

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2019

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 1-13881



MARRIOTT INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware

52-2055918

(State or other jurisdiction of
incorporation or organization)

(IRS Employer
Identification No.)

10400 Fernwood Road Bethesda Maryland

20817

(Address of Principal Executive Offices)

(Zip Code)

Registrant's Telephone Number, Including Area Code (301) 380-3000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Class A Common Stock, \$0.01 par value	MAR	Nasdaq Global Select Market
Class A Common Stock, \$0.01 par value	MAR	Chicago Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of shares of common stock held by non-affiliates at June 28, 2019, was \$38,730,375,024.

There were 324,214,545 shares of Class A Common Stock, par value \$0.01 per share, outstanding at February 20, 2020.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement prepared for the 2020 Annual Meeting of Shareholders are incorporated by reference into Part III of this report.

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Throughout this report, we refer to Marriott International, Inc., together with its consolidated subsidiaries, as “we,” “us,” “Marriott,” or “the Company.” In order to make this report easier to read, we also refer throughout to (i) our Consolidated Financial Statements as our “Financial Statements,” (ii) our Consolidated Statements of Income as our “Income Statements,” (iii) our Consolidated Balance Sheets as our “Balance Sheets,” (iv) our Consolidated Statements of Cash Flows as our “Statements of Cash Flows,” (v) our properties, brands, or markets in the United States (“U.S.”) and Canada as “North America” or “North American,” and (vi) our properties, brands, or markets in our Caribbean and Latin America, Europe, and Middle East and Africa regions as “Other International,” and together with those in our Asia Pacific segment, as “International.” In addition, references throughout to numbered “Notes” refer to the Notes to our Financial Statements, unless otherwise stated.

PART I

Item 1. Business.

Corporate Structure and Business

We are a worldwide operator, franchisor, and licensor of hotel, residential, and timeshare properties under numerous brand names at different price and service points. Consistent with our focus on management, franchising, and licensing, we own very few of our lodging properties. We were organized as a corporation in Delaware in 1997 and became a public company in 1998 when we were “spun off” as a separate entity by the company formerly named “Marriott International, Inc.”

We believe that our portfolio of brands, shown in the following table, is the largest and most compelling range of brands and properties of any lodging company in the world.

MARRIOTT INTERNATIONAL									
 THE RITZ-CARLTON	 ST REGIS	EDITION	THE LUXURY COLLECTION	BVLGARI HOTELS & RESORTS	W HOTELS	JW MARRIOTT	MARRIOTT	Sheraton	MARRIOTT VACATION CLUB
D DELTA HOTELS	Le MERIDIEN	WESTIN	AUTOGRAPH COLLECTION HOTELS	DESIGN HOTELS	RENAISSANCE HOTELS	TRIBUTE PORTFOLIO	GAYLORD HOTELS	COURTYARD	FOUR POINTS
SPRINGHILL SUITES	PROTEA HOTELS	Fairfield	AC HOTELS MARRIOTT	loft	moxy HOTELS	MARRIOTT EXECUTIVE APARTMENTS	Residence INN	TOWNEPLACE SUITES	element

We discuss our operations in the following reportable business segments: North American Full-Service, North American Limited-Service, and Asia Pacific. Our Europe, Middle East and Africa, and Caribbean and Latin America operating segments do not individually meet the criteria for separate disclosure as reportable segments. In January 2020, we modified our reportable segment structure as a result of a change in the way management intends to evaluate results and allocate resources within the Company. Beginning with the first quarter of 2020, we will present the following reportable business segments: North America; Asia Pacific; and Europe, Middle East, and Africa. Our Caribbean and Latin America operating segment will be included in a combined Caribbean and Latin America and “Unallocated corporate” caption. See Note 15 for more information.

Acquisition of Elegant

On December 9, 2019, we completed the acquisition of Elegant Hotels Group plc (“Elegant”), and Elegant became an indirect wholly-owned subsidiary of the Company. See Note 3 for more information.

Acquisition of Starwood Hotels & Resorts Worldwide

On September 23, 2016 (the “Merger Date”), we completed the acquisition of Starwood Hotels & Resorts Worldwide, LLC, formerly known as Starwood Hotels & Resorts Worldwide, Inc. (“Starwood”), through a series of transactions (the “Starwood Combination”), after which Starwood became an indirect wholly-owned subsidiary of the Company. We refer to our business associated with brands that were in our portfolio before the Starwood Combination as “Legacy-Marriott” and to the Starwood business and brands that we acquired as “Legacy-Starwood.”

Starwood Reservations Database Security Incident

On November 30, 2018, we announced a data security incident involving unauthorized access to the Starwood reservations database (the “Data Security Incident”). The Starwood reservations database is no longer used for business operations. For further information about the Data Security Incident, see Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Data Security Incident” in Note 7 in Part II, Item 8.

Company-Operated Properties

At year-end 2019, we had 2,144 company-operated properties (584,879 rooms), which included properties under long-term management or lease agreements with property owners (management and lease agreements together, the “Operating Agreements”), properties that we own, and home and condominium communities for which we manage the related owners’ associations.

Terms of our management agreements vary, but we earn a management fee that is typically composed of a base management fee, which is a percentage of the revenues of the hotel, and an incentive management fee, which is based on the profits of the hotel. Our management agreements also typically include reimbursement of costs of operations (both direct and indirect). Such agreements are generally for initial periods of 20 to 30 years, with options for us to renew for up to 50 or more additional years. Our lease agreements also vary, but may include fixed annual rentals plus additional rentals based on a specified percentage of annual revenues that exceed a fixed amount. Many of our Operating Agreements are subordinated to mortgages or other liens securing indebtedness of the owners. Many of our Operating Agreements also permit the owners to terminate the agreement if we do not meet certain performance metrics, financial returns fail to meet defined levels for a period of time, and we have not cured those deficiencies. In certain circumstances, some of our management agreements allow owners to convert company-operated properties to franchised properties under our brands.

For the lodging facilities we operate, we generally are responsible for hiring, training, and supervising the managers and employees needed to operate the facilities and for purchasing supplies, and owners are required to reimburse us for those costs. We provide centralized reservation services and advertising, marketing, and promotional services, as well as various accounting and data processing services, and owners are also required to reimburse us for those costs.

Franchised, Licensed, and Unconsolidated Joint Venture Properties

We have franchising, licensing, and joint venture programs that permit hotel owners and operators to use many of our lodging brand names and systems. Under our hotel franchising programs, we generally receive an initial application fee and continuing royalty fees, which typically range from four to seven percent of room revenues for all brands, plus two to three percent of food and beverage revenues for certain full-service brands. Franchisees and certain joint ventures contribute to our marketing and advertising programs and pay fees for use of our centralized reservation systems.

We also receive royalty fees under license agreements with Marriott Vacations Worldwide Corporation (“MVW”), our former timeshare subsidiary that we spun off in 2011, and its affiliates for certain brands, including Marriott Vacation Club, Grand Residences by Marriott, The Ritz-Carlton Destination Club, Westin, Sheraton, and for certain existing properties, St. Regis and The Luxury Collection. We receive license fees from MVW consisting of a fixed annual fee, adjusted for inflation, plus certain variable fees based on sales volumes.

At year-end 2019, we had 5,205 franchised and licensed properties (796,042 rooms).

Residential

We use or license our trademarks for the sale of residential real estate, often in conjunction with hotel development, and receive branding fees for sales of such branded residential real estate by others. Third-party owners typically construct and sell residences with limited amounts, if any, of our capital at risk. We have used or licensed our JW Marriott, The Ritz-Carlton, Ritz-Carlton Reserve, W, The Luxury Collection, St. Regis, EDITION, Bulgari, Marriott, Sheraton, Westin, Four Points, Delta and Autograph Collection brand names and trademarks for residential real estate sales.

Seasonality

In general, business at company-operated and franchised properties fluctuates moderately with the seasons and is relatively stable. Business at some resort properties may be more seasonal depending on location.

Relationship with Major Customer

We operate or franchise properties that are owned or leased by Host Hotels & Resorts, Inc. (“Host”). In addition, Host is a partner in several partnerships that own properties that we operate under long-term management agreements. See Note 17 for more information.

Intellectual Property

We operate in a highly competitive industry and our brand names, trademarks, service marks, trade names, and logos are very important to the sales and marketing of our properties and services. We believe that our brand names and other intellectual property have come to represent the highest standards of quality, care, service, and value to our customers, guests, and the traveling public. Accordingly, we register and protect our intellectual property where we deem appropriate and otherwise protect against its unauthorized use.

Brand Portfolio

We believe that our brand portfolio offers the largest and most compelling range of brands and properties in hospitality, with two overall styles of hotels -- Classic, offering time-honored hospitality for the modern traveler, and Distinctive, offering memorable experiences with a unique perspective -- each of which we group into three quality tiers: Luxury, Premium, and Select.

Luxury offers bespoke and superb amenities and services. Our Classic Luxury hotel brands include JW Marriott, The Ritz-Carlton, and St. Regis. Our Distinctive Luxury hotel brands include W Hotels, The Luxury Collection, EDITION, and Bulgari.

Premium offers sophisticated and thoughtful amenities and services. Our Classic Premium hotel brands include Marriott Hotels, Sheraton, Delta Hotels, Marriott Executive Apartments, and Marriott Vacation Club. Our Distinctive Premium hotel brands include Westin, Renaissance, Le Méridien, Autograph Collection, Gaylord Hotels, Tribute Portfolio, and Design Hotels.

Select offers smart and easy amenities and services with our longer stay brands offering amenities that mirror the comforts of home. Our Classic Select hotel brands include Courtyard, Residence Inn, Fairfield by Marriott, SpringHill Suites, Four Points, TownePlace Suites, and Protea Hotels. Our Distinctive Select hotel brands include Aloft, AC Hotels by Marriott, Element, and Moxy.

The following table shows the geographic distribution of our brands at year-end 2019:

		North America	Europe	Middle East & Africa	Asia Pacific	Caribbean & Latin America	Total
Luxury							
JW Marriott®	Properties	30	7	6	40	13	96
	Rooms	16,853	2,205	3,327	15,080	3,597	41,062
The Ritz-Carlton®	Properties	39	13	13	33	8	106
	Rooms	11,410	3,079	3,523	8,207	2,081	28,300
W® Hotels	Properties	26	7	5	14	6	58
	Rooms	7,672	1,423	1,850	3,788	1,074	15,807
The Luxury Collection® (1)	Properties	16	47	10	31	14	118
	Rooms	4,799	6,962	2,411	7,883	1,188	23,243
St. Regis®	Properties	10	7	5	20	3	45
	Rooms	1,968	1,002	1,426	4,812	448	9,656
EDITION®	Properties	4	3	1	2	—	10
	Rooms	1,209	381	255	651	—	2,496
Bulgari®	Properties	—	2	1	3	—	6
	Rooms	—	143	120	260	—	523
Premium							
Marriott Hotels®	Properties	340	97	25	83	30	575
	Rooms	134,412	24,595	8,119	28,000	8,033	203,159
Sheraton®	Properties	189	62	31	130	35	447
	Rooms	72,039	17,054	9,910	47,878	9,682	156,563
Westin®	Properties	130	18	7	58	12	225
	Rooms	53,097	6,024	1,839	17,872	3,640	82,472
Renaissance® Hotels	Properties	86	34	4	42	9	175
	Rooms	28,597	8,049	1,035	14,535	2,745	54,961
Le Méridien®	Properties	21	15	23	49	2	110
	Rooms	4,480	5,021	6,526	12,903	271	29,201
Autograph Collection® Hotels (2)	Properties	108	53	9	9	13	192
	Rooms	22,463	7,165	1,906	2,364	3,751	37,649
Delta Hotels by Marriott™ (Delta Hotels®)	Properties	72	5	1	1	—	79
	Rooms	17,376	729	360	339	—	18,804
Gaylord Hotels®	Properties	6	—	—	—	—	6
	Rooms	9,918	—	—	—	—	9,918
Marriott Executive Apartments®	Properties	—	4	9	17	2	32
	Rooms	—	361	1,029	2,959	240	4,589
Tribute Portfolio®	Properties	21	8	—	8	3	40
	Rooms	4,445	905	—	1,107	155	6,612
Design Hotels®	Properties	1	3	—	—	—	4
	Rooms	248	542	—	—	—	790
Select							
Courtyard by Marriott® (Courtyard®)	Properties	1,053	68	7	72	41	1,241
	Rooms	146,602	12,892	1,487	16,931	6,717	184,629
Residence Inn by Marriott® (Residence Inn®)	Properties	833	12	3	—	2	850
	Rooms	103,038	1,477	301	—	249	105,065
Fairfield by Marriott®	Properties	1,001	—	—	42	14	1,057
	Rooms	94,063	—	—	7,050	2,036	103,149
SpringHill Suites by Marriott® (SpringHill Suites®)	Properties	456	—	—	—	—	456
	Rooms	54,033	—	—	—	—	54,033
Four Points® by Sheraton (Four Points®)	Properties	159	18	17	75	20	289
	Rooms	23,847	2,778	4,371	18,561	2,686	52,243
TownePlace Suites by Marriott® (TownePlace Suites®)	Properties	418	—	—	—	—	418
	Rooms	42,378	—	—	—	—	42,378

		North America	Europe	Middle East & Africa	Asia Pacific	Caribbean & Latin America	Total
Aloft® Hotels	Properties	119	10	8	29	10	176
	Rooms	17,647	1,801	2,012	6,598	1,644	29,702
AC Hotels by Marriott®	Properties	63	83	1	—	12	159
	Rooms	10,720	10,631	188	—	1,922	23,461
Protea Hotels by Marriott® (Protea Hotels®)	Properties	—	—	80	—	—	80
	Rooms	—	—	8,359	—	—	8,359
Element® Hotels	Properties	42	2	1	6	—	51
	Rooms	5,785	293	168	1,253	—	7,499
Moxy® Hotels	Properties	21	37	—	4	—	62
	Rooms	4,149	7,451	—	609	—	12,209
Residences and Timeshare							
Residences	Properties	60	8	3	14	10	95
	Rooms	6,557	298	308	2,132	573	9,868
Timeshare	Properties	72	5	—	5	9	91
	Rooms	18,668	919	—	471	2,463	22,521
	Total Properties	5,396	628	270	787	268	7,349
	Total Rooms	918,473	124,180	60,830	222,243	55,195	1,380,921

(1) Includes two properties acquired when we purchased Elegant in December 2019 which we currently intend to re-brand under The Luxury Collection brand following the completion of planned renovations.

(2) Includes five properties acquired when we purchased Elegant in December 2019 which we currently intend to re-brand under the Autograph Collection brand following the completion of planned renovations.

Other Activities

Loyalty Program, Sales and Marketing, and Reservation Systems. On February 13, 2019, we completed the integration of our three legacy loyalty programs - Marriott Rewards, The Ritz-Carlton Rewards, and Starwood Preferred Guest - under one name, Marriott Bonvoy™. Members have access to Marriott Bonvoy's diverse brand portfolio, rich benefits, and travel experiences. We refer to Marriott Bonvoy throughout this report as our "Loyalty Program."

Our Loyalty Program rewards members with points toward free hotel stays, access to travel experiences through our Marriott Bonvoy Tours & Activities program, miles with participating airline programs, and other benefits. We believe that our Loyalty Program generates substantial repeat business that might otherwise go to competing hotels. In 2019, over 50 percent of our room nights were booked by Loyalty Program members. We strategically market to this large and growing guest base to generate revenue. See the "Loyalty Program" caption in Note 2 for more information.

Marriott.com, our international websites, and our mobile apps continued to grow significantly in 2019. Our web and mobile products allow for a seamless booking experience and easy enrollment in our Loyalty Program to book our exclusive Member Rates. Our Look No Further® Best Rate Guarantee ensures best rate integrity, strengthening consumer confidence in our brand, and gives guests greater access to the same rates when they book hotel rooms through our various direct channels. We also continue to grow engagement levels with millions of guests through our digital guest services - check-in, check-out, service requests, mobile key, and more - across our hotel portfolio. Our digital strategy continues to focus on creating a simple and efficient digital booking experience, while elevating the service experience through digital guest services and generating superior guest satisfaction and more memorable stays at our properties.

At year-end 2019, we operated 22 hotel reservation centers, eight in the U.S. and 14 in other countries and territories, which handle reservation requests for our lodging brands worldwide, including franchised properties. We own two of the U.S. facilities and either lease the others or share space with a company-operated property. Our reservation system manages inventory and allows us to utilize third-party agents where cost effective. Economies of scale enable us to minimize costs per occupied room, drive profits for our owners and franchisees, and enhance our fee revenue.

We believe our global sales and revenue management organizations are a key competitive advantage due to our unrelenting focus on optimizing our investment in people, processes, and systems. Our above-property sales deployment strategy aligns our sales efforts around how the customer wants to buy, reducing duplication of efforts by individual hotels and

allowing us to cover a larger number of accounts. We also utilize innovative and sophisticated revenue management systems, many of which are proprietary, which we believe provide a competitive advantage in pricing decisions, increasing efficiency and producing higher property-level revenue for hotels in our portfolio. Most of the hotels in our portfolio utilize web-based programs to effectively manage the rate set-up and modification processes which provides for greater pricing flexibility, reduces time spent on rate program creation and maintenance, and increases the speed to market of new products and services.

Credit Card Programs. We have multi-year agreements with JP Morgan Chase and American Express for our U.S.-issued, co-brand credit cards associated with our Loyalty Program. We also license credit card programs internationally, including in Canada, the United Kingdom, United Arab Emirates, and Japan. We earn fixed amounts that are generally payable at contract inception and variable amounts that are paid to us monthly over the term of the agreements primarily based on card usage, and we believe that our co-brand credit cards contribute to the success of our Loyalty Program and reflect the quality and value of our portfolio of brands.

Sustainability and Social Impact. Guided by our 2025 sustainability and social impact goals, as well as the United Nations Sustainable Development Goals, we believe we have an opportunity to create a positive and sustainable impact wherever we do business. Our sustainability and social impact platform, Serve 360: Doing Good In Every Direction, is built around four focus areas: Nurture Our World; Sustain Responsible Operations; Empower Through Opportunity; and Welcome All and Advance Human Rights - each with targets to drive our efforts through 2025. These targets reflect our goals to protect and invest in the vitality of the communities and natural environments in which we operate, build and operate sustainable hotels, source responsibly, advance human rights, and mitigate climate-related risk. In 2019, we continued to implement programs designed to help reduce our carbon, water, and waste footprints, with programming such as the switch from single-use toiletry bottles to larger, pump-topped bottles at many properties. When implemented globally, our expanded toiletry program is expected to help reduce our current amenity plastic usage by approximately 30 percent. We also made significant progress toward our goal to train 100% of on-property associates in human trafficking awareness by 2025, with over 675,000 associates trained as of year-end 2019. These and other sustainability and social impact efforts help us to address the growing expectations of our stakeholders, increase our operational efficiency and excellence, and enhance our reputation while mitigating risk and supporting the continued growth and resiliency of our business.

Global Design Division. Our Global Design division provides design, development, refurbishment, and procurement services to owners and franchisees of lodging properties on a voluntary basis outside the scope of and separate from our management or franchise contracts. Like third-party contractors, Global Design provides these services on a fee basis to owners and franchisees of our branded properties.

Competition

We encounter strong competition both as a lodging operator and as a franchisor. According to lodging industry data, in the U.S. alone, there are over 1,800 lodging management companies, including approximately 18 that operate more than 100 properties. These operators are primarily private management firms, but also include several large national and international chains that own and operate their own hotels, operate hotels on behalf of third-party owners, and also franchise their brands. Management contracts are typically long-term in nature, but most allow the hotel owner to replace the management firm if it does not meet certain financial or performance criteria.

We also compete for guests with large companies that offer online travel services as part of their business model, search engines such as Google and Bing, and online services including Airbnb and HomeAway that allow travelers to book short-term rentals of homes and apartments as an alternative to hotel rooms. We compete against lodging operators, franchisors, and other competitors for guests in many areas, including brand recognition and reputation, location, guest satisfaction, room rates, quality of service, amenities, quality of accommodations, security, and the ability to earn and redeem loyalty program points.

Affiliation with a national or regional brand is common in the U.S. lodging industry, and we believe that our brand recognition assists us in attracting and retaining guests, owners, and franchisees. In 2019, approximately 72 percent of U.S. hotel rooms were brand-affiliated. Most of the branded properties are franchises, under which the owner pays the franchisor a fee for use of its hotel name and reservation system. In the franchising business, we face many competitors that have strong brands and guest appeal, including Hilton, Intercontinental Hotels Group, Hyatt, Wyndham, Accor, Choice, Radisson, Best Western, and others.

Outside the U.S., branding is much less prevalent and most markets are served primarily by independent operators, although branding is more common for new hotel development. We believe that chain affiliation will increase in many overseas markets as local economies grow, trade barriers decline, international travel accelerates, and hotel owners seek the benefits of centralized reservation systems, marketing programs, and our Loyalty Program.

Based on lodging industry data, we have an approximately 16 percent share of the U.S. hotel market (based on number of rooms) and we estimate less than a four percent share of the hotel market outside the U.S. We believe that our hotel brands are attractive to hotel owners seeking a management company or franchise affiliation because our hotels typically generate higher Revenue per Available Room (“RevPAR”) than our direct competitors in most market areas. We attribute this performance premium to our success in achieving and maintaining strong guest preference. We believe that the location and quality of our lodging facilities, our marketing programs, our reservation systems, our Loyalty Program, and our emphasis on guest service and guest and associate satisfaction contribute to guest preference across all our brands.

Properties that we operate, franchise, or license are regularly upgraded to maintain their competitiveness. Most of our management agreements provide for the allocation of funds to be set aside, generally a fixed percentage of revenue, for periodic refurbishment and replacement of furnishings, fixtures, and equipment. These ongoing refurbishment programs, along with periodic brand initiatives, are generally adequate to preserve or enhance the competitive position and earning power of the properties. Properties converting to one of our brands typically complete renovations as needed in conjunction with the conversion.

Employee Relations

At year-end 2019, we had approximately 174,000 employees, approximately 22,000 of whom were represented by labor unions in the United States, the country with our most significant union representation. These numbers do not include hotel personnel employed by our owners, franchisees, and management companies hired by our franchisees. We believe relations with our employees are positive.

Environmental Compliance

The properties we operate or develop are subject to national, regional, state or provincial, and local laws and regulations that govern the discharge of materials into the environment or otherwise relate to protecting the environment. Those environmental provisions include requirements that address health and safety; the use, management, and disposal of hazardous substances and wastes; and emission or discharge of wastes or other materials. We believe that our operation and development of properties complies, in all material respects, with environmental laws and regulations. Compliance with such provisions has not materially impacted our capital expenditures, earnings, or competitive position, and we do not anticipate that it will have a material impact in the future.

Internet Address and Company SEC Filings

Our primary Internet address is [Marriott.com](#). On the investor relations portion of our website, [Marriott.com/investor](#), we provide a link to our electronic filings with the U.S. Securities and Exchange Commission (the “SEC”), including our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, and any amendments to these reports. We make all such filings available free of charge as soon as reasonably practicable after filing. The information found on our website is not part of this or any other report we file with or furnish to the SEC.

Item 1A. Risk Factors.

Forward-Looking Statements

We make forward-looking statements in Management’s Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in this Annual Report based on the beliefs and assumptions of our management and on information currently available to us. Forward-looking statements include information about our possible or assumed future results of operations, which follow under the captions “Business and Overview,” “Liquidity and Capital Resources,” and other statements throughout this Annual Report preceded by, followed by, or that include the words “believes,” “expects,” “anticipates,” “intends,” “plans,” “estimates,” or similar expressions.

Any number of risks and uncertainties could cause actual results to differ materially from those we express in our forward-looking statements, including the risks and uncertainties we describe below and other factors we describe from time to time in our periodic filings with the SEC. We therefore caution you not to rely unduly on any forward-looking statement. The forward-looking statements in this Annual Report speak only as of the date of this Annual Report, and we undertake no obligation to update or revise any forward-looking statement, whether due to new information, future developments, or otherwise.

