Marriott International Security Analyst Meeting Transcript

Wednesday, September 27th, 2023

Welcome

Jackie Burka McConagha
Senior Vice President, Investor Relations

Good morning, everyone. It is my pleasure to welcome you to Marriott's 2023 Security Analyst Meeting. Thank you to those of you who have flown to Miami to join us in person and to those watching the webcast online. We have an exciting schedule of presentations planned for you this morning. Tony Capuano will start with an introduction and an overview of Marriott's strategic priorities. And we will close with a 30-minute Q&A session.

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.

Forward-looking statements in our remarks today and in this morning's press release are effective only today and will not be updated as actual events unfold. You can find reconciliations of all non-GAAP financial measures on our investor relations website.
And now I will turn the stage over to Tony. Thank you.

Introduction

Anthony Capuano
President and Chief Executive Officer

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Thanks, Jackie, and good morning. I am thrilled to be here at the beautiful W South Beach for our 2023 Security Analyst Meeting. Thank you all for taking the time to join us, whether you're here in person with us or online. Before I get started, I 'd like to ask you to help me thank the team here at the W South Beach.

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Since we held our last analyst day in early 2019, the power and wisdom of our asset-light business model have become even more abundantly clear. We rebounded from quarterly global RevPAR down nearly 90 percent in the spring of 2020 to full RevPAR recovery and record quarterly financial results just over two years later. We've also grown our system size by nearly 15 percent since year-end 2019.

Today, we are experiencing solid momentum in our business around the world. Global RevPAR grew 8 percent year over year in July and 9 percent in August. Looking ahead, we expect to continue driving strong growth in cash flow and earnings per share over the next few years. Over the course of our morning together, my team and I will share a deeper dive into our growth strategies and tell you more about the many reasons we are so optimistic about Marriott's future.

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Over the last few years we have seen the true power of travel and its incredible resiliency. Travel is of paramount importance to many people around the world. The pandemic was a profound reminder of how impactful and fulfilling travel can be, and global consumers today have a deeper appreciation for experiences. Most recently, trends in Greater China have demonstrated this, as RevPAR in the region surpassed pre-pandemic levels less than six months after travel restrictions were lifted at the beginning of the year.

Oxford Economics estimates that global travel spend totaled nearly $5 trillion in 2022. The longer term outlook is quite encouraging, with spend forecasted to grow at a 12 percent CAGR from 2022 to 2031. Over the next ten years, the World Travel and Tourism Council expects travel and tourism's contribution to the global economy to grow at an average annual rate of 5.8 percent, which is more than double the 2.7 percent average annual growth rate estimated for the global economy.

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Marriott's overarching strategy is to "grow forward" by connecting people around the world through the power of travel. Growth is important for all of our key stakeholders. Our strategy to grow forward is easily understood through our three paths to win. We remain focused on offering the best brands and experiences, to the most valuable and engaged guests, while expanding the broadest and deepest global portfolio of properties and offerings. Essentially all of our business strategies are designed and prioritized with these three paths in mind.

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Given travel trends are always evolving, I'd like to take a few minutes to talk about some of the current trends and themes.

Post-pandemic, consumers have been prioritizing experiences over goods. According to Mastercard, as of March 2023, spending on travel and experiences had risen 65 percent over 2019 levels, compared to spending on goods, which had risen only 12 percent over 2019. Further, a recent survey by the American Society of Travel Advisors found that nearly 50 percent of respondents in the U.S. ranked a vacation as their top discretionary spend. This is double the second choice of home improvement or renovation.

With our leading distribution of nearly 8,600 hotels in 139 countries and territories around the world, we offer a broad spectrum of properties and experiences that appeal to a wide range of customers. For the higher-end consumer looking for a very distinctive experience, we have added properties like the JW Marriott Masai Mara, our first all inclusive, luxury safari lodge, which opened earlier this year in Kenya. For other guests, going to New

York City or coming right here to South Beach for the weekend and staying at a Marriott or AC hotel can be a unique and coveted experience.

Leisure travel is often motivated by the desire to spend time with friends and family, and this is unlikely to change. However, we've also seen a rise in certain types of trips that were hampered by the pandemic, like traveling for a sporting event or a concert. The number of 2023 U.S. summer travelers who noted that their travel was driven by a specific event or activity rose by more than 30 percent year over year, to nearly one-fifth[1] of all leisure travelers. As we've all been reading about, and certainly some have perhaps experienced firsthand, our hotels have seen huge surges in demand and ADR during Taylor Swift's The Eras tour, with a city's RevPAR often nearly doubling during her concert dates. Customers want to be at these events and enjoy these experiences in person.

Overall leisure travel, which has led the recovery, remains robust, as does group travel. The resurgence of business transient growth has been slower, though travel managers indicate that they expect spend will continue to increase over the next few months and into 2024.

A fourth major type of trip purpose has emerged over the last few years. Driven by a rise in remote and hybrid work arrangements, more travelers are combining business and leisure into one visit. Trends in shoulder night occupancy and a lengthening of the average transient stay indicate this trend is enduring.

The growth of trips that blend business and leisure is, of course, great for our business. According to PhocusWire, travelers who intend to work while traveling plan on taking twice the number of trips than they would if working remotely wasn't an option. Of these travelers, nearly half added three or more days to their trip. In our hotels, the percent of special corporate arrivals on Wednesday or Thursday and staying past Saturday grew to 18 percent in the second quarter, up 5 percentage points from the same period in 2019.

Meeting the needs of all types of travelers is key. A survey of our guests who combine business and leisure into one trip found that private rooms that include workspace and amenities like Wi-Fi are top considerations to ensure their productivity.

Guests across customer segments are also increasingly interested in the environmental impact of their stays. More corporates are asking for sustainability credentials, and more leisure guests are considering sustainability as they book. It's an area we take very seriously, and you'll hear more about that later this morning.

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With all of these travel trends in mind, we're working to ensure we have the right product for every trip purpose in locations all around the world. We currently have over 30 distinct, unique brands, a few of which were not in our portfolio when we last met in 2019.

[1] Said "15 percent". Should be "one-fifth".

Last November, in response to the growing demand for stays that blend work and leisure, we announced our launch of Apartments by Marriott Bonvoy, an apartment-style, extended stay offering.

We also recently made the decision to enter the high-growth midscale space. Our acquisition of the City Express brand, with 17,000 rooms in the Caribbean and Latin America, or CALA region, earlier this year jumpstarted this effort. We have since announced our plans for a new extended stay midscale brand, StudioRes, in the United States, a product aimed at the growing demand for blending work and leisure during longer stays. We are already working with developers on several hundred deals and expect to have several signed in the near future.

Just this morning, we officially announced the launch of Four Points Express by Sheraton, a conversion focused midscale brand in our Europe, Middle East and Africa, or the EMEA region. There's a lot of initial interest from owners, and we have already signed three deals in London and Turkey and have signed additional letters of intent across the UK and in Belgium and Poland.

In 2019, we entered the all-inclusive space, and we also launched Homes and Villas by Marriott Bonvoy.

A year ago, we extended The Ritz-Carlton brand to the high seas. Our first yacht, Evrima, has now had 46 voyages. Marriott Bonvoy members account for over three-quarters of the yacht's bookings. Additionally, the percent of bookings coming through our direct channels is double what most cruise companies experience.

Further enhancing our overarching brand, Marriott Bonvoy, is another top priority to ensure we have a growing population of highly-engaged guests. Our loyalty program is essential to connecting with consumers and driving our business, and the strength of Marriott Bonvoy is increasing. In addition to the recent brand launches and brand extensions I just mentioned that help make our platform even more powerful, we have rolled out numerous collaborations that help keep members engaged, such as our Uber agreement here in the U.S. and we now have co-branded credit cards in ten countries and counting.

Increasingly leveraging technology will strengthen our loyalty position and help drive long-term profitability for Marriott and for our owner community. As we have discussed before, we are in the process of transforming our three major technology systems – reservations, property management and loyalty – as significant technology enhancements are a critical enabler of our overall business strategy.

Another top priority is to drive strong, valuable growth. Scale matters in our business, and we certainly have achieved that as the largest lodging company in the world. But, as Mr. Marriott is fond of saying, success is never final. At the end of the second quarter, 7 percent of global hotel rooms carried one of our brands and 19 percent of global rooms under construction were in our pipeline, making us poised for even greater market share.

But we are always searching for innovative and financially accretive ways to grow. We've successfully grown through a variety of means, including new brand launches, M&A, and strategic licensing agreements, throughout economic cycles, and we expect to continue to do so.

When new hotel development activity slowed significantly starting in 2020, we did not sit still. Once the operating environment began to rebound, we leveraged the power of our loyalty program and our other revenue engines to drive growth beyond new builds. We renewed our efforts on conversions, especially multi-unit deals. In February of 2021, we signed a conversion agreement for 19 all-inclusive hotels and 7,000 rooms with Blue Diamond in CALA. In the last year or so, we have entered into two landmark agreements with Vinpearl in Vietnam, encompassing over 4,600 rooms, many of which are conversions. Internationally, we opened more than 12,000 conversion rooms in 2022, over 50 percent more than in 2019. And most recently, we announced our strategic licensing agreement with MGM Resorts, which encompasses 40,000 rooms in Las Vegas and five other key U.S. markets. And, of course, we expect that our new brand additions over the last few years will also help spur future growth.

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An important component of our strategy to build the largest and most loyal customer base is broadening the scope of our offerings in a way that is valuable to our customers. This diversification makes our business model stronger as well and is built off of our core existing competencies.

Over time, Marriott has become meaningfully more diverse in terms of geography and the types of fee streams that we generate. Since 2008, we have nearly doubled our presence in international markets, with close to 40 percent of our rooms today outside the U.S. & Canada. Additionally, almost 20 percent of our fees come from non-RevPAR-related sources currently, compared to 5 percent 15 years ago. Within our hotel fees, the percent earned from more volatile incentive management fees is declining. We're also becoming exposed to a wider range of customer segments as we enter the midscale tier.

Having a broader source of fees is extremely beneficial throughout the phases of an economic cycle. This was apparent during the recent downturn, when our non-RevPAR-related fees, led by our cobrand credit card fees, proved to be quite resilient. Our non-RevPAR-related fees dipped around 15 percent in 2020, but then more than fully recovered in 2021, rising nearly 15 percent above pre-pandemic levels. We posted record cobrand credit card and residential branding fees that year.

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So let me pivot and talk about how all this could translate into the financial model we are providing today, which I think is very compelling. With our solid global growth prospects and asset-light strategy that generates a meaningful amount of cash, we expect to deliver strong financial results and return significant additional capital to shareholders while driving continued shareholder value in the years ahead.

As we say at every analyst meeting, we are laying out a model, not guidance, based on certain RevPAR assumptions, which are intended to provide a range of scenarios to evaluate how our business might perform. We shared assumptions and guidance for 2023 on our earnings call in August, and with this model we are now giving a 3-year view through 2025.

Starting with the top line, our model assumes year-over-year RevPAR rises 12 or 14 percent this year and then increases between 3 and 6 percent in both 2024 and 2025. It assumes net rooms grow at a compound annual growth rate of about 5 to 5.5 percent from year-end 2022 to year-end 2025. While net rooms growth can be lumpy from year to year due to really impactful transactions like MGM, but we are delighted that our 3-year CAGR is expected to be squarely in the mid-single-digit range. Now note that in the model, MGM rooms are still assumed to be added this year. Given the current uncertainty related to MGM's cyber incident, there is a chance that the timing could slip to sometime early next year.

Our gross fees are modeled to grow at 16 to 18 percent this year and at a 6.5 to 9.5 percent CAGR from 2023 to 2025. With the operating leverage that's inherent in our business, adjusted EBITDA could rise 18 to 21 percent this year and 7 to 10 percent from 2023 to 2025.

Our powerful business model is expected to produce a meaningful amount of cash from operations. As adjusted EBITDA levels increase, additional debt capacity becomes available. This translates into accelerated adjusted EPS growth, as cash beyond what we need to invest in the business is returned to shareholders through dividends and share buybacks. Adjusted EPS could rise 15 to 20 percent from year-end 2022 through year-end 2025. Over this 3-year period, we could return between $11.7 billion to $13.6 billion to shareholders through dividends and buybacks.

Slide A-9

Now the hard work that drives the results shown in this model is being done by our incredible team of associates around the world. Today, you'll have the change to hear from many of my direct reports, as well as a number of our other senior executives. You've heard me talk about this before. This is an incredibly seasoned leadership team with a deep wealth of experience. I believe they're the best in the business. We also have a dozen or so other Marriott leaders here who would love to chat with you during the break, after the presentations and at the informal lunch a little late this afternoon.

So let me now provide an overview of the topics that each executive will discuss today. We'll start with Peggy Roe, our Executive Vice President and Chief Customer Officer. Peggy is responsible for evolving our portfolio of brands, including Marriott Bonvoy, and enhancing the end-to-end customer experience using data, AI, and innovation to fuel future growth. She will discuss how we are developing and executing key aspects of our global consumer strategy.

She'll be followed by Tina Edmundson, our President of Luxury, who oversees our unmatched luxury portfolio of nearly 500 properties. Tina will talk about how we are extending our leadership position in this incredibly important and valuable customer segment.

Then you'll hear from Drew Pinto, our Executive Vice President and Chief Revenue & Technology Officer. Drew leads our sales, revenue management, distribution, digital, and information technology divisions. Drew will share an overview of our revenue management strategies and highlight our digital strategy and transformation.

Then you'll hear from Erika Alexander, our Chief Global Officer of Global Operations. She'll provide an ESG update focusing on sustainability in our operations.

And then you'll hear from Leeny Oberg, our Chief Financial Officer and Executive Vice President, Development, someone that you all know quite well. And she'll moderate a panel with our development leaders. As usual, Leeny will also discuss how we're creating shareholder value and she'll walk you through, in some measure of detail, our 3-year financial model.

Throughout the morning we'll also see videos from each of our five continent presidents with detailed updates on each of their regions. You'll hear from Brian King our President of CALA; Raj Menon, our President of Asia Pacific Excluding China; Yibing Mao, our President of Greater China; Satya Anand, our President of EMEA, and Liam Brown, our Group President of the U.S. & Canada.

So again, let me thank you for making the trip to Miami or dialing in online. And let me turn the stage over to Peggy.

VIDEO

Creating Customer for Life

Peggy Roe

Executive Vice President and Chief Customer Officer

Slide B-1

Thank you.

Slide B-2

It's great to be here with you all today this morning to share more about our customers, our brands and our strategy behind Marriott Bonvoy. So let's dig in.

Today, Marriott Bonvoy is not just a loyalty program. It is our portfolio of brands and experiences, our loyalty platform, and our direct channels. It is at the heart of our strategy and a key component of our three paths to win.

Slide B-3

Our vision is to build the most valuable customer base in the world by creating the most desirable portfolio of brands and experiences. And the more customers love our brands, the more they will stay and spend, translating into greater share of wallet, lower cost of acquisition and more profit for Marriott.

I often like to refer to this simple strategy as love and money, but practically, this is how we create value for customers and owners. Our industry leading portfolio, combined with the benefits of our loyalty platform and the power of our direct channels, are what differentiates Marriott Bonvoy from our competition.

Slide B-4

Our unique positioning starts with having a broad global portfolio of the very best brands and experiences. As our members often tell us, they love Marriott Bonvoy because, no matter where they want to go in the world, Marriott offers a place where they can find quality, consistency, and service.

And with more than 30 brands and access to 10,000 destinations, our goal is to have something for everyone. A brand for every traveler, every trip purpose, in every region, across a broad range of price points.

Slide B-5

Most recently, a growing middle class around the world prompted our move into a new segment and price point. In May, we entered the midscale segment with the acquisition of the City Express brand portfolio in CALA. This significantly expanded our presence, boosting our footprint by about 45 percent, and making us the largest hotel company in the region. The brand also provides access to a new customer base as City Express loyalty members move their membership over to Marriott Bonvoy.

Slide B-6

And we continue the midscale expansion in other regions around the world. In June, we announced StudioRes in the U.S. & Canada, to meet rising demand for longer stays at a midscale price point, approximately $40 less than our current moderate-tier brands. StudioRes will deliver an innovative, smart, modern, and functional design that is affordably priced and backed by the company's commitment to comfort, care, and cleanliness.

Pushing further on innovation, a new modular, factory-constructed room, is also being tested in our design lab and expected to streamline cost to build, and cycle time to market, for this brand.

And as Tony mentioned earlier, we are expanding into EMEA with Four Points Express by Sheraton.

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We are constantly innovating and evolving our brands to keep them fresh and ensure we meet the preferences of new markets and the next generation of travelers.

Moxy, Westin, Autograph, and the Design Hotels all emphasize lifestyle, wellness, and unique experiences. Also all qualities that our research found resonated most with Millennial and Gen Z travelers.

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This data led us to develop our new Marriott Bonvoy "Roam Around the World" campaign earlier this year, which is designed to inspire all consumers with our breadth of experiences, while also highlighting the brands most relevant to the younger generation. Let's take a look.

VIDEO

Slide B-9

Our namesake brand, Marriott Hotels, continues to evolve today to meet customers' needs. Just six months ago, we began roll out of a new positioning called Wonderful Hospitality. Always. It celebrates our rich legacy and leading position in the industry and reinforces what Marriott Hotels has always stood for: true, authentic, and wonderfully human hospitality.

As the world around us changes, we are continuing to evolve what has built over 50 years of trust, keeping people and genuine service at the heart of our company's mission.

And in emerging markets and global markets like China, India, Mexico and the U.K., our flagship Marriott Hotels brand is an industry leader on customer perception, establishing a strong reputation for quality, consistency, and service, and paving the way for the rest of the portfolio.

Slide B-10

These global brand platforms allow us to create a core brand promise and positioning, and then localize and extend into new markets. For example, the Fairfield brand in North America, was designed to be a simple, functional experience and has welcomed guests for over 30 years with warm, genuine, hospitality, inspired by the Marriott family's Fairfield Farm, in the Blue Ridge Mountains of Virginia.

In contrast, the Fairfield brand in Japan, which opened close to 30 properties in just the last three years, maintains this positioning of a simple and functional experience but with a Japanese design sensibility, streamlined to fit a 25-square-meter room.

Slide B-11

In addition to our nearly 8,600 hotels, we expanded our offerings with Homes and Villas by Marriott Bonvoy in 2019. In this business, we vet and carefully select the management companies we work with through a rigorous process. Today, we have curated over 120,000 homes and villas that are professionally managed, adhering to Marriott standards.

