a little color behind that. Thank you.

Leeny Oberg: Sure. Yes. In Q1, 60 percent of our hotels worldwide were paying incentive fees that compares to 61 percent a year ago. However, to your point, in the U.S. and Canada, it's 21 percent in the first quarter of 2025 as compared to 20 percent a year ago. So, it's actually ever so slightly higher, and that's in the full-service space. Actually, both full-service and limited-service, they went up a percentage point compared to a year ago.

Internationally, broadly speaking, it ranges, but in Asia it's probably towards the low 80s percent earning incentive fees, maybe a little bit lower in the rest of the world, because some of those hotels do have owner's priority constructs in their contracts. I'd say internationally, roughly speaking, it's a 75 percent kind of for the entire international portfolio, while in the U.S., as I mentioned, it's 21 percent.

Robin Farley – UBS: Okay. And I guess with the strength in Luxury and full-service, that's actually where most of your fees would be coming from, and that's the part that's holding up, it sounds like.

Leeny Oberg: Actually, I mean, fees coming strongly, both for premium and luxury.

Robin Farley – UBS: Okay. Great. Thank you.

Lizzie Dove – Goldman Sachs: Hi there. Thanks for taking the question. You've been undergoing your digital transformation strategy the past couple of years. Curious if we could just get like a status update there? Where you're at with the rollout? When that might start to kind of hit? And how meaningful those benefits can be?

Tony Capuano: Yeah, of course. So we are making terrific progress led by Drew Pinto and his team. We are deep in testing as we speak. We expect to start rolling out to some of our select brand hotels in the back half of this year, and are really bullish as we've talked about in the prepared remarks about the impact we expect this is going to have on almost every facet of our business.

I think, I was down in Nashville a week ago with 5,000 of our select brand GMs and it was the first time the team really let them touch and feel some prototypes of what these systems are going to look like. The enthusiasm was extraordinary. Enthusiasm about the efficiency it will bring to their operations; enthusiasm about the advantages it will create in their ability to recruit, especially next gen talent; and enthusiasm about in the premium and luxury tiers, the opportunities that the new res system will create to merchandise the breadth of services and products that our ongoing members want to purchase from us. So, full speed ahead is the short answer.

Lizzie Dove – Goldman Sachs: Great. And then just to switch gears for a second on the non-RevPAR side, obviously, you've mentioned in the past there's a little bit of pressure there this year, mainly from the kind of timing of the residential side. Maybe too early to ask, but are you expecting that to rebound in 2026 to some degree?

Leeny Oberg: Yes, absolutely. But it's one of the things that Jackie and Pilar can take you through. That business is growing incredibly well. Very pleased with the continued growth in signings that we have in residential around the world, but they are lumpy. And as you saw in Q1, we had a couple of developments that closed in the quarter and you have a bit of a waterfall of the fees, and then it depends on when the next under construction residential project is completed.

And so, yes, you absolutely should expect to see that number over time go up. We've talked about this year, just given the way that the projects are closing, that we expect that number to be down, almost \$40 million compared to a year ago, but again, broadly, over time absolutely growing.

Lizzie Dove – Goldman Sachs: Great. Thank you.

Tony Capuano: Great. Well, as always, thank you for your continued interest in Marriott. Thanks for a great set of questions this morning, and notwithstanding Leeny's comments about a short booking window, Marriott.com -- start booking Memorial Day and your summer travel, and we look forward to welcoming you around the world. Have a great day!

-- End --

Note on forward-looking statements: All statements in this document are made as of May 6, 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 acquisition of the citizenM brand and the brand's growth prospects; our Marriott Bonvoy travel platform and loyalty program; our expectations regarding new offerings; 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 failure to satisfy the conditions to the consummation of the citizenM transaction; uncertainty resulting from economic, political or other global, national, and regional conditions and events, including related to tariffs, trade, travel and other policies; and the risk factors that we describe in our U.S. 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.