Risks and Uncertainties

We are subject to various risks that make an investment in our securities risky. The events and consequences discussed in these risk factors could, in circumstances we may or may not be able to accurately predict, recognize, or control, have a material adverse effect on our business, growth, reputation, prospects, financial condition, operating results (including components of our financial results), cash flows, liquidity, and stock price. In addition, these risks could cause results to differ materially from those we express in forward-looking statements contained in this Annual Report or in other Company communications. These risk factors do not identify all risks that we face; our operations could also be affected by factors, events, or uncertainties that are not presently known to us or that we currently do not consider to present significant risks to our operations. Because there is no way to determine in advance whether, or to what extent, any present uncertainty will ultimately impact our business, you should give equal weight to each of the following:

Our industry is highly competitive, which may impact our ability to compete successfully for guests with other hotel properties and home sharing or rental services. We operate in markets that contain many competitors. Each of our hotel brands and our home rental offering competes with major hotel chains, regional hotel chains, independent hotels, and home sharing and rental services across national and international venues. Our ability to remain competitive and attract and retain business and leisure travelers depends on our success in distinguishing the quality, value, and efficiency of our lodging products and services, including our Loyalty Program, direct booking channels, and consumer-facing technology platforms and services, from those offered by others. If we cannot compete successfully in these areas, our operating margins could contract, our market share could decrease, and our earnings could decline. Further, new lodging supply in individual markets could have a negative impact on the hotel industry and hamper our ability to increase room rates or occupancy in those markets.

Economic downturns and other global, national, and regional conditions could impact our financial results and growth. Because we conduct our business on a global platform, changes in global, national, or regional economies, governmental policies (including in areas such as trade, travel, immigration, healthcare, and related issues), and geopolitical conditions impact our activities. Our business is impacted by decreases in travel resulting from weak economic conditions, changes in energy prices and currency values, political instability, heightened travel security measures, travel advisories, disruptions in air travel, and concerns over disease, violence, war, or terrorism. Our performance could be materially affected if these conditions arise or extend longer than anticipated, or in other circumstances that we are not able to predict or mitigate.

During the last recession when demand for hotel rooms declined significantly, particularly in 2009, we took steps to reduce operating costs and improve efficiency and such cost controls could again become necessary if demand significantly declines. Our efforts to implement any such changes in a manner designed to maintain guest loyalty, owner preference, and associate satisfaction may not be successful, and our market share may suffer as a result.

In addition, U.S. government travel and travel associated with U.S. government operations are a significant part of our business, which can suffer due to U.S. federal spending cuts, government hiring restrictions, or other spending limitations that may result from presidential or congressional action or inaction, including for example, a U.S. federal government shutdown, such as the partial shutdown that occurred in December 2018 and January 2019.

Risks Relating to Our Integration of Starwood

Some of the anticipated benefits of combining Starwood and Marriott may still not be realized and challenges related to our integration efforts could have adverse effects on our business. Although we have achieved substantial benefits from the Starwood Combination, we cannot assure you when or that we will be able to fully realize additional benefits that we anticipated when we decided to acquire Starwood, including enhancing revenues or achieving other operating efficiencies or cost savings. We also cannot assure you that challenges we encountered with the harmonization of our systems, our Loyalty Program, and other business practices (some of which still place a significant burden on our management and internal resources) will not have significant adverse effects on our business or reputation.

Program changes associated with our integration efforts could have a negative effect on guest preference or behavior. Our integration efforts involved significant changes to certain of our guest programs and services, including our Loyalty Program, co-brand credit card arrangements, and consumer-facing technology platforms and services. While we believe such changes enhance these programs and services for our guests and will drive guest preference and satisfaction, these changes remain subject to various uncertainties, including whether the changes could be negatively perceived by certain guests and consumers, could affect guest preference or could alter reservation, spending or other guest or consumer behavior, all of which could adversely affect our market share, reputation, business, financial condition, or results of operations.

Risks Relating to Our Business

Operational Risks

Premature termination of our management or franchise agreements could hurt our financial performance. Our hotel management and franchise agreements may be subject to premature termination in certain circumstances, such as the bankruptcy of a hotel owner or franchisee, a failure under some agreements to meet specified financial or performance criteria that are subject to the risks described in this section, which we fail or elect not to cure, or in certain limited cases, other negotiated contractual termination rights. Some courts have also applied agency law principles and related fiduciary standards to managers of third-party hotel properties, including us (or have interpreted hotel management agreements to be “personal services contracts”). Property owners may assert the right to terminate management agreements even where the agreements provide otherwise, and some courts have upheld such assertions about our management agreements and may do so in the future. When terminations occur for these or other reasons, we may need to enforce our right to damages for breach of contract and related claims, which may cause us to incur significant legal fees and expenses. Any damages we ultimately collect could be less than the projected future value of the fees and other amounts we would have otherwise collected under the management or franchise agreement. A significant loss of agreements due to premature terminations could hurt our financial performance or our ability to grow our business.

The growing significance of our operations outside of the U.S. makes us increasingly susceptible to the risks of doing business internationally, which could lower our revenues, increase our costs, reduce our profits, disrupt our business, or damage our reputation. More than a third of the rooms in our system are located outside of the U.S. and its territories. We expect that our international operations, and resulting revenues, will continue to grow. This increasingly exposes us to the challenges and risks of doing business outside the U.S., many of which are outside of our control, and which could materially reduce our revenues or profits, materially increase our costs, result in significant liabilities or sanctions, significantly disrupt our business, or significantly damage our reputation. These challenges include: (1) compliance with complex and changing laws, regulations and government policies that may impact our operations, such as foreign ownership restrictions, import and export controls, and trade restrictions; (2) compliance with U.S. and foreign laws that affect the activities of companies abroad, such as competition laws, cybersecurity and privacy laws, currency regulations, and other laws affecting dealings with certain nations; (3) the difficulties involved in managing an organization doing business in many different countries; (4) uncertainties as to the enforceability of contract and intellectual property rights under local laws; (5) rapid changes in government policy, political or civil unrest, acts of terrorism, war, pandemics, or the threat of international boycotts or U.S. anti-boycott legislation; and (6) currency exchange rate fluctuations, which may impact the results and cash flows of our international operations.

Any failure by our international operations to comply with anti-corruption laws or trade sanctions could increase our costs, reduce our profits, limit our growth, harm our reputation, or subject us to broader liability. We are subject to restrictions imposed by the U.S. Foreign Corrupt Practices Act and anti-corruption laws and regulations of other countries applicable to our operations, such as the U.K. Bribery Act. Anti-corruption laws and regulations generally prohibit companies and their intermediaries from making certain payments to government officials or other persons in order to influence official acts or decisions or to obtain or retain business. These laws also require us to maintain adequate internal controls and accurate books and records. We have properties in many parts of the world where corruption is common, and our compliance with anti-corruption laws may potentially conflict with local customs and practices. The compliance programs, internal controls and policies we maintain and enforce to promote compliance with applicable anti-bribery and anti-corruption laws may not prevent our associates, contractors, or agents from acting in ways prohibited by these laws and regulations. We are also subject to trade sanctions administered by the U.S. Office of Foreign Assets Control and the U.S. Department of Commerce, and authorities in other countries where we do business. Our compliance programs and internal controls also may not prevent conduct that is prohibited under these rules. The U.S. or other countries may impose additional sanctions at any time against any country in which or with whom we do business. Depending on the nature of the sanctions imposed, our operations in the relevant country could be restricted or otherwise adversely affected. Any violations of anti-corruption laws and regulations or trade sanctions could result in significant civil and criminal penalties, reduce our profits, disrupt or have a material adverse effect on our business, damage our reputation, or result in lawsuits or regulatory actions being brought against the Company or its officers or directors. In addition, the operation of these laws or an imposition of further restrictions in these areas could increase our cost of operations, reduce our profits or cause us to forgo development opportunities, or cease operations in certain countries, that would otherwise support growth.

Exchange rate fluctuations and foreign exchange hedging arrangements could result in significant foreign currency gains and losses and affect our business results. We earn revenues and incur expenses in foreign currencies as part of our operations outside of the U.S. Accordingly, fluctuations in currency exchange rates may significantly increase the amount of U.S. dollars required for foreign currency expenses or significantly decrease the U.S. dollars we receive from foreign currency revenues. We are also exposed to currency translation risk because the results of our non-U.S. business are generally reported in local currency, which we then translate to U.S. dollars for inclusion in our Financial Statements. As a result, changes between the

foreign exchange rates and the U.S. dollar affect the amounts we record for our foreign assets, liabilities, revenues and expenses, and could have a negative effect on our financial results. We expect that our exposure to foreign currency exchange rate fluctuations will grow as the relative contribution of our non-U.S. operations increases. We enter into foreign exchange hedging agreements with financial institutions to reduce exposures to some of the principal currencies in which we receive management and franchise fees, but these efforts may not be successful. These hedging agreements also do not cover all currencies in which we do business, do not eliminate foreign currency risk entirely for the currencies that they do cover, and involve costs and risks of their own in the form of transaction costs, credit requirements and counterparty risk.

Some of our management agreements and related contracts require us to make payments to owners if the hotels do not achieve specified levels of operating profit. Some of our contracts with hotel owners require that we fund shortfalls if the hotels do not attain specified levels of operating profit. We may not be able to recover any fundings of such performance guarantees, which could lower our profits and reduce our cash flows.

Our new programs and new branded products may not be successful. We cannot assure you that new or newly acquired brands, or any other new programs or products we have recently launched or may launch in the future, will be accepted by hotel owners, potential franchisees, or the traveling public or other guests. We also cannot be certain that we will recover the costs we incurred in developing or acquiring the brands or any new programs or products, or that those brands, programs, or products will be successful.

Risks relating to natural or man-made disasters, contagious disease, violence, and war could reduce the demand for lodging, which may adversely affect our revenues. We have seen a decline in travel and reduced demand for lodging due to so called “Acts of God,” such as hurricanes, earthquakes, tsunamis, floods, volcanic activity, wildfires, and other natural disasters, as well as man-made disasters and the spread of contagious diseases in locations where we own, manage, or franchise significant properties and areas of the world from which we draw a large number of guests, and these circumstances could continue or worsen in the future to an extent and for durations that we are not able to predict. Actual or threatened war, terrorist activity, political unrest, civil or geopolitical strife, and other acts of violence could have a similar effect. Any one or more of these events may reduce the overall demand for lodging, limit the prices that we can obtain, or increase our operating costs, all of which could adversely affect our profits. If a terrorist event or other incident of violence were to involve one or more of our branded properties, demand for our properties in particular could suffer, which could further hurt our revenues and profits.

Disagreements with owners of hotels that we manage or franchise may result in litigation or delay implementation of product or service initiatives. Consistent with our focus on management and franchising, we own very few of our lodging properties. The nature of our responsibilities under our management agreements to manage each hotel and enforce the standards required for our brands under both management and franchise agreements may be subject to interpretation and will from time to time give rise to disagreements, which may include disagreements over the need for or payment for new product, service or systems initiatives, the timing and amount of capital investments, and reimbursement for certain system initiatives and costs. Such disagreements may be more likely when hotel returns are weaker. We seek to resolve any disagreements to develop and maintain positive relations with current and potential hotel owners, franchisees, and joint venture partners, but we cannot always do so. Failure to resolve such disagreements has resulted in litigation, and could do so in the future. If any such litigation results in an adverse judgment, settlement, or court order, we could suffer significant losses, our profits could be reduced, or our future ability to operate our business could be constrained.

Our business depends on the quality and reputation of our company and our brands, and any deterioration could adversely impact our market share, reputation, business, financial condition, or results of operations. Certain events, including those that may be beyond our control, could affect the reputation of one or more of our properties or more generally impact the reputation of our brands. Many other factors also can influence our reputation and the value of our brands, including service, food quality and safety, safety of our guests and associates, availability and management of scarce natural resources, supply chain management, diversity, human rights, and support for local communities. Reputational value is also based on perceptions, and broad access to social media makes it easy for anyone to provide public feedback that can influence perceptions of us, our brands and our hotels, and it may be difficult to control or effectively manage negative publicity, regardless of whether it is accurate. While reputations may take decades to build, negative incidents can quickly erode trust and confidence, particularly if they result in adverse mainstream and social media publicity, governmental investigations or penalties, or litigation. Negative incidents could lead to tangible adverse effects on our business, including lost sales, boycotts, reduced enrollment and/or participation in our Loyalty Program, disruption of access to our websites and reservation systems, loss of development opportunities, or associate retention and recruiting difficulties. Any material decline in the reputation or perceived quality of our brands or corporate image could affect our market share, reputation, business, financial condition, or results of operations.

If our brands, goodwill or other intangible assets become impaired, we may be required to record significant non-cash charges to earnings. As of December 31, 2019, we had \$17.7 billion of goodwill and other intangible assets. We review goodwill and indefinite-lived intangible assets for impairment annually or whenever events or circumstances indicate

impairment may have occurred. Estimated fair values of our brands or reporting units could change if, for example, there are changes in the business climate, unanticipated changes in the competitive environment, adverse legal or regulatory actions or developments, changes in guests' perception and the reputation of our brands, or changes in interest rates, operating cash flows, or market capitalization. Because of the significance of our goodwill and other intangible assets, any future impairment of these assets could require material non-cash charges to our results of operations, which could have a material adverse effect on our financial condition and results of operations.

Actions by our franchisees and licensees or others could adversely affect our image and reputation. We franchise and license many of our brand names and trademarks to third parties for lodging, timeshare, residential, and our credit card programs. Under the terms of their agreements with us, these parties interact directly with guests and others under our brand and trade names. If these third parties fail to maintain or act in accordance with applicable brand standards; experience operational problems, including any data incident involving guest information or a circumstance involving guest or associate health or safety; or project a brand image inconsistent with ours, our image and reputation could suffer. Although our agreements with these parties provide us with recourse and remedies in the event of a breach, including termination of the agreements under certain circumstances, it could be expensive or time consuming for us to pursue such remedies. We also cannot assure you that in every instance a court would ultimately enforce our contractual termination rights or that we could collect any awarded damages from the defaulting party.

Collective bargaining activity and strikes could disrupt our operations, increase our labor costs, and interfere with the ability of our management to focus on executing our business strategies. A significant number of associates at our managed, leased, and owned hotels are covered by collective bargaining agreements. If relationships with our organized associates or the unions that represent them become adverse, the properties we operate could experience labor disruptions such as strikes, lockouts, boycotts, and public demonstrations, as we saw in the fourth quarter of 2018. Numerous collective bargaining agreements are typically subject to negotiation each year, and our past ability to resolve such negotiations does not mean that we will resolve future negotiations without strikes, disruptions, or on terms that we consider reasonable. Labor disputes and disruptions have in the past, and could in the future, result in adverse publicity and adversely affect operations and revenues at affected hotels. In addition, labor disputes and disruptions could harm our relationship with our associates, result in increased regulatory inquiries and enforcement by governmental authorities, harm our relationships with our guests and customers, divert management attention, and reduce customer demand for our services, all of which could have an adverse effect on our reputation, business, financial condition, or results of operations.

Labor regulation and the negotiation of new or existing collective bargaining agreements could lead to higher wage and benefit costs, changes in work rules that raise operating expenses, legal costs, and limitations on our ability or the ability of our third-party property owners to take cost saving measures during economic downturns. We do not have the ability to control the negotiations of collective bargaining agreements covering unionized labor employed by our third-party property owners and franchisees. Increased unionization of our workforce, new labor legislation or changes in regulations could disrupt our operations, reduce our profitability or interfere with the ability of our management to focus on executing our business strategies.

If we cannot attract and retain talented associates, or if we lose the services of senior executives, our business could suffer. We compete with other companies both within and outside of our industry for talented personnel. If we cannot recruit, train, develop, and retain sufficient numbers of talented associates, we could experience increased associate turnover, decreased guest satisfaction, low morale, inefficiency, or internal control failures. Insufficient numbers of talented associates could also limit our ability to grow and expand our businesses. A shortage of skilled labor could also result in higher wages that would increase our labor costs, which could reduce our profits. In addition, the efforts and abilities of our senior executives are important elements of maintaining our competitive position and driving future growth, and if we lose the services of one or more of our senior executives, we could experience challenges executing our business strategies or other adverse effects on our business.

Damage to, or losses involving, properties that we own, manage, or franchise may not be covered by insurance, or the cost of such insurance could increase. We require comprehensive property and liability insurance policies for our managed, leased, and owned properties with coverage features and insured limits that we believe are customary. We require managed hotel owners to procure such coverage or we procure such coverage on their behalf. We also require our franchisees to maintain similar levels of insurance. Market forces beyond our control may nonetheless limit the scope of the insurance coverage we, our hotel owners, or our franchisees can obtain, or our or their ability to obtain coverage at reasonable rates. Certain types of losses, generally of a catastrophic nature, such as earthquakes, hurricanes and floods, terrorist acts, or liabilities that result from breaches in the security of information systems, may result in high deductibles, low limits, or may be uninsurable or the cost of obtaining insurance may be unacceptably high. As a result, we, our hotel owners and our franchisees may not be successful in obtaining insurance without increases in cost or decreases in coverage levels, or may not be successful in obtaining insurance at all. For example, in 2018 and 2019 substantial increases in property insurance costs occurred due to the severe and widespread

damage caused by the 2017 Atlantic hurricane season and other natural disasters coupled with continued large global losses in the property market in 2018. Also, due to the Data Security Incident and the state of the cyber insurance market generally, the costs for our cyber insurance increased for our policy period beginning in the 2019 third quarter, and the cost of such insurance could continue to increase in future years. Further, in the event of a substantial loss, the insurance coverage we, our hotel owners, or our franchisees carry may not be sufficient to pay the full market value or replacement cost of any lost investment or in some cases could result in certain losses being totally uninsured. As a result, our revenues and profits could be adversely affected, and for properties we own or lease, we could lose some or all of the capital that we have invested in the property and we could remain obligated for guarantees, debt, or other financial obligations.

Development and Financing Risks

While we are predominantly a manager and franchisor of hotel properties, our hotel owners depend on capital to buy, develop, and improve hotels, and our hotel owners may be unable to access capital when necessary. Both we and current and potential hotel owners must periodically spend money to fund new hotel investments, as well as to refurbish and improve existing hotels. The availability of funds for new investments and improvement of existing hotels by our current and potential hotel owners depends in large measure on capital markets and liquidity factors, over which we exert little control. Obtaining financing on attractive terms may be constrained by the capital markets for hotel and real estate investments. In addition, owners of existing hotels that we franchise or manage may have difficulty meeting required debt service payments or refinancing loans at maturity.

Our growth strategy depends upon third-party owners/operators, and future arrangements with these third parties may be less favorable. Our growth strategy for adding lodging facilities entails entering into and maintaining various arrangements with property owners. The terms of our management agreements and franchise agreements for each of our lodging facilities are influenced by contract terms offered by our competitors, among other things. We cannot assure you that any of our current arrangements will continue or that we will be able to enter into future collaborations, renew agreements, or enter into new agreements in the future on terms that are as favorable to us as those that exist today.

Our ability to grow our management and franchise systems is subject to the range of risks associated with real estate investments. Our ability to sustain continued growth through management or franchise agreements for new hotels and the conversion of existing facilities to managed or franchised Marriott brands is affected, and may potentially be limited, by a variety of factors influencing real estate development generally. These include site availability, financing, planning, zoning and other local approvals, and other limitations that may be imposed by market and submarket factors, such as projected room occupancy and rate, changes in growth in demand compared to projected supply, territorial restrictions in our management and franchise agreements, costs of construction, and demand for construction resources.

Our development and renovation activities expose us to project cost, completion, and resale risks. We occasionally develop, or acquire and renovate, hotel and residential properties, both directly and through partnerships, joint ventures, and other business structures with third parties. As demonstrated by the impairment charges that we recorded in 2014 and 2015 in connection with our development and construction of three EDITION hotels and residences, our ongoing involvement in the development of properties presents a number of risks, including that: (1) any future weakness in the capital markets may limit our ability, or that of third parties with whom we do business, to raise capital for completion of projects that have commenced or for development of future properties; (2) properties that we develop or renovate could become less attractive due to decreases in demand for hotel properties, market absorption or oversupply, with the result that we may not be able to sell such properties for a profit or at the prices or pace we anticipate, potentially requiring additional changes in our pricing strategy that could result in further charges; (3) construction delays or cost overruns, including those due to shortages or increased costs of skilled labor and/or materials, lender financial defaults, or so called "Acts of God" such as earthquakes, hurricanes, floods, or fires may increase overall project costs or result in project cancellations; and (4) we may be unable to recover development costs we incur for any projects that we do not pursue to completion.

Our owned properties and other real estate investments subject us to numerous risks. We have a number of owned and leased properties, which are subject to the risks that generally relate to investments in real property. We are actively pursuing sales of some of these properties, but equity real estate investments can be difficult to sell quickly, and we may not be able to do so at prices we find acceptable or at all. Moreover, the investment returns available from equity investments in real estate depend in large part on the amount of income earned and capital appreciation generated, if any, by the related properties, and the expenses incurred. A variety of other factors also affect income from properties and real estate values, including local market conditions and new supply of hotels, availability and costs of staffing, governmental regulations, insurance, zoning, tax and eminent domain laws, interest rate levels, and the availability of financing. For example, new or existing real estate or tax laws can make it more expensive to acquire, develop, or operate and/or expand, modify, or renovate hotels. When interest rates increase, the cost of acquiring, developing, expanding, or renovating real property increases and real property values may decrease as the number of potential buyers decreases. Similarly, as financing becomes less available, it becomes more difficult

both to acquire and to sell real property. Finally, under eminent domain laws, governments can take real property, sometimes for less compensation than the owner believes the property is worth. Despite our asset-light strategy, our real estate properties could be impacted by any of these factors, resulting in a material adverse impact on our results of operations or financial condition. If our properties do not generate revenue sufficient to meet operating expenses, including needed capital expenditures, our income could be adversely affected or we could be required to record significant non-cash impairment charges to our results of operations.

Development and other investing activities that involve our co-investment with third parties may result in disputes and may decrease our ability to manage risk. We have from time to time invested, and may continue to invest, in partnerships, joint ventures, and other business structures involving our co-investment with third parties. These investments generally include some form of shared control over the development of the asset or operations of the business and create added risks, including the possibility that other investors in such ventures could become bankrupt or otherwise lack the financial resources to meet their obligations, could have or develop business interests, policies, or objectives that are inconsistent with ours, could take action without our approval (or, conversely, prevent us from taking action without our partner's approval), or could make requests contrary to our policies or objectives. Should a venture partner become bankrupt we could become liable for our partner's share of the venture's liabilities. Actions by a co-venturer might subject the assets owned by the venture or partnership to additional risk, such as increased project costs, project delays, or operational difficulties following project completion. Disagreements with our venture partners may result in litigation. These risks may be more likely to occur in difficult business environments. We cannot assure you that our investments through partnerships or joint ventures will be successful in light of these risks.

Risks associated with development and sale of residential properties associated with our lodging properties or brands may reduce our profits. We participate, through licensing agreements or directly or through noncontrolling interests, in the development and sale of residential properties associated with our brands, including residences and condominiums under many of our luxury and premium brand names and trademarks. Such projects pose further risks beyond those generally associated with our lodging business, which may reduce our profits or compromise our brand equity, including risks that (1) weakness in residential real estate and demand generally may reduce our profits and could make it more difficult to convince future development partners of the value added by our brands; (2) increases in interest rates, reductions in mortgage availability or the tax benefits of mortgage financing or residential ownership generally, or increases in the costs of residential ownership could prevent potential customers from buying residential products or reduce the prices they are willing to pay; and (3) residential construction may be subject to warranty and liability claims or claims related to purchaser deposits, and the costs of resolving such claims may be significant.