Homes and Villas by Marriott Bonvoy, or HVMB, doubles the number of locations we offer to our customers and 73 percent of these homes are in global destinations where we don't have a hotel. Nearly 100,000 Marriott Bonvoy members have used HVMB in the last two years, and our Marriott Bonvoy penetration is 96 percent, with 71percent of stays coming from members that are Gold Elite or higher. And 40 percent of bookings include some level of points redemption. Customers who engage with HVMB, on average, spend $2,000 for each stay, allowing us to capture, again, more share of wallet and reinforcing the value of Marriott Bonvoy.

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The breadth and depth of this portfolio of offerings makes Marriott Bonvoy a very rich playground for those who love to travel and provides a great range of options that will grow with customers through their lifetime. And compared to other global lodging loyalty programs, Marriott Bonvoy has the largest global membership base, the strongest credit card portfolio, and the most partner benefits. These scale economies allow us to have, what our analysis shows is the lowest loyalty charge-out rates in the industry, making for a compelling owner value proposition.

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In 2023, Marriott Bonvoy was voted by over 9 million frequent travelers as the Hotel Program of the Year for the 15th consecutive year. We won best redemption, best promotion, and best customer service.

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We have built a portfolio that provides customers with more ways to travel and enjoy life with Marriott Bonvoy through more lodging options in more markets, more experiences for leisure and redemption. And more ways to earn and redeem with Marriott Bonvoy every single day. You get the theme, right?

The choices we offer keep our customers in our ecosystem longer, which in turn, grows our share of their travel, capturing more stays and more spend, ultimately driving continued lifelong engagement. In fact, when members engage in a secondary Marriott product or service, such as linking their accounts with Uber or adding travel insurance to a trip, their hotel spend goes up on average by 14 percent.

The products in our ecosystem help drive incremental revenue and the strength of our brands give us the ability to extend into new categories.

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Let me give you another example. Customers who love Westin can actually stay at one of our Westin Hotels or choose a Westin All-Inclusive resort. They might purchase a Westin Residence or own a Westin vacation timeshare

And Westin Hotels & Resorts, as you know, introduced the Heavenly Bed in 1999 and revolutionized the hospitality industry by emphasizing the importance of a great sleep experience. We continue to make strides to be, today, the preeminent wellness brand.

Beyond the Heavenly Bed, customers can experience Westin At Home with other exclusive products like Westin robes, sheets, towels, candles and bath amenities through our online retail store, Marriott Bonvoy Boutiques.

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Leveraging the promise of some of our most iconic and luxury brands, we also launched our all-inclusive platform just a few years ago. And as leisure demand surged over the last three years, we added over 30 all-inclusive properties to our system in CALA and EMEA. All-inclusive offers our customers more options for leisure and brings another new segment of travelers, again, to Marriott Bonvoy.

Slide B-17

Tony mentioned this with investment in experiences driving consumer spend, we are also excited about our exclusive agreement with MGM Resorts, which is set to meaningfully expand our presence in Las Vegas and five other key markets in the U.S., while also adding to our portfolio of experiences that we have through dining, gaming, and more options for entertainment. The MGM collaboration will bring us, again, new customers and a host of new experiences that complement Marriott Bonvoy Moments.

Slide B-18

So, let's talk about Marriott Bonvoy Moments for a minute. Marriott Bonvoy Moments is a platform where members can redeem points for over 20,000 exclusive experiences all over the world. Members can bid for exclusive VIP events like sleeping over in a suite in the stadium during the Super Bowl, and VIP access to thousands of culinary and entertainment adventures designed just for Marriott Bonvoy members.

This year we created One Point Moment Drops giving members access to limited-edition and epic experiences for a single Marriott Bonvoy point. Just one stay, a purchase with a Marriott Bonvoy credit card, or a qualifying ride with Uber, can give guests the opportunity to explore the breadth of adventures Marriott Bonvoy provides. This new program gives our younger and more infrequent guests the opportunity to experience firsthand the value of Marriott Bonvoy, after the first stay.

In fact, the first drop of ten 1-point packages, the Dos Hombres Mezcal Tasting with the founders and Breaking Bad stars, Aaron Paul and Bryan Cranston, sold out in less than five seconds.

Slide B-19

To engage members beyond the stay, members can also earn when they eat and ride every single day. Billions of points have been earned by Uber-linked and activated Marriott Bonvoy accounts since the launch in April 2021. Members can also redeem when they purchase their favorite branded beds, sheets and towels through Marriott Bonvoy Boutiques.

Slide B-20

And then leisure and local guests also give us more opportunity to capture ancillary revenue at every hotel. We aim to add more options for driving incremental revenue on every stay. Customers can reserve a poolside cabana while on a leisure vacation, they can book a meeting room even if they're local, and they can add a local experience to enrich their trip.

In 2022, we also launched the innovative, new travel protection product through our collaboration with Allianz. This industry-leading product offers protection for all travelers in the party and for trip purchases even beyond just the hotel stay. This gives customers more protection than traditional travel insurance products and allows us to further monetize the traffic in our channels.

So, as you can see, Marriott Bonvoy is more than just a hotel loyalty program. We go well beyond the value of earning and redeeming points. Everything we do is in service of bringing the joys of good travel to life and creating more for customers and for owners.

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So our customer model is quote simple. When customers are happy, they are more active in our ecosystem, they stay with us more often, they fill our hotels with more business. This in turn, drives profit for our hotels and owners. It's this model that helps drives our member penetration around the world.

Owners choose our brands because we deliver high-value customers at scale across the globe. And when we now include non-point-eligible nights, such as group stays, Marriott Bonvoy members represent 61 percent of room nights in our hotels globally and 67 percent in the U.S.

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In fact, the top 1 percent of our customers by spend generate 35 percent of our gross fee revenues. These customers are highly engaged: 90 percent use the mobile app, 64 percent have a cobrand credit card, 21 percent have spent on Marriott Bonvoy products like Uber and Homes & Villas.

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As I mentioned, our Marriott Bonvoy credit card offerings make up the largest hotel cobrand portfolio in the world with 28 cards covering ten markets, substantially more than any major competitor in hospitality.

We have cards in the world's largest economies and our most important source markets, giving us an ability to deepen loyalty and engage members beyond the stay. Eighty percent of our member base lives in markets where we now have a Marriott Bonvoy credit card.

And in the U.S., we have offerings for new card customers with both Chase Bank and American Express.

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Internationally, we're in some of the very largest travel markets. We have American Express cards in Japan and Canada. We launched three cards in China last year with CITIC bank.

And just last month, we introduced India's first cobranded hospitality credit card. With over 140 hotels in India, our Marriott Bonvoy HDFC Bank credit card is very well-positioned to capture new members, again, and motivate existing members to stay and spend more.

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Outsized spend on our cards in our international markets is actually driven by the strength of our brands, especially in markets like Japan, China and Korea. Our bank partners often tell us how much they value our high-quality, high-spending customers in their portfolio.

The card portfolio creates tremendous loyalty and a diverse revenue stream for Marriott, a revenue stream that grew through the pandemic. Our card member spend and associated Marriott fees are now 28 percent higher than 2019.

And our pipeline for cards is expected to grow over the next few years with many potential deals in the mix.

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Card members love the ability to earn accelerated points and elite night credits towards status. Our cards also offer members access to some of the most coveted global events, including experiencing F1 from the paddock, enjoying dinners hosted by Michelin-Star chefs, and much, much more. If you don't have a Marriott Bonvoy card today, I'll see you in the back afterwards.

We have carefully developed and maintained our Marriott Bonvoy credit card program to create value for customers, partners, and owners. And beyond being an extraordinary program for our members, our cobrand credit card actually brings in over half of the funding for the Marriott Bonvoy loyalty program, supporting costs for member services, benefits, marketing, and reimbursements.

This funding gives us the ability to maintain a high redemption value for customers and reduce program charge-out rates for owners, allowing us to spend more of the money on marketing and other initiatives.

A healthy hotel loyalty program continues to strike this balance between the benefits to our customers and to our owners.

Slide B-27

While our credit card program significantly offsets the cost of the loyalty benefits that customers receive, we also continue to modernize the systems and the algorithms the algorithms to improve our program economics. Let me give you an example on redemption pricing.

So prior to the pandemic, we used a basic category chart and assigned every hotel to a specific category with a fixed-point price for each season: off-peak, peak, and standard.

And then when we introduced flexible pricing rates in 2022, we removed all hotel categories and we now offer members a broader range of redemption price points for their stays, also yielding more availability. Similar to the airlines, the points required for a redemption stay fluctuate and are more intuitive for members to understand.

This dynamic pricing is beneficial to owners as it allows hotels to bring in redemptions when demand is low and to maximize revenues when demand is high. This change has resulted in improved economics for owners and for the program, while also providing more options for members.

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When a customer makes a second stay, a redemption, or engages with us beyond the hotel stay, we solidify their loyalty. These customers become more valuable because they stay with us longer, they engage with us more frequently, and that ultimately delivers more value for our company and for our owners. According to our data, service is the biggest driver of customer satisfaction.

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And for 96 years, we have built our reputation on great service. And as we look forward, we believe the future of service will evolve. For us, it will be human-centered, but data-driven, and tech-enabled.

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Today, Marriott Bonvoy represents this end-to-end customer experience, both digital and physical. And Customers and owners expect that we, as the leader in hospitality, will evolve and lead the way on operational efficiencies and delivering targeted and personalized experiences.

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And as we look to enhance the experience for customers, we have deeply invested in building our data operations and data activation capabilities, positioning us well to take advantage of marketing and merchandising capabilities and move towards innovating further with AI.

Data will unlock significant advantage for Marriott, and for our industry in the future, in the areas of real-time reporting, targeted marketing, and personalized experiences. Large language models and AI will bring even more efficiencies to processes where we can leverage data and rapid generation of ideas for our brands, customers, and our hotels.

Earlier this year, we expanded our Design Lab and created an AI Incubator with co-investment opportunities from partners. Over 150 use cases were submitted from across our company.

And we believe there are three significant areas to unlock for our industry. First, accelerated content generation. Second, elevated customer experience. And third, augmented intelligence for our associates.

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To make things real, we recently launched several internal pilots. Let me highlight a few. The first is RenAI or "Renae". It's a pilot concierge program for our Renaissance brand, making it easier to deliver high-quality, relevant, local recommendations via chat, and it's easier to use for both our property concierges and our guests.

The second is Ambassador Trip Planning. Marriott's Ambassador associates can take what we know about our Ambassador members and create a more personalized itinerary instantly with multiple options. Previously, this all had to be done manually.

And our design team uses Image Creation as an inspiration as they develop new designs for hotels whether for a lobby, a bar, outdoor space, or for rooms. We are incredibly excited about the opportunities that will result, and we're only scratching the surface. It'll all lead to a better customer experience. But our approach is always to leverage the technology that complements and enhances the human interactions between our guests and our associates.

Slide B-33

So in closing, for a company that has been growing and innovating for over 96 years, there is so much opportunity we see in the next 100. It is our unmatched portfolio of brands, our award-winning loyalty platform, and our robust direct channels that make up our global ecosystem. And that is what gives us the ability to capture more customers, grow more share of wallet, and extend into new products and experiences.

Loyalty to Marriott Bonvoy comes from having a very great platform and the very best people in the industry. In fact, when we talk to customers, and ask them why they come back, the answer usually starts with a memory that was created through an interaction with an associate in our hotels or an experience that was created from a memory in a hotel with their friend or family.

Slide B-34

Loyalty starts with the great people that deliver our experience in our hotels every single day. Going beyond a loyalty program, Marriott Bonvoy stands for quality, consistency, and service all over the world.

Slide B-35

It delivers on a portfolio of the most amazing and engaging brands for all generations across a range of price points. And it gives customers more reasons to engage every day so they can celebrate life's most important and memorable moments.

Slide B-36

Marriott Bonvoy is not just about the points. It inspires how people want to live their lives and travel. And with Marriott Bonvoy, Marriott will continue to create value by inspiring and connecting people through the power of travel.

Tina will be up in just a moment to talk to you about the power of luxury. But first, here's a video from Brian King.

Continent President Video

Brian King
President, Caribbean & Latin America

Thank you so much for being with us today!

My name is Brian King and I have been with the company over 30 years. I have the esteemed honor and privilege to lead a team of talented associates, in partnership with our dynamic and pioneering owners, that support and propel our growth.

I want to take a few moments to give you some context on the size and uniqueness of the Caribbean and Latin America, or CALA, region and why Marriott International has been growing so quickly in this part of the world.
And, importantly, how we are planning to continue our expansion in the future. Marriott has brand representation in 37 of the 49 countries and territories across CALA. The population in the region has reached over 665 million people.

From global centers of business, like Mexico City and São Paulo, to world class ocean resort and destinations in the Caribbean islands, or bucket list excursions like Machu Picchu and the Sacred Valley in Peru with its-jaw dropping 14th century Inca citadel, Marriott has a compelling footprint for today's travelers. These are just a few of the destinations that appeal to our key source markets, the U.S. and European traveler.

Meanwhile, we continue to cultivate and grow the domestic customer base in each country. CALA has everything a traveler could desire or need for work or wanderlust or the blending of both now commonly referred to as "bleisure travel".

About 45 percent of room nights in the region are from leisure travelers, roughly 35 percent from business transient and 20 percent from group customers.

And I'll add a fun historical fact about Marriott's entry into international lodging. It all started in 1969 with our 11th hotel, the company's first international property, the Marriott Acapulco Bay in Mexico. And we've been growing in CALA ever since.

We believe that CALA's growth story is impressive and far from complete. In early 2021, our vision was to have 500 open properties by 2025. Today, just two and a half years later, we are on the verge of surpassing this milestone with more than 480 operating properties, which includes the addition of City Express.

The key drivers behind this remarkable success can be attributed to the significant expansion in our franchise portfolio, the exceptional team of local development and operating talent on the ground, segment innovation, brand extensions and new brand launches. These factors are enabling us to approach our growth goals in a very short timeframe.

Recently, CALA has served as an incubator for the company, propelling us into the all-inclusive and midscale segments with agility and speed. Our entry into these segments made global headlines and supports the foundation for expansion plans in new markets globally.

We have more than 9,700 open all-inclusive rooms in CALA. This includes the impressive 1,049-room Autograph Blue Diamond Splash Hotel in Riviera Maya Cancun that opened in December 2022, just in time for high season. As well as the dynamic Westin Porto de Galinhas, an All-Inclusive Resort, in one of Brazil's most sought-after destinations for both domestic and international travelers.

With Marriott's dynamic and multifaceted sales channels, along with the strong demand we've had from guests and owners alike, we have seen meaningful growth since our initial expansion into the all-inclusive segment in late 2019.

In CALA alone, we currently have ten signed hotels with over 4,200 rooms in the pipeline and others in advanced discussion. Globally, nine of Marriott International's 31 brands are expected to have all-inclusive segment extension. Today, six brands, including Westin and The Luxury Collection, have been successfully extended into this segment. We are thrilled to also have the first Ritz-Carlton all-inclusive, which is expected to open in Cancun in 2027. This new luxury resort promises to be a true gamechanger in the category.

On the other side of the portfolio, earlier this year we acquired the City Express brand. This propelled Marriott International to be the largest hotel company in CALA, surpassing our nearest competitor by a margin of 11 percent. This strategic move not only gave us a stronger foothold in the region, but also marked Marriott's first entry into the high-growth midscale segment. As a result of this transaction, in Mexico alone we entered over 40 new markets where Marriott previously had no presence.

It's important to note that CALA holds nearly 10 percent of the world's population with a fast-growing middle class, and we believe the midscale market opportunity is significant. Additionally, the City Express by Marriott product has a competitive cost to build and operate, making it attractive to owners.

Although we are only in the first inning with City Express by Marriott, we have over ten new projects in advanced negotiations and continue to see keen interest from existing and new developers for this brand throughout the CALA region.

Across all brands and segments in CALA, we have nearly 85,000 rooms open, and more than 22,000 rooms in the pipeline, roughly 40 percent of which are under construction.

A few notable projects under construction include: The EDITION Riviera Maya, Mexico expected to open this fall, the first EDITION in the region, the St. Regis Hotel and Residences Cap Cana, Dominican Republic slated to open in 2025, Moxy Mexico City is expected to open in late 2025 and, earlier this year, we signed an exciting 3-pack in Rio de Janeiro featuring a Ritz-Carlton Reserve, the debut for this brand in South America, a JW Marriott expected to be one of the brand's first all-inclusive hotels in the world, and the "Rock in Rio", an Autograph Collection Hotel. This will be the first hotel with the festival's trademark brand naming convention, which has worldwide recognition and draw. This 3-pack project alone is expected to generate 16,000 jobs during the building phase and attract over 300,000 tourists annually.

As you can see, we are on a solid path to continuing the rapid expansion of our brands and product offerings in the CALA region through differentiated guest experiences in new and exciting destinations. Of course, with all this growth we will remain focused on delivering superior service for our guests while filling these rooms with the highest rated reservations at the lowest cost of sales.

And we continue to strengthen our consumer value proposition specifically for CALA's domestic traveler with new collaborations. Travel demand remains strong and industry performance shows continued recovery and growth.

Our growth strategy in CALA is measured, calculated, and always takes a long-term view. For example, we believe Mexico alone offers significant market potential due to its large population and growing middle class. In addition to the country's diverse mix of destinations, Mexico benefits from its proximity to the U.S., the most important source market in the region. This led to our double down in Mexico strategy, which has served us well and supported the region's robust growth. Direct foreign investment in nearshoring along the northern border and central region in Mexico is stimulating economic and real estate development.

As this is one of our most scalable markets, we are focused on capitalizing on these growth opportunities in Mexico across all segments and we have the largest pipeline in the country.

City Express by Marriott could not have been more perfectly timed to enable us to capitalize on this trend in nearshoring.

As we look forward, we are focusing on three key segment expansions to help drive our growth in CALA: luxury hotels and luxury residential opportunities, all-inclusive growth, and expansion of our select-service brands in secondary and tertiary markets.

We believe the opportunities in CALA are plentiful. I always tell owners if you have the land, we have the brand.

Thanks again for joining us today and letting me share a few highlights of CALA.

Leading in Luxury

Tina Edmundson
President, Luxury

Slide C-2

Good morning, everyone. Over the next few minutes, I'm going to share our view of not only where Marriott's luxury business stands today, but where we are going. Specifically, I will share some important details about the state of the global luxury marketplace, some positive trends in luxury travel, including news about the continued high demand for luxury travel experiences and some key elements of the future we are working toward.