Some hotel openings in our development pipeline and approved projects may be delayed or not result in new hotels, which could adversely affect our growth prospects. We report a significant number of hotels in our development pipeline, including hotels under construction and under signed contracts, as well as hotels approved for development but not yet under contract. The eventual opening of such pipeline hotels and, in particular the approved hotels that are not yet under contract, is subject to numerous risks, including in some cases the owner's or developer's ability to obtain adequate financing or governmental or regulatory approvals, increased construction costs, changes in lodging supply dynamics in individual markets, or disruptive conditions in global, regional, or local markets. We have seen construction timelines for pipeline hotels lengthen due to competition for skilled construction labor and disruption in the supply chain for materials, and these circumstances could continue or worsen in the future. Accordingly, we cannot assure you that all of our development pipeline will result in new hotels entering our system, or that those hotels will open when we anticipate.

Losses on loans or loan guarantees that we have made to third parties impact our profits. At times, we make loans for hotel development, acquisition or renovation expenditures when we enter into or amend management or franchise agreements. From time to time we also provide third-party lenders with financial guarantees for the timely repayment of all or a portion of debt related to hotels that we manage or franchise, generally subject to an obligation that the owner reimburse us for any fundings. We could suffer losses if hotel owners or franchisees default on loans that we provide or fail to reimburse us for loan guarantees that we have funded.

If owners of hotels that we manage or franchise cannot repay or refinance mortgage loans secured by their properties, our revenues and profits could decrease and our business could be harmed. The owners of many of our managed or franchised properties have pledged their hotels as collateral for mortgage loans that they entered into when those properties were purchased or refinanced. If those owners cannot repay or refinance maturing indebtedness on favorable terms or at all, the lenders could declare a default, accelerate the related debt, and repossess the property. Such sales or repossessions could, in some cases, result in the termination of our management or franchise agreements and eliminate our anticipated income and cash flows, which could negatively affect our results of operations.

Changes affecting the availability of the London Interbank Offered Rate (“LIBOR”) may have consequences that we cannot yet reasonably predict. We are a party to various agreements and other instruments where obligations by or to us are calculated based on or otherwise dependent on LIBOR. In July 2017, the U.K. Financial Conduct Authority announced that it intends to stop persuading or compelling banks to submit rates for calculation of LIBOR after 2021. As a result, LIBOR may perform differently than in the past and may ultimately cease to be utilized or to exist, either before or after 2021. Alternative benchmark rate(s) may replace LIBOR and could affect our agreements that rely on LIBOR, not all of which contain alternative rate provisions. We are still in the process of investigating which of our agreements rely on LIBOR and, at this time, it is not possible for us to predict the effect of any changes to LIBOR, any phase out of LIBOR, or any establishment of alternative benchmark rates. There is uncertainty about how we, the financial markets, applicable law and the courts will address the replacement of LIBOR with alternative rates on contracts that do not include alternative rate provisions. In addition, any changes to benchmark rates may have an uncertain impact on our cost of funds, our receipts or payments under agreements that rely on LIBOR, and the valuation of derivative or other contracts to which we are a party, any of which could impact our results of operations and cash flows.

Technology, Information Protection, and Privacy Risks

A failure to keep pace with developments in technology could impair our operations or competitive position. The lodging industry continues to demand the use of sophisticated technology and systems, including those used for our reservation, revenue management, property management, human resources and payroll systems, our Loyalty Program, and technologies we make available to our guests and for our associates. These technologies and systems must be refined, updated, and/or replaced with more advanced systems on a regular basis, and our business could suffer if we cannot do that as quickly or effectively as our competitors or within budgeted costs and time frames. We also may not achieve the benefits that we anticipate from any new technology or system, and a failure to do so could result in higher than anticipated costs or could impair our operating results.

An increase in the use of third-party Internet services to book online hotel reservations could adversely impact our business. Some of our hotel rooms are booked through Internet travel intermediaries such as Expedia.com[®], Priceline.com[®], Booking.com[™], Travelocity.com[®], and Orbitz.com[®], as well as lesser-known online travel service providers. These intermediaries initially focused on leisure travel, but now also provide offerings for corporate travel and group meetings. Although our Best Rate Guarantee and Member Rate programs have helped limit guest preference shift to intermediaries and greatly reduced the ability of intermediaries to undercut the published rates at our hotels, intermediaries continue to use a variety of aggressive online marketing methods to attract guests, including the purchase by certain companies of trademarked online keywords such as “Marriott” from Internet search engines such as Google[®], Bing[®], Yahoo[®], and Baidu[®] to steer guests toward their websites (a practice that has been challenged by various trademark owners in federal court). Our business and profitability could be harmed to the extent that online intermediaries succeed in significantly shifting loyalties from our lodging brands to their travel services, diverting bookings away from our direct online channels, or through their fees, increase the overall cost of Internet bookings for our hotels. In addition, if we are not able to negotiate new agreements on satisfactory terms when our existing contracts with intermediaries (which generally have 2- to 3-year terms) come up for renewal, our business and prospects could be negatively impacted in a number of ways. For example, if newly negotiated agreements are on terms less favorable to our hotels than the expiring agreements, or if we are not able to negotiate new agreements and our hotels no longer appear on intermediary websites, our bookings could decline, our profits (and the operating profits of hotels in our system) could decline, and customers and owners may be less attracted to our brands. We may not be able to recapture or offset any such loss of business through actions we take to enhance our direct marketing and reservation channels or to rely on other channels or other intermediary websites.

We are exposed to risks and costs associated with protecting the integrity and security of company, associate, and guest data. In the operation of our business, we collect, store, use, and transmit large volumes of data regarding associates, guests, customers, owners, licensees, franchisees, and our own business operations, including credit card numbers, reservation and loyalty data, and other personal information, in various information systems that we maintain and in systems maintained by third parties, including our owners, franchisees, licensees, and service providers. The integrity and protection of this data is critical to our business. If this data is inaccurate or incomplete, we could make faulty decisions.

Our guests and associates also have a high expectation that we, as well as our owners, franchisees, licensees, and service providers, will adequately protect and appropriately use their personal information. The information, security, and privacy requirements imposed by laws and governmental regulation, our contractual obligations, and the requirements of the payment card industry are also increasingly demanding in the U.S., the European Union, Asia, and other jurisdictions where we operate. Our systems and the systems maintained or used by our owners, franchisees, licensees, and service providers may not be able to satisfy these changing legal and regulatory requirements and associate and guest expectations, or may require significant additional investments or time to do so. We may incur significant additional costs to meet these requirements, obligations, and

expectations, and in the event of alleged or actual noncompliance we may experience increased operating costs, increased exposure to fines and litigation, and increased risk of damage to our reputation and brand.

The Data Security Incident could have numerous adverse effects on our business. As a result of the Data Security Incident, we are a party to numerous lawsuits, primarily putative class actions, brought by consumers and others in the U.S. and Canada, one securities class action lawsuit in the U.S., and three shareholder derivative lawsuits in the U.S. We may be named as a party in additional lawsuits and other claims may be asserted by or on behalf of guests, customers, hotel owners, shareholders or others seeking monetary damages or other relief. A number of federal, state and foreign governmental authorities have also made inquiries, opened investigations, or requested information and/or documents related to the Data Security Incident, including under various data protection and privacy regulations, such as the European Union's General Data Protection Regulation. Responding to and resolving these lawsuits, claims and investigations could result in material remedial and other expenses which may not be covered by insurance, including any fines imposed by the Information Commissioner's Office in the United Kingdom (the "ICO"), as discussed in Note 7, or by regulatory authorities in various other jurisdictions. Governmental authorities investigating the Data Security Incident also may seek to impose undertakings, injunctive relief, consent decrees, or other civil or criminal penalties, which could, among other things, materially increase our data security costs or otherwise require us to alter how we operate our business. Significant management time and Company resources have been, and may continue to be, devoted to the Data Security Incident. Future publicity or developments related to the Data Security Incident, including as a result of subsequent reports or regulatory actions or developments, could have a range of other adverse effects on our business or prospects, including causing or contributing to loss of consumer confidence, reduced consumer demand, reduced enrollment and/or participation in our Loyalty Program, loss of development opportunities, and associate retention and recruiting difficulties. Insurance coverage designed to limit our exposure to losses such as those related to the Data Security Incident may not be sufficient or available to cover all of our expenses or other losses (including the final amount of the Proposed ICO Fine and any other fines or penalties) related to the Data Security Incident.

Additional cybersecurity incidents could have adverse effects on our business. We have implemented security measures to safeguard our systems and data, and we intend to continue implementing additional measures in the future, but, as we have seen in the past, our measures may not be sufficient to maintain the confidentiality, security, or availability of the data we collect, store, and use to operate our business. Measures taken by our service providers or our owners, franchisees, licensees, other business partners or their service providers also may not be sufficient. Efforts to hack or circumvent security measures, efforts to gain unauthorized access to, exploit or disrupt the operation or integrity of our data or systems, failures of systems or software to operate as designed or intended, viruses, "ransomware" or other malware, "phishing" or other types of business communications compromises, operator error, or inadvertent releases of data have impacted, and may in the future impact, our information systems and records or those of our owners, franchisees, licensees, other business partners, or service providers. Our reliance on computer, Internet-based, and mobile systems and communications, and the frequency and sophistication of efforts by third parties to gain unauthorized access or prevent authorized access to such systems, have greatly increased in recent years. We have experienced cyberattacks, attempts to disrupt access to our systems and data, and attempts to affect the operation or integrity of our data or systems, and the frequency and sophistication of such efforts could continue to increase. Any significant theft of, unauthorized access to, compromise or loss of, loss of access to, or fraudulent use of guest, associate, owner, franchisee, licensee, or company data could adversely impact our reputation and could result in legal, regulatory and other consequences, including remedial and other expenses, fines, or litigation. Depending on the nature and scope of the event, compromises in the security of our information systems or those of our owners, franchisees, licensees, other business partners, or service providers or other disruptions or compromises of data or systems could lead to an interruption in or other adverse effects on the operation of our systems or those of our owners, franchisees, licensees, other business partners, or service providers, resulting in operational inefficiencies and a loss of profits, and could result in negative publicity and other adverse effects on our business, including lost sales, loss of consumer confidence, boycotts, reduced enrollment and/or participation in our Loyalty Program, litigation, loss of development opportunities, or associate satisfaction, retention and recruiting difficulties, all of which could materially affect our market share, reputation, business, financial condition, or results of operations.

Because we have experienced cybersecurity incidents in the past, additional incidents or the failure to detect and appropriately respond to additional incidents could magnify the severity of the adverse effects on our business. The techniques used to obtain unauthorized access, disable or degrade service, or sabotage information systems change frequently, can be difficult to detect for long periods of time, and can involve difficult or prolonged assessment or remediation periods even once detected, which could also magnify the severity of these adverse effects. We cannot assure you that all potential causes of the Data Security Incident have been identified and remediated and will not occur again; additional measures may be needed to prevent a similar incident in the future and such measures may not be sufficient to prevent other types of incidents. Although we carry cyber insurance that is designed to protect us against certain losses related to cyber risks, that insurance coverage may not be sufficient to cover all expenses or other losses (including fines) or all types of claims that may arise in connection with

cyberattacks, security compromises, and other related incidents. Furthermore, in the future such insurance may not be available on commercially reasonable terms, or at all.

Changes in privacy and data security laws could increase our operating costs, increase our exposure to fines and litigation, and adversely affect our ability to market our products effectively. We are subject to numerous, complex, and frequently changing laws, regulations, and contractual obligations designed to protect personal information, including in the U.S., the European Union, Asia, and other jurisdictions. Non-U.S. data privacy and data security laws, various U.S. federal and state laws (such as the California Consumer Privacy Act and the New York Shield Act), payment card industry security standards, and other information privacy and security standards are all applicable to us. Significant legislative or regulatory changes could be adopted in the future, including in reaction to the Data Security Incident or data breaches experienced by other companies. Compliance with changes in applicable data privacy laws and regulations (such as the California Consumer Privacy Act and the New York Shield Act) and contractual obligations, including responding to investigations into our compliance, may restrict our business operations, increase our operating costs, increase our exposure to fines and litigation in the event of alleged non-compliance, and adversely affect our reputation. Following the Data Security Incident, the ICO and certain other regulators also opened investigations into our privacy practices, including the representations in our privacy policies and how we handle individual rights requests. As a result of these investigations, we could be exposed to significant fines and remediation costs in addition to any imposed as a result of the Data Security Incident, and adverse publicity related to the investigations could adversely affect our reputation.

Additionally, we rely on a variety of direct marketing techniques, including email marketing, online advertising, and postal mailings. Any further restrictions in laws such as the CANSPAM Act, and various U.S. state laws (such as the California Consumer Privacy Act and the New York Shield Act), or new federal or state laws on marketing and solicitation or international privacy, e-privacy, and anti-spam laws that govern these activities could adversely affect the continuing effectiveness of email, online advertising, and postal mailing techniques and could force further changes in our marketing strategy. If this occurs, we may not be able to develop adequate alternative marketing strategies, which could impact the amount and timing of our sales of certain products. We also obtain access to potential guests and customers from travel service providers or other companies with whom we have substantial relationships, and we market to some individuals on these lists directly or by including our marketing message in the other companies' marketing materials. If access to these lists were to be prohibited or otherwise restricted, our ability to develop new guests and customers and introduce them to our products could be impaired.

Any disruption in the functioning of our reservation systems could adversely affect our performance and results. We manage global reservation systems that communicate reservations to our hotels from individuals who book reservations directly with us online, through our mobile apps, through our telephone call centers, or through intermediaries like travel agents, Internet travel websites, and other distribution channels. The cost, speed, accuracy and efficiency of our reservation systems are critical aspects of our business and are important considerations for hotel owners when choosing our brands. Our business may suffer if we fail to maintain, upgrade, or prevent disruption to our reservation systems. Disruptions in or changes to our reservation systems could result in a disruption to our business and the loss of important data.

Other Risks

Ineffective internal control over financial reporting could result in errors in our financial statements, reduce investor confidence, and adversely impact our stock price. As discussed in Part II, Item 8 "Management's Report on Internal Control Over Financial Reporting" later in this report, in the 2018 fourth quarter, we identified a material weakness in internal control related to our accounting for our Loyalty Program, which resulted in errors in our previously issued financial statements for the 2018 first, second, and third quarters. Internal controls related to the implementation of ASU 2014-09 and the accounting for our Loyalty Program are important to accurately reflect our financial position and results of operations in our financial reports. We are in the process of remediating the material weakness and have responded to requests from the SEC for documents and information related to these matters. If the additional controls and processes that we have implemented while we work to remediate the material weakness are not sufficient, or if we identify additional control deficiencies that individually or together constitute significant deficiencies or material weaknesses, our ability to accurately record, process, and report financial information and consequently, our ability to prepare financial statements within required time periods, could be adversely affected. Failure to properly remediate the material weakness or the discovery of additional control deficiencies could result in violations of applicable securities laws, stock exchange listing requirements, and the covenants under our debt agreements, subject us to litigation and investigations, negatively affect investor confidence in our financial statements, and adversely impact our stock price and ability to access capital markets.

Changes in laws and regulations could reduce our profits or increase our costs. We are subject to a wide variety of laws, regulations, and policies in jurisdictions around the world, including those for financial reporting, taxes, healthcare, cybersecurity, privacy, climate change, and the environment. Changes to such laws, regulations, or policies could reduce our profits. We also anticipate that many of the jurisdictions where we do business will continue to review taxes and other revenue raising measures, and any resulting changes could impose new restrictions, costs, or prohibitions on our current practices or reduce our profits. In particular, governments may revise tax laws, regulations, or official interpretations in ways that could significantly impact us, and other modifications could reduce the profits that we can effectively realize from our operations or could require costly changes to those operations or the way in which they are structured.

We could be subject to additional tax liabilities. We are subject to a variety of taxes in the U.S. (federal, state, and local) and numerous foreign jurisdictions. We may recognize additional tax expense and be subject to additional tax liabilities due to changes in laws, regulations, administrative practices, principles, and interpretations related to tax, including changes to the global tax framework, competition, and other laws and accounting rules in various jurisdictions. Such changes could come about as a result of economic, political, and other conditions.

Our tax expense and liabilities are also affected by other factors, such as changes in our business operations, acquisitions, investments, entry into new businesses and geographies, intercompany transactions, the relative amount of our foreign earnings, losses incurred in jurisdictions for which we are not able to realize related tax benefits, the applicability of special tax regimes, changes in foreign currency exchange rates, changes in our stock price, and changes in our deferred tax assets and liabilities and their valuation. Significant judgment is required in evaluating and estimating our tax expense and liabilities. In the ordinary course of our business, there are many transactions and calculations for which the ultimate tax determination is uncertain. For example, the legislation known as the U.S. Tax Cuts and Jobs Act of 2017 (the “2017 Tax Act”) requires complex computations to be performed that were not previously required by U.S. tax law, significant judgments to be made in interpretation of the provisions of the 2017 Tax Act, significant estimates in calculations, and the preparation and analysis of information not previously relevant or regularly produced. The U.S. Treasury Department, the U.S. Internal Revenue Service, and other standard-setting bodies will continue to interpret or issue guidance on how provisions of the 2017 Tax Act will be applied or otherwise administered. As future guidance is issued, we may make adjustments to amounts that we have previously recorded that may materially impact our financial statements in the period in which the adjustments are made.

We are also currently subject to tax controversies in various jurisdictions, and these jurisdictions may assess additional tax liabilities against us. Developments in an audit, investigation, or other tax controversy could have a material effect on our operating results or cash flows in the period or periods for which that development occurs, as well as for prior and subsequent periods. We regularly assess the likelihood of an adverse outcome resulting from these proceedings to determine the adequacy of our tax accruals. Although we believe our tax estimates are reasonable, the final outcome of audits, investigations, and any other tax controversies could be materially different from our historical tax accruals.

Delaware law and our governing corporate documents contain, and our Board of Directors could implement, anti-takeover provisions that could deter takeover attempts. Under the Delaware business combination statute, a shareholder holding 15 percent or more of our outstanding voting stock could not acquire us without Board of Director consent for at least three years after the date the shareholder first held 15 percent or more of the voting stock. Our governing corporate documents also, among other things, require supermajority votes for mergers and similar transactions. In addition, our Board of Directors could, without shareholder approval, implement other anti-takeover defenses, such as a shareholder rights plan.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We describe our company-operated properties in Part I, Item 1. “Business” earlier in this report, and under the “Properties and Rooms” caption in Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” We believe our owned and leased properties are in generally good physical condition with the need for only routine repairs and maintenance and periodic capital improvements. Most of our regional offices, reservation centers, and sales offices, as well as our corporate headquarters, are in leased facilities, both domestically and internationally.

As of December 31, 2019, we owned or leased the following hotel properties:

Properties	Location	Rooms
<i>North American Full-Service</i>		
<i>Owned Hotels</i>		
The Westin Peachtree Plaza, Atlanta	Atlanta, GA	1,073
Sheraton Phoenix Downtown	Phoenix, AZ	1,000
W New York - Union Square	New York, NY	270
Las Vegas Marriott	Las Vegas, NV	278
<i>Leased Hotels</i>		
W New York – Times Square	New York, NY	509
Renaissance New York Times Square Hotel	New York, NY	317
Anaheim Marriott	Anaheim, CA	1,030
Kaua'i Marriott Resort	Lihue, HI	356
<i>North American Limited-Service</i>		
<i>Owned Hotels</i>		
Courtyard Las Vegas Convention Center	Las Vegas, NV	149
Residence Inn Las Vegas Convention Center	Las Vegas, NV	192
<i>Leased Hotels</i>		
Albuquerque Airport Courtyard	Albuquerque, NM	150
Baltimore BWI Airport Courtyard	Linthicum, MD	149
Baton Rouge Acadian Centre/LSU Area Courtyard	Baton Rouge, LA	149
Chicago O'Hare Courtyard	Des Plaines, IL	180
Des Moines West/Clive Courtyard	Clive, IA	108
Fort Worth University Drive Courtyard	Fort Worth, TX	130
Greensboro Courtyard	Greensboro, NC	149
Indianapolis Airport Courtyard	Indianapolis, IN	151
Irvine John Wayne Airport/Orange County Courtyard	Irvine, CA	153
Louisville East Courtyard	Louisville, KY	151
Mt. Laurel Courtyard	Mt Laurel, NJ	151
Newark Liberty International Airport Courtyard	Newark, NJ	146
Orlando Airport Courtyard	Orlando, FL	149
Orlando International Drive/Convention Center Courtyard	Orlando, FL	151
Sacramento Airport Natomas Courtyard	Sacramento, CA	149
San Diego Sorrento Valley Courtyard	San Diego, CA	149
Spokane Downtown at the Convention Center Courtyard	Spokane, WA	149
St. Louis Downtown West Courtyard	St. Louis, MO	151
<i>Asia Pacific</i>		
<i>Leased Hotels</i>		
The Ritz-Carlton, Tokyo	Tokyo, Japan	250
The St. Regis Osaka	Osaka, Japan	160

Properties	Location	Rooms
<i>Other International</i>		
<i>Owned Hotels</i>		
Sheraton Grand Rio Hotel & Resort	Rio de Janeiro, Brazil	538
Sheraton Lima Hotel & Convention Center	Lima, Peru	431
Sheraton Mexico City Maria Isabel Hotel	Mexico City, Mexico	755
Courtyard by Marriott Toulouse Airport	Toulouse, France	187
Courtyard by Marriott Aberdeen Airport	Aberdeen, UK	194
Courtyard by Marriott Rio de Janeiro Barra da Tijuca	Barra da Tijuca, Brazil	264
Residence Inn Rio de Janeiro Barra da Tijuca	Barra da Tijuca, Brazil	140
Treasure Beach, Barbados	Barbados	35
Crystal Cove, Barbados	Barbados	88
Tamarind, Barbados	Barbados	104
Waves, Barbados	Barbados	70
The House, Barbados	Barbados	34
Colony Club, Barbados	Barbados	96
Turtle Beach, Barbados	Barbados	161
<i>Leased Hotels</i>		
Grosvenor House, A JW Marriott Hotel	London, UK	496
The Ritz-Carlton, Berlin	Berlin, Germany	303
W Barcelona	Barcelona, Spain	473
W London – Leicester Square	London, UK	192
Hotel Alfonso XIII, a Luxury Collection Hotel, Seville	Seville, Spain	148
Hotel Maria Cristina, San Sebastian	San Sebastian, Spain	139
Cape Town Marriott Hotel Crystal Towers	Cape Town, South Africa	180
Frankfurt Marriott Hotel	Frankfurt, Germany	593
Berlin Marriott Hotel	Berlin, Germany	379
Leipzig Marriott Hotel	Leipzig, Germany	231
Heidelberg Marriott Hotel	Heidelberg, Germany	248
Sheraton Diana Majestic, Milan	Milan, Italy	106
Renaissance Hamburg Hotel	Hamburg, Germany	205
Renaissance Santo Domingo Jaragua Hotel & Casino	Santo Domingo, Dominican Republic	300
15 on Orange Hotel, Autograph Collection	Cape Town, South Africa	129
African Pride Melrose Arch, Autograph Collection	Johannesburg, South Africa	118
Courtyard by Marriott Paris Gare de Lyon	Paris, France	249
Protea Hotel by Marriott Cape Town Sea Point	Cape Town, South Africa	124
Protea Hotel by Marriott Midrand	Midrand, South Africa	177
Protea Hotel by Marriott Pretoria Centurion	Pretoria, South Africa	177
Protea Hotel by Marriott O R Tambo Airport	Johannesburg, South Africa	213
Protea Hotel by Marriott Roodepoort	Roodepoort, South Africa	79
Protea Hotel Fire & Ice! by Marriott Cape Town	Cape Town, South Africa	201
Protea Hotel Fire & Ice! by Marriott Johannesburg Melrose Arch	Johannesburg, South Africa	197

Item 3. Legal Proceedings.

See the information under the “Litigation, Claims, and Government Investigations” caption in Note 7, which we incorporate here by reference.