Slide C-3

Now for several years, during the pandemic, we could only dream about travel. Our yearning for it, when we couldn't spend our time and money on it, revealed travel to be a high priority.

Now that we're able to travel again, that dream hasn't gone away. It has intensified. Those who haven't typically spent on luxury travel have been splurging on it. And travelers are dreaming of new possibilities.

We are focused on giving our customers more to dream about, and new ways to access their dreams. We offer experiences across a wide swath of luxury travel, giving guests choices at multiple price points, from mass luxury with JW Marriott to ultra luxury offerings with The Ritz-Carlton Reserve. It is why our leading portfolio of luxury brands is on the rise. Not just for the moment, but also for the long-term.

Slide C-4

Our luxury portfolio is unmatched in strength and in size. And today, when others are still working to build out their portfolios to catch up to luxury travelers and their dreams, Marriott is building on the lead that we have spent decades creating, with almost 500 open luxury hotels globally and 225 in the pipeline. Our size, knowledge, and reputation in luxury around the world give us a meaningful advantage.

In 2023 and beyond, we want to keep progressing the category. To not let history be an anchor that holds us back, but a compass that points us forward.

Slide C-5

Our hotels are in the most desired locations, giving us an unmatched advantage. We have hotels in heritage buildings, like the The Gritti Palace in Venice and the St. Regis in New York. We have hotels with iconic architecture, like Marques de Riscal, A Luxury Collection Hotel, in Spain and The W in Rome. We have hotels in remote oases, like Al Maha, in the UAE and Ritz-Carlton Reserve Rissai Valley, in China. And the list goes on.

Slide C-6

We are leading in luxury distribution globally with 17 percent of the market, nearly 1.5 times the size of the next largest competitor. Importantly, we have brands to target all levels of affluence, so we're able to keep our guests in our ecosystem regardless of price point or desired experience.

Slide C-7

Now the world has experienced an influx of wealth, especially since 2020. The Global Wealth Report states that global wealth is expected to increase 38 percent by 2027, reaching $629 trillion. It's projected that the number of people with at least one million dollars in wealth will grow 45 percent by 2027, to more than 86 million.

And we're seeing an increase in wealth in emerging economies as well. In places like Brazil, and India, China and South Africa, their share of global wealth is projected to rise to 30 percent by 2027.

Slide C-8

Now the increase in affluence is driving up the value of the luxury goods market. The personal luxury goods market is expected to grow 5 to 7 percent annually through 2030, therefore doubling in size between 2020 and 2030.

Slide C-9

More wealth and more affluent travelers means more demand for luxury travel. The May 2023 STR Forecast for the U.S. predicts that luxury travel demand will outpace growth by a factor of nearly 3 in the next two years. Now this is compared to overall lodging, which is expected see a growth of 2.5 percent in supply and 4.3 percent in demand.

Slide C-10

Demand for luxury travel and experiences is stronger than ever before. Luxury travel is no longer discretionary. It is essential and the proof is in the numbers. According to the Luxury Travel Global Strategic Business Report, the global market for luxury travel is expected to grow from $1.1 trillion in 2022 to $2.3 trillion by 2030 as more affluent travelers seek to turn their bucket lists into to-do lists.

With an emphasis on rich experiences, affluents are increasingly motivated to invest in travel instead of material things and flashy logos. This has proved especially true post-COVID, as ILTM reports that 50 percent of high-net worth travelers are making up for lost time by indulging in extravagant travel with friends and family.

Slide C-11

Now the majority of our Marriott luxury travelers are guests who have spent at least 50 percent of their stays in a luxury hotel. These travelers have taken more trips per year, 5.5 on average, which is more than twice as many as the 2.5 trips taken by Marriott customers overall. Now relative to pre-COVID, the number of leisure trips they are taking has also gone up by 11 percent compared to 4 percent for guests overall.

The luxury portfolio remains aspirational for all Marriott guests and we have seen luxury redemption room nights, from January to June this year, at over 1 million. This represents 7 percent of the luxury transient room night mix.

Slide C-12

We are at an opportune moment. The luxury market is highly-desired and luxury travel is being prioritized, and we are going to continue to capitalize on it. We are perfectly positioned to become the world's most desirable luxury platform to woo the affluent consumer because we have more luxury touchpoints than anyone else given the breadth, depth, and growth of our luxury portfolio. Each brand in the portfolio occupies a distinct swim lane which manifests through design, amenities, experiences, service levels, and programming, all commensurate with the positioning and the price point for the segment it competes in.

Now our luxury hotels are in the business of creating memorable experiences every day. Our culture and heritage of taking care of our associates, so they can take care of guests is the secret sauce in delivering luxury experiences at scale without diluting the magic. For 96 years, we have put people first, making Marriott's luxury brands a magnet for luxury talent.

Slide C-13

Our Luxury brands outperform all other segments on a fees per unit basis. Last year, the fees earned by one Ritz-Carlton hotel were roughly equivalent to the fees earned by six Courtyards or 12 Fairfields.

Marriott's luxury brands account for 10 percent of our overall portfolio in rooms, and they generate 20 percent of hotel-related fee revenues, including 41 percent of incentive management fees.

Between the second quarter of 2019 and the second quarter of 2023, we have seen an ADR increase of 24 percent, which is well above pre-pandemic levels even when adjusted for inflation. We've also seen a 10 percent growth in room nights, leading to an incredible 36 percent rise in room revenue.

Our average annual fees per room was approximately $4,760 in 2022, and we expect 2023 to be on par if not slightly higher, indicating that our hotels are highly desired and worth a premium price. And proudly, we consistently have strong RevPAR premiums in our luxury hotels, indexing at a 20 point premium, driving profits for owners.

Slide C-14

We now have a dedicated luxury organization. Recognizing that delivering on luxury experience requires commitment, singular focus, and a fluency to meet the evolving and nuanced desires of the high-net-worth guest. We have built an organization within the larger organization, which allows us to be unrelenting in our pursuit of excellence, deliberate in our growth strategy and, importantly, take advantage of the synergies and expertise of the larger organization, including our unparalleled distribution channels, our world-class loyalty program, and our talent pool and bench strength.

Slide C-15

Our dedicated luxury organization has identified six strategic priorities: the organic growth of the existing portfolio, maximizing value to stakeholders through operational excellence, empowering our talent, driving differentiation through experiences, amplifying consumer preference, and nurturing innovation with our expansion into new adjacencies.

Slide C-16

The strength of our luxury brands allows us to extend into new categories of spend with high-net-worth customers and driving additional types of branding fees with yachts, credit cards, and residences.

The Ritz-Carlton Yacht Collection has changed the game in the cruise industry. Many of our guests are new-to-cruise, showing that we are getting a audience excited about the

"Ritz Carlton at Sea" experience. And a large portion of those who have booked cruises are booking directly with us.

We continue to see high demand for branded luxury residences from guests for whom those brands resonate deeply. Our successful expansion into other categories like yachts and residential significantly increases the total addressable market for our luxury brands.

We're expanding our offerings in the all-inclusive space and have entered hotel adjacent businesses, like tented lodges and camps where we have opened the JW Masai Mara and signed another one in the Serengeti. All of this to expand our offerings in luxury travel experiences.

The strength of the luxury brands provides a halo and prestige to the portfolio and, of course, to Marriott Bonvoy.

Slide C-17

In closing, I once again want to remark upon the foundations we have built and strengthened. They have enabled us to thrive in the luxury space in the present. More than that, our foundations have given us confidence for the future. Versus being defined primarily as a set of hotel brands, where affluent consumers check-in and check-out of our hotels after a short duration of time, we are actively working on building the kind of relationships where our guests check in and never want to check out.

That is, we are working to imagine, and deliver, dreams come true for an audience that, like us, loves to dream. The future of luxury is strong and we are excited to have a hand in shaping life's most amazing experiences. Thank you.

Next we are going to share a video update on APEC from Raj Menon.

Continent President Video

Rajeev Menon
President, Asia Pacific Excluding China

Hello, everyone. I am Rajeev Menon, President, Asia Pacific Excluding China or APEC, and I am speaking to you from my homebase of Singapore. I've been with Marriott for over 22 years here in APEC and am proud to work with such an incredible team of associates focused on operational excellence across our 21 countries and territories.

The Asia Pacific region continues to be a bright spot in the global economy. According to IMF, Asia Pacific ex-China is expected to contribute around 33 percent of global growth in 2023. Travel demand in the region continues to be strong, fueled by the growing middle-class. In addition, China's recovery, and reopening, alongside India's resilient growth continues to paint an optimistic macroeconomic outlook for APEC.

Within the region, Marriott successfully navigates a multifaceted market encompassing both established economies such as Australia, Japan, and Singapore, as well as growing markets like India, Indonesia, and Vietnam. With 530 operating properties and around 122,000 rooms, our portfolio represents 8 percent of company's open rooms.

Meanwhile, the region's roughly 300 pipeline projects account for almost 13 percent of Marriott's global rooms pipeline. With our operating footprint and development pipeline, we have a 29 percent market share of open hotels amongst international hospitality players in the region and 33 percent share of the development pipeline. We have a particularly strong share in the high value full-service lodging segments, more than double our nearest competitor.

Demand in the region is primarily driven by domestic traveler, intra-APEC travel and three key source markets: the U.S., Europe, and Mainland China. In the first half of 2023, we observed extremely strong demand trends, with average daily rates experiencing a notable increase above 2019 levels. By customer segment, around 50 percent of room nights come from leisure transient, 30 percent from business transient and 20 percent from group.

Leisure demand has been strong. We are also seeing continued strengthening demand in corporate and group, and robust average rate growth. Overall, RevPAR across all segments has exceeded 2019 levels. Our operating strength lies in effectively driving profitability, as nearly 90 percent of our managed hotel portfolio is generating both base and incentive fees. In APEC, 80 percent of our portfolio is currently managed.

I'd like to talk about some key strategies for growing our system in the region. Growth, of course, is a priority for Marriott. We have a strong operating presence in India, Japan and Southeast Asia coupled with a robust development pipeline in many other markets.

Accounting for nearly 20 percent of the region's open room inventory with a 40 percent contribution to our fees in APEC, we continue to put emphasis on growing our luxury portfolio. APEC represents more than 25 percent of Marriott's global luxury rooms pipeline, with demand in this segment being fueled by the growing upper middle-class and total wealth across the region.

Some notable hotel additions to share – the recent opening of The Ritz-Carlton Fukuoka, marked our 7th Ritz-Carlton branded property in Japan. In South Asia, we commemorated our 150th hotel milestone with the opening of JW Marriott Goa, which also marked a remarkable milestone of ten open JW Marriott hotels in India. This underscores Marriott's position as the largest operator in India and reflects the robust growth of the local economy.

Representing a quarter of the region's development pipeline are brands in the premium category. We have signed two agreements with Vinpearl, Vietnam's largest hospitality and leisure chain, for 15 properties, the majority of which are in our premium brands. Nine of these hotels are already open and operating under our flags, just over a year after the initial signing. These deals are a great testament to our conversion strategy. In the last 12 months, about one-third of our new signings have been conversions.

Underscoring the increasing demand for moderately priced accommodations, select brands are also a sturdy growth driver in Asia Pacific ex-China. Since 2019, 50 percent of our openings have been in this category. Notable is our Fairfield by Marriott Michi-no-Eki project in Japan set along the country's scenic expressways. The current portfolio of 28 Fairfield properties in Japan is set to expand further.

Our efforts to elevate our presence in the region, to win customers are underscored by our hyper-localized strategy, focused on local and regional collaborations, and growing our base of local Marriott Bonvoy members. We introduced in-language Marriott.com websites in Bahasa Indonesia, Vietnamese, and Thai, in addition to our existing sites in Japanese and Korean, so travelers can book in a language they are most comfortable with.

We continue to strengthen our government relations efforts, which enable us to drive meaningful engagement with local communities. As we continue to grow, our focus on developing local talent remains unwavering. We aim to be a preferred workplace, attracting and retaining the best talent in the markets where we operate.

In closing, Asia Pacific is a dynamic market. Opportunities for growth are robust and energizing. Marriott's vision for the future of travel in Asia Pacific ex-China remains incredibly strong and we believe we are well-positioned to set new benchmarks as the leader in hospitality across the region. Thank you.

Driving Revenue and Transforming Our Technology

Drew Pinto

Executive Vice President and Chief Revenue & Technology Officer

Slide D-1

Hi. Good morning, everybody. It is great to be with you all today. I'm a 19-year veteran of Marriott, and I've had a variety of positions in the company, but I've always been focused on driving profitable revenue for our hotels and strengthening our distribution channels and our technology.

So today, I will share how Marriott's powerful revenue and digital engines draw millions of customers to book on our channels each day and annually, while delivering attractive returns to our owners, our franchisees and our company. I'll also spend some time talking about the exciting digital and technology transformation Marriott has underway, by far the largest in our history.

I'll start with an overview of Marriott's revenue strategy, which is built on the foundation of our industry-leading global portfolio of brands and, of course, our popular Marriott Bonvoy loyalty program.

Slide D-2

Although we are experiencing widespread stayed and paid room night growth across our regions and segments, the makeup of customer demand has continued to shift a bit during the recovery from the pandemic. Leisure transient led our recovery and has remained our fastest-growing segment. As a result, it has taken share from business transient. Leisure now comprises 42 percent of our global room nights. BT, which has come back more slowly, has seen its share fall a few points to 34 percent, and group's share of global room nights has been steady at 24 percent.

We have been especially pleased by the recovery and strength we have seen with our group demand and bookings across multiple markets, event types, and industries.

Slide D-3

Given this context, our revenue strategy is focused on three core tenets. First, protect and grow rate. Second, capture demand and lean into stronger performing segments. And third, improve profitable revenue by driving more customers to our direct channels.

So let's dive deeper into each of these areas.

Slide D-4

So one thing that has been clear from past downturns is that severe rate cuts in the face of declining demand do little to stimulate sustained revenue performance. And, as a result, it takes multiple quarters to bring ADR back to pre-downturn levels. So with that in mind, we have taken a thoughtful approach when advising our hotels on how to manage pricing decisions, encouraging them to protect and grow rate as demand fluctuates. In general, our philosophy is to avoid chasing occupancy and to be willing to trade some occupancy for ADR to drive overall hotel profitability.

Slide D-5

So instead, we drive short-term leisure demand through packages and promotions featuring benefits, such as credits for on-property amenities like food and beverage or spa. As an example, in the U.S. & Canada, these types of demand-generation marketing campaigns have produced $1.8 billion in revenue for our hotels year to date through August.

In addition, for properties with periods of low demand, we have the Marriott Bonvoy Escapes program, which features select hotels every two weeks offering discounts of 15 to 25 percent for upcoming weekends. In the last two years, this program has generated $650 million in revenue for our hotels during need times, while protecting overall ADR.

Slide D-6

Our global ADR rebounded swiftly during the recovery, first surpassing 2019 levels in Q1 2022 and continuing to grow from there. ADR is now above pre-pandemic levels across all customer segments. As we look ahead to next year, U.S. & Canada group ADR for 2024 is pacing up 5 percent year over year. And while we are in the middle of our special corporate rate negotiations for next year, we are again striving for high single-digit rate increases.

Globally, our RevPAR index is well above fair share and growing consistently. It has been gratifying to see the ADR component of our RevPAR index premium hit new highs.

Slide D-7

We are also focusing on specific areas of strong demand in segments like leisure, group, and small- and medium-sized business. We have supported these efforts with new programs to help our hotels find and book this business.

For leisure, we have continued to add new data capabilities for our performance marketing programs to target and convert online customers. In addition, we have expanded our reach through third-party, leisure-focused partners through an industry-leading wholesale distribution solution, which drove $1.1 billion in room revenue for our hotels in 2022 while protecting our rate parity and improving margins.

For group, we have unparalleled distribution for meeting and event planners. We have made considerable improvements to the booking process for groups with fewer than 25 room nights, enabling those customers to book their groups instantly with us. Over 40 percent of new leads year-to-date were for these types of groups.

Slide D-8

Within business transient, the performance of small and medium businesses has been a bright spot over the last couple of years. Although room nights from large businesses have not fully recovered to 2019 levels in most regions, small and medium business volume surpassed 2019 levels in the first quarter of last year and has continued to grow. And there’s potential for Marriott to gain additional share from the estimated $75 billion small and medium business market that’s out there for lodging.

The needs of small and medium business accounts are distinct from other larger customers. They have unique requirements such as simple travel spend reporting, company travel policy assistance, expense management solutions and, of course, an easy-to-use platform to book all their travel needs. We are strategically positioned to capture more share by having the right brands and providing the right tools.

Slide D-9

Finally, the third tenet of our revenue strategy is to improve hotel profitability by driving customers to our direct Marriott channels.

Slide D-10

So we define direct channels as bookings on property, in our customer engagement centers, and, most importantly, through our digital channel, which is comprised of Marriott.co and the Marriott Bonvoy mobile app. Around 75 percent of room nights are booked through these direct channels.

Slide D-11

In addition, our global sales organization, or GSO, helps drive some of this direct share by building and maintaining our valuable business-to-business relationships around the world. This organization spans 139 countries and territories, is deployed against 4,500 accounts, and produced nearly $13 billion in annual room revenue last year out of total systemwide room revenue of roughly $57 billion.

Marriott's expansive brand portfolio and geographic distribution make us the ideal choice for large corporate customers such as Deloitte, Accenture, Salesforce, Amazon, and Microsoft.

Slide D-12

Our GSO accounts are more than just drivers of business and group travel. They also help us advance other strategic priorities, such as enrollment and activation of Marriott Bonvoy members, as you heard from Peggy. Some of our most loyal members work for our GSO accounts. And the loyalty they build when on business travel or attending a conference translates to overall loyalty as they choose our hotels for leisure.

Slide D-13

Marriott's overall channel strategy is to have strong, easy-to-use and growing direct channels while we use intermediaries strategically. We want to work with intermediaries, but only in places and situations where it makes sense to help us bring in customers that are difficult to access. So our goal is to partner with intermediaries to introduce our brands and Marriott Bonvoy to new guests.

We have negotiated terms with key intermediary partners that allow us to yield business during times of high demand. And over the last five years, we have increased our digital share by nearly 10 percentage points, reaching 38 percent, while share from OTA's, for example, has remained flat, at around 12 percent.

Slide D-14

Marriott has also selectively built strategic relationships with digitally-focused companies that have large, local and loyal customers bases. These companies have built their businesses around products and services outside of travel itself. We have collaborations with Alibaba in China, Rakuten in Japan, and most recently announced, Rappi in Latin America.