From time to time, we are also subject to other legal proceedings and claims in the ordinary course of business, including adjustments proposed during governmental examinations of the various tax returns we file. While management presently believes that the ultimate outcome of these other proceedings, individually and in aggregate, will not materially harm our financial position, cash flows, or overall trends in results of operations, legal proceedings are inherently uncertain, and unfavorable rulings could, individually or in aggregate, have a material adverse effect on our business, financial condition, or operating results.

Item 4. Mine Safety Disclosures.

Not applicable.

Information about our Executive Officers

See the information under “Information about our Executive Officers” in Part III, Item 10 of this report for information about our executive officers, which we incorporate here by reference.

PART II**Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities.****Market Information**

At February 20, 2020, 324,214,545 shares of our Class A Common Stock (our “common stock”) were outstanding and were held by 34,999 shareholders of record. Our common stock trades on the Nasdaq Global Select Market (“Nasdaq”) and the Chicago Stock Exchange under the trading symbol MAR.

Fourth Quarter 2019 Issuer Purchases of Equity Securities

(in millions, except per share amounts)

Period	Total Number of Shares Purchased	Average Price per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽¹⁾	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs ⁽¹⁾
October 1, 2019-October 31, 2019	—	\$ —	—	21.5
November 1, 2019-November 30, 2019	1.6	\$ 134.96	1.6	19.9
December 1, 2019-December 31, 2019	1.5	\$ 145.13	1.5	18.4

⁽¹⁾ On February 15, 2019, we announced that our Board of Directors increased our common stock repurchase authorization by 25 million shares. At year-end 2019, 18.4 million shares remained available for repurchase under Board approved authorizations. We repurchase shares in the open market and in privately negotiated transactions.

Item 6. Selected Financial Data.

The following table presents a summary of our selected historical financial data derived from our last 10 years of Financial Statements. Because this information is only a summary and does not provide all of the information contained in our Financial Statements, including the related notes, you should read “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our Financial Statements for each year for more detailed information including, among other items, our adoption of ASU 2014-09 “Revenue from Contracts with Customers” in 2018, our acquisition of Starwood in 2016, restructuring charges we incurred in 2016, timeshare strategy-impairment charges we incurred in 2011, and our 2011 spin-off of our former timeshare operations and timeshare development business. For 2016, we include Legacy-Starwood results from the Merger Date to year-end 2016.

(\$ in millions, except per share data)	Fiscal Year ⁽¹⁾									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Income Statement Data:										
Revenues ⁽⁶⁾	\$20,972	\$20,758	\$20,452	\$15,407	\$14,486	\$13,796	\$12,784	\$11,814	\$12,317	\$11,691
Operating income (loss) ⁽⁶⁾	\$ 1,800	\$ 2,366	\$ 2,504	\$ 1,424	\$ 1,350	\$ 1,159	\$ 988	\$ 940	\$ 526	\$ 695
Net income (loss) ⁽⁶⁾	\$ 1,273	\$ 1,907	\$ 1,459	\$ 808	\$ 859	\$ 753	\$ 626	\$ 571	\$ 198	\$ 458
Per Share Data:										
Diluted earnings (losses) per share ⁽⁶⁾	\$ 3.80	\$ 5.38	\$ 3.84	\$ 2.73	\$ 3.15	\$ 2.54	\$ 2.00	\$ 1.72	\$ 0.55	\$ 1.21
Cash dividends declared per share	\$1.8500	\$1.5600	\$1.2900	\$1.1500	\$0.9500	\$0.7700	\$0.6400	\$0.4900	\$0.3875	\$0.2075
Balance Sheet Data (at year-end):										
Total assets ^{(4) (6) (7)}	\$25,051	\$23,696	\$23,846	\$24,078	\$ 6,082	\$ 6,833	\$ 6,794	\$ 6,342	\$ 5,910	\$ 8,983
Long-term debt ⁽⁴⁾	9,963	8,514	7,840	8,197	3,807	3,447	3,147	2,528	1,816	2,691
Shareholders’ equity (deficit) ⁽⁶⁾	703	2,225	3,582	6,265	(3,590)	(2,200)	(1,415)	(1,285)	(781)	1,585
Other Data:										
Base management fees	\$ 1,180	\$ 1,140	\$ 1,102	\$ 806	\$ 698	\$ 672	\$ 621	\$ 581	\$ 602	\$ 562
Franchise fees ^{(5) (6)}	2,006	1,849	1,586	1,157	984	872	697	607	506	441
Incentive management fees	637	649	607	425	319	302	256	232	195	182
Total fees ^{(5) (6)}	\$ 3,823	\$ 3,638	\$ 3,295	\$ 2,388	\$ 2,001	\$ 1,846	\$ 1,574	\$ 1,420	\$ 1,303	\$ 1,185
Fee Revenue-Source:										
North America ^{(2) (5) (6)}	\$ 2,791	\$ 2,641	\$ 2,388	\$ 1,845	\$ 1,586	\$ 1,439	\$ 1,200	\$ 1,074	\$ 970	\$ 878
Total Outside North America ^{(3) (5) (6)}	1,032	997	907	543	415	407	374	346	333	307
Total fees ^{(5) (6)}	\$ 3,823	\$ 3,638	\$ 3,295	\$ 2,388	\$ 2,001	\$ 1,846	\$ 1,574	\$ 1,420	\$ 1,303	\$ 1,185

(1) In 2013, we changed to a calendar year-end reporting cycle. All fiscal years presented before 2013 included 52 weeks.

(2) Represents fee revenue from the U.S. (but not Hawaii before 2011) and Canada.

(3) Represents fee revenue outside of North America, as defined in footnote (2) above.

(4) In 2015, we adopted ASU No. 2015-03, which changes the presentation of debt issuance costs, and ASU No. 2015-17, which changes the classification of deferred taxes. Years before 2014 have not been adjusted for these new accounting standards.

(5) In 2017, we reclassified branding fees for third-party residential sales and credit card licensing to the “Franchise fees” caption from the “Owned, leased, and other revenue” caption on our Income Statements. We reclassified prior period amounts through 2013 to conform to our current presentation. We did not reclassify amounts for years before 2013.

(6) In 2018, we adopted ASU 2014-09, which impacted our recognition of revenues and certain expenses. Years before 2016 have not been adjusted for this new accounting standard.

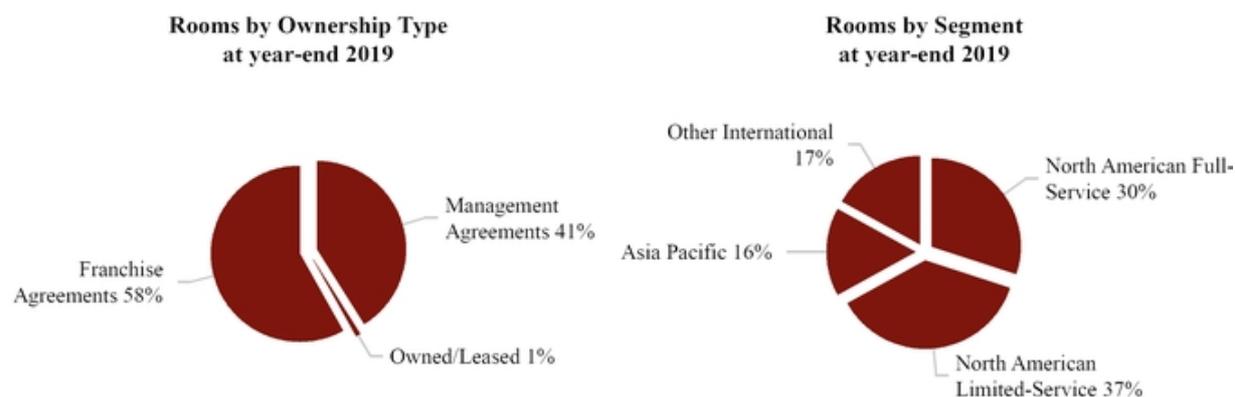
(7) In 2019, we adopted ASU No. 2016-02, which brought substantially all leases onto the balance sheet. Years before 2019 have not been adjusted for this new accounting standard.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

BUSINESS AND OVERVIEW

Overview

We are a worldwide operator, franchisor, and licensor of hotel, residential, and timeshare properties in 134 countries and territories under 30 brand names. Under our asset-light business model, we typically manage or franchise hotels, rather than own them. We discuss our operations in the following reportable business segments: North American Full-Service, North American Limited-Service, and Asia Pacific. Our Europe, Middle East and Africa, and Caribbean and Latin America operating segments do not individually meet the criteria for separate disclosure as reportable segments. In January 2020, we modified our reportable segment structure as a result of a change in the way management intends to evaluate results and allocate resources within the Company. Beginning with the first quarter of 2020, we will present the following reportable business segments: North America; Asia Pacific; and Europe, Middle East, and Africa. Our Caribbean and Latin America operating segment will be included in a combined Caribbean and Latin America and “Unallocated corporate” caption.



We earn base management fees and in many cases incentive management fees from the properties that we manage, and we earn franchise fees on the properties that others operate under franchise agreements with us. In most markets, base management and franchise fees typically consist of a percentage of property-level revenue, or certain property-level revenue in the case of franchise fees, while incentive management fees typically consist of a percentage of net house profit after a specified owner return. In our Middle East and Africa and Asia Pacific regions, incentive management fees typically consist of a percentage of gross operating profit without adjustment for a specified owner return. Net house profit is calculated as gross operating profit (also referred to as “house profit,” which we discuss under the “Performance Measures” section below) less non-controllable expenses such as property insurance, real estate taxes, and capital spending reserves.

Our emphasis on long-term management contracts and franchising tends to provide more stable earnings in periods of economic softness, while adding new hotels to our system generates growth, typically with little or no investment by the Company. This strategy has driven substantial growth while minimizing financial leverage and risk in a cyclical industry. In addition, we believe minimizing our capital investments and adopting a strategy of recycling our investments maximizes and maintains our financial flexibility.

We remain focused on doing the things that we do well; that is, selling rooms, taking care of our guests, and making sure we control costs both at company-operated properties and at the corporate level (“above-property”). We provide our guests new and memorable experiences through our portfolio of brands, innovative technology, personalized guest recognition, and access to travel experiences through our Marriott Bonvoy Tours & Activities program. Our brands remain strong due to our skilled management teams, dedicated associates, superior guest service with an emphasis on guest and associate satisfaction, significant distribution, Loyalty Program, multichannel reservation systems, and desirable property amenities. We strive to effectively leverage our size and broad distribution. We believe that our Loyalty Program generates substantial repeat business that might otherwise go to competing hotels, and we strategically market to the program’s large and growing member base to generate revenue.

We, along with owners and franchisees, continue to invest in our brands by means of new, refreshed, and reinvented properties, new room and public space designs, and enhanced amenities, technology offerings, and guest experiences. We address, through various means, hotels in our system that do not meet our standards. We continue to enhance the appeal of our proprietary, information-rich, and easy-to-use websites, and of our associated mobile applications, through functionality and service improvements.

Our profitability, as well as that of owners and franchisees, has benefited from our approach to property-level and above-property productivity. Managed properties in our system continue to maintain tight cost controls. We also control above-property costs, some of which we allocate to hotels, by remaining focused on systems, processing, and support areas.

Data Security Incident

On November 30, 2018, we announced a data security incident involving unauthorized access to the Starwood reservations database. The Starwood reservations database is no longer used for business operations.

To date, we have not seen a meaningful impact on demand as a result of the Data Security Incident.

In July 2019, the ICO issued a formal notice of intent under the U.K. Data Protection Act 2018 proposing a fine in the amount of £99 million against the Company in relation to the Data Security Incident (the “Proposed ICO Fine”). We mutually agreed with the ICO to an extension of the regulatory process until June 1, 2020 and the ICO proceeding is ongoing. In the 2019 second quarter, we recorded an accrual in the full amount of the Proposed ICO Fine for this loss contingency, and in the 2019 fourth quarter, we reduced the accrual to \$65 million based on the ongoing proceeding. See Note 7 for additional information.

We are currently unable to estimate the range of total possible financial impact to the Company from the Data Security Incident in excess of the expenses already incurred. However, we do not believe this incident will impact our long-term financial health. Although our insurance program includes coverage designed to limit our exposure to losses such as those related to the Data Security Incident, that insurance may not be sufficient or available to cover all of our expenses or other losses (including fines and penalties) related to the Data Security Incident. As we expected, the cost of such insurance increased for our current policy period, and the cost of such insurance could continue to increase in future years. We expect to incur significant expenses associated with the Data Security Incident in future periods, primarily related to legal proceedings and regulatory investigations (including possible fines and penalties), increased expenses and capital investments for information technology and information security and data privacy, and increased expenses for compliance activities and to meet increased legal and regulatory requirements. See Note 7 for information related to expenses incurred in 2018 and 2019, insurance recoveries, and legal proceedings and governmental investigations related to the Data Security Incident.

Performance Measures

We believe RevPAR, which we calculate by dividing room sales for comparable properties by room nights available for the period, is a meaningful indicator of our performance because it measures the period-over-period change in room revenues for comparable properties. RevPAR may not be comparable to similarly titled measures, such as revenues, and should not be viewed as necessarily correlating with our fee revenue. We also believe occupancy and average daily rate (“ADR”), which are components of calculating RevPAR, are meaningful indicators of our performance. Occupancy, which we calculate by dividing occupied rooms by total rooms available, measures the utilization of a property’s available capacity. ADR, which we calculate by dividing property room revenue by total rooms sold, measures average room price and is useful in assessing pricing levels. Comparisons to the prior year period are on a constant U.S. dollar basis. We calculate constant dollar statistics by applying exchange rates for the current period to the prior comparable period.

We define our comparable properties as our properties that were open and operating under one of our brands since the beginning of the last full calendar year (since January 1, 2018 for the current period) and have not, in either the current or previous year: (i) undergone significant room or public space renovations or expansions, (ii) been converted between company-operated and franchised, or (iii) sustained substantial property damage or business interruption. For 2019 compared to 2018, we had 4,371 comparable North American properties and 1,232 comparable International properties. For 2018 compared to 2017, we had 4,109 comparable North American properties and 1,173 comparable International properties.

We also believe company-operated house profit margin, which is the ratio of property-level gross operating profit to total property-level revenue, is a meaningful indicator of our performance because this ratio measures our overall ability as the operator to produce property-level profits by generating sales and controlling the operating expenses over which we have the most direct control. House profit includes room, food and beverage, and other revenue and the related expenses including payroll and benefits expenses, as well as repairs and maintenance, utility, general and administrative, and sales and marketing

expenses. House profit does not include the impact of management fees, furniture, fixtures and equipment replacement reserves, insurance, taxes, or other fixed expenses.

Business Trends

Our 2019 full-year results reflected a year-over-year increase in the number of properties in our system, strong demand for our brands in many markets around the world, and generally favorable economic conditions. Comparable worldwide systemwide RevPAR for 2019 increased 1.3 percent to \$117.30, ADR increased 0.8 percent on a constant dollar basis to \$160.55, and occupancy increased 0.4 percentage points to 73.1 percent, compared to 2018.

In North America, RevPAR increased modestly in 2019, driven by higher ADR, partially constrained by new lodging supply in certain markets. In our Asia Pacific segment in 2019, RevPAR growth was driven by India and major urban markets in Greater China but was partially constrained by lower demand in Hong Kong. Our Europe region experienced higher demand in 2019, led by strong demand from U.S. travelers in the U.K., Italy, and Spain. In our Middle East and Africa region, RevPAR remained relatively stable in 2019 due to RevPAR growth in Africa, partially offset by ongoing geopolitical and economic instability and supply growth in the Middle East. RevPAR grew across our Caribbean and Latin America region, driven by higher ADR, partially constrained by lower demand in Mexico.

For our company-operated properties, we continue to focus on enhancing property-level house profit margins and making productivity improvements. North American company-operated house profit margins decreased by 20 basis points in 2019 compared to 2018 at comparable properties, primarily due to wage increases and modest RevPAR growth, partially offset by cost controls and synergy savings from the Starwood Combination. International company-operated house profit margins increased by 20 basis points in 2019 compared to 2018 at comparable properties, primarily due to RevPAR growth in our Asia Pacific segment and Europe region and cost controls and synergy savings from the Starwood Combination.

The Coronavirus outbreak currently is impacting our operations in China and other parts of our Asia Pacific segment by necessitating the closure of numerous hotels in mainland China and significantly reducing demand in Greater China and certain other Asia Pacific markets. We cannot presently estimate the overall operational and financial impact, which could be material to our 2020 results, and which is highly dependent on the breadth and duration of the outbreak and could be affected by other factors we are not currently able to predict.

System Growth and Pipeline

In 2019, we added 516 properties with 78,142 rooms around the world across our portfolio of brands. Approximately 44 percent of added rooms are located outside North America, and 18 percent are conversions from competitor brands. In 2019, 70 properties (11,908 rooms) exited our system.

At year-end 2019, our development pipeline grew to a record 515,000 rooms, with more than half located outside of North America. The pipeline includes hotel rooms under construction and under signed contracts, and approximately 23,000 hotel rooms approved for development but not yet under signed contracts. In 2019, we signed management and franchise agreements for 815 properties (136,000 rooms), setting company records for rooms signings in Asia Pacific, Europe, Caribbean and Latin America, and Middle East and Africa. Contracts signed in 2019 also reflected the Company's strength in the luxury tier, with 42 properties signed across 27 countries and territories.

In 2020, we expect the number of our open hotel rooms will increase at a rate consistent with our recent experience. This growth expectation does not include any potential impact related to the Coronavirus outbreak.

Properties and Rooms

At year-end 2019, we operated, franchised, and licensed the following properties and rooms:

	Managed		Franchised/Licensed		Owned/Leased		Total	
	Properties	Rooms	Properties	Rooms	Properties	Rooms	Properties	Rooms
North American Full-Service	413	182,691	738	210,019	8	4,833	1,159	397,543
North American Limited-Service	402	63,224	3,743	436,032	20	3,006	4,165	502,262
Asia Pacific	660	190,239	120	31,123	2	410	782	221,772
Other International	601	131,722	513	96,347	38	8,754	1,152	236,823
Timeshare	—	—	91	22,521	—	—	91	22,521
Total	2,076	567,876	5,205	796,042	68	17,003	7,349	1,380,921

Lodging Statistics

The following tables present RevPAR, occupancy, and ADR statistics for comparable properties for 2019, 2019 compared to 2018, 2018, and 2018 compared to 2017. Systemwide statistics include data from our franchised properties, in addition to our company-operated properties.

2019 Compared to 2018

	Comparable Company-Operated Properties					
	RevPAR		Occupancy		Average Daily Rate	
	2019	vs. 2018	2019	vs. 2018	2019	vs. 2018
North American Full-Service ⁽¹⁾	\$ 174.86	1.5 %	76.7%	0.3 % pts.	\$ 228.12	1.0 %
North American Limited-Service ⁽²⁾	\$ 109.15	(0.7)%	73.9%	(1.0)% pts.	\$ 147.61	0.6 %
North American - All ⁽³⁾	\$ 153.64	1.0 %	75.8%	(0.1)% pts.	\$ 202.75	1.1 %
Asia Pacific	\$ 102.39	2.2 %	72.4%	2.1 % pts.	\$ 141.38	(0.8)%
Caribbean & Latin America	\$ 132.25	2.3 %	65.1%	0.7 % pts.	\$ 203.23	1.2 %
Europe	\$ 149.51	2.8 %	74.7%	0.9 % pts.	\$ 200.21	1.5 %
Middle East & Africa	\$ 107.20	— %	68.5%	2.6 % pts.	\$ 156.43	(3.8)%
International - All ⁽⁴⁾	\$ 116.10	2.0 %	71.7%	1.8 % pts.	\$ 161.91	(0.6)%
Worldwide ⁽⁵⁾	\$ 134.60	1.4 %	73.7%	0.9 % pts.	\$ 182.60	0.2 %

	Comparable Systemwide Properties					
	RevPAR		Occupancy		Average Daily Rate	
	2019	vs. 2018	2019	vs. 2018	2019	vs. 2018
North American Full-Service ⁽¹⁾	\$ 147.53	2.0%	74.2%	0.4 % pts.	\$ 198.88	1.5 %
North American Limited-Service ⁽²⁾	\$ 99.67	—%	73.8%	(0.4)% pts.	\$ 135.14	0.5 %
North American - All ⁽³⁾	\$ 119.61	1.0%	73.9%	(0.1)% pts.	\$ 161.79	1.1 %
Asia Pacific	\$ 103.98	2.4%	72.3%	2.1 % pts.	\$ 143.90	(0.6)%
Caribbean & Latin America	\$ 102.62	2.1%	62.7%	0.1 % pts.	\$ 163.57	2.0 %
Europe	\$ 130.75	2.7%	73.3%	0.8 % pts.	\$ 178.26	1.5 %
Middle East & Africa	\$ 101.79	0.1%	67.9%	2.3 % pts.	\$ 149.88	(3.2)%
International - All ⁽⁴⁾	\$ 111.51	2.2%	70.9%	1.5 % pts.	\$ 157.31	— %
Worldwide ⁽⁵⁾	\$ 117.30	1.3%	73.1%	0.4 % pts.	\$ 160.55	0.8 %

(1) Includes JW Marriott, The Ritz-Carlton, W Hotels, The Luxury Collection, St. Regis, EDITION, Marriott Hotels, Sheraton, Westin, Renaissance, Autograph Collection, Delta Hotels, Gaylord Hotels, and Le Méridien. Systemwide also includes Tribute Portfolio.

(2) Includes Courtyard, Residence Inn, Fairfield by Marriott, SpringHill Suites, TownePlace Suites, Four Points, Aloft, Element, and AC Hotels by Marriott. Systemwide also includes Moxy.

(3) Includes North American Full-Service and North American Limited-Service.

(4) Includes Asia Pacific, Caribbean & Latin America, Europe, and Middle East & Africa.

(5) Includes North American - All and International - All.

2018 Compared to 2017

Comparable Company-Operated Properties

	RevPAR		Occupancy		Average Daily Rate	
	2018	vs. 2017	2018	vs. 2017	2018	vs. 2017
North American Full-Service ⁽¹⁾	\$ 169.44	2.2 %	76.1%	(0.1)% pts.	\$ 222.60	2.3 %
North American Limited-Service ⁽²⁾	\$ 109.72	0.3 %	74.9%	(0.4)% pts.	\$ 146.55	0.8 %
North American - All ⁽³⁾	\$ 150.42	1.8 %	75.7%	(0.2)% pts.	\$ 198.66	2.0 %
Asia Pacific	\$ 107.43	7.5 %	73.5%	2.2 % pts.	\$ 146.14	4.2 %
Caribbean & Latin America	\$ 131.52	8.6 %	64.8%	0.1 % pts.	\$ 202.84	8.5 %
Europe	\$ 151.86	4.8 %	74.0%	0.7 % pts.	\$ 205.15	3.8 %
Middle East & Africa	\$ 102.39	(1.8)%	66.4%	2.4 % pts.	\$ 154.17	(5.3)%
International - All ⁽⁴⁾	\$ 118.86	5.2 %	71.6%	1.7 % pts.	\$ 165.91	2.7 %
Worldwide ⁽⁵⁾	\$ 134.58	3.3 %	73.7%	0.8 % pts.	\$ 182.67	2.2 %

Comparable Systemwide Properties

	RevPAR		Occupancy		Average Daily Rate	
	2018	vs. 2017	2018	vs. 2017	2018	vs. 2017
North American Full-Service ⁽¹⁾	\$ 143.64	2.1 %	73.8%	(0.1)% pts.	\$ 194.59	2.2 %
North American Limited-Service ⁽²⁾	\$ 99.29	0.9 %	74.3%	— % pts.	\$ 133.61	1.0 %
North American - All ⁽³⁾	\$ 118.51	1.5 %	74.1%	(0.1)% pts.	\$ 159.94	1.6 %
Asia Pacific	\$ 109.14	7.2 %	73.3%	2.2 % pts.	\$ 148.90	4.0 %
Caribbean & Latin America	\$ 104.77	7.4 %	63.2%	0.1 % pts.	\$ 165.71	7.3 %
Europe	\$ 134.10	5.8 %	73.0%	1.4 % pts.	\$ 183.74	3.7 %
Middle East & Africa	\$ 98.38	(1.6)%	66.1%	2.0 % pts.	\$ 148.87	(4.6)%
International - All ⁽⁴⁾	\$ 114.56	5.5 %	70.9%	1.7 % pts.	\$ 161.48	3.0 %
Worldwide ⁽⁵⁾	\$ 117.37	2.6 %	73.2%	0.4 % pts.	\$ 160.37	2.0 %

⁽¹⁾ Includes JW Marriott, The Ritz-Carlton, W Hotels, The Luxury Collection, St. Regis, EDITION, Marriott Hotels, Sheraton, Westin, Renaissance, Autograph Collection, Delta Hotels, Gaylord Hotels, and Le Méridien. Systemwide also includes Tribute Portfolio.

⁽²⁾ Includes Courtyard, Residence Inn, Fairfield by Marriott, SpringHill Suites, TownePlace Suites, Four Points, Aloft, Element, and AC Hotels by Marriott. Systemwide also includes Moxy.

⁽³⁾ Includes North American Full-Service and North American Limited-Service.

⁽⁴⁾ Includes Asia Pacific, Caribbean & Latin America, Europe, and Middle East & Africa.

⁽⁵⁾ Includes North American - All and International - All.

CONSOLIDATED RESULTS

The following discussion presents an analysis of our consolidated results of operations for 2019, 2018, and 2017.

Our 2017 results were favorably impacted by the non-recurring gain on the disposition of our ownership interest in Avendra, discussed in Note 3. We committed to the owners of the hotels in our system that the benefits derived from Avendra, including any dividends or sale proceeds above our original investment, would be used for the benefit of the hotels in our system. Accordingly, in 2019 we used \$118 million (\$87 million after-tax) and in 2018 we used \$115 million (\$85 million after-tax) of the net proceeds, and we intend to use the remainder of the net proceeds, for the benefit of our system of hotels. Spending under those plans is, and will be, expensed in the "Reimbursed expenses" caption of our Income Statements, causing a reduction in our profitability in the periods it is expensed.

Fee Revenues

(\$ in millions)	2019	2018	2017	Change 2019 vs. 2018		Change 2018 vs. 2017	
Base management fees	\$ 1,180	\$ 1,140	\$ 1,102	\$ 40	4 %	\$ 38	3%
Franchise fees	2,006	1,849	1,586	157	8 %	263	17%
Incentive management fees	637	649	607	(12)	(2)%	42	7%
Gross fee revenues	3,823	3,638	3,295	185	5 %	343	10%
Contract investment amortization	(62)	(58)	(50)	4	7 %	8	16%
Net fee revenues	\$ 3,761	\$ 3,580	\$ 3,245	\$ 181	5 %	\$ 335	10%

2019 Compared to 2018

The \$40 million increase in base management fees primarily reflected \$31 million from unit growth and \$15 million from RevPAR growth.

The \$157 million increase in franchise fees primarily reflected \$88 million from unit growth, \$30 million of higher co-brand credit card fees, \$23 million from AC Hotels by Marriott properties previously presented in the "Equity in earnings" caption of our Income Statements, \$16 million of higher application, relicensing, and other fees, and \$15 million from properties that converted from managed to franchised, partially offset by \$17 million of lower residential branding fees.

In 2019 and 2018, we earned incentive management fees from 72 percent of our managed properties worldwide. We earned incentive management fees from 57 percent of managed properties in North America and 81 percent of managed properties outside North America in 2019, compared to 59 percent in North America and 82 percent outside North America in 2018. In addition, 65 percent of our total incentive management fees in 2019 came from our managed properties outside North America versus 63 percent in 2018.

2018 Compared to 2017

The \$38 million increase in base management fees primarily reflected \$29 million from unit growth and \$28 million from RevPAR growth, partially offset by lower fees of \$17 million from properties that converted from managed to franchised and \$14 million from properties that were terminated.

The \$263 million increase in franchise fees primarily reflected \$143 million of higher branding fees, driven by \$138 million of higher fees from our co-brand credit card agreements, \$82 million from unit growth, \$21 million from RevPAR growth, and \$15 million from properties that converted from managed to franchised.

The \$42 million increase in incentive management fees primarily reflected net higher profits at managed hotels and \$14 million from unit growth.

In 2018, we earned incentive management fees from 72 percent of our managed properties worldwide versus 71 percent in 2017. We earned incentive management fees from 59 percent of managed properties in North America and 82 percent of managed properties outside North America in 2018, compared to 60 percent in North America and 80 percent outside North America in 2017. In addition, 63 percent of our total incentive management fees in 2018 came from our managed properties outside North America versus 62 percent in 2017.

Owned, Leased, and Other

(\$ in millions)	2019	2018	2017	Change 2019 vs. 2018		Change 2018 vs. 2017	
Owned, leased, and other revenue	\$ 1,612	\$ 1,635	\$ 1,752	\$ (23)	(1)%	\$ (117)	(7)%
Owned, leased, and other - direct expenses	1,316	1,306	1,411	10	1 %	(105)	(7)%
	\$ 296	\$ 329	\$ 341	\$ (33)	(10)%	\$ (12)	(4)%

2019 Compared to 2018

Owned, leased, and other revenue, net of direct expenses decreased by \$33 million, primarily due to \$21 million of lower termination fees and \$8 million net unfavorable impact from acquisitions and dispositions.

2018 Compared to 2017

Owned, leased, and other revenue, net of direct expenses decreased by \$12 million, primarily due to \$81 million of lower owned and leased profits attributable to properties sold, partially offset by \$51 million of higher termination fees and \$17 million of net stronger results at our remaining owned and leased properties.

Cost Reimbursements

(\$ in millions)	2019	2018	2017	Change 2019 vs. 2018		Change 2018 vs. 2017	
Cost reimbursement revenue	\$ 15,599	\$ 15,543	\$ 15,455	\$ 56	—%	\$ 88	1 %
Reimbursed expenses	16,439	15,778	15,228	661	4%	550	4 %
	\$ (840)	\$ (235)	\$ 227	\$ (605)	257%	\$ (462)	(204)%

Cost reimbursement revenue, net of reimbursed expenses, varies due to timing differences between the costs we incur for centralized programs and services and the related reimbursements we receive from hotel owners and franchisees. Over the long term, our centralized programs and services are not designed to impact our economics, either positively or negatively.

2019 Compared to 2018

Cost reimbursement revenue, net of reimbursed expenses, decreased \$605 million, primarily due to lower Loyalty Program revenues net of expenses.

2018 Compared to 2017

Cost reimbursement revenue, net of reimbursed expenses, decreased \$462 million, primarily due to lower Loyalty Program revenues net of expenses, spending funded by the proceeds from the 2017 sale of our interest in Avendra, and higher expenses for reservations and marketing.

Other Operating Expenses

(\$ in millions)	2019	2018	2017	Change 2019 vs. 2018		Change 2018 vs. 2017	
Depreciation, amortization, and other	\$ 341	\$ 226	\$ 229	\$ 115	51 %	\$ (3)	(1)%
General, administrative, and other	938	927	921	11	1 %	6	1 %
Merger-related costs and charges	138	155	159	(17)	(11)%	(4)	(3)%

2019 Compared to 2018

Depreciation, amortization, and other expenses increased by \$115 million, primarily reflecting the \$99 million asset impairment associated with the Renaissance New York Times Square Hotel lease and the \$15 million impairment of the Sheraton Phoenix Downtown.

General, administrative, and other expenses increased by \$11 million, primarily due to \$32 million of higher administrative costs, \$18 million net unfavorable impact to our legal expenses associated with litigation resolutions, and \$10 million of higher bad debt reserves, partially offset by \$51 million due to the company-funded supplemental retirement savings plan contributions in 2018.

Merger-related costs and charges decreased by \$17 million, primarily due to \$116 million of lower integration costs, partially offset by the \$65 million accrual for the loss contingency related to the Proposed ICO Fine discussed in Note 7 and a \$34 million impairment charge of a Legacy-Starwood office building accounted for as a finance lease.

2018 Compared to 2017

General, administrative, and other expenses increased by \$6 million, primarily due to \$51 million of company-funded supplemental retirement savings plan contributions in 2018 and \$20 million of higher professional fees, partially offset by administrative cost savings largely due to synergies associated with the Starwood Combination. Company-funded supplemental retirement savings plan contributions represent an additional one-time contribution of up to \$1,000 per eligible associate.

Merger-related costs and charges decreased by \$4 million, primarily due to \$23 million of lower transaction and termination costs, partially offset by \$19 million of higher integration costs.

Non-Operating Income (Expense)

(\$ in millions)	2019	2018	2017	Change 2019 vs. 2018		Change 2018 vs. 2017	
Gains and other income, net	\$ 154	\$ 194	\$ 688	\$ (40)	(21)%	\$ (494)	(72)%
Interest expense	(394)	(340)	(288)	54	16 %	52	18 %
Interest income	26	22	38	4	18 %	(16)	(42)%
Equity in earnings	13	103	40	(90)	(87)%	63	158 %

2019 Compared to 2018

Gains and other income, net decreased by \$40 million, primarily due to the 2018 gains on our property sales (\$132 million) and the 2018 gains on the sales of our interest in four equity method investments (\$46 million), partially offset by the 2019 gains on our property sales (\$134 million).

Interest expense increased by \$54 million, primarily due to higher interest on Senior Note issuances, net of maturities.

Equity in earnings decreased by \$90 million, primarily due to the 2018 gains on the sales of two properties held by equity method investees (\$65 million) and lower earnings as a result of both the AC Hotels by Marriott transaction discussed in Note 3, and dispositions of other investments (\$19 million).

2018 Compared to 2017

Gains and other income, net decreased by \$494 million, primarily due to the 2017 gain on the disposition of our ownership interest in Avendra, net of a 2018 true-up (\$653 million) and the 2017 gain on the sale of the Charlotte Marriott City Center (\$24 million), partially offset by 2018 gains on our property sales (\$132 million) and sales of our interest in four equity method investments (\$46 million).

Interest expense increased by \$52 million, primarily due to higher commercial paper interest rates and average borrowings.

Interest income decreased by \$16 million, primarily due to lower outstanding loan balances.

Equity in earnings increased by \$63 million, primarily due to our share of the gains on the sales of two properties held by equity method investees (\$65 million).

Income Taxes

(\$ in millions)	2019	2018	2017	Change 2019 vs. 2018		Change 2018 vs. 2017	
Provision for income taxes	\$ (326)	\$ (438)	\$ (1,523)	\$ (112)	(26)%	\$ (1,085)	(71)%

2019 Compared to 2018

Provision for income taxes decreased by \$112 million, primarily due to lower operating income (\$101 million), the prior year tax expense for uncertain tax positions (\$30 million), the current year tax benefit from the impairment charges associated with the Renaissance New York Times Square Hotel lease and Sheraton Phoenix Downtown (\$29 million), the prior year state income tax expense for the future remittance of accumulated earnings of non-U.S. subsidiaries (\$27 million), and higher earnings in jurisdictions with lower tax rates (\$15 million). The decrease was partially offset by lower benefits resulting from finalizing prior years' returns (\$39 million), the prior year release of tax reserves (\$34 million), and the prior year income tax consequences of an intercompany transaction (\$18 million).

2018 Compared to 2017

Provision for income taxes decreased by \$1,085 million, primarily due to the nonrecurring net tax expense in 2017 related to the 2017 Tax Act and the reduction of the U.S. federal tax rate in 2018 (\$744 million), the prior year gain on the sale of our interest in Avendra (\$257 million), increased earnings in jurisdictions with lower tax rates (\$57 million), lower operating income (\$46 million), reduction of our one-time net tax charge related to the Deemed Repatriation Transition Tax ("Transition Tax") and the remeasurement of deferred income taxes (\$41 million), the release of tax reserves due to the completion of certain examinations (\$34 million), and the income tax consequences of an intercompany transaction (\$18 million). The decrease was partially offset by the period's provisional estimate of tax for Global Intangible Low-Taxed Income under the 2017 Tax Act (\$34 million), tax expense incurred for uncertain tax positions relating to Legacy-Starwood operations (\$30 million), an unfavorable comparison to a 2017 benefit due to tax law changes adopted in non-U.S. jurisdictions in 2017 (\$18 million), the 2017 reversal of tax reserves related to interest accrued for previous periods (\$15 million), net higher tax expense on dispositions (\$13 million), and the 2017 release of a tax reserve due to the favorable settlement of a tax position (\$12 million).

BUSINESS SEGMENTS

The following discussion presents an analysis of the results of operations of our reportable business segments at year-end 2019: North American Full-Service, North American Limited-Service, and Asia Pacific. Our Europe, Middle East and Africa, and Caribbean and Latin America operating segments do not individually meet the criteria for separate disclosure as reportable segments, and accordingly we have not included those operations in this discussion of our Business Segments. See Note 15 to our Financial Statements for other information about each segment, including revenues and a reconciliation of segment profits to net income.

North American Full-Service

<i>(\$ in millions)</i>	2019	2018	2017	Change 2019 vs. 2018		Change 2018 vs. 2017	
Segment revenues	\$ 13,455	\$ 13,072	\$ 12,909	\$ 383	3 %	\$ 163	1 %
Segment profits	\$ 1,148	\$ 1,153	\$ 1,238	\$ (5)	— %	\$ (85)	(7)%

2019 Compared to 2018

In 2019, across our North American Full-Service segment, we added 46 properties (8,746 rooms) and 13 properties (3,436 rooms) left our system.

North American Full-Service segment profits decreased by \$5 million, primarily due to the following:

- \$117 million of higher depreciation, amortization, and other expenses, primarily reflecting impairment charges of \$99 million for the Renaissance New York Times Square Hotel lease and \$15 million for the Sheraton Phoenix Downtown;
- \$14 million of lower cost reimbursement revenue, net of reimbursed expenses;
- \$12 million of lower owned, leased, and other revenue, net of direct expenses, primarily reflecting \$8 million of lower termination fees; and
- \$12 million of lower equity in earnings, primarily due to a \$10 million gain on an equity method investee's sale of a property in 2018;

partially offset by:

- \$110 million of higher gains and other income, net, primarily reflecting a \$134 million gain on the sale of two properties in 2019, partially offset by a \$22 million gain on the sale of two properties in 2018; and

- \$47 million of higher base management and franchise fees, primarily reflecting \$31 million from unit growth and \$20 million from RevPAR growth.

2018 Compared to 2017

In 2018, across our North American Full-Service segment we added 44 properties (10,454 rooms) and 20 properties (6,923 rooms) left our system.

North American Full-Service segment profits decreased by \$85 million, primarily due to the following:

- \$119 million of lower cost reimbursement revenue, net of reimbursed expenses;
- \$24 million of lower owned, leased, and other revenue, net of direct expenses, primarily reflecting \$60 million of lower owned and leased profits attributable to properties sold, partially offset by \$24 million of higher termination fees and \$15 million of net stronger results at our remaining owned and leased properties; and
- \$1 million of lower gains and other income, net, primarily due to the 2017 gain on the sale of the Charlotte Marriott City Center of \$24 million, partially offset by the 2018 gain on the sale of two properties of \$22 million;

partially offset by:

- \$45 million of higher base management and franchise fees, primarily reflecting \$23 million from unit growth and \$18 million from RevPAR growth; and
- \$13 million of lower general, administrative, and other expenses, primarily due to administrative cost savings largely due to synergies associated with the Starwood Combination.

North American Limited-Service

<i>(\$ in millions)</i>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>Change 2019 vs. 2018</u>		<u>Change 2018 vs. 2017</u>	
Segment revenues	\$ 3,378	\$ 3,217	\$ 3,219	\$ 161	5%	\$ (2)	—%
Segment profits	\$ 852	\$ 786	\$ 827	\$ 66	8%	\$ (41)	(5)%

2019 Compared to 2018

In 2019, across our North American Limited-Service segment we added 288 properties (34,990 rooms) and 31 properties (3,424 rooms) left our system.

North American Limited-Service segment profits increased by \$66 million, primarily due to the following:

- \$74 million of higher base management and franchise fees, primarily reflecting \$58 million from unit growth, and \$18 million from AC Hotels by Marriott properties previously presented in the “Equity in earnings” caption of our Income Statements;

partially offset by:

- \$11 million of lower incentive management fees, primarily driven by lower fees from a few portfolios of managed hotels.

2018 Compared to 2017

In 2018, across our North American Limited-Service segment we added 281 properties (33,418 rooms) and 38 properties (3,415 rooms) left our system.

North American Limited-Service segment profits decreased by \$41 million, primarily due to the following:

- \$100 million of lower cost reimbursement revenue, net of reimbursed expenses;

partially offset by:

- \$63 million of higher base management and franchise fees, primarily reflecting \$56 million from unit growth.

Asia Pacific

(\$ in millions)	2019	2018	2017	Change 2019 vs. 2018		Change 2018 vs. 2017	
Segment revenues	\$ 1,189	\$ 1,118	\$ 1,054	\$ 71	6 %	\$ 64	6%
Segment profits	\$ 369	\$ 456	\$ 361	\$ (87)	(19)%	\$ 95	26%

2019 Compared to 2018

In 2019, across our Asia Pacific segment we added 78 properties (17,361 rooms) and 8 properties (2,328 rooms) left our system.

Asia Pacific segment profits decreased by \$87 million, primarily due to the following changes:

- \$69 million of lower gains and other income, net, primarily due to a \$57 million gain on 2018 property sales and a \$13 million gain on sale of our interest in two equity method investments in 2018; and
- \$9 million of lower cost reimbursement revenue, net of reimbursed expenses.

2018 Compared to 2017

In 2018, across our Asia Pacific segment we added 82 properties (19,661 rooms) and 11 properties (3,399 rooms) left our system.

Asia Pacific segment profits increased by \$95 million, primarily due to the following:

- \$71 million of higher gains and other income, net, primarily reflecting a \$57 million gain on 2018 property sales and \$13 million from gains on sale of our interest in two equity method investments;
- \$26 million of higher base management and franchise fees, primarily reflecting \$16 million from unit growth; and
- \$22 million of higher incentive management fees, primarily driven by net higher profits at managed hotels;

partially offset by:

- \$29 million of lower cost reimbursement revenue, net of reimbursed expenses.

SHARE-BASED COMPENSATION

See Note 5 for more information.

NEW ACCOUNTING STANDARDS

See Note 2 for information on our adoption of new accounting standards.

LIQUIDITY AND CAPITAL RESOURCES*Cash Requirements and Our Credit Facility*

In the 2019 second quarter, we amended and restated our multicurrency revolving credit agreement (the "Credit Facility") to extend the maturity date of the Credit Facility and increase the aggregate amount of available borrowings to up to \$4.5 billion. The available borrowings support our commercial paper program and general corporate needs. Borrowings under the Credit Facility generally bear interest at LIBOR plus a spread, based on our public debt rating. We also pay quarterly fees on the Credit Facility at a rate based on our public debt rating. While any outstanding commercial paper borrowings and/or borrowings under our Credit Facility generally have short-term maturities, we classify the outstanding borrowings as long-term based on our ability and intent to refinance the outstanding borrowings on a long-term basis. The Credit Facility expires on June 28, 2024.

The Credit Facility contains certain covenants, including a single financial covenant that limits our maximum leverage (consisting of the ratio of Adjusted Total Debt to EBITDA, each as defined in the Credit Facility) to not more than 4 to 1. The Credit Facility defines EBITDA as net income less cost reimbursement revenue, plus reimbursed expenses, plus the sum of interest expense, income taxes, depreciation, amortization, non-recurring non-cash charges, and extraordinary, non-recurring or unusual cash charges, expenses or losses up to a certain amount.

Our outstanding public debt does not contain a corresponding financial covenant or a requirement that we maintain certain financial ratios. We currently satisfy the covenants in our Credit Facility and public debt instruments, including the leverage covenant under the Credit Facility, and do not expect the covenants will restrict our ability to meet our anticipated borrowing and guarantee levels or increase those levels should we decide to do so in the future.

We believe the Credit Facility and our access to capital markets, together with cash we expect to generate from operations, remain adequate to meet our short-term and long-term liquidity requirements, finance our long-term growth plans, meet debt service, and fulfill other cash requirements.

We issue commercial paper in the U.S. We do not have purchase commitments from buyers for our commercial paper; therefore, our ability to issue commercial paper is subject to market demand. We reserve unused capacity under our Credit Facility to repay outstanding commercial paper borrowings if the commercial paper market is not available to us for any reason when outstanding borrowings mature. We do not expect that fluctuations in the demand for commercial paper will affect our liquidity, given our borrowing capacity under the Credit Facility.

At year-end 2019, our available borrowing capacity amounted to \$1,522 million and reflected borrowing capacity of \$1,297 million under our Credit Facility and our cash balance of \$225 million. We calculated that borrowing capacity by taking \$4.5 billion of effective aggregate bank commitments under our Credit Facility and subtracting \$3,203 million of outstanding commercial paper (there being no outstanding letters of credit under our Credit Facility).

We monitor the status of the capital markets and regularly evaluate the effect that changes in capital market conditions may have on our ability to execute our announced growth plans and fund our liquidity needs. We expect to continue meeting part of our financing and liquidity needs primarily through commercial paper borrowings, issuances of Senior Notes, and access to long-term committed credit facilities. If conditions in the lodging industry deteriorate, or if disruptions in the capital markets take place as they did in the immediate aftermath of both the 2008 worldwide financial crisis and the events of September 11, 2001, we may be unable to place some or all of our commercial paper on a temporary or extended basis and may have to rely more on borrowings under the Credit Facility, which we believe will be adequate to fund our liquidity needs, including repayment of debt obligations, but which may carry a higher cost than commercial paper. Since we continue to have ample flexibility under the Credit Facility's covenants, we expect that undrawn bank commitments under the Credit Facility will remain available to us even if business conditions were to deteriorate markedly.

Cash from Operations

Cash from operations for the last three fiscal years are as follows:

<i>(\$ in millions)</i>	2019	2018	2017
Cash from operations	\$ 1,685	\$ 2,357	\$ 2,227

The \$672 million decrease in cash from operations was primarily due to lower operating income, largely due to timing differences between the costs incurred for centralized programs and services, including our Loyalty Program, and the related reimbursements we received from hotel owners and franchisees in 2019, as well as changes in working capital.

Our ratio of current assets to current liabilities was 0.5 to 1.0 at year-end 2019 and 0.4 to 1.0 at year-end 2018. We have significant borrowing capacity under our Credit Facility should we need additional working capital.

Investing Activities Cash Flows

Capital Expenditures and Other Investments. We made capital expenditures of \$653 million in 2019, \$556 million in 2018, and \$240 million in 2017. Capital expenditures in 2019 increased by \$97 million compared to 2018, primarily reflecting the 2019 acquisitions of W New York - Union Square and Elegant and net higher spending on several owned and leased properties, partially offset by the 2018 acquisition of the Sheraton Phoenix Downtown. Capital expenditures in 2018 increased by \$316 million compared to 2017, primarily reflecting the 2018 acquisition of the Sheraton Phoenix Downtown, improvements to our worldwide systems, and net higher spending on several owned properties.

We expect spending on capital expenditures and other investments will total approximately \$700 million to \$800 million for 2020, including contract acquisition costs, equity and other investments, loan advances, and various capital expenditures (including approximately \$200 million for maintenance capital spending).

We monitor the status of the capital markets and regularly evaluate the potential impact of changes in capital market conditions on our business operations. In the Starwood Combination, we acquired various hotels and joint venture interests in various hotels, many of which we have sold or are seeking to sell. We have made, and expect to continue making selective and

opportunistic investments to add units to our lodging business, which may include property acquisitions and renovations (such as our 2018 acquisition of the Sheraton Phoenix Downtown and our 2019 acquisitions of the W New York - Union Square and Elegant), new construction, loans, guarantees, and noncontrolling equity investments. Over time, we seek to minimize capital invested in our business through asset sales subject to long-term management or franchise agreements.