So our goals are to build a large and strong Marriott Bonvoy membership base in key growth markets, and to promote our direct channels. Our joint venture with Alibaba, which launched in 2017, has enrolled more than 12 million Marriott Bonvoy members to date. Today, 14 percent of all Marriott Bonvoy signups in Japan are from our deal with Rakuten. And our new collaboration with Rappi is expected to go live in just a few months.

Slide D-15

Our direct channels enable us to build meaningful relationships with consumers, while providing our hotels with highly brand-loyal customers at a low cost. Direct channels also provide us with the opportunity to extend Marriott hospitality to a guest's experience, beyond the hotel room. So, based on our average length of stay of just over two nights, Marriott digital reservations cost our hotels around $30 less than an OTA reservation. Therefore, it is imperative that we continue to grow our digital direct channels, which is exactly what we are doing.

Slide D-16

We are extremely pleased with our digital channel share gains. Analysis conducted by an independent third-party data source here in the U.S. shows us that our share of digital direct business is over 10 percentage points higher than our competitors', and we have grown that advantage since 2019.

The key driver of this growth has been the app. We have seen the app grow from 35 percent share of digital room nights in 2019 to 50 percent today.

This past February, we surpassed 1 million weekly app bookings, for the first time ever, and we have seen continued growth in users through the spring and summer. In the second quarter, our app user base grew 26 percent year over year and 78 percent over 2019. Now part of this growth can be attributed, of course, to an acceleration of mobile adoption that we've all seen over the past few years.

But our customers have also praised recent enhancements and features that we've added, from how easy it is to find and book a hotel, to tracking and redeeming Marriott Bonvoy points. Our focus and investment in this channel are clearly paying off. And much like Peggy said about the credit card, if you do not have our app, I will see you in the back at break.

Slide D-17

We envision the app to ultimately be our customers' one-stop shop for not only booking travel, but for everything they'd want to do during their stay. Mobile check-in, check-out and the ability to chat with the front desk are widely used and popular features among our app users. Mobile key has been deployed globally, and new features such as key sharing are currently rolling out.

Finally, our hotels always ask us how they can better surface all the great amenities and potential revenue streams their properties have to offer. We have a number of app enhancements underway to elevate property-level content and introduce new capabilities, like mobile room service ordering, that we're extremely excited about. In addition to offering our customers a great experience, the app benefits our owners as it reduces their marketing and acquisition costs.

When customers come directly to the app, we have the opportunity strengthen our relationship through personalized experiences thanks to our ability to collect real-time, first-party data.

Slide D-18

Another recent digital highlight is the newly redesigned Ritz-Carlton brand and hotel website. As Tina talked about, the luxury portfolio is unmatched, and our luxury customers expect unique, tailored experiences, both on property and they engage with our digital channels.

This past May, for our nearly 120 Ritz-Carlton and Ritz-Carlton Reserve properties around the world, we launched fully redesigned brand and hotel websites with more immersive content, improved property information, and easier booking. In just a few short months, we are already seeing a lift in visits and engagement. This exciting project is just the beginning as we invest in unique, immersive pathways for our growing luxury customer base.

Slide D-19

So you heard from Peggy about the strength of Marriott Bonvoy and how it's deepening our engagement with customers to build members for life. Digital is a powerful engine that enables our strategy and helps us grow our loyal customer base. Marriott Bonvoy members understand the benefits of leveraging our digital channels, with our members driving more than 90 percent of our direct digital bookings. Nearly 40 percent of new Marriott Bonvoy enrollments worldwide are activated via our digital channels, and that number doubles here in the U.S. & Canada.

Digital is also essential for driving other revenue, with nearly half of credit card acquisitions in the U.S. secured through our digital channels. And when we offer meaningful, relevant products for our customers through our channels, such as travel insurance, we can scale quickly given the size of our digital customer base.

Slide D-20

So our combination of brand strength, Marriott Bonvoy, and powerful sales channels is why owners and franchisees seek us out and want to join the Marriott platform.

A perfect example of this is City Express. So recently, 149 properties transitioned into Marriott Bonvoy. All City Express hotels are now bookable on Marriott.com and the app, with encouraging results since launch. In the first two months since joining Marriott, there has been a meaningful uptick in bookings. Digital direct channel mix has almost doubled, with Marriott Bonvoy members contributing 74 percent of these room nights, and 38 percent of those being elites. Additionally, new member enrollments have risen 5x since our initial cutover a strong indication that these travelers are digitally-enabled and excited that City Express is now part of the Marriott family.

This is just one of many examples of the power of affiliation with Marriott and the positive commercial impact it can have for our owners.

Slide D-21

So, given the power of digital, we have plans underway to enhance our capabilities across the company. Consumer attention is short, and the competition is fiercer than ever. To make our channels more compelling and useful for travelers, we are undertaking a comprehensive, multi-year digital and technology transformation. It is designed to accelerate our revenue engines, allow our associates to spend more time with our guests, and continue to build loyal Marriott customers for life.

Slide D-22

One of our core strengths is delivering exceptional experiences. Our associates do this daily for our customers, which in turn delivers value for our owners. More is expected from us than ever before, delivered faster and at greater scale.

Therefore, we are prioritizing digital and technology investments that most powerfully impact our stakeholders and maximize our ability to grow. Our transformation includes replacing our reservations, property management, and loyalty systems, as Tony mentioned, as well as delivering a modern travel technology platform to fuel our growth.

So these enhancements are designed to deliver a more flawless guest experience for customers through new offerings and benefits, deepening their loyalty and driving global enrollments for Marriott Bonvoy. Provide simpler, more intuitive tools to make associates' jobs easier, allowing them to spend more time with guests and provide the exceptional service that leads to higher guest satisfaction and return visits. And finally, generate more revenue and profit opportunities for our owners, while also driving the value of affiliating with Marriott and increasing returns on investment.

Let me give you more details about what this means.

Slide D-23

Customers want us to provide recommendations and offers that are tailored to their travel desires and needs. They also want us to reward and recognize their loyalty with more benefits and more opportunities to use those benefits. And they want it all quickly and easily, of course.

So to meet these needs, we are completely reimagining how customers shop with us, which is the first point at which they experience Marriott. Starting with how you plan your trip, we are making it easier to find and book what you want. It will be easier to tailor your search across Marriott's portfolio.

So, let's say you're not sure where you want to go, but you know who you are going to bring and the type of experience that you want. So you'll soon be able to simply type in "hotels with a Michelin-star restaurant" or "hotels near golf courses with an award-winning spa" and you will receive results that fit your criteria. Eventually, as we learn more about our customers, we envision being able to answer more nuanced questions like "where should I take my family in July for five days?"

We'll also be making it easier to guarantee the experience you want at the time of booking. So for example, we'll give customers the ability to purchase guaranteed room features and attributes such as connecting rooms or an "outdoor patio with a mountain view".

As more capabilities are added, customers will also be able to book a full range of activities – from spa appointments to beach cabanas to restaurant reservations – all when making their room reservation.

For Marriott Bonvoy members, we plan to introduce benefits such as confirmed upgrades at the time of booking, complimentary upgrade notifications, and points deposited immediately at checkout.

Slide D-24

To deliver these experiences, our associates need tools that are easy to learn and use. For time-consuming activities, we plan to automate manual tasks by introducing new intelligent tools. This will allow for quicker completion of activities like room blocking, room readiness, upgrades, and services like mobile check-in and mobile key.

Our front office associates will also have a simple-to-use, intuitive guest service platform providing key data from multiple systems in one place. This will cut down on guest wait times and elevate our service levels.

Slide D-25

For owners, we expect these technology enhancements will provide more opportunity to generate revenue at each point in the customer journey.

As customers shop with us, the enhancements to Marriott.com and the app will include more personalized offers to increase conversion, and more upsell opportunities for specific room choices, such as premium rooms, connecting rooms, and add-on services, like breakfast or early check-in. As customers book rooms with us, the ability to book those add-ons and ancillary products are expected to provide more revenue upside potential for our owners.

We expect to do all of this while keeping owner affiliation rates flat. Therefore, owners will cover the cost of these investments predominantly through our existing affiliation fee structures. The new structure will be designed in a way to allow us to add new properties and offerings to our systems as we continue to grow.

Slide D-26

As we go through our digital and technology transformation, data and security remain top of mind. The integrity and protection of personal data is critical to our business. Our guests and associates have a high level of trust and an expectation that we will adequately protect and appropriately use their personal data. They expect that we are taking all appropriate measures, including designing for security and privacy requirements in our technology transformation.

We began developing our new travel platform this year, which will continue throughout 2024. We expect deployment to start in the middle of 2025 in waves, starting in the U.S. & Canada. However, some attractive benefits I mentioned earlier are expected to come before then.

For example, we plan to enable the natural search capabilities such as the "hotels with a Michelin-star restaurant" example on Marriott's digital channels early next year. The modern, cloud-based infrastructure we are building is being designed to position us to quickly introduce enhancements.

Given the speed at which the travel landscape is changing, we are focused on creating an experience that not only meets, but exceeds the expectations of our customers, associates, and owners, setting Marriott apart and further enabling our growth. Thank you very much.

Continent President Video

Yibing Mao

President, Greater China

Hi. I am Yibing Mao, President of Greater China. Based out of Shanghai, I have over 25 years of experience with Marriott, and I am privileged to oversee our business in Greater China region. Together with our dedicated team, we blend global expertise with local hospitality, delivering exceptional experiences that embrace Chinese heritage and culture. I am committed to leading us toward continued success, innovation, and unforgettable moments for our guests in this dynamic region.

For nearly 40 years, Marriott has been a vital part of the thriving Greater China market. With 24 brands represented, our diverse portfolio of 500 properties captures 4 percent market share in the region. Our leading position in the luxury and premium segments is evident, commanding a remarkable 32 percent market share in this high-value high-fee segment. Today, our business largely relies on management contracts, covering over 85 percent of our open rooms.

Our future is promising, with a robust pipeline of more than 400 hotels and approximately 105,000 rooms, 75 percent of which are currently under construction. Nearly 60 percent of our pipeline rooms are in the luxury and full-service space. We expect to continue to gain share, as we currently have about 25 percent of all rooms under construction in the region.

While there are concerns about the economic landscape and real estate market in China as the country continues to recover after the pandemic, hotel real estate is generally performing quite well and spending on travel remains strong for business and leisure. Having a vibrant and healthy economy is a priority for the country, and travel helps drive growth.

Our business in Greater China has experienced an outstanding recovery. Travel restrictions easing has led to strong and sustained growth in the first half of the year, with RevPAR performance exceeding 2019 levels in the second quarter. Domestic travel demand, particularly in retail and special corporate segments, has been pivotal. Our customer mix pre-pandemic was about 30 percent leisure transient, 45 percent business transient and 25 percent group.

With employees across the region back to the office five days a week, it has been remarkable to see all segments come back somewhat simultaneously. International travel is gradually returning, with an increasing airlift to the region. That should help bolster growth going forward, given 25 percent of room nights pre-pandemic were historically from cross-border guests and in the second quarter that number was just around 10 percent. Additionally, outbound demand for destinations like Thailand, Japan, Malaysia, and Korea has been robust, with expectations for further expansion.

Bolstered by a Brand + Destination strategy, we are continuing our strong expansion as the region's travel rebounds. China is a key growth market for the company, representing 10 percent of existing rooms but 19 percent of pipeline rooms. Our operational excellence delivers strong incentive fees in the region, which exceeded 2019 levels in the second quarter.

In June, we reached a significant milestone with the opening of our 500th hotel in Greater China, Rissai Valley, a Ritz-Carlton Reserve, in Jiuzhaigou. We also recently opened the JW Marriott Hotel Xi'an, in Shaanxi. And a new W opened in Macau this September. This showcases our position as the leader in the luxury hotel segment.

While Marriott holds the strongest presence among international hospitality companies in the luxury and premium tiers in the region, we are also committed to expanding our position in the select-service brand space.

Around 40 percent of our pipeline rooms are in the upscale and upper midscale tiers and are expected to open over the next few years, with brands including Fairfield, Four Points, and Moxy. We have localized our brands strategically for market competitiveness.

We are optimistic about Marriott's future in the region, and we appreciate your continued support as we strive for excellence in Greater China. Thank you.

Driving Global Growth, Development Panel

Slide E-1

Leeny Oberg, Chief Financial Officer and Executive Vice President, Development:
Good morning. It's great to be with you today as well as to have those of you who are joining us on the webcast. In addition to my role as CFO, I assumed oversight of our Global Development organization earlier this year. I couldn't be enjoying it more, especially working with these three leaders. I'm pleased to introduce Noah Silverman, our Global Development Officer for U.S. & Canada, Carlton Ervin, our Global Development Officer for International, and Tim Grisius, Global Officer of M&A, Business Development and Real Estate.

While the industry has faced many challenges since we met in March of 2019, we've also had a lot of opportunities. Our team has continued to focus on driving value by growing our global portfolio. Over the next 45 minutes, we'll discuss our strategies to drive accretive growth and market share gains for the long run.

We'll cover our current global distribution in terms of both chain scale and geography, and provide competitive context to that data, and the reasons that Marriott drives strong owner and lender preference for our portfolio of brands. And, how we think about growth, in both our existing valuable brands, as well as new and adjacent lodging offerings.

First, let's look at all the growth we achieved since our last analyst meeting.

VIDEO

Slide E-2

Leeny Oberg: And we are really excited about what we see coming next. Marriott has the largest footprint in the industry. Since we were together in 2019 through the second quarter of this year, we added more absolute rooms than our closest global competitors and have higher fees per room. We have the largest pipeline in the industry across a broad portfolio of brands, despite the many macroeconomic, geopolitical, and pandemic-related challenges. As you saw in the video, since year-end 2019, our development team signed long-term contracts for over 2,000 properties with 359,000 rooms. 2022 fees per room are nearly $100 greater than our next closest global competitor and about $350 higher than our second. Our pipeline is at a record high of nearly 547,000 rooms, with 44 percent of our pipeline rooms under construction. Globally, we are winning on both quantity and the quality of our footprint and have a leading 7.2 percent market share of open rooms.

Slide E-3

Leeny Oberg: But let's begin with U.S. & Canada. Noah, how has this continent's production, pipeline, market share fared through these past several years, including now in a tougher financing environment?

Noah Silverman, Global Development Officer, United States & Canada: Sure. Thanks, Leeny. It's really great to be with all of you. That's great to be with Tim, Carlton and you, Leeny, to be able to share our development perspective with everyone gathered here both in the room and watching the live stream. We've continued to grow share in the U.S. & Canada, and we enjoy a sizable lead over our competition in both our current system size and signed new build pipeline with over 1.1 million rooms[2]. Last year, we signed over 54,000 managed and franchised rooms in the U.S. & Canada.

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[2] Rooms from June 2023 STR Worldwide Census and Pipeline reports. STR data does not include timeshare or residences. STR pipeline data is signed new construction only and includes and does not include conversions or deals not yet signed. STR pipeline data includes projects designated as Planning, In Construction, and Final Planning

Historically, we see a majority of our signings happen in the last two quarters of the year. However, through the first half of this year, we'd already signed over 51,000 rooms. That total represents a 173 percent year-over-year increase versus the same period in 2022.

That's been driven by the deal that's already been talked about today with MGM. The MGM Collection with Marriott Bonvoy represents 16 hotels and about 37,000 rooms, excluding the Cosmopolitan of Las Vegas which had already been in our system. We've continued to focus on expanding our select-service brands, especially Fairfield, TownePlace Suites and SpringHill Suites into secondary and tertiary markets across the U.S. & Canada. We signed and approved 220 projects for nearly 19,000 rooms in those three brands alone since 2021.

We also continue to experience meaningful momentum with our soft brands, most notably Tribute Portfolio and Autograph Collection. And lastly, our success year-to-date in 2023 has been driven by conversions, which represents 76 percent of rooms, including MGM after representing 15 percent of rooms last year for the full year.

We lead in the U.S. & Canada with 188,000[2] signed new construction pipeline rooms, which is 10 percent above our next closest competitor. Fifteen percent of those rooms are luxury and upper upscale rooms, which is 20 percent more than our next closest competitor. And that drives more economic value, obviously, to Marriott.

Look, the financing environment is certainly challenging for new construction, but our brands and our high-quality stable of owner franchisee developers continue to succeed in getting their projects underway. Twenty-one percent of our internal pipeline rooms are conversions. Nineteen percent of our new construction pipeline rooms are already under construction.

Our strong performing brands and relationships have historically helped owners secure financing, and we've stepped up efforts to assist our owners and franchisees in today's challenging environment. Interestingly, we're not finding that we need to put in more MI capital on average to get deals done. We're also committing dedicated resources to help shovel-ready projects get under construction as quickly as possible. And even with the current high interest rates and reluctant lenders, we're seeing less fallout than our historic average from our pipeline.

Finally, we do see tremendous opportunity going forward in the midscale segment. As many in the room know, we launched our new extended stay midscale offering, StudioRes at the NYU conference in June. We took a super innovative approach to the design of this new brand, rethinking design, cost to build, cost structure, really, every aspect of the brand from top to bottom. And the response has been extremely positive. As Tony mentioned earlier, we're already in talks with numerous owners for multiunit agreements that could represent more than 300 properties to be built and developed over the next few years.

Slide E-4

Leeny Oberg: Really exciting. So Carlton, international growth is a key part of Marriott's overall strategy. Can you talk about how our International has evolved over the last four years and where it is today?

Carlton Ervin, Global Development Officer, International: When I think about the evolution of our international development over the past few years, I think about both quantity and quality, so I'll try to address both. With maybe some interesting statistics on both.

In terms of the quantity piece, our international pipeline today stands at about 286,000 rooms. That's about 52 percent of our global pipeline. Since this group last met, we've entered into 12 new countries and territories that we were not in when we met before. That brings us to a total around the world of 139 countries as was mentioned earlier, which is 70 percent of the countries in the world. I think just in terms of quantity, that's an interesting statistic.

In terms of the quality of that growth, let me approach that through a couple of different lenses. One is our international footprint today and one is our pipeline. So in terms of our international footprint today, we have about 552,000[2] rooms internationally today. It's the quality of those rooms that I think is indicative of the strength of our development efforts. 364,000[2] of those rooms are in the upper upscale and luxury segments. And those are obviously, as we've been talking about today, those are the high fee-generating segments, and that's why we're so proud of that statistic. I think it's also important to look at that statistic through a relative lens. That number is 2.5x higher than our next closest competitor. So that's the footprint today.

Let's talk about the pipeline. The pipeline today of 286,000 rooms. Of those rooms, 133,000[2,3] are in the upper upscale and luxury segments. Again, I think a very testament to our emphasis on growth in those areas. That's 2x our next closest competitor as well.

If you allow me for a second, I'll focus on the graph that you see to the side of me, because I think that graph tells not only a story about how far we've come in our international development efforts, but also how well positioned we are for the future. As you can see, in all of the continents where we operate, we're either number one or number two. And we're number two, when you roll it all up together. And it's probably important for me to mention that this is pure units. This does not capture the quality of the growth that I mentioned earlier.

Why do I say we're well positioned for the future? Well, take a look at the CALA example here, where we're number 1 in the market. The last time this group met, we were not number 1, we were number 2, I believe. In fact, if we just met last year, it would be number two. Two

[3] Said "113,000". Should be "133,000".

mechanisms have happened to propel us to number 1 in the CALA market that we hope to replicate in other international markets.

The first being this focus on quality development. So Tony mentioned the Blue Diamond transaction where we effectively overnight through a multiunit sort of property agreement, we incorporated 19 all-inclusive hotels into our system, 7,000 rooms and one fell swoop. That's the sort of focus on growth, but high-quality growth, that propels us forward and that's helped, in part, move us to number one in CALA.

And then the second mechanism that moved us to number one in CALA is the City Express transaction, which was also mentioned again, in one fell swoop, that's 149[4] properties and 17,000 rooms.

That transaction, by the way, as we'll talk a little bit more later about was not done for that footprint. It was done for what we can do with that brand, and I'll address that when we talk about midscale a little bit later.

So you put those two things together, and I think it gives a great indication of how far we've come since we last met, how far we could potentially go.

And just while we're on the City Express transaction, I will mention one thing that's a bit off piece. So a bit of sort of showing you that you can't teach an old dog new tricks. When Brian King gave his presentation earlier, he ended with the pity comment that if you've got the land, we've got the brand. And I talked with my colleagues and in roughly 75 years of hotel development experience, we've never heard that before. So I think that's quite funny. Although the one thing -- so he said it about an hour, 1.5 ago. It's been bugging me since then. The one thing is it ignores the importance of conversions to our business. So I honestly, I'm going to talk to Brian after this, and I'm going to explain to him that he should add a footnote. The footnote being, "if you've got a high rise, you've got your franchise" to see if that helps develop things a little bit more.

Slide E-5

Leeny Oberg: Thanks. So Tim, while originally, residential was kind of a nice little extra add-on that actually made hotel projects possibly work, the strength of our residential brands and operations has really catapulted this business into a set of global product offerings where Marriott is the clear leader. Globally, we've got 128 open residential locations and 100 pipeline projects for a total of 228 projects across 15 brands. So can you talk about the residential business and the increasing value that it brings to Marriott, as well as to our owners?

Tim Grisius, Global Officer, M&A, Business Development and Real Estate: I don't have an interesting residential tag line, but I'll work in it. So I have been working in this space for

[4] Said "152". Should be "149".

almost 20 years, and I'm proud to say that we actually have the largest hospitality-branded residential business in the world with over 30 percent market share when you look at our open and pipeline units. So our team has done an amazing job on that front.

Our significant presence and experience in the business, specifically our sales and marketing support and deep residential operations experience, provide us an advantage when pitching deals to developers. Ironically, we entered the space over 20 years ago when a developer came to us with the idea of branding, and us managing, the condos adjacent to a Ritz-Carlton hotel because he thought it would actually drive sales for his development.

Thank God he had that idea because he was right, and it's turned into a nice little business for us. Our branding generates powerful sales premiums and pace for our developers. This helps enables hotel development and generate significant fees for Marriott.

Slide E-6

There were $1.2 billion of Marriott-branded residential sales closings in 2022, generating license and base management fees[5] to Marriott of $71 million. It's worth noting that we generate these two ways. One is on the upfront sale of the unit and then on an ongoing basis related to the operations of the units.

The international markets are growing, comprising 70 percent of our pipeline. Seventy-nine percent of our open and pipeline residential portfolio is co-located with the hotel. And we've been successful in growing our stand-alone residential business with 19 open locations and another 28 in the pipeline.

We've also been successful in expanding the residential business to now include 15 brands, eight in the upper upscale segment and seven in the luxury segment. We've added residential properties in 12 new countries and territories over the past five years. So we now operate in 30 countries and territories. So impressive business.

Slide E-7

Leeny Oberg: Really amazing, the sales premium. Everybody I talk to says, "Oh, I've come down to Miami to look, but then I look at the Ritz-Carlton Residences and I can't afford them because the premiums are so much higher." So to that point, why don't you talk a little bit about why Marriott? What's driving owner and franchisee preference for our brands?

Tim Grisius: Great question. It's really two primary reasons: the owner-centric approach we take and the proven economic value of our brands and systems deliver.

On the owner-centric approach, we have a very flexible development approach. We collaborate with owners to magnify the best solution for the site and their preferences. We

[5] Said “license fees”. Should be “license and base management fees”.

have over 30 brands to choose from. We offer managed and franchised options. And then within the project types, we have a wide variety. We have new build conversion, prototype, purpose-built and, of course, mixed use.

On the proven connect value of our brands and systems deliver, it's really top line and bottom line. On the top line, it's the revenue engines such as digital platforms, sales teams, Marriott Bonvoy loyalty program drives revenue premiums. And then the bottom line, it's our scale, technology and innovation that drive cost savings. These factors have led to nearly 70 percent of our portfolio being owned by repeat owners. Amazing stat. And then about 20 percent of our portfolio being owned by owners with 20 or more Marriott-branded hotels.

Slide E-8

Leeny Oberg: Yes. That's great. Great work that we're all trying to do. And across all disciplines, I think that's one of the best things about Marriott is that you really see it come together across the board. Which is, as you heard from Tony earlier, a top priority for the company is to be in more places, which does require that all of us are kind of pulling together in that direction, whether it's on for the owners, for the customers and for our associates. We're always evaluating what travel experiences our customers want and then how can we deliver them.

So building valuable global rooms growth over the long term requires maintaining and adding properties to our existing brands footprints and also adding properties that meet evolving needs of our customers. So today, I'd like to focus on five growth areas that we're particularly excited about as we look over the next few years. midscale, extended stay, conversions, luxury and leisure, and M&A and strategic agreements.

So we marked our entry into the midscale segment with the acquisition of the City Express brand portfolio this year. Carlton, can you talk about the opportunity that that really has kicked off for us for midscale globally?

Slide E-9

Carlton Ervin: Yes, I most certainly can. So when I think about our strategic entry into the midscale segment, I think about two principal questions. I think about the why and I think about the how. So let me try to address both of those and answering your question, Leeny.

In terms of the why, we've spoken a lot today about Marriott Bonvoy. Well, this segment is obviously a lower ADR tier than we've been in in the past. And that lets us potentially capture potential Marriott Bonvoy members early in their hospitality life cycle, get them into our Bonvoy ecosystem, so to speak, and keep them there as they mature and evolve throughout their hospitality life cycle. So that's one reason that I think it's intriguing for us.

The second reason is, from a pure development perspective, midscale provides above-average growth rates for us. And so when you put those two together and you think about the graph that we talked about, earlier of CALA going from number two to number one. Entering in the midscale allows us to strengthen Marriott as an enterprise and strengthen our development efforts, giving us a path forward to potentially being number one in several markets where we're not currently. So that's the why.

In terms of the how, I'd like to maybe divide up my answer into two parts. There will be elements of our entry into midscale that will be similar no matter where we are in the globe, whether it's in New York or Shanghai. These similar elements will be things like these hotels will be very high quality for their segment. These hotels will be a lower cost to build and faster to build, and that will obviously reduce the carrying cost of our owners during their construction cycle. These hotels will have a super-efficient operating model, a very slim operating model that gives the guests exactly what they need and no more. And at the same time, the midscale segment allows us to have a simpler relationship with our ownership community in terms of the fee and affiliation reimbursement because of bundling them together.

So when you put all those similarities together and you mix them up, what we expect from entering midscale will be a high return on investment for our owners. It will entice to start working with us in the midscale and then entice them to do more and more units as they see how successful these units have been. So those are the things that will be similar, the ingredients that will sort of unite our midscale efforts around the world.

In terms of the things that will be different or the approaches that we'll take differently, now many times Noah and I will speak and they know we'll give the U.S. perspective, and then they'll ask for the international perspective. And there isn't a one international perspective. It's always different. So I need to torture you a little bit with those the differences.

In the CALA region, as we've announced, we have entered with City Express. I mentioned earlier, we didn't do that for the footprint. We did that for what that provides us going forward, an ability to reach markets in CALA, where City Express on their own just because of the brand recognition in Mexico, or the penetration in Mexico and the lack of development boots on the ground elsewhere they just couldn't reach. So we hope to expand that brand elsewhere.

So that's CALA. In terms of EMEA, as you all now know, our vehicle for midscale expansion will be Four Points Express, partly driven by sort of realistic reasons of the markets and market preferences in EMEA, which gives us a speed to market. We've already sort of soft launched that brand and there's already been tremendous owner excitement about it. Even before an official launch in Europe, we were able to sign a few deals as Tony mentioned earlier today.

With respect to the U.S., Noah will talk a little bit later about our entry into, at least as far as extended stay goes the midscale segment there, with StudioRes. And when you turn to Raj and Yibing's regions, in APEC and Greater China, we don't have yet the vehicle for entry into those markets. But given the growth potential in both of those markets, we will enter with midscale in those markets.

Slide E-10

Leeny: So that is to say, however, that we will never stop trying to also grow our luxury business at the same time.

Carlton: No, by no means. Let me just pick up on that for a second. Sometimes when I talk publicly in small groups about the entry into midscale, people have asked me about the pivot into midscale. And it's not a pivot. We do not intend to leave the traditional development strategies that have produced the sort of impressive international growth that you've seen in the past. We don't intend to leave that. This is an additional avenue of growth for us, not a pivot to something else.

Leeny Oberg: Yes, it really does strengthen the entire Marriott portfolio. So, one of the best-performing segments during COVID was extended stay. So Noah, can you talk about what's driving Marriott's success in this space, but also our approach as we think about growth going forward?

Noah Silverman: Yes. Extended stay has always been a really strong segment, and it's been a particularly successful growth vehicle for us over the years with Residence Inn, Element, TownePlace Suites plus Marriott Executive Apartments, internationally. We've long been the performance leader in the extended stay category. As I think many know, performance at extended stay hotels held on better during the pandemic. And it recovered more quickly as the recovery played itself out. Additionally, changing stay patterns have accelerated consumer demand for extended stay lodging options across multiple product tiers.

You heard Tony mention bleisure earlier. I think we've all talked about bleisure. I personally am ready to move on from the term, but it's very, very clear that the blended trip purpose of travel is here to stay. And that's driving incremental room night demand, especially on what have been traditionally shoulder nights. And it's also clear that a greater portion of the workforce is looking for extended stay lodging options as they work from new locations and they have flexibility in terms of where they find themselves officing day-to-day.

Globally, the branded midscale segment has grown 32 percent over the last five years. So extended stay hotels have long offered positive owner economics and advantages over transient hotels, that fuels additional owner demand. And has fueled additional owner demand for a broader array of extended state products across different product quality tiers.

Marriott has experience in the extended state category going back to 1987 with the acquisition of the Residence Inn brand. And we have teams that understand the uniqueness of the business. For example, we've got a dedicated extended day sales team that's specifically focused on customers seeking longer stays. And with the recent introductions of

Apartments by Marriott Bonvoy and StudioRes, we now have offerings in the extended stay space from the luxury premium tier through midscale, which can adapt for the owner demand, customer demand, market need, et cetera.

We're super excited about what we've done with the launch of StudioRes and the innovative design. It's compact, but comprehensive. As Carlton says, it gives the customers everything they need, nothing that they don't. And owners have reacted extraordinarily positively to the financial model and the development cost. And the interest has really been exciting and extraordinary. In short, we have every expectation that we will continue to exert strength in the extended stay category going forward. through what is an unmatched portfolio of extended stay brands and strong performance in the segment overall and with our brand specifically.

Slide E-11

Leeny Oberg: Very exciting times ahead on that front really globally. But that product, in particular, I think, has really innovative design components as well as the way that we'll be charging the cost structure to the owners is also novel for us.

Conversions. Let's talk about conversions. Conversions have always been a key part of growing Marriott's system and frankly, throughout economic cycles. I think one of the most exciting things for us is to really see how conversions have spread both through the segments, so through brands, but also globally. So can you talk, Noah, about how we're seeing conversions be just a great part of the strategy going forward?

Noah Silverman: Yes. I mean, as you say, conversions have always been a key component of our growth strategy, but our development team has been increasingly focused on conversions for the past few years. Year-to-date through Q2, 63 percent of our room signings are conversions. That's been driven, in part, by the MGM transaction and other multiunit conversions. Without MGM year-to-date conversions are 25 percent of our signings compared to last year went 19 percent of room signings were conversions.

Since year-end 2019, nearly 75 percent of our global conversions were upper upscale and above, including MGM, which adds terrific choices for our customers and strong fees for Marriott. Conversions, obviously, allow us to generate fees more quickly than new build product and they can enhance hotel performance by tapping into a stronger brand, stronger distribution systems, which are really hallmarks of what Marriott offers to owners and franchisees. We've embraced a very flexible approach to conversions to minimize immediate costs and accelerate the speed to convert, which allows owners to reap the rewards of the new brand and system sooner rather than later.

We also have dedicated developers that are focused on conversions, both individual assets and multiunit affiliations. One example of a multiunit affiliation, for example, was a deal that we signed to convert four hotels in the U.S. that were then part of a different brand company.

Those hotels came into our system using four different full-service Marriott brands. The deal was signed and the hotels converted in the same year.

All our brands are open to conversions from Ritz-Carlton to Fairfield and we now have what we believe is the broadest suite of conversion-friendly brands in the company's history. Collection brands, which you talked about a bit, whether it's Luxury Collection, Autograph Collection, Tribute Portfolio are really tailor-made for conversions as are brands like Delta and Four Points.

Our success with conversions continues because our track record of delivering better performance after hotels affiliate with our system is broadly understood and respected by the owner and franchisee community. For example, you can see on the slide for hotels that commenced operating as Autograph Collection hotels in the U.S. between 2015 and 2020, they saw RevPAR increase 29 percent on average in the two years that followed the affiliation with our system, which is well above market averages. RevPAR index for that same set of hotels increased 14.4 points over the same period. And RevPAR index is, obviously, a measure of how hotels are performing against a similarly-situated competitive set of hotels.

Another great example of a conversion success story is a Four Seasons that converted to a JW Marriott hotel in Sao Paulo, Brazil. That hotel doubled its pre-conversion average RevPAR due to an optimization of its channel mix. It improved its GOP margin by 5,200 basis points following conversion from negative 19 percent to 33 percent by focusing on improving top line revenue and continuing to implement cost contained measures. Additionally, the hotel achieved an intent to recommend ranking that was first out of all JW Marriott hotels on the globe, and sixth out of more than 300 luxury MI hotels globally. All by the way, after that conversion happened following a very minimal property improvement plan. So just in sum, we're super pleased with the platform that we offer for conversions, and we have every intention of continuing to focus on them and pursue them aggressively going forward.

Slide E-12

Leeny Oberg: Right. I always find it interesting when you think about the conversions, there's a chunk of them that never actually enter the pipeline. Because they go straight from signing to opening, sometimes driving our operations folks crazy because they have to convert so quickly.

So our particular emphasis on luxury and leisure offerings continues to provide a fantastic and really valuable halo for Marriott Bonvoy. Carlton, can you provide your perspective on our strategy in these segments?

Carlton Ervin: I certainly can. So I'm going to divide them up into luxury first, and then I'll address some statistics on leisure strategy. Because they're just a bit different, although they overlap in some ways.

So you heard from Tina earlier that luxury is a linchpin of our corporate strategy overall, and it's certainly a linchpin of our development strategy. You can see the success of that strategy by looking at the statistics on the graph next to you. Our new construction pipeline plus our open hotels, stands at 175,000[2] rooms of luxury product globally today, which is impressive considering our next closest competitor is 53 percent lower than that, or we're 53 percent higher. I think one of the most interesting things in looking at that graph that you see here that demonstrates the success of our luxury strategy is when you compare many times in industry events, people will ask me a comparison to Hilton. And I get it, there's many ways in which our enterprises are similar, but there are some ways in which we are very different. And this is one. As you can see, our open and new construction pipeline, luxury units are almost 5x Hilton. So that's a pretty impressive testament to our seriousness about luxury development.

This is a snapshot of where we are today. Let's talk about maybe what the future might hold. I think the future in luxury is what we've been doing lately. So let's just talk about our signings for 2022 around the world in luxury. In 2022, myself and the gentleman at the stage and all of our teams signed 42 luxury projects around the world. Those 42 luxury projects amount to about 8,000 luxury rooms that have either entered in the case of fast luxury conversions or will enter soon.

Again, to sort of go back to the comparisons that people draw with Hilton, I think an interesting sort of data point here is -- when you think about those signings that we did last year in the luxury segment within the Marriott Bonvoy portfolio. Those signings, I think Hilton's luxury footprint is about 90-ish hotels open luxury hotels on in the world. So in one year, we signed almost 50 percent of their existing footprint. If you think about that in terms of rooms, the 8,000 luxury rooms that we signed last year, that was about 30 percent of Hilton's existing luxury footprint. So I think that's an interesting statistic to consider.

And as we talked about, Leeny, when we addressed our entry in the midscale, luxury remains and will always remain a key focus for us. That won't change.

Let me shift into leisure for just a second. So leisure, for many of the same reasons that luxury is such a priority for us. The ability to create a true aspirational travel experience for our Bonvoy members to increase the number of members within the Marriott Bonvoy umbrella and at the same time to enter into those really high-fee generating units that are out there for us. Those are the reasons why we're focusing on leisure as well as luxury.

How does that look for us? Well, we are the undisputed leader in terms of open resorts around the world. Today, we have over 600[2] resorts open globally, which is hands down beyond our competitors.

Maybe I'll just do a quick detour within leisure to talk about all-inclusive since that's got a little bit of airtime today. So when we last met -- not me, but when this group last met, since that time, we've signed 15,000 additional rooms of all-inclusive, which shows you how important that is to us. And that's a really intriguing segment for us for growth. Just overnight, essentially with the Blue Diamond deal that Tony mentioned earlier, I think we went globally from the number nine upper upscale and luxury all-inclusive operator in the world to number two. So that demonstrates our commitment to that. And a little bit like sort of not resting on our luxury laurels, we certainly don't intend to rest on our leisure laurels. Out of our traditional existing footprint of all-inclusive product in CALA, we've signed a project now in EMEA, and we're hopeful to sign three more this year in the EMEA region.