Fluctuations in the values of hotel real estate generally have little impact on our overall business results because: (1) we own less than one percent of hotels that we operate or franchise; (2) management and franchise fees are generally based upon hotel revenues and profits rather than current hotel property values; and (3) our management agreements generally do not terminate upon hotel sale or foreclosure.

Dispositions. Property and asset sales generated \$395 million cash proceeds in 2019 and \$479 million in 2018. See Note 3 for more information on dispositions.

Loan Activity. From time to time, we make loans to owners of hotels that we operate or franchise. Loan collections, net of loan advances, amounted to \$21 million in 2019, compared to net collections of \$35 million in 2018. At year-end 2019, we had \$126 million of senior, mezzanine, and other loans outstanding, compared to \$131 million outstanding at year-end 2018.

Equity Method Investments. Cash outflows of \$23 million in 2019, \$72 million in 2018, and \$62 million in 2017 for equity method investments primarily reflect our investments in several joint ventures.

Financing Activities Cash Flows

Debt. Debt increased by \$1,593 million in 2019, to \$10,940 million at year-end 2019 from \$9,347 million at year-end 2018, primarily due to the issuance of our Series BB, CC and DD Notes and higher outstanding commercial paper borrowings (\$951 million), partially offset by the maturity of our Series K Notes (\$600 million) and Series T Notes (\$181 million). See Note 9 for additional information on the debt issuances.

Our financial objectives include diversifying our financing sources, optimizing the mix and maturity of our long-term debt, and reducing our working capital. At year-end 2019, our long-term debt had a weighted average interest rate of 2.9 percent and a weighted average maturity of approximately 4.7 years. The ratio of our fixed-rate long-term debt to our total long-term debt was 0.5 to 1.0 at year-end 2019.

See the “Cash Requirements and Our Credit Facility,” caption in this “Liquidity and Capital Resources” section for more information on our Credit Facility.

Share Repurchases. We purchased 17.3 million shares of our common stock in 2019 at an average price of \$130.79 per share, 21.5 million shares in 2018 at an average price of \$130.67 per share, and 29.2 million shares in 2017 at an average price of \$103.66 per share. At year-end 2019, 18.4 million shares remained available for repurchase under Board approved authorizations. For additional information, see “Fourth Quarter 2019 Issuer Purchases of Equity Securities” in Part II, Item 5.

Dividends. Our Board of Directors declared the following quarterly cash dividends in 2019: (1) \$0.41 per share declared on February 15, 2019 and paid March 29, 2019 to shareholders of record on March 1, 2019, (2) \$0.48 per share declared on May 10, 2019 and paid June 28, 2019 to shareholders of record on May 24, 2019, (3) \$0.48 per share declared on August 8, 2019 and paid September 30, 2019 to shareholders of record on August 22, 2019, and (4) \$0.48 per share declared on November 7, 2019 and paid December 31, 2019 to shareholders of record on November 21, 2019. Our Board of Directors declared a cash dividend of \$0.48 per share on February 14, 2020, payable on March 31, 2020 to shareholders of record on February 28, 2020.

Contractual Obligations and Off-Balance Sheet Arrangements

Contractual Obligations

The following table summarizes our contractual obligations at year-end 2019:

(\$ in millions)	Total	Payments Due by Period			
		Less Than 1 Year	1-3 Years	3-5 Years	After 5 Years
Debt ⁽¹⁾	\$ 11,977	\$ 1,228	\$ 3,188	\$ 4,704	\$ 2,857
Finance lease obligations ⁽¹⁾	217	13	26	27	151
Operating leases where we are the primary obligor	1,310	173	336	222	579
Purchase obligations	276	116	160	—	—
Other noncurrent liabilities	128	—	53	16	59
Total contractual obligations	\$ 13,908	\$ 1,530	\$ 3,763	\$ 4,969	\$ 3,646

⁽¹⁾ Includes principal as well as interest payments.

The preceding table does not reflect projected Transition Tax payments totaling \$447 million as a result of the 2017 Tax Act at year-end 2019. In addition, the table does not reflect unrecognized tax benefits at year-end 2019 of \$570 million.

In addition to the purchase obligations noted in the preceding table, in the normal course of business we enter into purchase commitments to manage the daily operating needs of the hotels that we manage. Since we are reimbursed from the cash flows of the hotels, these obligations have minimal impact on our net income and cash flow.

Other Commitments

The following table summarizes our guarantee, investment, and loan commitments at year-end 2019:

(\$ in millions)	Total Amounts Committed	Payments Due by Period			
		Less Than 1 Year	1-3 Years	3-5 Years	After 5 Years
Guarantee commitments (expiration by period)	\$ 299	\$ 4	\$ 86	\$ 63	\$ 146
Investment and loan commitments (expected funding by period)	55	34	17	2	2
Total other commitments	\$ 354	\$ 38	\$ 103	\$ 65	\$ 148

In conjunction with financing obtained for specific projects or properties owned by joint ventures in which we are a party, we may provide industry standard indemnifications to the lender for loss, liability, or damage occurring as a result of our actions or the actions of the other joint venture owner.

In addition, we granted a hotel owner a one-time right to require us to purchase the leasehold interest in the land and hotel for \$300 million in cash, exercisable in 2022. See Note 7 for more information.

For further information, including the nature of the commitments and their expirations, see the “Commitments” caption in Note 7.

Letters of Credit

At year-end 2019, we had \$145 million of letters of credit outstanding (all outside the Credit Facility, as defined in Note 9), most of which were for our self-insurance programs. Surety bonds issued as of year-end 2019 totaled \$160 million, most of which state governments requested in connection with our self-insurance programs.

RELATED PARTY TRANSACTIONS

Equity Method Investments

We have equity method investments in entities that own properties for which we provide management services and receive fees. In addition, in some cases we provide loans, preferred equity, or guarantees to these entities.

Other Related Parties

We provide management services for and receive fees from properties owned by JWM Family Enterprises, L.P., which is beneficially owned and controlled by J.W. Marriott, Jr., Deborah Marriott Harrison, and other members of the Marriott family.

For more information, including the impact to our financial statements of transactions with these related parties, see Note 16.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect reported amounts and related disclosures. Management considers an accounting policy and estimate to be critical if: (1) we must make assumptions that were uncertain when the estimate was made; and (2) changes in the estimate, or selection of a different estimate methodology could have a material effect on our consolidated results of operations or financial condition. Management has discussed the development and selection of its critical accounting policies and estimates with the Audit Committee of our Board of Directors.

While we believe that our estimates, assumptions, and judgments are reasonable, they are based on information available when the estimate or assumption was made. Actual results may differ significantly. Additionally, changes in our assumptions, estimates or assessments due to unforeseen events or otherwise could have a material impact on our financial position or results of operations.

See Note 2 for further information related to our critical accounting policies and estimates, which are as follows:

Loyalty Program, including how we estimate the breakage of hotel points, credit card points, and free night certificates, the volume of points and free night certificates that will be issued under our co-brand credit card agreements, the amount of consideration to which we will be entitled under our co-brand credit card agreements, and the stand-alone selling prices of goods and services provided under our co-brand credit card agreements;

Goodwill, including how we evaluate the fair value of reporting units and when we record an impairment loss on goodwill;

Intangibles and Long-Lived Assets, including how we evaluate the fair value of intangibles and long-lived assets and when we record impairment losses on intangibles and long-lived assets;

Investments, including information on how we evaluate the fair value of investments and when we record impairment losses on investments;

Income Taxes, including information on how we determine our current year amounts payable or refundable and our estimate of deferred tax assets and liabilities; and

Business Combinations, including the assumptions that we make to estimate the fair values of assets acquired and liabilities assumed related to discount rates, royalty rates, and the amount and timing of future cash flows.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risk from changes in interest rates, stock prices, currency exchange rates, and debt prices. We manage our exposure to these risks by monitoring available financing alternatives, through development and application of credit granting policies and by entering into derivative arrangements. We do not foresee any significant changes in either our exposure to fluctuations in interest rates or currency rates or how we manage such exposure in the future.

We are exposed to interest rate risk on our floating-rate notes receivable and floating-rate debt. Changes in interest rates also impact the fair value of our fixed-rate notes receivable and the fair value of our fixed-rate long-term debt.

We are also subject to risk from changes in debt prices from our investments in debt securities and fluctuations in stock price from our investment in a publicly traded company. Changes in the price of the underlying stock can impact the fair value of our investment.

We use derivative instruments, including cash flow hedges, net investment in non-U.S. operations hedges, and other derivative instruments, as part of our overall strategy to manage our exposure to market risks associated with fluctuations in interest rates and currency exchange rates. As a matter of policy, we only enter into transactions that we believe will be highly effective at offsetting the underlying risk, and we do not use derivatives for trading or speculative purposes. See Note 2 for more information on derivative instruments.

The following table sets forth the scheduled maturities and the total fair value as of year-end 2019 for our financial instruments that are impacted by market risks:

(\$ in millions)	Maturities by Period						Total Carrying Amount	Total Fair Value
	2020	2021	2022	2023	2024	There-after		
Assets - Maturities represent expected principal receipts, fair values represent assets.								
Fixed-rate notes receivable	\$ 5	\$ 3	\$ 3	\$ 1	\$ 1	\$ 31	\$ 44	\$ 44
Average interest rate							1.27%	
Floating-rate notes receivable	\$ 4	\$ 29	\$ 25	\$ 1	\$ 7	\$ 16	\$ 82	\$ 77
Average interest rate							4.36%	
Liabilities - Maturities represent expected principal payments, fair values represent liabilities.								
Fixed-rate debt	\$ (422)	\$ (859)	\$ (1,107)	\$ (686)	\$ (14)	\$ (2,543)	\$ (5,631)	\$ (5,880)
Average interest rate							3.44%	
Floating-rate debt	\$ (549)	\$ (299)	\$ (543)	\$ —	\$ (3,761)	\$ —	\$ (5,152)	\$ (5,179)
Average interest rate							2.30%	

Item 8. Financial Statements and Supplementary Data.

The following financial information is included on the pages indicated:

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Marriott International, Inc. (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting and for assessing the effectiveness of internal control over financial reporting. The Company has designed its internal control over financial reporting to provide reasonable assurance on the reliability of financial reporting and the preparation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles.

The Company's internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the Company's transactions and dispositions of the Company's assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of the Company's management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

Because of inherent limitations in internal control over financial reporting, such controls may not prevent or detect misstatements. Also, projections of any evaluation of the effectiveness of internal controls to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In connection with the preparation of the Company's annual consolidated financial statements, management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the "COSO criteria").

Based on this assessment, and the existence of a material weakness related to the accounting for our Loyalty Program further described in Part II, Item 9A, management has concluded that, applying the COSO criteria, as of December 31, 2019, the Company's internal control over financial reporting was not effective to provide reasonable assurance of the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. We have made progress towards remediation and continue to implement our remediation plan. See the "Remediation of Material Weakness" caption in Part II, Item 9A for further information.

Ernst & Young LLP, the independent registered public accounting firm that audited the Company's consolidated financial statements included in this report, has issued an attestation report on the effectiveness of the Company's internal control over financial reporting, a copy of which appears on the following page.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Marriott International, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Marriott International, Inc.'s internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the COSO criteria). In our opinion, because of the effect of the material weakness described below on the achievement of the objectives of the control criteria, Marriott International, Inc. (the Company) has not maintained effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment. Management has identified a material weakness in controls whereby the Company did not have a sufficient complement of resources, including IT and accounting processes and personnel, to perform the ongoing accounting associated with the guest loyalty program.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Marriott International, Inc. as of December 31, 2019 and 2018, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three fiscal years in the period ended December 31, 2019, and the related notes. This material weakness was considered in determining the nature, timing and extent of audit tests applied in our audit of the 2019 consolidated financial statements, and this report does not affect our report dated February 27, 2020, which expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Tysons, Virginia
February 27, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Marriott International, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Marriott International, Inc. (the Company) as of December 31, 2019 and 2018, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three fiscal years in the period ended December 31, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) and our report dated February 27, 2020 expressed an adverse opinion thereon.

Adoption of New Accounting Standards

As discussed in Note 2 to the financial statements, the Company has changed its method of accounting for leases in fiscal year 2019 due to the adoption of the new leasing standard. The Company adopted the new leasing standard using the modified retrospective approach.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Accounting for the Loyalty Program

Description of the Matter

During 2019 the Company recognized \$2,211 million of revenues previously deferred as of December 31, 2018 and had deferred revenue of \$5,718 million as of December 31, 2019 associated with the Marriott Bonvoy guest loyalty program (the “Loyalty Program”). As discussed in Note 2 to the financial statements, the Company recognizes revenue for performance obligations relating to Loyalty Program points and free night certificates as they are redeemed and the related performance obligations are satisfied. The Company recognizes a portion of revenue for the Licensed IP performance obligation under the sales-based royalty criteria, with the remaining portion recognized on a straight-line basis over the contract term. Revenue is recognized utilizing complex models based upon the estimated standalone selling price per point and per free night certificate, which includes judgment in making the estimates of variable consideration and breakage of points.

Auditing Loyalty Program results is complex due to: (1) the complexity of models and high volume of data used to monitor and account for Loyalty Program results, (2) the material weakness in the Company’s internal control over financial reporting relating to the insufficient complement of resources, including IT and accounting processes and personnel, to perform the ongoing accounting associated with the Loyalty Program and (3) the complexity and judgment of estimating the standalone selling price per Loyalty Program point, including both the estimate of variable consideration under the Company’s co-brand credit card agreements and the estimated breakage of Loyalty Program points which requires the use of specialists. Such estimates are complex given the significant estimation uncertainty associated with projecting future cardholder spending and redemption activity.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of certain controls over the Company’s process of accounting for the Loyalty Program. We tested controls over management’s review of the assumptions and data inputs utilized in estimating the standalone selling price per Loyalty Program point, as well as the development of the estimated breakage.

To test the recognition of revenues and costs associated with the Loyalty Program, we performed audit procedures that included, among others, testing the clerical accuracy and consistency with US GAAP of the accounting model developed by the Company to recognize revenue and costs associated with the Loyalty Program, and testing significant inputs into the accounting model, including the estimated standalone selling price and recognition of points earned and redeemed during the period. Because of the material weakness we expanded our sample sizes selected for substantive testing and performed additional testing over the completeness and accuracy of Loyalty Program data. We involved our actuarial professionals to assist in our testing procedures with respect to the estimate of the breakage of Loyalty Program points. We evaluated management’s methodology for estimating the breakage of Loyalty Program points, and we tested underlying data and actuarial assumptions used in estimating the breakage. We evaluated the reasonableness of management’s assumptions, including projections of cash flows, used to estimate variable consideration under the Company’s co-brand credit cards.

Accounting for General & Administrative Expenses and Reimbursed Expenses

Description of the Matter

During 2019 the Company recognized \$938 million of general and administrative expenses and \$16,439 million of reimbursed expenses. As discussed in Note 2 to the financial statements, the Company incurs certain expenses that are for the benefit of, and reimbursable from, hotel owners and franchisees. Such amounts are recorded in the period in which the expense is incurred and include judgment with respect to the allocation of certain costs between general & administrative expenses, which are non-reimbursable, and reimbursed expenses.

Auditing the classification of general and administrative expenses and reimbursed expenses is complex due to: (1) judgment associated with testing management's conclusions regarding the allocation of costs between reimbursable and non-reimbursable expenses, (2) the complexity associated with allocating above-property expenses to hotel owners and franchisees due to the high volume of data used to monitor and account for reimbursed expenses and (3) incentives within management's compensation structure designed to limit the growth in general and administrative expenses.

*How We Addressed the Matter
in Our Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's process of accounting for reimbursed expenses, general and administrative expenses, and the process for allocating expenses. For example, we tested management's controls over the review of the allocation of certain costs to determine if they were reasonably classified.

To test the recognition of reimbursed expenses for appropriate classification, we performed audit procedures that included, among others, (1) testing a sample of transactions that were classified within reimbursed expenses in order to evaluate the appropriate accounting treatment and financial statement classification pursuant to the terms of the management and franchise agreements, (2) performed analytical procedures over total reimbursed expenses and general and administrative expenses in order to identify any trends or indicators of material errors in the classification of expenses, (3) tested manual journal entries made to reimbursed expenses and general and administrative expenses and (4) evaluated the methodology of cost allocations, including any material changes to allocations during the period.

Accounting for Acquisitions and Dispositions

Description of the Matter

As discussed in Note 3 to the financial statements, the Company executed acquisitions and disposals of real estate, including: (1) the acquisition of the remaining interest in two joint ventures that resulted in the recognition of the indefinite-lived intangible brand asset for AC Hotels by Marriott of \$156 million and management and franchise agreements of \$34 million, (2) the acquisition of the W New York - Union Square for \$206 million, (3) the acquisition of Elegant Hotels for \$128 million in cash and assumed Elegant's net debt outstanding of \$63 million and (4) the dispositions of The St. Regis New York and the Sheraton Gateway Hotel in Toronto International Airport, resulting in recognition of aggregate gains on the disposition of real estate assets of \$134 million recognized within "Gains and other income, net" during 2019.

Auditing the accounting for acquisitions and dispositions is complex and judgmental as a result of: (1) the magnitude of acquisitions, real estate dispositions and related gains on disposition recognized during the year, (2) significant estimation involved in estimating the fair value of acquired real estate and intangible assets, including the estimate of the relative fair value of assets acquired and (3) technical accounting complexities associated with each individual acquisition and disposition. For dispositions, such complexities included the determination of whether the sale meets the definition of a business, the appropriate treatment of deferred taxes, and in instances where the Company enters into an agreement to manage or franchise the property subsequent to disposition, whether such agreements are consistent with market value.

*How We Addressed the Matter
in Our Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's process of accounting for acquisitions and dispositions during the year. For example, we tested management's controls over the review of the technical accounting conclusions reached.

To test the accounting for acquisitions and dispositions we performed audit procedures that included, among others, assessing the technical positions taken by management, vouching of consideration paid in acquisitions and proceeds received in dispositions, testing the estimate of fair value or relative fair value allocation to acquired assets, testing the clerical accuracy of the Company's gain or loss calculations, and testing the appropriateness of the allocation of deferred taxes to individual asset dispositions.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2002.

Tysons, Virginia
February 27, 2020

MARRIOTT INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF INCOME
Fiscal Years 2019, 2018, and 2017
(\$ in millions, except per share amounts)

	December 31, 2019	December 31, 2018	December 31, 2017
REVENUES			
Base management fees ⁽¹⁾	\$ 1,180	\$ 1,140	\$ 1,102
Franchise fees	2,006	1,849	1,586
Incentive management fees ⁽¹⁾	637	649	607
Gross fee revenues	3,823	3,638	3,295
Contract investment amortization ⁽¹⁾	(62)	(58)	(50)
Net fee revenues	3,761	3,580	3,245
Owned, leased, and other revenue ⁽¹⁾	1,612	1,635	1,752
Cost reimbursement revenue ⁽¹⁾	15,599	15,543	15,455
	20,972	20,758	20,452
OPERATING COSTS AND EXPENSES			
Owned, leased, and other-direct	1,316	1,306	1,411
Depreciation, amortization, and other ⁽¹⁾	341	226	229
General, administrative, and other ⁽¹⁾	938	927	921
Merger-related costs and charges	138	155	159
Reimbursed expenses ⁽¹⁾	16,439	15,778	15,228
	19,172	18,392	17,948
OPERATING INCOME	1,800	2,366	2,504
Gains and other income, net ⁽¹⁾	154	194	688
Interest expense ⁽¹⁾	(394)	(340)	(288)
Interest income ⁽¹⁾	26	22	38
Equity in earnings ⁽¹⁾	13	103	40
INCOME BEFORE INCOME TAXES	1,599	2,345	2,982
Provision for income taxes	(326)	(438)	(1,523)
NET INCOME	\$ 1,273	\$ 1,907	\$ 1,459
EARNINGS PER SHARE			
Earnings per share - basic	\$ 3.83	\$ 5.45	\$ 3.89
Earnings per share - diluted	\$ 3.80	\$ 5.38	\$ 3.84

⁽¹⁾ See Note 16 for disclosure of related party amounts.

See Notes to Consolidated Financial Statements.

MARRIOTT INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Fiscal Years 2019, 2018, and 2017
(\$ in millions)

	December 31, 2019	December 31, 2018	December 31, 2017
Net income	\$ 1,273	\$ 1,907	\$ 1,459
Other comprehensive (loss) income:			
Foreign currency translation adjustments	35	(391)	478
Derivative instrument adjustments and other, net of tax	2	4	(9)
Reclassification of (gains) losses, net of tax	(7)	17	11
Total other comprehensive (loss) income, net of tax	30	(370)	480
Comprehensive income	\$ 1,303	\$ 1,537	\$ 1,939

See Notes to Consolidated Financial Statements.

MARRIOTT INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS
Fiscal Years-Ended 2019 and 2018
(\$ in millions)

	December 31, 2019	December 31, 2018
ASSETS		
Current assets		
Cash and equivalents	\$ 225	\$ 316
Accounts and notes receivable, net ⁽¹⁾	2,395	2,133
Prepaid expenses and other ⁽¹⁾	252	249
Assets held for sale	255	8
	<u>3,127</u>	<u>2,706</u>
Property and equipment, net	1,904	1,956
Intangible assets		
Brands	5,954	5,790
Contract acquisition costs and other ⁽¹⁾	2,687	2,590
Goodwill	9,048	9,039
	<u>17,689</u>	<u>17,419</u>
Equity method investments ⁽¹⁾	577	732
Notes receivable, net	117	125
Deferred tax assets	154	171
Operating lease assets	888	—
Other noncurrent assets ⁽¹⁾	595	587
	<u>\$ 25,051</u>	<u>\$ 23,696</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Current portion of long-term debt	\$ 977	\$ 833
Accounts payable ⁽¹⁾	720	767
Accrued payroll and benefits	1,339	1,345
Liability for guest loyalty program	2,258	2,529
Accrued expenses and other ⁽¹⁾	1,383	963
	<u>6,677</u>	<u>6,437</u>
Long-term debt	9,963	8,514
Liability for guest loyalty program	3,460	2,932
Deferred tax liabilities ⁽¹⁾	290	485
Deferred revenue	840	731
Operating lease liabilities	882	—
Other noncurrent liabilities ⁽¹⁾	2,236	2,372
Shareholders' equity		
Class A Common Stock	5	5
Additional paid-in-capital	5,800	5,814
Retained earnings	9,644	8,982
Treasury stock, at cost	(14,385)	(12,185)
Accumulated other comprehensive loss	(361)	(391)
	<u>703</u>	<u>2,225</u>
	<u>\$ 25,051</u>	<u>\$ 23,696</u>

⁽¹⁾ See Note 16 for disclosure of related party amounts.

See Notes to Consolidated Financial Statements.

MARRIOTT INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Fiscal Years 2019, 2018, and 2017
(\$ in millions)

	December 31, 2019	December 31, 2018	December 31, 2017
OPERATING ACTIVITIES			
Net income	\$ 1,273	\$ 1,907	\$ 1,459
Adjustments to reconcile to cash provided by operating activities:			
Depreciation, amortization, and other	403	284	279
Share-based compensation	187	184	181
Income taxes	(200)	(239)	887
Liability for guest loyalty program	257	520	298
Contract acquisition costs	(195)	(152)	(185)
Merger-related charges	86	16	(124)
Working capital changes	(273)	(76)	(30)
Gain on asset dispositions	(147)	(194)	(687)
Other	294	107	149
Net cash provided by operating activities	1,685	2,357	2,227
INVESTING ACTIVITIES			
Capital expenditures	(653)	(556)	(240)
Dispositions	395	479	1,418
Loan advances	(30)	(13)	(93)
Loan collections	51	48	187
Other	(47)	(10)	(61)
Net cash (used in) provided by investing activities	(284)	(52)	1,211
FINANCING ACTIVITIES			
Commercial paper/Credit Facility, net	951	(129)	60
Issuance of long-term debt	1,397	1,646	—
Repayment of long-term debt	(835)	(397)	(310)
Issuance of Class A Common Stock	7	4	6
Dividends paid	(612)	(543)	(482)
Purchase of treasury stock	(2,260)	(2,850)	(3,013)
Share-based compensation withholding taxes	(148)	(105)	(157)
Other	(8)	—	—
Net cash (used in) provided by financing activities	(1,508)	(2,374)	(3,896)
DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(107)	(69)	(458)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of period ⁽¹⁾	360	429	887
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of period ⁽¹⁾	\$ 253	\$ 360	\$ 429

⁽¹⁾ The 2019 amounts include beginning restricted cash of \$44 million at December 31, 2018, and ending restricted cash of \$28 million at December 31, 2019, which we present in the "Prepaid expenses and other" and "Other noncurrent assets" captions of our Balance Sheets.