And as you probably picked up, Leeny, on developers by working with us, we're kind of competitive spirits and something that Drew and Patty said earlier, arose those competitive spirits and we understand that they'll be handing out Marriott Bonvoy cards and other things. And so not to be outdone, I will have a set of luxury management agreements to sign if anybody is interested during the lunch.

Slide E-13

Leeny Oberg: Well, there's one thing I know about this group that's with me on the stage today, and that is that you guys want to win. I see that every day.

So let's spend a few moments on how we think about the paths to growing. The strategic ways that we can grow. Sometimes we start a brand, sometimes we buy a brand, sometimes we partner with another strong player to create something unique for our customers. So Tim, you sit in the middle of all this. As the head of M&A for the company, you've been in the driver's seat about how we think through those decisions. Can you talk about that?

Tim Grisius: I'd be happy to. So I've assumed responsibility for this role a couple of years ago. We have been certainly busy over the couple of years. The team has loved it. It's an area that I've really personally enjoyed working on. And I kind of see my role as partnered with these gentlemen and then the continental presidents, to figure out how we help them grow in their regions. And that can take on a variety of flavors, as you mentioned. So it's a partnering aspect.

So we have a 2-pronged highly disciplined approach to using M&A and strategic agreements to selectively fill gaps in our portfolio. On the M&A front, we've talked about City Express that enabled us to enter the midscale space in CALA, become the industry leader there, which is great. We acquired Protea that enhanced our presence in sub-Saharan Africa.

On the strategic opportunities front, we entered the cruise space about 10 years ago. I was asked to be a cruise expert, which I've become over time. We collaborated with Oaktree, who owns the Ritz-Carlton yachts. And then we significantly enhanced our presence in Las Vegas by collaborating with MGM, who is by far the leader in that market. So Marriott's strength in distribution and loyalty enables both of these types of deals.

Slide E-14

Now we will remain flexible in our approach to adding brands, which enhance our portfolio and address consumer demand. Sometimes it makes sense to create a brand organically and sometimes it makes sense to acquire one. Again, partnering with the continental presidents and the development leads. Organically, we created Autograph and Moxy in response to guest and owner preferences. And then on the acquisition front, we acquired AC when it was a regional Spanish brand, and we've since launched in every region and the growth has been impressive, especially in those regions in the United States.

We approach our acquisitions in a very price-disciplined way. We need to make sure of that. Our 10x fees we paid for City Express are already generating healthy returns. And we will continue to opportunistically pursue acquisitions and strategic opportunities.

Slide E-15

Leeny Oberg: Yes. I think one of the critical points is not to be buying distribution just for distribution's sake. And I think we've heard that from all three of you this morning of how we think about it from a future growth prospect. And frankly, the financial backbone that the company has traditionally shown in making these investments.

So most of all, I want to thank you, Noah, Carlton and Tim, for your terrific leadership. You guys have the best teams in the business. Marriott is driving unit value growth through traditional and unique growth opportunities.

Our model shows that we expect to add between 230,000 and 270,000 net rooms between 2023 through 2025. Net of estimated deletions, the model shows system size growing at a compound average growth rate of about 5 percent to 5.5 percent. Which is back to our pre-COVID levels and the mid-single-digit growth rate that we want to achieve. At least. Right, Tony? At least.

Now, thank you, and let's hear an update from Satya Anand from our EMEA region.

Continent President Video

Satya Anand

President, Europe, Middle East & Africa

My name is Satya Anand, and I am President, Europe, Middle East & Africa, or EMEA. With 35 years working for Marriott, I am based in London, and am privileged to lead our EMEA team of skilled and dedicated associates, overseeing one of Marriott's largest and most diverse regions. Operating within 76 countries and territories, we have almost 1,100 open hotels with around 210,000 rooms.

Like much of the world, the economic and geopolitical landscape within EMEA remains fluid.

Economic slowdown and ongoing war in Ukraine are challenges facing our markets, particularly those in Europe. Yet despite inflation and interest rates remaining high, most of the European markets have proved resilient over the first half of 2023.

However, overall economic growth in the region has been modest this year and with high interest rates weighing on consumer spending and investment. We anticipate growth to pick back up in 2024 as inflation moderates.

In the Middle East, the Gulf Arab states will push ahead with ambitious economic development and diversification plans, which we expect will support continued strong growth in our sector. We also anticipate that most states in the Middle East will continue to enjoy relatively low rates of inflation and stable exchange rates.

Overall, we are optimistic about the opportunity for growth in the EMEA region. We can look at our strong performance so far this year as a reason to be optimistic about EMEA. RevPAR has grown nicely thanks to strong levels of demand across the region.
Leisure travel has led our recovery and contributes about 45 percent of our business mix. And we have seen the extraordinary leisure demand from 2022 continuing through the first half of this year. Business transient contributes about 30 percent of our mix and group travel 25 percent. While these segments have recovered more slowly, we have seen measurable improvements this year. Group revenue for EMEA has surpassed 2019 performance and business travel revenue has nearly recovered to pre-pandemic levels.

EMEA traditionally gets around half of its room nights from cross-border guests. The U.S. is the largest international source market and demand out of the U.S. has been remarkably robust.

To deliver on our growth strategy, we remain focused on the key areas that are important to our guests, delivering outstanding customer service and ensuring all their travel needs can be met within our Marriott Bonvoy portfolio. Luxury is a priority segment and Marriott has the largest portfolio of luxury rooms in the EMEA region. We are focused on strengthening our leadership position in this valuable segment, delivering captivating experiences in visually stunning environments. Highlights this year include our entry into luxury safari segment with the opening of JW Marriott Masai Mara Lodge in Kenya. We also opened the JW Marriott Hotel Madrid, the W Budapest, and the Bulgari in Rome.

With an unrivalled portfolio and long-established heritage in luxury, we remain ahead of the competition and have a strong pipeline in place, particularly for popular lifestyle luxury brands such as W, The Ritz-Carlton and the EDITION. We have some exciting openings slated for key luxury markets such as Italy. The Ritz-Carlton in Bellagio on the shores of Lake Como is planned to open in 2026 and will mark one of the most significant luxury hospitality projects in the region. And before that, we are slated to open The Lake Como EDITION in 2025.

We also know that many guests want value and choice to make most of their annual travel budgets. Being in more places, but also in more market segments, is another top priority.

Midscale is therefore another opportunity for growth in EMEA. As Tony mentioned, we are excited about launching our Four Points Express, a midscale franchise conversion brand, and we have already signed a handful of deals that are expected to convert in the next few quarters. We have also signed our first deal in the all-inclusive space in Tunisia and have another all-inclusive deal approved in Cabo Verde in Africa.

Conversions are another area of real opportunity, across all tiers, especially in Europe where the number of independent hotels still outweighs branded properties. There is great interest from independent owners looking to leverage our powerful distribution, sales and loyalty platforms while maintaining their individual spirit.

With the strength of our channels and access to our loyal and growing Marriott Bonvoy customer base, our focus on operational excellence, our increased focus on sustainability, our drive to localize experiences and our continued investment in our associates – we are clear on the priorities that will help deliver our ambitious goals. We look forward to seeing you in one of our hotels soon!

Sustainability in our Operations

Erika Alexander
Chief Global Officer, Global Operations

Slide F-1

Well, good day. My name is Erika Alexander and I lead global operations, which includes several areas under the ESG umbrella. Now ESG responsibility, given the breadth of our efforts, and our size and scale, is shared across Marriott's senior leadership team. And together we're working to embed sustainability in everything we do at Marriott: how we operate, how we grow, and how we engage with our suppliers.

We're on a journey to make our operations more sustainable, and I want to highlight not only the significant progress we've made but also a bit about our path forward. We've got a long, proud history and a bright, ambitious future. And I'm delighted to be able to share a bit of both with you today.

Slide F-2

Let's start with our foundation. Serving our world is a core value and it's foundational to the Serve 360 framework that guides our ESG efforts. Serve 360 is about doing good in every direction, and it has four quadrants: nurturing our world, empowering through opportunity, welcoming all and advancing human rights and, of course, sustaining responsible operations.

This holistic approach enables us to evolve as the environment, quite literally, changes around us, and as we continue to do our part to make a difference. Our results represent a rich tradition and a long track record of serving the communities where we do business.

And while there are many efforts underway to make our operations more sustainable, today, I'd like to focus on plans to reduce carbon emissions and to reduce waste.

Slide F-3

Now beyond representing our core values, driving sustainable operations is just good business. As a company with a presence in 139 countries and territories, including some of the most beautiful and vulnerable destinations on Earth, we've seen the effects of climate change and its very real impacts. Stronger and more frequent hurricanes. Wildfires in places we never would have expected. Devastating flooding and other severe weather that impacts our customers, our associates and their families, and hotel owners.

We have to be part of the solution and take the right steps to mitigate these risks. Now safeguarding our people and hotels is only one of several really compelling reasons for us to act. By 2030, Gen Z will make up 20 percent of the global workforce. To attract this generation's top talent and new customers, it's important that we represent their values and beliefs, and sustainability is a top priority.

More and more customers want to do business with companies with sustainable business practices. Over half of our top 100 corporate customers have set science-based carbon emission reduction targets. And 75 percent of the meeting planners we've surveyed globally say their clients factor in sustainability in their hotel and venue decisions.

The good news is that focusing on sustainability also has the potential to reduce operating costs by using less energy.

Slide F-4

Now one thing you may know about Marriott is that we embrace a sort of quiet innovation. We're rarely the loudest. We set our first energy-reduction target back in 2007, more than 15 years ago. And just a few weeks ago, in alignment with the Paris Climate Agreement, we continued to build on those efforts by submitting emissions reduction targets to the Science-Based Targets Initiative. These targets are going to help us do our part to keep the global temperature from increasing by more than 1.5° Celsius. Our targets also include reaching net-zero emissions by no later than 2050.

We've put an incredible amount of work and rigor into evaluating our baseline emissions around the world and across our supply chains. This work has laid the foundation for the steps we'll take, and the success we anticipate, in the years ahead.

Slide F-5

To reach our targets, we're focusing on three areas. One, using less energy in our hotels. Two, sourcing more energy from renewables where it makes sense, such as solar panels on rooftops and parking garages. And three, purchasing goods with a lower carbon footprint.

Now it's no surprise that reducing emissions starts with hotels. Many are big spaces with multiple mechanical systems. Today, across our portfolio, we are tracking hotel emissions and collecting data in a way that allows us to roll up the information for reporting.

Next year, we plan to give hotels individual carbon-reduction targets, as well as access to better tools and more best practices to build more sustainable long-term capital improvement plans.

Slide F-6

We're also beginning a multi-year journey where we will look to our hotels to actually complete energy reduction evaluations, with tailored approaches based on their individual size and complexity.

To complement these efforts, we'll continue to work with our owners and franchisees to build our climate fluency, and to direct capital investments to more sustainable solutions and to tap into consumers' demand to do business with companies like ours that are actively working to make the world more sustainable.

Beyond that, we're going to rally every associate to embrace this journey because we all have a role to play.

Slide F-7

Now, reducing carbon is one important goal, but it's not the only goal. I'll highlight two more efforts that are well underway.

First, we've got an ambitious goal to reduce food waste by 50 percent. Like carbon reduction, much of the effort will be in our hotels. This year, we held a global food waste reduction rally. We encouraged hotel teams to share best practices and to take action. Hundreds of ideas poured in. We are reviewing those as we speak and look to share those across our system.

We're also piloting a sustainable meetings and events program for meeting planners. Reducing food waste, of course, is an important component and one that everybody can relate to and impact.

Second, if you travel, you also know that we're moving away from tiny plastic toiletry bottles in hotel rooms. More than 95 percent of hotels at the vast majority of our brands have made this move.

In a system as large as ours, even small changes have a major impact. We estimate that this effort could prevent more than a half billion tiny plastic bottles from going to landfills each year. Hotels all over the world are embracing these efforts and so many more.

Slide F-8

Last month, I visited the London Heathrow Marriott Hotel, a busy property less than a half mile from one of the world's busiest airports. And they have an amazing story on sustainability. They've got a wind turbine and solar panels to power their exterior lighting. They have an on-site water filling station to reduce single-use plastics. And a food waste reduction lab that dozens of hotel guests tour each week.

Sustainability is at the heart of their operations and culture. And that's the type of innovation we look forward to seeing more of and celebrating in the years to come.

Today, I'm just scratching the surface of this topic.

Marriott has a 96-year history of caring for the communities where we live and we work. It's a mission we all take very seriously and I'd invite you to learn more about those efforts by reading our 2023 Serve 360 Report.

Slide F-9

Our net-zero target is taking our sustainability efforts to new levels. It's good for the planet, it puts people first, and it just makes good business sense. So I thank you for joining us on this journey. And we'll look forward to sharing updates with you along the way.

Next, I'm going to turn the stage back to Leeny who'll talk about our 3-year model, but first we have another video.

Continent President Video

Liam Brown

Group President, United States & Canada

I am Liam Brown, Group President, U.S. & Canada. Having spent nearly 35 years with Marriott, I am grateful for the opportunity to lead such an incredible organization. Our amazing team of associates in the region have shown steadfast commitment to attracting customers, driving demand, pricing for profit, and delivering excellent guest service, supporting our more than 5,900 properties with roughly 970,000 rooms.

Our region has 63 percent of the company's open rooms and accounts for 48 percent of Marriott's pipeline rooms. Three-quarters of our rooms operate under franchise agreements, with the remainder company-operated. As it relates to market share, Marriott leads in the U.S. & Canada, with 16 percent share of open rooms and 25 percent of rooms under construction.

From a demand perspective, while there is still some level of macro uncertainty, the consumer is generally holding up well and it now seems more likely that the U.S. economy will have a soft landing. With year-over-year comps stabilizing, we are seeing a return to more traditional seasonal business patterns in the region.

We have recently made some significant announcements related to our brands in the U.S. & Canada. At the end of last year, we announced the company's planned expansion into apartment-style accommodations with the launch of Apartments by Marriott Bonvoy. In June, we announced plans to expand into the affordable midscale segment with a new extended stay lodging brand, which will be called StudioRes. The brand is intended to deliver reasonably-priced modern comfort for guests seeking longer stay accommodations in the U.S. & Canada.

In July, we announced Marriott's long-term strategic licensing agreement with MGM Resorts, and the creation of MGM Collection with Marriott Bonvoy, representing more than 40,000 rooms in Las Vegas and other cities across the U.S.

Additionally, we have opened several new milestone hotels this year, including The Honeyrose Hotel, Montreal, A Tribute Portfolio Hotel, the brand's first property in Montreal, and The St. Regis Chicago, the first St. Regis in the American Midwest. Later this year, we anticipate opening The Ritz-Carlton, Portland, the brand's first property in the Pacific Northwest. We continue to lead the industry with 30 percent market share of open and under construction rooms in the luxury segment in the U.S. & Canada. Luxury is a significant part of our overall business model and a meaningful contributor to fees.

Demand for global travel continues to experience great momentum. Urban markets, which had lagged in the recovery, are showing impressive growth. In the U.S. & Canada, around 40 percent of our room nights are from leisure transient customers, 35 percent from business and government transient customers, and 25 percent from group and contract.

Within customer segments, group continues to perform extremely well, with continued gains in both rate and occupancy. Business transient recovery has been slow but steady, with small and medium-sized business outperforming and well above 2019 levels. Leisure transient revenue continues to show strength but has stabilized more recently as more travelers from the U.S. & Canada choose to visit overseas destinations. The U.S. & Canada region is primarily a domestic market, with domestic guests accounting for around 95 percent of our room nights.

As we look at future growth, we continue to focus on ensuring we are offering great service at the right products, in the right destinations, for every traveler and trip purpose. At the end of the second quarter, Marriott's U.S. & Canada development pipeline consisted of nearly 70 percent select-service projects, which is consistent with where we're seeing the most development activity in the region.

StudioRes is our latest example of our focus on enhancing the breadth of our portfolio to reach new customers and new markets. We have seen great owner interest in the new brand. Additionally, we continue to see significant opportunity with conversions, especially in an environment that is currently challenging for new construction.

With the great work of our operating teams driving customer preference, the strong demand from owners for our existing and newly-announced brands, I am excited about what's on the horizon in the U.S. & Canada. Thank you.

Creating Shareholder Value

Leeny Oberg

Chief Financial Officer and Executive Vice President Development

Slide G-1

Well, it is time to talk a little bit about the numbers. And I know for some of you, that will be the most boring part. But for some of you, you'll also find some interest in it. So thank you for your patience. I'm really pleased to have the opportunity to take all the great strategies that you heard about this morning from our senior leaders and combine them to talk about how we're creating meaningful shareholder value.

Over these next 30 minutes, I will talk about our asset-light business growth strategy and dive deeper into our 3-year model. My focus will mostly be forward-looking and my objective is to lay out how these growth strategies and initiatives could drive our financial results and create shareholder value.

Slide G-2

Let me first touch on our business model and how it has performed. We use adjectives like "proven" and "powerful" to describe the success of Marriott's asset-light business model, and we need only to look at how quickly we recovered from the extreme challenges of the global pandemic to see how resilient and sustainable it has proven itself to be. The power of the business model and our equation for success are rooted in our unparalleled global portfolio of brands and our popular Marriott Bonvoy loyalty program.

These two foundational elements generate what we believe are the lowest affiliation rates in the industry for our owners and franchisees. And they also enable us to obtain high-quality and long-term contracts, drive new unit growth and generate strong and resilient free cash flow leading to significant capital return to shareholders. These attributes, combined with an unstoppable worldwide desire for travel and the powerful force of Marriott's people-first culture, continue to drive our long-term success.

In a moment, I will walk you through scenarios where, by 2025, we see the potential for 1.8 million rooms globally, producing $4.3 billion to $4.8 billion of hotel-related management, incentive management, and franchise fees. In addition, we could also deliver over $1 billion of non-RevPAR-related fees associated with our cobrand credit card, timeshare, residential business, and application and relicensing fees. And finally, from year-end 2022 through year-end 2025, we see the potential to return $11.7 billion to $13.6 billion of capital to shareholders.

Slide G-3

Before I share the detailed output of the modeling, let's talk about a few of the underlying assumptions. I'll focus first on the two key drivers that many of you talk about with us on a daily basis, which is RevPAR growth and net rooms growth.

We're presenting 2023 financials on a standalone basis that correspond with the guidance shared recently on our second quarter earnings call in August that reflect continued global recovery. For 2024 and 2025, we're showing two RevPAR growth scenarios that reflect a normalization of international demand, similar to what is occurring in the U.S. & Canada this year.

While we're monitoring the broader economic environment and the health of the global consumer, this model reflects our expectations for relatively steady global economic conditions, coupled with the continued resilience of travel demand. Our goal is to show you how assumptions for our certain key growth drivers could flow through the model, as well as to demonstrate the incredible efficiency of Marriott's asset-light strategy.

Let's first talk about RevPAR. As Tony noted, global RevPAR grew 8 percent year over year in July and 9 percent in August. We're optimistic that third quarter and full year 2023 global RevPAR growth will come in at the top end of our guidance ranges of 6 to 8 percent for the third quarter and 12 to 14 percent for the full year.

We assume worldwide RevPAR growth of 3 percent to 6 percent in each of 2024 and 2025. We would expect RevPAR growth internationally to be a bit stronger than in the U.S. & Canada in each of 2024 and 2025.

The net rooms growth assumption is based on our current pipeline and assessment of room additions. We're confirming our 2023 net rooms growth guidance of 6.4 to 6.7 percent and are modeling a 2-year net rooms CAGR of 4 to 5 percent from 2023 to 2025. And the 2023 number includes the caveat that Tony mentioned that the uncertainty around MGM could mean the rooms slip a little bit, but that we're fully confident that they'll come into our system. Please keep in mind that we've used the midpoint of the growth range for rooms in both of our RevPAR scenarios in the financial modeling that we are showing.

Over the 2023 through 2025 period, we expect to add approximately 230,000 to 270,000 net rooms, resulting in a 3-year net rooms CAGR of 5 to 5.5 percent. We have confidence in our ability to achieve net rooms growth at the mid-single-digit level given the attractiveness of our brands, our strong signings activity, our record pipeline, and the continued momentum around conversions, particularly multi-unit conversions.

Importantly, we have confidence in the development team and our ability to leverage the capabilities of Marriott as the world's largest lodging company, offering our current and future owners unrivaled choice, value, and performance. This includes our strong global distribution platform, our leading Marriott Bonvoy loyalty program, innovative sales and marketing channels, and our incredible team of associates focused on guest experience and driving long-term profitability, all of which you've heard a lot about this morning.

Slide G-4

In addition to RevPAR and net rooms growth, there are a few other key assumptions I want to highlight. Relative to the P&L, we're modeling general and administrative expense growth at a 5 percent 2-year CAGR from our 2023 midpoint. We assume foreign exchange rates remain unchanged from 2023, an income tax rate of about 24 percent for all years, and that cost reimbursement revenue less reimbursed expenses are zero.

Investment spending is still assumed to be between $900 million to $1 billion in 2023, including $100 million for the completed City Express brand acquisition. We've assumed $800 million to $900 million of annual investment spending, on average, in each of the next two years. These spending levels reflect our commitment to new rooms growth, and capital committed to our portfolio of owned and leased hotels, along with our continued focus on enhancing our technology platforms.

For this model, we've also assumed the exercise of an existing put option by the owner of the Sheraton Grand Chicago at the end of 2024. This put right relates to a workout with the hotel's owner that arose as a result of the Starwood acquisition. The put option for the purchase of the hotel is roughly $300 million, and we assume we exercise that option to also purchase the underlying land for $200 million, for a total of $500 million. Of that $500 million, $200 million would be reflected as additional capex and $300 million is expected to be accounted for as a release of an existing liability that is on our books today.

We remain committed to our asset-light strategy but given the short time frame of this model and the timing of certain owned asset renovations, we've included just $250 million to $300 million from capital recycling proceeds over the 3-year period. The model also assumes no additional M&A or future hotel acquisitions.

Our solid investment grade credit rating is important as it provides the company with significant financial flexibility, as well as an efficient cost of capital. Our target leverage is between 3 to 3.5 times adjusted net debt to adjusted EBITDAR, and for modeling purposes, we've assumed that we remain at the lower end of that range for all three years.

Slide G-5

Let's start with the growth of our system and its impact on fees. I'll speak in a moment about the growing impact of our non-RevPAR-related fees, but net new room additions continue to be one of the absolutely primary drivers of our fee growth.

As I mentioned, we're modeling a 3-year net rooms CAGR of around 5 to 5.5 percent. We expect that about two-thirds of the rooms added over this 3-year period will be in international markets, with a distribution by tier that is similar to our current system. Overall, this would increase our mix of international rooms to about 40 percent.

Our mix of managed and franchised rooms would remain similar through 2025, at around 63 percent franchised and 37 percent managed. While most openings in the U.S. & Canada are expected to be franchised, this is offset by higher relative growth in international markets, which tend to disproportionately managed.

You'll note that the share of rooms in CALA in this pie chart rises between year-end 2022 and 2025, from 4 percent to 5 percent. And while growth is clearly very strong in that region, this is mostly reflective of our recent acquisition of the City Express brand portfolio to be able to move it up a full percent.

As we did for the City Express transaction, when evaluating M&A growth opportunities, we conduct rigorous due diligence with a strong consideration for both the strategic and economic rationale with robust price discipline. And we remain laser focused on driving valuable rooms growth. We believe our rooms growth will be driven largely from organic growth, but we will continue to explore one-off, unique, bolt-on growth opportunities that fit our strategy to meet consumers' evolving needs.

Slide G-6

So, let's move on to the P&L. Our hotels' top line, or RevPAR-based, fees represented almost 70 percent of total gross fees in 2022. These base management and franchise fees are subject to long-term contracts and because they are calculated on top-line hotel sales, correlate closely to changes in RevPAR and rooms.

For hotels we manage, we earn base fees under contracts that generally have 20 to 30 years of initial term, where fees are calculated as a percentage of a hotel's total revenue including revenue from rooms, food and beverage, ancillary revenues such as meeting space, spa, and other amenities.

Similarly, hotel franchise fees are calculated as a percentage of hotel room revenue with some brands also generating franchise fees on food and beverage sales. These contract lengths average about 20 to 25 years in length.

Based upon our RevPAR and rooms growth assumptions, these hotel revenue-based fees could grow at a 2-year CAGR of 6 to 9 percent through 2025. And just as a reminder, it takes about three to four years, on average, for a new-build hotel to stabilize. While these new hotels open and stabilize, we actually expect their RevPAR and fee growth to outpace comparable hotel RevPAR growth.

Slide G-7

Transitioning from our fees calculated on hotel revenue, now let's move on to those that are generated from bottom-line property-level profits at our managed hotels.

Based on our August guidance, our incentive management fees, or IMFs, could reach a record $745 million to $765 million in 2023. And with 3 to 6 percent RevPAR growth for 2023 to 2025, they could grow at a 5 to 12 percent 2-year CAGR. In the U.S. & Canada, the majority of IMF growth is expected to come from existing units as most new room additions in the U.S. are expected to be franchised.

Internationally, the IMF growth is due to both new managed hotel openings and our existing portfolio of managed hotels and growth in RevPAR. As a reminder, most of our international management contracts earn these fees on hotel profits without an owner's priority return, which means that while the percent of those profits is lower, the incentive fees are generally earned earlier in the contract term and tend to be less volatile.

Of the assumed growth in international IMFs over the 2-year period from 2023 to 2025, roughly 75 percent is from Greater China and APEC, which are regions that overwhelmingly do not have an owner's priority return.

Slide G-8

This slide shows the sum of base, franchise, and IMFs that are driven by RevPAR and hotel operating performance. Total hotel fees could be $4.3 billion to $4.8 billion in 2025, representing a 2-year CAGR of 5 to 9 percent.

It's also worth noting that this modeled fee growth has been negatively impacted by the relatively lower net rooms growth rates in the last few years due to COVID, as compared to the years prior to the 2019 security analyst conference, when net rooms growth was a little bit higher. However, as we've stated and our model shows, we remain focused on achieving mid-single-digit net rooms growth over the long-term.

To help with your modeling, we estimate that a one-point change in year-over-year RevPAR growth in 2023 equates to roughly $45 million to $50 million of hotel-related fees, which could increase by $5 million to $10 million per point of RevPAR by 2025 given the growth in our system size. Of course, it's only a rule of thumb. As you know, actual amounts may vary considerably depending on tier, depending on geography and particular hotel RevPAR performance.

Slide G-9

So, we also earn significant fees that are not directly tied to RevPAR performance but are tied very much to the power of our brands. Most notably, these include cobrand credit card fees, timeshare royalty fees, and residential branding fees.

These fees make up nearly 20 percent of total fees and, as you may recall, were much less volatile during the pandemic. In fact, during the 3-year period from 2019 to 2022, our total non-RevPAR-related fees grew at an impressive 10.5 percent CAGR.

Cobrand credit cards accounted for roughly 70 percent of total non-RevPAR-related franchise fees in 2022. And as Peggy mentioned, with the recent addition of a card in India, we now have card offerings in ten international markets.

So, we've modeled cobrand credit card fees growing at a rate similar to total non-RevPAR-related franchise fees, primarily driven by growth in new cardholder accounts, as well as modest increases in average cardholder spend.

Another important fee stream I'd like to highlight is residential branding fees which, as you heard from Tim, have been an incredible growth story over the past number of years. And, frankly, out looking into the future.

But it's worth noting that there is a notable lumpiness in these fees as we earn a one-time branding fee when the individual residential units are sold. So if you have a development that has a certain number of properties and the sell out quickly, we can then see the lumpiness of those fees coming into our income. It is a significant reason for the relatively lower growth rate that out see in non-RevPAR-related fees in 2023 versus 2022 and the relatively higher growth rate in these fees anticipated in the 2-year period through 2025. Despite the unevenness of these fees, the growth in this business has been really strong, and we continue to see great pace of new signings.

Slide G-10

Therefore, total gross fee revenues represent the sum of our total hotel fees and our non-RevPAR-related franchise fees. On a worldwide basis, these fees could reach $5.4 billion to $5.8 billion by 2025, a 6.5 to 9.5 percent 2-year CAGR.

We estimate gross room additions in 2023 through 2025 could produce roughly $325 million of fees in 2025 but would be expected to grow to an estimated $600 million annually when stabilized.

Slide G-11

Our fees are increasingly geographically diverse. By 2025, total fees earned from our portfolio of international hotels could grow to 27 percent of total fees compared to 20 percent in 2019. Fees from the U.S. & Canada represent just over 50 percent of total fees by 2025, with IMFs from the region contributing only about 5 percent of total fees.

Base management and franchise fees that are earned as a percent of top-line revenues, and the similarly less volatile non-RevPAR-related franchise fees, could make up nearly 85 percent of our total fees in 2025.

Slide G-12

This chart shows our owned, leased, and other revenues, net of direct expenses. At the end of the second quarter, we owned 20 hotels and leased 32 properties, representing under one percent of our total room count.

Given these RevPAR scenarios, we anticipate that owned, leased and other, net could grow at a 6 to 9 percent 2-year CAGR from 2023 levels. Note, this includes a full year of profits for the Sheraton Grand Chicago in 2025.

Roughly two-thirds of total owned, leased and other net relates to performance at our owned and leased properties. These profits can vary a bit year to year depending on the pace of certain asset sales or on the timing of renovations like we are doing at the W Union Square, as well as in Barbados.

The owned, leased and other revenue line also includes termination fees we receive when hotels exit the system. They average approximately $40 million per year but can vary a bit year to year. Owned and leased profits also includes results related to ancillary business lines, such as Homes & Villas by Marriott Bonvoy and our travel insurance program, which are expected to be immaterial during this time period.

Slide G-13

Adjusted EBITDA could total $5.2 billion to $5.7 billion in 2025, a 7 to 10 percent 2-year CAGR. These 2025 adjusted EBITDA amounts are 45 to 58 percent higher than 2019. And this significant growth demonstrates our ability to drive long-term RevPAR growth, increase our system size through a combination of organic and M&A room additions, and realize ongoing operational efficiencies with discipline around G&A.

Slide G-14

Today's model shows our powerful business model producing meaningful cash flow, which significantly exceeds the investment spending needed to fuel growth, support our existing system, and also enhance our systems infrastructure.

We are calculating free cash flow as adjusted cash from operations less all investment spending. And we expect that our free cash flow could grow from $2 billion in 2022 to $2.6 billion to $2.9 billion in 2025, an impressive increase of 31 to 45 percent.

Slide G-15

Our approach to investing remains extremely thoughtful and disciplined. We conduct thorough assessments for each potential investment, on every deal. Through the use of financial models that assess the risk, we strive to ensure that the expected returns on any MI capital investment exceed our cost of capital. We continue to place a priority on capital recycling and remain focused on creating long-term shareholder value.

Today's model assumes investment spending of roughly $2.9 billion over the 3-year period ending in 2025, which includes the $200 million I talked about earlier of capex related to the purchase of the Chicago Grand Sheraton.

About 40 percent of the $2.9 billion is assumed to support our existing properties, including the strategic renovations of hotels that we own, as well as renovations on our owned and leased portfolio.

Another 30 percent is earmarked to support rooms growth, which includes $100 million for City Express. The balance of our investment spending relates to continued investment in our systems, most notably our technology initiative, which you heard Drew talking about, and that will be a real complete transformation of our digital and core technology platforms over the next few years. That systems investment spending, it's worth noting, is expected to be overwhelmingly reimbursed from our hotel owners over time.

As illustrated on the second pie chart, we expect capital and technology expenditures and contract acquisition costs, or key money, to account for the majority of the spend, with a very small amount for loan advances and joint venture investments.

Slide G-16

Adjusted cash from operations could total $9.3 billion to $9.9 billion over the three years 2023 through 2025. And with our adjusted EBITDA modeled to grow 35 to 47 percent over 2022 levels during the 3-year period, Marriott has the capacity to lever our business efficiently and carefully and take on incremental debt while still maintaining our leverage targets.

On a combined basis, given our cash from operations, around $300 million of capital recycling, and additional net debt, cash available for enhancing shareholder value could reach $14.6 billion to $16.5 billion over this 3-year timeframe.

Slide G-17

Given many of our new hotel projects require no MI capital, even after $2.9 billion of investment spending to maintain and grow our business, roughly $11.7 billion to $13.6 billion remains available to return to shareholders over the 3-year period.

We've assumed about $2 billion will be paid out in dividends over the three years, a dividend payout ratio of roughly 25 percent. The remainder of the capital return is expected to be in the form of share repurchases. We like this flexibility given that we can opportunistically invest throughout economic cycles and also make sure that we're managing changes in the business with economic downturns or upturns, to be able to return excess capital to our shareholders and also be opportunistic in managing the company's financial flexibility.

Slide G-18

Given these assumptions, 2025 adjusted diluted earnings per share could total $10.10 to $11.45. This translates to a compound growth rate of 10 to 15 percent for the 2-year period ending in 2025, and a CAGR of 15 to 20 percent for the full 3-year model period. Included in this impressive growth is a 15 to 17 percent reduction in shares outstanding from year-end 2022 through year-end 2025.

Under these two scenarios, we could see our return on invested capital increase to 24 percent to 26 percent in 2025, which is up 6.5 to 9 percentage points versus 2022 levels.

Slide G-19

In conclusion, you've heard from a lot of members today of Marriott's senior team describing important strategic priorities for the company. We're confident that executing on our strategy to grow forward by delivering the best brands and experiences, having the most valuable and engaged guests, and expanding the broadest and deepest global portfolio of properties and offerings will result in continued strong free cash flow and earnings growth to create meaningful value for our shareholders in the years ahead. Thank you.

So I'd now like to ask Tony and Jackie to join me on the stage and we'll have our Q&A session.

Question & Answer Session:

Anthony Capuano, President and Chief Executive Officer: Before you start, Jackie, just two quick comments. Number one, there's lots of benefits to these events, one of which is an opportunity to show off the strength and the breadth of the company's leadership team. So thank you to all the members of the leadership team that are here. Secondly, as all of you know, these are not easy meetings to pull off. They require an extraordinary amount of effort. I am of a firm belief that we have the best Investor Relations team in the industry, and I want to thank Jackie and Betsy and Laura for all their extraordinary work. So thank you.

Jackie Burka McConagha, Senior Vice President, Investor Relations: So we will now begin our Q&A. Please raise your hand and someone will bring a mic over. Please state your name and company for the benefit of those on the webcast, and please only ask one question so we can get to as many of you as we can. Thank you.

Patrick Scholes, Truist Securities: China has been in the headlines certainly with concerns around development or possible slowdown of development specifically Country Garden. Now I know that's perhaps more of a concern for a competitor of yours. But can you give us the latest sort of on the ground, what you're seeing and hearing with your developers in China specifically? And are there any developers that you use that make up a significant portion of your development that we should perhaps keep an eye on?

Anthony Capuano: Of course. So I'll try to give you as real-time a perspective as I can. I was there about three weeks ago. I was in Shanghai, Beijing, Changsha and Chengdu, spent a lot of time with government officials, with many of our partners and our teams on the ground. You heard a bit in Yibing's video about the pace at which our operating business has recovered. And I think there are a lot of parallels in terms of how our development activity has recovered.

Most certainly, during the depths of the lockdown in China, we saw under construction projects paused, we saw a steep slowdown in the volume of new deals, development committee activity, new MOU intake. And as the market has opened up, just as we saw demand begin to recover, we've seen parallel improvement. We've seen delayed projects, restart construction. We've seen a significant uptick in both discussions and MOU execution. We've seen a similar uptick in development committee submissions. So we're quite encouraged about the overall pace of development activity across Greater China.

In terms of your second question, we are obviously monitoring closely the relative health of the real estate industry across Greater China, which has been well documented. I might make one comment, though. A significant portion of our owner community is either fully owned by state-owned enterprises or has a meaningful ownership component of state-owned enterprises and it appears that, that state-owned enterprise participation provides a level of stability that maybe gives us an additional layer of comfort about the relative economic strength of those partners.

And then the last thing I would say, I was in China the week before Secretary Ramundo made her trip. And I thought it was quite interesting among the things she mentioned in her press conference as she left Beijing was the fact that she and her counterpart, one of the takeaways was an agreement to host a joint U.S./China tourism and travel conference in the first quarter of 2024. And what she has indicated to us and some of our peers is that while the relationship between the countries to be sure is complex. Travel and tourism is one area that is relatively less controversial and as a result, is a big, big focus area for both governments.

Robin Farley, UBS: I had a question about net unit growth just given the lower construction activity. compared to pre-pandemic. How much of the unit openings in 2024 and 2025, do you expect to come from conversions? And how much from acquisitions, if there's sort of a range for those two contributing factors. And then if I could just like a part b.

Anthony Capuano: I know I saw you frowning and she said only one question. She wasn't targeting you, Robin, I promise. Well, let me answer the first question first. I promise I'll give you a second one. As Leeny mentioned in her prepared remarks, we have not baked any sort of M&A or acquisitions into the plan as presented. You heard Noah talk about the disproportionate 2023 conversions as a result of MGM. And even though there is some risk on timing, for purposes of the model, we've assumed 2023 working under that assumption in 2024 and 2025, we've assumed about 30 percent of the openings are conversions.

Robin Farley: And then my other question is the RevPAR, the 3 to 6 percent growth. When we look back at your 2019 projections, you were looking for 1 to 3 percent RevPAR growth. And is that mostly just inflation or is there some acceleration more broadly? Or is that mostly kind of inflation making a higher growth rate?

Leeny Oberg, Chief Financial Officer and Executive Vice President, Development: So I'd say a couple of things. I think, first of all, we do have the reality that Asia Pacific is still, to some extent, doing a little bit of recovery that will drip into 2024 as we enter that 2-year period that we gave the 3 to 6 percent on. And that's really following the U.S. You can already see from the 2023 guidance that we've given that you've got international versus the U.S. being higher. Just as a reminder, when you are growing faster in one region than another, you also benefit from the fact that you've got a little bit bigger group of hotels that are ramping up, which international definitely has a bit of a benefit from.

Yes, I would say from an inflation standpoint, there's probably a bit in there, but I would not say that that's a big driving component overall. I would say it is clearly a function that we are assuming that global GDP is, call it, in the 3 percent growth range for global GDP in 2024 and 2025. And obviously, we all know there's clearly risk for a recession that we've got out there. But for this model, we chose to do it what we viewed as a relatively steady state for the economy.

And then I think you're also just seeing the power of travel. Which is, as you heard from all the different conversations today that the robust demand for travel is strong, and we see that as being a help. And last but not least, I'll mention the reality that supply growth, as compared to 2019, has been lower. And that's pretty much almost everywhere in the world. I'd say India might be our one exception. But most places in the world, you've seen lower supply growth, which is helpful to the overall demand/supply dynamic.

David Katz, Jefferies: With respect to new contracts that are entering your system and we look at the mix, both geographically and across pricing scale. Is there any difference in the length of those contracts? I assume that you NPV those and we never really talk about that. We talk about how many of them and where they are and how much they are. And what I'm really getting at is, are lower-priced hotels, shorter duration contracts inherently lower NPV?

Leeny Oberg: Yes. So I will say you heard in my comments about management agreements on the 20- or 25-year terms and the franchise agreements with similar terms, I'd say no, that we are not seeing a fundamental lowering in average terms on the agreements that we're signing. When we talk about the royalty rates, you'll remember, we've done this several times before, too, which is if you took our entire portfolio and basically turn them all onto today's contracts the royalty rate would be about 40 basis points higher. So it's close to 5.5 percent for average royalty rate. That's kind of across everything.

So I would say, generally not. Obviously, there are always unique situations that you have to work through. But I would say, fundamentally, we still see a huge chunk of our deals require no MI capital. I think some of the things that you heard, I think Noah talked about, in particular, on the conversions where you've got the power of the system, which really drives strong revenue improvement and performance that, that obviously is a really important element of why we're chosen, including the term and the fee structure. And then also our size and scale has allowed us to be able to charge affiliation costs that are extremely competitive, which we think are the best in the business. And you put all that together, and I would say no fundamental change in term.

Joseph Greff, J.P. Morgan: I think it was in the development panel, either Noah or Carlton mentioned this, that there's less fallout in the pipeline relative to the recent past, on average, despite the higher interest rate environment, the challenges in securing capital. Why do you think that is the case? Is it a timing issue? Is it a year-over-year comparison issue? Does it still have to play out? Or is there something different in the development pipeline today versus the past?

Anthony Capuano: Well, listen, I think we've talked about this on some of the earnings calls before. I think it starts with the composition of our universe of owners and franchisees. These don't tend to be folks that are dabbling in hospitality investment. These tend to be long-tenured investors in the sector. They enter into investments in the sector. with understanding that, by its nature, hospitality is a cyclical business. They're not investing trying to time the right quarter or two.

And so as a result, they've got a little longer-term horizon generally. Particularly as it relates to new development. While they have been stymied a bit by the pandemic, some of the constriction in the debt markets. Particularly the new construction projects that sit in the pipeline today, they own the dirt. They've spent significantly on entitlements. They've spent significantly on design. Many of these projects are shovel-ready. And while they are as frustrated as we are that there are some impediments to getting that shovel in the ground, they are in effect pot committed on those projects. And so they're not quick to just pull the plug and move on because they've got that longer-term investment horizon in the sector.

Leeny Oberg: The other two things I'd add is, number one, the reality that hotel assets are performing generally pretty well. And for a lot of what's under construction in our pipeline, these are tried and true brands. These are unique conversion opportunities with perhaps a renovation. And I think if anything you've seen is that capital that's been invested over the past few years in the hotel industry has been well rewarded. We've seen really strong returns on great product because demand is strong. So you get back to the fundamental views for demand for travel and, frankly, for hotels is quite strong. So I think you, Tony, and I and the development team, we always smile. We're generally a glass half full group as are our owners and franchisees. And I think they're definitely looking for a very long view.

We've seen interest rates like these before. Frankly, we’ve seen a lot tougher situations in some respects, but this is not unheard of to have these kind of interest rates. Not to say that you're not right because it is true that it is a more challenging financing environment. I think generally that the banks would say that the deals they want to lend money to are deals to Marriott brands where they want to know that they've got a really strong performing brand. And I think that's what you're seeing when you see our share of overall deals under construction is as high as it is, is because the lenders want to make sure they're with a strong team like ours.

Shaun Kelley, Bank of America: So I just want to build off kind of the last two questions. I'd like to push into midscale in particular, is a big highlight out of the day. Leeny, you mentioned the increasingly competitive affiliation fees, and I don't feel like that's an area that we maybe focus on as much. So could you elaborate on that a little bit across the brands? And then sort of the part b of this would be just overall in the construction environment. Is there any implication that the world has to get better at all, at least on the domestic side, to hit any of the targets that you laid out today?

Leeny Oberg: So I'll start on the affiliate and you take b. All right. So on the affiliation costs, One is about how much we charge and one is about how we charge, all right? So let's first talk about what we charge. And that is where, as you see a system get larger and larger, you're obviously spreading your fixed cost across a larger base. And when you heard Drew talk about the transformational things that we want to do for our customers, our owners and our associates and the view that the system will overwhelmingly pay for those investments, that is without the expectation that we're going to fundamentally increase our rates.

So we're not going to take the property management system charge to the hotels, for example, we're not expecting that we're to do all these investments that we're raising it. This is one of the benefits of having a large and growing system size.

Then we talk about how we charge. I'm sure for many of you, you're out there talking to owners and franchisees on a regular basis, in addition to the brand companies, and the whinging that you'll hear from time to time is that there's just lots of little charges all over the place. And what you see of what we're doing in StudioRes as an example, is that it is one 9 percent charge against rooms revenues. And frankly, it's up to us to make sure that we manage it to reimburse the system. And hopefully, there's some left over to make sure that we're compensated for our brands.

But that is for an owner and franchisee easier to value the asset, easier to have a sense of kind of how that asset is going to perform because they can just plop it into their pro forma and valuation work. And a greater sense of kind of going that the nickel and diming concern is one that is less. And that's one that we are using increasingly. Four Points Express in EMEA is going to be another example where we're putting that structure into place. And we've done it in a couple of other examples, and I'm going to bore you by going on too long. But in the PSF, we call the program and services fund, we basically took all of our required programs and services and lumped them into one charge. So instead of no longer charging for a reservation fee, no longer charging for a PMS fee. We've put it all into one. There again, being able to use size and scale, but also making sure that we are holding ourselves accountable for managing the cost of our programs.

Anthony Capuano: And on your second question, Shaun, the net unit or the net rooms openings numbers that underpin this plan were built against the backdrop of the realities of the debt markets today. So I'd say two things specifically in response to your question. Number one, remember, we've seen over the last number of years, a lengthening of the construction cycle. So even if debt was flowing freely, a lot of the shovels that would go into the ground today would be opening at the back end of the plan that we've presented today. Number two, just to give you some rough math, based on the guidance we've given you for net unit growth for 2023, in round numbers, we'll open net about 100,000 rooms in 2023.

That would suggest in 2024 and 2025, we need to generate net between 130,000 and 170,000[6] rooms to hit the targets that are built into this plan. Well, if you fast forward to 12/31, there will be, again, round numbers, about 180,000 under-construction rooms in the pipeline. If you use Leeny's comments from her prepared remarks and assume deletions are somewhere between that 1 and 1.5 percent number. So for the sake of discussion, say, 20,000 rooms a year, that would say that if those 140,000, net, under construction rooms come in, you'd be at 240,000.

So you'd already be in the range and that would assume nothing goes under construction and opens by the end of 2025, which is probably an unrealistic assumption. And that would also assume that there would be no incremental additional in-the-year-for-the-year conversions. And when you listen to the commentary from Carlton and Noah about the dedicated resources and the focus of their global teams on conversion is probably somewhere between a terribly conservative and unrealistic assumption.

[6] Said “180,000”. Should be “170,000”.

Stephen Grambling, Morgan Stanley: In your comments, you said that M&A is not within that model. But obviously, you've been active on the M&A front. I guess, how are you anticipating that environment will compare to the past three years? Do you see more or less opportunities? And do you anticipate that those will be in specific geographies and/or in the traditional versus the alternative kind of strategies?

Anthony Capuano: So you've asked me a version of that question before. I'll probably bore you by giving you a version of the same answer. I think on the long list of benefits of our industry-leading scale, I don't think anybody on the leadership team feels a burning need to do M&A purely in pursuit of scale. We have scale. I think our demonstrated track record over the last number of years, and I love the slide we put up, if we see a gap in our distribution, whether it's in our brand architecture or in our geographic footprint, where we think an M&A transaction versus an organic launch will help us fill that gap quickly, we certainly have the appetite to consider that. Do I think you'll see an uptick in those deals? Time will tell. What I will say is that there are lots and lots of short chains out there that I think are wrestling with the realities of two challenges they face. Do they have the resources and the appetite to invest in the technology it takes to be competitive in an increasingly competitive environment? And do they have the resources and the appetite to invest in a loyalty platform that allows them to be competitive?

And what we've seen is many of those platforms, they reach this tipping point and either they decide they do have both the resources and the appetite to invest in both of those areas. Or they don't and they start considering strategic alternatives. And for those that lack either the capital or the appetite to make those sorts of transformational investments, I think you'll see some of those short chains in play.

Leeny Oberg: And I think, Stephen, the only thing I would add is just a reminder of our kind of our traditional financial backbone. Which is, as Tony said, we don't need to buy for distribution’s sake. And so we’ve passed up on a lot. I mean we've seen plenty come and go and when certain companies do feel desperate about having a certain niche or whatever, there's a tendency to overpay. And I think that's where we would say, as you heard before, a whole lot of it is about additional future growth prospects for something for us fitting a niche that is really a particularly important one. But at the end of the day, we recognize its shareholder capital that we're putting to work, and we want to use it really wisely.

Anthony Capuano: And maybe the last exclamation point I would add, and this was the thing I really liked about the slide, the future growth potential. I think about an opportunity like City Express. It's terrific that we got that immediate footprint. I think what our teams are most excited about and you heard it in Brian's video, is the growth platform that creates us for us going forward. And that will be another lens we would apply to any opportunity that presents itself.

Duane Pfennigwerth, Evercore ISI: I wonder if you could touch on some of the economics in the extended stay segment, cost to develop maybe on a per key basis, ADRs that you're modeling to support that and how those rates might compare to the existing stock today?

Leeny Oberg: Sure. So I may turn to Noah for a little bit more detail to give you specifics. But generally lower. So I think you heard Peggy say we're talking about ADRs that can be as much as $40 lower. So we're talking something that is more in the $80 sort of ADR on the StudioRes product that you saw. And I think similar sort of lower cost per key. I think one of the interesting things is it's not only that it's lower cost per key. It is really a very, very efficient model in terms of the actual running of the product. So everything from kind of an operational standpoint as well as actually the cost per key, then added with what we talked about, the affiliation costs. We are absolutely expecting this to be a very true extended stay product. As a matter of fact, likely to have longer extended stay occupancies than, for example, what we currently have with TownePlace Suites and Residence Inn. Could be as much as 3x longer. That's a big part of what makes the model, the ROI work for the owner. I don't know Noah if you want to mention from a classic cost per key.

Noah Silverman, Global Development Officer, United States & Canada: Yes. No, I think you've got it, Leeny, not too much to add. I think overall, and this is specific to StudioRes. If we want to talk about Four Points Express or City Express, I probably got to hand the mic to my neighborhood. But StudioRes was intended as an $80 ADR project, $65 RevPAR target. Cost per key, we're still sort of working through the final details of our plans, but we expect our 124-key prototype to range from, call it, $13 million to maybe $14 million, $15 million of hard costs so you can do the math on the cost per key. But as Leeny mentioned as well, it's really about extraordinary efficiency, not just in the operating model. But also in the efficiency of the box that's been developed. And kind of giving those customers again what they want and need, but not much more in the number of spaces that are actually revenue-generating spaces within that box.

So as I mentioned from the panel, it's really about kind of top-down looking at every aspect of how to deliver a superefficient operating model and super-efficient construction box to the owner and developer community that is interested in pursuing the midscale extended state space, while also appealing to that longer-stay customer that's looking for 20-plus nights at that product here, which tends to be, we believe, a very, very price-sensitive customer hence, the $80 ADR target.

Anthony Capuano: And Noah, before you give up the mic, can you just touch on for a moment the approach you've taken to affiliation cost? We haven't had a chance to talk about that today. but I think it's a pretty compelling approach you've taken in positioning the platform.

Noah Silverman: Yes. Well, Leeny hit on this a bit, right? We've bundled a single 9 percent of room revenue fee that will include every aspect of the cost of affiliation with our system. So within that fee will be not just our franchise fee, but also all of the components that are part of a typical program services fund, whether it's reservation fees, PMS, et cetera. And also included within that 9 percent bundle fee will be the affiliation with the Marriott Bonvoy program. So that is a capped fee to those that sign up for that program that we believe is unique and extraordinarily compelling given the benefits that come from the Marriott affiliation.

Brandt Montour, Barclays: And thanks for doing this event. I wanted to talk a little bit more about business transient, Tony, and hoping you could dig in a little bit more on what you're seeing and your evolving view on the landscape there. And then specifically, there's industry projections that are assuming a decent level of fill-in on midweek business in 2024. And curious what your 3 to 6 percent global RevPAR growth qualitatively bakes in for business transient recovery?

Anthony Capuano: Sure. So as we talked a little bit about in the Q2 call, you almost have to go one layer down. Small- and medium-sized business was more than fully recovered back in 2022, and we continue to see tremendous strength in business transient from that segment. When you get to the larger employers, to me, that's more of the tortoise in the tortoise and hare. We went through some numbers as recently as yesterday. We continue to see steady improvement. We're obviously watching closely Monday, Tuesday, Wednesday, trends in a post-Labor Day environment. We're looking forward to sharing lots of that data when we get to the Q3 call when we have the entirety of the September data. But I think our expectation is we'll continue to see that slow steady improvement. Often, the nature of the question you asked, sounds something like is business transient demand permanently impaired?

And often, our response to that is, we don't think overall travel demand is permanently impaired. You heard a couple of our team members today talk about how it looks a bit different. The day-by-day booking patterns look a little bit different. The speed with which each day of the week has recovered, looks a little bit different. Blended trip purpose has a fair amount to do with that. And so as a result, I do think business transient is likely going to look a bit different than it did in a pre-pandemic world. I think it's going to be a little harder for us to tell you with absolute precision the reason a non-special corporate customer is in our hotel for each night of his or her three or four or five nights stay. But we'll report more to you in the third quarter earnings call on what we're seeing coming into the fall.

Leeny Oberg: And to the tune of what you asked about in 2024 and 2025, I would say that generally speaking, we did talk about how we expected the U.S. to be a little bit on the lower end on the 3 to 6 percent to get to the 3 to 6 percent. We would expect U.S. and can be a little bit lower. International will be a little bit higher for the reasons that I talked about. But that would basically say continued robust demand for travel, continued recovery in business transient, but not a sort of, all of a sudden, the light switch has changed, and we've kind of gone back to exactly the way people traveled. I think we all agree that there's probably some elements of the way people travel now that is fundamentally different. But in many respects, it's still good for us. I mean, I know Drew and his team would say this in terms of revenue management, right?

I think there's been great learnings in revenue management over the last few years, that really is focusing on maximizing revenues and profitability for the hotels. Which if you remember back in the Great Recession, there was this view of let's just drop rates until we get heads in beds and it wasn't necessarily the right strategy all the time. The industry has clearly learned some lessons, and I think taking advantage of those lessons.

Chad Beynon, Macquarie: Can you talk a little bit more maybe from a financial sense, how you think about the AI opportunities? I think you called it, Renae. Is this something that just helps the customer experience? Or could this drive RevPAR? Could this lead to more revenues? And then ultimately lead to a 2025 illustrative model that could be conservative if you're growing above others, given your scale to invest in things like this?

Anthony Capuano: So we use AI today. We'll continue to explore opportunities to embed AI in our business. You heard Peggy talk a little bit about the AI incubator and some of the ideas that have come out of that exercise that we're building into our business. But I think we look at it principally about creating capacity. What will that do for the folks in our customer engagement centers? What will that do for our on-property folks? To create capacity for them to better engage with our guests, whether that be on the phone or a person to person on property. Over time, we will certainly explore every opportunity we have with AI to enhance operating efficiency, but I don't think we've made any material assumptions in the model we presented today that AI is going to drive x basis points of enhanced operating efficiency.

Jackie Burka McConagha: All right. Thank you all for attending. And I'm going to turn it back to Tony for some quick closing comments.

Anthony Capuano: Sure. It is not lost on all of us how busy you are. Maybe I saved this punchline for the end. Normally, we do this meeting in New York because it's easier for so many of you. This is not a joke. We couldn't get any space in any of our hotels. So for those of you that predicted New York was dead, you were terribly wrong. But it's not lost on me that it was a big ask to ask you to fly down to Miami. So thank you for making the trip. Thanks for your attention. Thanks for your thoughtful questions. Thanks for your ongoing interest in the sector and in Marriott. And safe travels home.

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