See Notes to Consolidated Financial Statements.

MARRIOTT INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Fiscal Years 2019, 2018, and 2017
(in millions, except per share amounts)

Common Shares Outstanding		Total	Class A Common Stock	Additional Paid-in-Capital	Retained Earnings	Treasury Stock, at Cost	Accumulated Other Comprehensive Loss
386.1	Balance at December 31, 2016	\$ 5,121	\$ 5	\$ 5,808	\$ 6,265	\$ (6,460)	\$ (497)
—	Net income	1,459	—	—	1,459	—	—
—	Other comprehensive loss	480	—	—	—	—	480
—	Dividends (\$1.29 per share)	(482)	—	—	(482)	—	—
2.2	Share-based compensation plans	29	—	(38)	—	67	—
(29.2)	Purchase of treasury stock	(3,025)	—	—	—	(3,025)	—
359.1	Balance at December 31, 2017	3,582	5	5,770	7,242	(9,418)	(17)
—	Adoption of ASU 2016-01	—	—	—	4	—	(4)
—	Adoption of ASU 2016-16	372	—	—	372	—	—
—	Net income	1,907	—	—	1,907	—	—
—	Other comprehensive loss	(370)	—	—	—	—	(370)
—	Dividends (\$1.56 per share)	(543)	—	—	(543)	—	—
1.5	Share-based compensation plans	86	—	44	—	42	—
(21.5)	Purchase of treasury stock	(2,809)	—	—	—	(2,809)	—
339.1	Balance at December 31, 2018	2,225	5	5,814	8,982	(12,185)	(391)
—	Adoption of ASU 2016-02	1	—	—	1	—	—
—	Net income	1,273	—	—	1,273	—	—
—	Other comprehensive income	30	—	—	—	—	30
—	Dividends (\$1.85 per share)	(612)	—	—	(612)	—	—
2.2	Share-based compensation plans	46	—	(14)	—	60	—
(17.3)	Purchase of treasury stock	(2,260)	—	—	—	(2,260)	—
324.0 ⁽¹⁾	Balance at December 31, 2019	\$ 703	\$ 5	\$ 5,800	\$ 9,644	\$ (14,385)	\$ (361)

⁽¹⁾ Our restated certificate of incorporation authorizes 800 million shares of our common stock, with a par value of \$.01 per share and 10 million shares of preferred stock, without par value. At year-end 2019, we had 324 million of these authorized shares of our common stock and no preferred stock outstanding.

See Notes to Consolidated Financial Statements.

MARRIOTT INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. BASIS OF PRESENTATION

The consolidated financial statements present the results of operations, financial position, and cash flows of Marriott International, Inc. and subsidiaries (referred to in this report as “we,” “us,” “Marriott,” or “the Company”). In order to make this report easier to read, we also refer throughout to (i) our Consolidated Financial Statements as our “Financial Statements,” (ii) our Consolidated Statements of Income as our “Income Statements,” (iii) our Consolidated Balance Sheets as our “Balance Sheets,” (iv) our Consolidated Statements of Cash Flows as our “Statements of Cash Flows,” (v) our properties, brands, or markets in the United States (“U.S.”) and Canada as “North America” or “North American,” and (vi) our properties, brands, or markets in our Caribbean and Latin America, Europe, and Middle East and Africa regions as “Other International,” and together with those in our Asia Pacific segment, as “International.” In addition, references throughout to numbered “Notes” refer to these Notes to Consolidated Financial Statements, unless otherwise stated.

Preparation of financial statements that conform with U.S. generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements, the reported amounts of revenues and expenses during the reporting periods, and the disclosures of contingent liabilities. Accordingly, ultimate results could differ from those estimates.

The accompanying Financial Statements reflect all normal and recurring adjustments necessary to present fairly our financial position at fiscal year-end 2019 and fiscal year-end 2018 and the results of our operations and cash flows for fiscal years 2019, 2018, and 2017. We have eliminated all material intercompany transactions and balances between entities consolidated in these Financial Statements.

The accompanying Financial Statements also reflect our adoption of ASU 2016-02. See the “New Accounting Standards Adopted” caption in Note 2 for additional information.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*Revenue Recognition*

Base Management and Incentive Management Fees: For our managed hotels, we have performance obligations to provide hotel management services and a license to our hotel system intellectual property for the use of our brand names. As compensation for such services, we are generally entitled to receive base fees, which are a percentage of the revenues of hotels, and incentives fees, which are generally based on a measure of hotel profitability. Both the base and incentive management fees are variable consideration, as the transaction price is based on a percentage of revenue or profit, as defined in each contract. We recognize base management fees on a monthly basis over the term of the agreement as those amounts become payable. We recognize incentive management fees on a monthly basis over the term of the agreement based on each property’s financial results, as long as we do not expect a significant reversal due to projected future hotel performance or cash flows in future periods.

Franchise Fee and Royalty Fee Revenue: For our franchised hotels, we have a performance obligation to provide franchisees and operators a license to our hotel system intellectual property for use of certain of our brand names. As compensation for such services, we are typically entitled to initial application fees and ongoing royalty fees. Our ongoing royalty fees represent variable consideration, as the transaction price is based on a percentage of certain revenues of the hotels, as defined in each contract. We recognize royalty fees on a monthly basis over the term of the agreement as those amounts become payable. Initial application and relicensing fees are fixed consideration payable upon submission of a franchise application or renewal and are recognized on a straight-line basis over the initial or renewal term of the franchise agreements.

Owned and Leased Hotel Revenue: At our owned and leased hotels, we have performance obligations to provide accommodations and other ancillary services to hotel guests. As compensation for such goods and services, we are typically entitled to a fixed nightly fee for an agreed upon period and additional fixed fees for any ancillary services purchased. These fees are generally payable at the time the hotel guest checks out of the hotel. We generally satisfy the performance obligations over time, and we recognize the revenue from room sales and from other ancillary guest services on a daily basis, as the rooms are occupied and we have rendered the services.

Cost Reimbursements: Under our management and franchise agreements, we are entitled to be reimbursed for certain costs we incur on behalf of the managed, franchised, and licensed properties, with no added mark-up. These costs primarily consist of payroll and related expenses at managed properties where we are the employer of the employees at the properties and

include certain operational and administrative costs as provided for in our contracts with the owners. We are entitled to reimbursement in the period we incur the related reimbursable costs, which we recognize within the “Cost reimbursement revenue” caption of our Income Statements.

Under our management and franchise agreements, hotel owners and franchisees participate in certain centralized programs and services, such as marketing, sales, reservations, and insurance programs. We operate these programs and services for the benefit of our hotel owners. We do not operate these programs and services to generate a profit over the contract term, and accordingly, when we recover the costs that we incur for these programs and services from our hotel owners, we do not seek a mark-up. The amounts we charge for these programs and services are generally a combination of fixed fees and variable fees based on sales or other metrics and are payable on a monthly basis. We recognize revenue within the “Cost reimbursement revenue” caption of our Income Statements when the amounts may be billed to hotel owners, and we recognize expenses within the “Reimbursed expenses” caption as they are incurred. This pattern of recognition results in timing differences between the costs incurred for centralized programs and services and the related reimbursement from hotel owners in our operating and net income. Over the long term, these programs and services are not designed to impact our economics, either positively or negatively. In addition, proceeds from the sale of our interest in Avendra that we expend for the benefit of our hotel owners are included in “Reimbursed expenses.”

Other Revenue: Includes Global Design fees, which we describe below, termination fees, and other property and brand revenues. We generally recognize termination fees when collection is probable, and other revenue as services are rendered. Amounts received in advance are deferred as liabilities.

We provide hotel design and construction review quality assurance (“Global Design”) services to our managed and franchised hotel owners, generally during the period prior to a hotel’s opening or during the period a hotel is converting to a Marriott brand (the “pre-opening period”). As compensation for such services, we may be entitled to receive a one-time fixed fee that is payable during the pre-opening period of the hotel. As these services are not a distinct performance obligation, we recognize the fees on a straight-line basis over the initial term of the management or franchise agreement within the “Owned, leased, and other revenue” caption of our Income Statements.

Practical Expedients and Exemptions: We do not disclose the amount of variable consideration that we expect to recognize in future periods in the following circumstances:

- (1) if we recognize the revenue based on the amount invoiced or services performed;
- (2) for sales-based or usage-based royalty promised in exchange for a license of intellectual property; or
- (3) if the consideration is allocated entirely to a wholly unsatisfied promise to transfer a distinct service that forms part of a single performance obligation, and the terms of the consideration relate specifically to our efforts to transfer, or to a specific outcome from transferring the service.

We are required to collect certain taxes and fees from customers on behalf of governmental agencies and remit these to the applicable governmental agencies on a periodic basis. We do not include these taxes in determining the transaction price.

Loyalty Program:

Loyalty Program members earn points based on the money they spend at our hotels; purchases of timeshare interval, fractional ownership, and residential products; and through participation in travel experiences and affiliated partners’ programs, such as those offered by credit card, car rental, and airline companies. Members can redeem points, which we track on their behalf, for stays at most of our hotels, airline tickets, airline frequent flyer program miles, rental cars, and a variety of other awards. Points cannot be redeemed for cash.

Under our Loyalty Program, we have a performance obligation to provide or arrange for the provision of goods or services for free or at a discount to Loyalty Program members in exchange for the redemption of points earned from past activities. We operate our Loyalty Program as a cross-brand marketing program to participating properties. Our management and franchise agreements require that properties reimburse us for a portion of the costs of operating the Loyalty Program, including costs for marketing, promotion, communication with, and performing member services for Loyalty Program members, with no added mark-up. We receive contributions on a monthly basis from managed, franchised, owned, and leased hotels based on a portion of qualified spend by Loyalty Program members. We recognize these contributions into revenue as the points are redeemed and we provide the related service. The amount of revenue we recognize upon point redemption is impacted by our estimate of the “breakage” for points that members will never redeem. We estimate breakage based on our historical experience and expectations of future member behavior. We recognize revenue net of the redemption cost within our “Cost reimbursement revenue” caption on our Income Statements, as our performance obligation is to facilitate the transaction

between the Loyalty Program member and the managed or franchised property or program partner. We recognize all other Loyalty Program costs as incurred in our “Reimbursed expenses” caption.

We have multi-year agreements for our co-brand credit cards associated with our Loyalty Program. Under these agreements, we have performance obligations to provide a license to the intellectual property associated with our brands and marketing lists (“Licensed IP”) to the financial institution that issues the credit cards, to arrange for the redemption of Loyalty Program points as discussed in the preceding paragraph, and to arrange for the redemption of free night certificates provided to cardholders. We receive fees from these agreements, including fixed amounts that are primarily payable at contract inception, and variable amounts that are paid to us monthly over the term of the agreements, based on: (1) the number of free night certificates issued and redeemed; (2) the number of Loyalty Program points purchased; and (3) the volume of cardholder spend. We allocate those fees among the performance obligations, including the Licensed IP, our Loyalty Program points, and free night certificates provided to cardholders based on their estimated standalone selling prices. The estimation of the standalone selling prices requires significant judgments based upon generally accepted valuation methodologies regarding the value of our Licensed IP, the amount of funding we will receive, and the number of Loyalty Program points and free night certificates we will issue over the term of the agreements. We base our estimates of these amounts on our historical experience and expectation of future cardholder behavior. We recognize the portion of the Licensed IP revenue that meets the sales-based royalty criteria as the credit cards are used and the remaining portion of the Licensed IP revenue on a straight-line basis over the contract term. In our Income Statements, we primarily recognize Licensed IP revenue in the “Franchise fees” caption, and we recognize a portion in the “Cost reimbursement revenue” caption. We recognize the revenue related to the Loyalty Program points as discussed in the preceding paragraph. We recognize the revenue related to the free night certificates when the related service is provided. We recognize revenue net of the redemption cost, as our performance obligation is to facilitate the transaction between the Loyalty Program member and the managed or franchised property.

Contract Balances: We generally receive payments from customers as we satisfy our performance obligations. We record a receivable when we have an unconditional right to receive payment and only the passage of time is required before payment is due. We record deferred revenue when we receive payment, or have the unconditional right to receive payment, in advance of the satisfaction of our performance obligations related to franchise application and relicensing fees, Global Design fees, credit card branding license fees, and our Loyalty Program.

Current and noncurrent deferred revenue increased by \$129 million, to \$960 million at December 31, 2019 from \$831 million at December 31, 2018, primarily as a result of our Global Design, cost reimbursements, and application and relicensing activities described in the “Revenue Recognition” caption above.

Our current and noncurrent Loyalty Program liability increased by \$257 million, to \$5,718 million at December 31, 2019 from \$5,461 million at December 31, 2018, primarily reflecting an increase in points earned by members, partially offset by \$2,211 million of revenue recognized in 2019, that was deferred as of December 31, 2018. At each reporting period, we evaluate the estimates used in the recognition of Loyalty Program revenues, including estimates of the breakage of points that members will never redeem and the amount of funding we expect to receive over the life of the agreements with various third parties. In 2019, the updated estimates resulted in a net increase in deferred revenue, and a corresponding net reduction of revenue of approximately \$78 million (\$58 million net of tax).

Costs Incurred to Obtain and Fulfill Contracts with Customers

We incur certain costs to obtain and fulfill contracts with customers, which we capitalize and amortize on a straight-line basis over the initial, non-cancellable term of the contract. We classify incremental costs of obtaining a contract with a customer in the “Contract acquisition costs and other” caption of our Balance Sheets, the related amortization in the “Contract investment amortization” caption of our Income Statements, and the cash flow impact in the “Contract acquisition costs” caption of our Statements of Cash Flows. We classify certain direct costs to fulfill a contract with a customer in the “Other noncurrent assets” caption of our Balance Sheets, and the related amortization in the “Owned, leased, and other - direct expenses” caption of our Income Statements. We had capitalized costs to fulfill contracts with customers of \$351 million at December 31, 2019 and \$324 million at December 31, 2018. See Note 10 for information on capitalized costs incurred to obtain contracts with customers.

Real Estate Sales

We recognize a gain or loss on real estate transactions when control of the asset transfers to the buyer, generally at the time the sale closes. In sales transactions where we retain a management contract, the terms and conditions of the management contract are generally comparable to the terms and conditions of the management contracts obtained directly with third-party owners in competitive processes.

Retirement Savings Plan

We contribute to tax-qualified retirement plans for the benefit of U.S. employees who meet certain eligibility requirements and choose to participate in the plans. Participating employees specify the percentage or amount of salary they wish to contribute from their compensation, and the Company typically makes discretionary and certain other matching or supplemental contributions. We recognized compensation costs from Company contributions of \$128 million in 2019, \$224 million in 2018, and \$119 million in 2017.

Non-U.S. Operations

The U.S. dollar is the functional currency of our consolidated and unconsolidated entities operating in the U.S. The functional currency of our consolidated and unconsolidated entities operating outside of the U.S. is generally the principal currency of the economic environment in which the entity primarily generates and expends cash. We translate the financial statements of consolidated entities whose functional currency is not the U.S. dollar into U.S. dollars, and we do the same, as needed, for unconsolidated entities whose functional currency is not the U.S. dollar. We translate assets and liabilities at the exchange rate in effect as of the financial statement date and translate income statement accounts using the weighted average exchange rate for the period. We include translation adjustments from currency exchange and the effect of exchange rate changes on intercompany transactions of a long-term investment nature as a separate component of shareholders' equity. We report gains and losses from currency exchange rate changes for intercompany receivables and payables that are not of a long-term investment nature, as well as for third-party transactions, currently in operating costs and expenses.

Share-Based Compensation

Our share-based compensation awards primarily consist of restricted stock units ("RSUs"). We measure compensation costs for our share-based payment transactions at fair value on the grant date, and we recognize those costs in our Financial Statements over the vesting period during which the employee provides service in exchange for the award.

Advertising Costs

We expense costs to produce advertising as they are incurred and to communicate advertising as the communication occurs and record such amounts in reimbursed expenses to the extent undertaken on behalf of our owners and franchisees. We recognized advertising costs of \$851 million in 2019, \$660 million in 2018, and \$562 million in 2017.

Income Taxes

We record the amounts of taxes payable or refundable for the current year, as well as deferred tax liabilities and assets for the future tax consequences of events we have recognized in our Financial Statements or tax returns, using judgment in assessing future profitability and the likely future tax consequences of those events. We base our estimates of deferred tax assets and liabilities on current tax laws, rates and interpretations, and, in certain cases, business plans and other expectations about future outcomes. We develop our estimates of future profitability based on our historical data and experience, industry projections, micro and macro general economic condition projections, and our expectations.

We generally recognize the effect of the tax law changes in the period of enactment. Changes in existing tax laws and rates, their related interpretations, and the uncertainty generated by the current economic environment may affect the amounts of our deferred tax liabilities or the valuations of our deferred tax assets over time. Our accounting for deferred tax consequences represents management's best estimate of future events that can be appropriately reflected in the accounting estimates.

For tax positions we have taken or expect to take in a tax return, we apply a more likely than not threshold, under which we must conclude a tax position is more likely than not to be sustained, assuming that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information, to continue to recognize the benefit. In determining our provision for income taxes, we use judgment, reflecting our estimates and assumptions, in applying the more likely than not threshold. We recognize accrued interest and penalties for our unrecognized tax benefits as a component of tax expense. See Note 6 for further information.

Cash and Equivalents

We consider all highly liquid investments with an initial maturity of three months or less at date of purchase to be cash equivalents.

Accounts Receivable

Our accounts receivable primarily consist of amounts due from hotel owners with whom we have management and franchise agreements and include reimbursements of costs we incurred on behalf of managed and franchised properties. We generally collect these receivables within 30 days. We record an accounts receivable reserve when losses are probable, based on an assessment of historical collection activity and current business conditions. Our accounts receivable reserve was \$76 million at year-end 2019 and \$66 million at year-end 2018.

Assets Held for Sale

We consider properties to be assets held for sale when (1) management commits to a plan to sell the property; (2) it is unlikely that the disposal plan will be significantly modified or discontinued; (3) the property is available for immediate sale in its present condition; (4) actions required to complete the sale of the property have been initiated; (5) sale of the property is probable and we expect the completed sale will occur within one year; and (6) the property is actively being marketed for sale at a price that is reasonable given our estimate of current market value. Upon designation of a property as an asset held for sale, we record the property's value at the lower of its carrying value or its estimated fair value, less estimated costs to sell, and we cease depreciation. See Note 3 for further information.

Goodwill

We test goodwill for potential impairment at least annually in the fourth quarter, or more frequently if an event or other circumstance indicates that we may not be able to recover the carrying amount of the net assets of the reporting unit. In evaluating goodwill for impairment, we may assess qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount. If we bypass the qualitative assessment, or if we conclude that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then we perform a quantitative impairment test by comparing the fair value of a reporting unit with its carrying amount.

We calculate the estimated fair value of a reporting unit using a combination of the income and market approaches. For the income approach, we use internally developed discounted cash flow models that include the following assumptions, among others: projections of revenues, expenses, and related cash flows based on assumed long-term growth rates and demand trends; expected future investments to grow new units; and estimated discount rates. For the market approach, we use internal analyses based primarily on market comparables. We base these assumptions on our historical data and experience, third-party appraisals, industry projections, micro and macro general economic condition projections, and our expectations.

We have had no goodwill impairment charges for the last three fiscal years.

Intangibles and Long-Lived Assets

We assess indefinite-lived intangible assets for continued indefinite use and for potential impairment annually, or more frequently if an event or other circumstance indicates that we may not be able to recover the carrying amount of the asset. Like goodwill, we may first assess qualitative factors to determine whether it is more likely than not that the fair value of the indefinite-lived intangible is less than its carrying amount. If the carrying value of the asset exceeds the fair value, we recognize an impairment loss in the amount of that excess.

We test definite-lived intangibles and long-lived asset groups for recoverability when changes in circumstances indicate that we may not be able to recover the carrying value; for example, when there are material adverse changes in projected revenues or expenses, significant underperformance relative to historical or projected operating results, or significant negative industry or economic trends. We also test recoverability when management has committed to a plan to sell or otherwise dispose of an asset group and we expect to complete the plan within a year. We evaluate recoverability of an asset group by comparing its carrying value, including right-of-use assets, to the future net undiscounted cash flows that we expect the asset group will generate. If the comparison indicates that we will not be able to recover the carrying value of an asset group, we recognize an impairment loss for the amount by which the carrying value exceeds the estimated fair value. When we recognize an impairment loss for assets to be held and used, we depreciate the adjusted carrying amount of those assets over their remaining useful life.

We calculate the estimated fair value of an intangible asset or asset group using the income approach or the market approach. We utilize the same assumptions and methodology for the income approach that we describe in the "Goodwill" caption. For the market approach, we use internal analyses based primarily on market comparables and assumptions about market capitalization rates, growth rates, and inflation. See Note 8 and Note 11 for additional information.

Investments

We hold equity interests in ventures established to develop or acquire and own hotel properties or that otherwise support our hospitality operations. We account for these investments as either an equity method investment, a financial asset, or a controlled subsidiary. We apply the equity method of accounting if we have significant influence over the entity, typically when we hold 20 percent of the voting common stock (or equivalent) of an investee but do not have a controlling financial interest. In certain circumstances, such as with investments in limited liability companies or limited partnerships, we apply the equity method of accounting when we own as little as three to five percent. We account for financial assets at fair value if it is readily determinable, or using the fair value alternative method, whereby investments are measured at cost less impairment, adjusted for observable price changes. We consolidate entities that we control.

When we acquire an investment that qualifies for the equity method of accounting, we determine the acquisition date fair value of the identifiable assets and liabilities. If our carrying amount exceeds our proportional share in the equity of the investee, we amortize the difference on a straight-line basis over the underlying assets' estimated useful lives when calculating equity method earnings attributable to us, excluding the difference attributable to land, which we do not amortize.

We evaluate an investment for impairment when circumstances indicate that we may not be able to recover the carrying value. When evaluating our ventures, we consider loan defaults, significant underperformance relative to historical or projected operating performance, or significant negative industry or economic trends. Additionally, a venture's commitment to a plan to sell some or all of its assets could cause us to evaluate the recoverability of the venture's individual long-lived assets and possibly the venture itself. We impair investments we account for using the equity method of accounting when we determine that there has been an "other-than-temporary" decline in the venture's estimated fair value compared to its carrying value. We perform qualitative assessments for investments we account for using the fair value alternative method and we record any associated impairment when the fair value is less than the carrying value.

Under the accounting guidance for the consolidation of variable interest entities, we analyze our variable interests, including equity investments, loans, and guarantees, to determine if an entity in which we have a variable interest is a variable interest entity. Our analysis includes both quantitative and qualitative reviews. We base our quantitative analysis on the forecasted cash flows of the entity, and our qualitative analysis on our review of the design of the entity, its organizational structure including decision-making ability, and relevant financial agreements. We also use our qualitative analysis to determine if we must consolidate a variable interest entity as its primary beneficiary.

Fair Value Measurements

We have various financial instruments we must measure at fair value on a recurring basis, including certain marketable securities and derivatives. See Note 13 for further information. We also apply the provisions of fair value measurement to various nonrecurring measurements for our financial and nonfinancial assets and liabilities.

Accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). We measure our assets and liabilities using inputs from the following three levels of the fair value hierarchy:

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that we have the ability to access at the measurement date.

Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

Level 3 includes unobservable inputs that reflect our assumptions about what factors market participants would use in pricing the asset or liability. We develop these inputs based on the best information available, including our own data.

Derivative Instruments

We record derivatives at fair value. The designation of a derivative instrument as a hedge and its ability to meet the hedge accounting criteria determine how we reflect the change in fair value of the derivative instrument in our Financial Statements. A derivative qualifies for hedge accounting if, at inception, we expect the derivative will be highly effective in offsetting the underlying hedged cash flows or fair value and we fulfill the hedge documentation standards at the time we enter into the derivative contract. We designate a hedge as a cash flow hedge, fair value hedge, or a hedge of the net investment in non-U.S. operations based on the exposure we are hedging. For the effective portion of qualifying cash flow hedges, we record changes in fair value in accumulated other comprehensive income ("AOCI"). We release the derivative's gain or loss from AOCI to

match the timing of the underlying hedged items' effect on earnings. The change in fair value of qualifying fair value hedges as well as changes in fair value of the underlying hedged items to the hedged risks are recorded concurrently in earnings.

We review the effectiveness of our hedging instruments quarterly, recognize current period hedge ineffectiveness immediately in earnings, and discontinue hedge accounting for any hedge that we no longer consider to be highly effective. We recognize changes in fair value for derivatives not designated as hedges or those not qualifying for hedge accounting in current period earnings. Upon termination of cash flow hedges, we release gains and losses from AOCI based on the timing of the underlying cash flows or revenue recognized, unless the termination results from the failure of the intended transaction to occur in the expected time frame. Such untimely transactions require us to immediately recognize in earnings the gains and/or losses that we previously recorded in AOCI.

Changes in interest rates, currency exchange rates, and equity securities expose us to market risk. We manage our exposure to these risks by monitoring available financing alternatives, as well as through development and application of credit granting policies. We also use derivative instruments as part of our overall strategy to manage our exposure to market risks. As a matter of policy, we only enter into transactions that we believe will be highly effective at offsetting the underlying risk, and we do not use derivatives for trading or speculative purposes.

Loan Loss Reserves

We may make senior, mezzanine, and other loans to owners of hotels that we operate or franchise, generally to facilitate the development of a hotel and sometimes to facilitate brand programs or initiatives. We expect the owners to repay the loans in accordance with the loan agreements, or earlier as the hotels mature and capital markets permit. We use metrics such as loan-to-value ratios and debt service coverage, and other information about collateral and from third party rating agencies to assess the credit quality of the loan receivable, both upon entering into the loan agreement and on an ongoing basis as applicable.

On a regular basis, we individually assess loans for impairment. We use internally generated cash flow projections to determine if we expect the loans will be repaid under the terms of the loan agreements. If we conclude that it is probable a borrower will not repay a loan in accordance with its terms, we consider the loan impaired and begin recognizing interest income on a cash basis. To measure impairment, we calculate the present value of expected future cash flows discounted at the loan's original effective interest rate or the estimated fair value of the collateral. If the present value or the estimated collateral is less than the carrying value of the loan receivable, we establish a specific impairment reserve for the difference.

If it is likely that a loan will not be collected based on financial or other business indicators, including our historical experience, our policy is to charge off the loan in the quarter in which we deem it uncollectible.

Leases

We determine if an arrangement is a lease or contains a lease at the inception of the contract. Our leases generally contain fixed and variable components. The variable components of our leases are primarily based on operating performance of the leased property. Our lease agreements may also include non-lease components, such as common area maintenance, which we combine with the lease component to account for both as a single lease component.

Lease liabilities, which represent our obligation to make lease payments arising from the lease, and corresponding right-of-use assets, which represent our right to use an underlying asset for the lease term, are recognized at the commencement date of the lease based on the present value of fixed future payments over the lease term. We calculate the present value of future payments using the discount rate implicit in the lease, if available, or our incremental borrowing rate.

For operating leases, lease expense relating to fixed payments is recognized on a straight-line basis over the lease term and lease expense relating to variable payments is expensed as incurred. For finance leases, the amortization of the asset is recognized over the shorter of the lease term or useful life of the underlying asset.

Guarantees

We measure and record our liability for the fair value of a guarantee on a nonrecurring basis, that is when we issue or modify a guarantee, using Level 3 internally developed inputs, as described above in this footnote under the caption "*Fair Value Measurements.*" We base our calculation of the estimated fair value of a guarantee on the income approach or the market approach, depending on the type of guarantee. For the income approach, we use internally developed discounted cash flow and Monte Carlo simulation models that include the following assumptions, among others: projections of revenues and expenses and related cash flows based on assumed growth rates and demand trends; historical volatility of projected performance; the guaranteed obligations; and applicable discount rates. We base these assumptions on our historical data and experience, industry projections, micro and macro general economic condition projections, and our expectations. For the market approach,

we use internal analyses based primarily on market comparable data and our assumptions about market capitalization rates, credit spreads, growth rates, and inflation.

The offsetting entry for the guarantee liability depends on the circumstances in which the guarantee was issued. Funding under the guarantee reduces the recorded liability. In most cases, when we do not forecast any funding, we amortize the liability into income on a straight-line basis over the remaining term of the guarantee. On a quarterly basis, we evaluate all material estimated liabilities based on the operating results and the terms of the guarantee. If we conclude that it is probable that we will be required to fund a greater amount than previously estimated, we record a loss except to the extent that the applicable contracts provide that the advance can be recovered as a loan.

Self-Insurance Programs

We self-insure for certain levels of liability, workers' compensation, property insurance and employee medical coverage. We accrue estimated costs of these self-insurance programs at the present value of projected settlements for known and incurred but not reported claims. We use a discount rate of three percent to determine the present value of the projected settlements, which we consider to be reasonable given our history of settled claims, including payment patterns and the fixed nature of the individual settlements. We classify the current portion of our self-insurance reserve in the "Accrued expense and other" caption and the noncurrent portion in the "Other noncurrent liabilities" caption of our Balance Sheets. The current portion of our self-insurance reserve was \$166 million in 2019 and \$126 million in 2018. The noncurrent portion of our self-insurance reserve was \$323 million in 2019 and \$351 million in 2018.

Pension and Other Postretirement Benefits

We sponsor numerous funded and unfunded domestic and international defined benefit pension plans. All defined benefit plans covering U.S. employees are frozen, meaning that employees do not accrue additional benefits. Certain plans covering non-U.S. employees remain active. We also sponsor the Starwood Retiree Health and Welfare Program, which provides health care and life insurance benefits for certain eligible retired employees.

Legal Contingencies

We are subject to various legal proceedings and claims, the outcomes of which are uncertain. We record an accrual for legal contingencies when we determine that it is probable that we have incurred a liability and we can reasonably estimate the amount of the loss. In making such determinations we evaluate, among other things, the probability of an unfavorable outcome and, when we believe it probable that a liability has been incurred, our ability to make a reasonable estimate of the loss. We review these accruals each reporting period and make revisions based on changes in facts and circumstances.

Business Combinations

We allocate the purchase price of an acquisition to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. We recognize as goodwill the amount by which the purchase price of an acquired entity exceeds the net of the fair values assigned to the assets acquired and liabilities assumed. In determining the fair values of assets acquired and liabilities assumed, we use various recognized valuation methods including the income and market approaches. Further, we make assumptions within certain valuation techniques, including discount rates, royalty rates, and the amount and timing of future cash flows. We record the net assets and results of operations of an acquired entity in our Financial Statements from the acquisition date. We initially perform these valuations based upon preliminary estimates and assumptions by management or independent valuation specialists under our supervision, where appropriate, and make revisions as estimates and assumptions are finalized. We expense acquisition-related costs as we incur them. See Note 3 for additional information.

Asset Acquisitions

Acquisitions that do not meet the definition of a business are accounted for as asset acquisitions. We allocate the cost of the acquisition, including direct and incremental transaction costs, to the individual assets acquired and liabilities assumed on a relative fair value basis. Goodwill is not recognized in an asset acquisition.

New Accounting Standards Adopted

Accounting Standards Update (“ASU”) No. 2016-02 - “Leases” (Topic 842). ASU 2016-02 introduces a lessee model that brings substantially all leases onto the balance sheet. Under the standard, a lessee recognizes on its balance sheet a lease liability and a right-of-use asset for most leases, including operating leases. The new standard also distinguishes leases as either finance leases or operating leases. This distinction affects how leases are measured and presented in the income statement and statement of cash flows. We adopted ASU 2016-02 in the 2019 first quarter using the modified retrospective transition method. Our accounting for finance leases remained substantially unchanged. Adoption of the standard resulted in the recording of \$1,013 million of operating lease assets and \$1,053 million of operating lease liabilities, as of January 1, 2019. We did not adjust our prior period Balance Sheets. Adoption of the standard did not impact our Income Statements or our Statements of Cash Flows.

When we adopted ASU 2016-02, we applied the package of practical expedients allowed by the standard, and therefore, we did not reassess:

- Whether any expired or existing contracts are or contain leases under the new definition;
- The lease classification for any expired or existing leases; or
- Whether previously capitalized costs continue to qualify as initial direct costs.

NOTE 3. ACQUISITIONS AND DISPOSITIONS

Acquisitions

In 2019, we completed the acquisition of Elegant Hotels Group plc (“Elegant”) for \$128 million in cash and assumed Elegant’s net debt outstanding of \$63 million, which we subsequently repaid in January 2020. As a result of the transaction, we added seven hotels and a beachfront restaurant on the island of Barbados to our Caribbean and Latin America owned and leased portfolio.

In 2019, we purchased the W New York - Union Square, a North American Full-Service property, for \$206 million.

In 2019, we accelerated our option to acquire our partner’s remaining interests in two joint ventures. As a result of the transaction, we recognized an indefinite-lived brand asset for AC Hotels by Marriott of \$156 million and management and franchise contract assets, with a weighted-average term of 24 years totaling \$34 million.

Dispositions

In 2019, we sold The St. Regis New York and the Sheraton Gateway Hotel in Toronto International Airport, two North American Full-Service properties, and recognized total gains of \$134 million in the “Gains and other income, net” caption of our Income Statements. We will continue to operate the hotels under long-term management agreements.

In 2018, we sold the following properties and recognized total gains of \$132 million in the “Gains and other income, net” caption of our Income Statements:

- The Tremont Chicago Hotel at Magnificent Mile and Le Centre Sheraton Montreal Hotel, two North American Full-Service properties;
- The Westin Denarau Island Resort and The Sheraton Fiji Resort, two Asia Pacific properties; and
- The Sheraton Buenos Aires Hotel & Convention Center and Park Tower, A Luxury Collection Hotel, Buenos Aires, two Caribbean and Latin America properties.

In 2018, we sold our interest in three equity method investments, whose assets included a plot of land in Italy, the W Hotel Mexico City, and the Royal Orchid Sheraton Hotel & Towers in Bangkok, and we recognized total gains of \$42 million in the “Gains and other income, net” caption of our Income Statements. Also in 2018, a Caribbean and Latin America investee sold the JW Marriott Mexico City, and a North American Full-Service investee sold The Ritz-Carlton Toronto, and we recorded our share of the gains of \$55 million and \$10 million, respectively, in the “Equity in earnings” caption of our Income Statements.

In 2017, we sold the following three North American Full-Service properties:

- The Sheraton Centre Toronto Hotel that was owned on a long-term ground lease;
- The Westin Maui that was owned on a long-term ground lease; and

- The Charlotte Marriott City Center and recognized a \$24 million gain in the “Gains and other income, net” caption of our Income Statements.

In 2017, Aramark purchased Avendra LLC, in which we had a 55 percent ownership interest. We recorded a non-recurring pre-tax gain of \$659 million in 2017 and \$5 million in 2018, which we reflected in the “Gains and other income, net” caption of our Income Statements. After cash paid for income taxes, the gain totaled \$425 million. We committed to the owners of the hotels in our system that the benefits derived from Avendra, including any dividends or sale proceeds above our original investment, would be used for the benefit of the hotels in our system. Spending funded by the sale proceeds, which we present in the “Reimbursed expenses” caption of our Income Statements, totaled \$118 million (\$87 million after-tax) in 2019 and \$115 million (\$85 million after-tax) in 2018. In conjunction with the sale of Avendra to Aramark, we entered into a new five-year procurement services agreement with Avendra for the benefit of our managed and owned properties in North America.

Planned Disposition

In 2018, we purchased the Sheraton Phoenix Downtown, formerly the Sheraton Grand Phoenix, a North American Full-Service property that we manage, for \$255 million. In the 2020 first quarter, we sold this hotel for \$268 million. We determined that the carrying values of those assets exceeded their fair values, based on the agreed-upon selling price. Consequently, we recorded a charge of \$15 million for the expected disposal loss in the “Depreciation, amortization, and other” caption of our Income Statements, which represents the amount by which the carrying values exceeded the fair values, less our anticipated cost to sell. At year-end 2019, we held \$248 million of assets classified as “Assets held for sale” related to the Sheraton Phoenix Downtown and \$8 million of liabilities associated with those assets, which we recorded in the “Accrued expenses and other” caption of our Balance Sheets. We will continue to operate the hotel under a long-term management agreement.

NOTE 4. EARNINGS PER SHARE

The table below illustrates the reconciliation of the earnings and number of shares used in our calculations of basic and diluted earnings per share, the latter of which uses the treasury stock method in order to calculate the dilutive effect of the Company’s potential common stock:

<i>(in millions, except per share amounts)</i>	2019	2018	2017
<i>Computation of Basic Earnings Per Share</i>			
Net income	\$ 1,273	\$ 1,907	\$ 1,459
Shares for basic earnings per share	332.7	350.1	375.2
Basic earnings per share	<u>\$ 3.83</u>	<u>\$ 5.45</u>	<u>\$ 3.89</u>
<i>Computation of Diluted Earnings Per Share</i>			
Net income	\$ 1,273	\$ 1,907	\$ 1,459
Shares for basic earnings per share	332.7	350.1	375.2
Effect of dilutive securities			
Share-based compensation	2.8	4.1	4.7
Shares for diluted earnings per share	<u>335.5</u>	<u>354.2</u>	<u>379.9</u>
Diluted earnings per share	<u>\$ 3.80</u>	<u>\$ 5.38</u>	<u>\$ 3.84</u>

NOTE 5. SHARE-BASED COMPENSATION

RSUs and PSUs

We granted RSUs in 2019 to certain officers and key employees, and those units vest generally over four years in equal annual installments commencing one year after the grant date. We also granted performance-based RSUs (“PSUs”) in 2019 to certain executive officers, which are earned, subject to continued employment and the satisfaction of certain performance conditions based on achievement of pre-established targets for gross room openings, active Marriott Bonvoy loyalty member growth, and adjusted operating income growth over, or at the end of, a three-year performance period.

We had deferred compensation costs for RSUs of approximately \$176 million at year-end 2019 and \$167 million at year-end 2018. The weighted average remaining term for RSUs outstanding at year-end 2019 was two years.

The following table provides additional information on RSUs for the last three fiscal years:

	2019	2018	2017
Share-based compensation expense (in millions)	\$ 177	\$ 170	\$ 172
Weighted average grant-date fair value (per RSU)	\$ 117	\$ 132	\$ 85
Aggregate intrinsic value of distributed RSUs (in millions)	\$ 276	\$ 294	\$ 322

The following table presents the changes in our outstanding RSUs, including PSUs, during 2019 and the associated weighted average grant-date fair values:

	Number of RSUs (in millions)	Weighted Average Grant-Date Fair Value (per RSU)
Outstanding at year-end 2018	4.8	\$ 90
Granted	1.7	117
Distributed	(2.3)	79
Forfeited	(0.1)	112
Outstanding at year-end 2019	4.1	\$ 106

Other Information

At year-end 2019, we had 29 million remaining shares authorized under the Marriott and Starwood Hotels & Resorts Worldwide, LLC, formerly known as Starwood Hotels & Resorts Worldwide, Inc. ("Starwood") stock plans.

NOTE 6. INCOME TAXES

The components of our earnings before income taxes for the last three fiscal years consisted of:

(\$ in millions)	2019	2018	2017
U.S.	\$ 549	\$ 1,311	\$ 2,153
Non-U.S.	1,050	1,034	829
	\$ 1,599	\$ 2,345	\$ 2,982

Our provision for income taxes for the last three fiscal years consists of:

(\$ in millions)	2019	2018	2017
Current			
-U.S. Federal	\$ (272)	\$ (169)	\$ (1,253)
-U.S. State	(57)	(94)	(152)
-Non-U.S.	(161)	(284)	(178)
	(490)	(547)	(1,583)
Deferred			
-U.S. Federal	141	10	61
-U.S. State	39	(6)	(33)
-Non-U.S.	(16)	105	32
	164	109	60
	\$ (326)	\$ (438)	\$ (1,523)

Unrecognized Tax Benefits

The following table reconciles our unrecognized tax benefit balance for each year from the beginning of 2017 to the end of 2019:

<i>(\$ in millions)</i>	Amount
Unrecognized tax benefit at beginning of 2017	\$ 421
Change attributable to tax positions taken in prior years	12
Change attributable to tax positions taken during the current period	87
Decrease attributable to settlements with taxing authorities	(28)
Decrease attributable to lapse of statute of limitations	(1)
Unrecognized tax benefit at year-end 2017	491
Change attributable to tax positions taken in prior years	37
Change attributable to tax positions taken during the current period	148
Decrease attributable to settlements with taxing authorities	(53)
Unrecognized tax benefit at year-end 2018	623
Change attributable to tax positions taken in prior years	(13)
Change attributable to tax positions taken during the current period	13
Decrease attributable to settlements with taxing authorities	(54)
Unrecognized tax benefit at year-end 2019	\$ 569

Our unrecognized tax benefit balances included \$498 million at year-end 2019, \$497 million at year-end 2018, and \$385 million at year-end 2017 of tax positions that, if recognized, would impact our effective tax rate. It is reasonably possible that we will settle \$207 million of unrecognized tax benefits within the next twelve months. This includes \$179 million related to U.S. federal issues that are currently in appeals and \$28 million related to state and non-U.S. audits we expect to resolve in 2020. We recognize accrued interest and penalties for our unrecognized tax benefits as a component of tax expense. Related interest totaled \$28 million in 2019, \$3 million in 2018, and \$24 million in 2017.

We file income tax returns, including returns for our subsidiaries, in various jurisdictions around the world. The U.S. Internal Revenue Service (“IRS”) has examined our federal income tax returns, and as of year-end 2019, we have settled all issues for tax years through 2013 for Marriott and through 2009 for Starwood. Our Marriott 2014 and 2015 tax year audits are substantially complete, and our Marriott 2016 through 2018 tax year audits are currently ongoing. Starwood is currently under audit by the IRS for years 2010 through 2016. Various foreign, state, and local income tax returns are also under examination by the applicable taxing authorities.

Deferred Income Taxes

Deferred income tax balances reflect the effects of temporary differences between the carrying amounts of assets and liabilities and their tax bases, as well as from net operating loss and tax credit carry-forwards. We state those balances at the enacted tax rates we expect will be in effect when we pay or recover the taxes. Deferred income tax assets represent amounts available to reduce income taxes we will pay on taxable income in future years. We evaluate our ability to realize these future tax deductions and credits by assessing whether we expect to have sufficient future taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings, and available tax planning strategies to utilize these future deductions and credits. We establish a valuation allowance when we no longer consider it more likely than not that a deferred tax asset will be realized.

The following table presents the tax effect of each type of temporary difference and carry-forward that gave rise to significant portions of our deferred tax assets and liabilities as of year-end 2019 and year-end 2018:

<i>(\$ in millions)</i>	At Year-End 2019	At Year-End 2018
Deferred Tax Assets		
Employee benefits	\$ 267	\$ 261
Net operating loss carry-forwards	680	494
Accrued expenses and other reserves	162	160
Receivables, net	11	12
Tax credits	41	24
Loyalty Program	249	133
Deferred income	70	56
Lease liabilities	261	—
Other	15	13
Deferred tax assets	1,756	1,153
Valuation allowance	(616)	(428)
Deferred tax assets after valuation allowance	1,140	725
Deferred Tax Liabilities		
Joint venture interests	(55)	(59)
Property and equipment	(82)	(85)
Intangibles	(895)	(876)
Right-of-use assets	(229)	—
Self-insurance	(15)	(19)
Deferred tax liabilities	(1,276)	(1,039)
Net deferred taxes	\$ (136)	\$ (314)

Our valuation allowance is attributable to non-U.S. and U.S. state net operating loss carry forwards. During 2019, our valuation allowance increased primarily due to net operating losses in Luxembourg.

At year-end 2019, we had approximately \$24 million of tax credits that will expire through 2029 and \$16 million of tax credits that do not expire. We recorded \$10 million of net operating loss benefits in 2019 and \$10 million in 2018. At year-end 2019, we had approximately \$3,319 million of primarily state and foreign net operating losses, of which \$1,951 million will expire through 2039.

Reconciliation of U.S. Federal Statutory Income Tax Rate to Actual Income Tax Rate

The following table reconciles the U.S. statutory tax rate to our effective income tax rate for the last three fiscal years:

	2019	2018	2017
U.S. statutory tax rate	21.0 %	21.0 %	35.0 %
U.S. state income taxes, net of U.S. federal tax benefit	1.6	2.5	3.1
Non-U.S. income	(3.3)	(1.0)	(7.3)
Change in valuation allowance	3.4	2.6	2.0
Change in uncertain tax positions	1.9	1.0	2.2
Change in U.S. tax rate	0.0	(1.7)	(5.5)
Transition Tax on foreign earnings	(0.3)	0.1	22.8
Tax on asset dispositions	(0.7)	(2.9)	(0.2)
Excess tax benefits related to equity awards	(3.2)	(1.8)	(2.4)
Other, net	0.0	(1.1)	1.4
Effective rate	20.4 %	18.7 %	51.1 %

The non-U.S. income tax benefit presented in the table above includes tax-exempt income in Hong Kong, a tax rate incentive in Singapore, a deemed interest deduction in Switzerland, and tax-exempt income earned from certain operations in Luxembourg, which collectively represented 8.0% in 2019, 3.4% in 2018, and 6.2% in 2017. We included the impact of these

items in the foreign tax rate differential line above because we consider them to be equivalent to a reduction of the statutory tax rates in these jurisdictions. Pre-tax income in Switzerland, Singapore, Hong Kong, and Luxembourg totaled \$642 million in 2019, \$432 million in 2018, and \$576 million in 2017.

The non-U.S. income tax benefit also includes U.S. income tax expense on non-U.S. operations, which represents 2.0% in 2019 and 1.4% in 2018. We included the impact of this tax in the non-U.S. income line above because we consider this tax to be an integral part of the foreign taxes.

Other Information

We paid cash for income taxes, net of refunds of \$526 million in 2019, \$678 million in 2018, and \$636 million in 2017.

Tax Cuts and Jobs Act of 2017

The U.S. Tax Cuts and Jobs Act of 2017 (the “2017 Tax Act”) was enacted on December 22, 2017. In 2017, we recorded a provisional estimated tax benefit of \$153 million related to the change in the U.S. tax rate, and a provisional estimated Deemed Repatriation Transition Tax (“Transition Tax”) expense of \$745 million. In 2018, we completed our analyses of all impacts of the 2017 Tax Act and recognized an additional tax benefit of \$41 million. Substantially all of our unremitted foreign earnings that had not been previously taxed have now been subjected to U.S. taxation under the Transition Tax. In 2018, we recorded a charge of \$29 million for state tax liability on unremitted accumulated earnings and continue to update the state tax liability on unremitted accumulated earnings. It is not practical at this time to determine the income tax liability related to any remaining undistributed earnings or additional basis differences not subject to the Transition Tax. We account for U.S. tax on Global Intangible Low-Taxed Income in the period incurred.

NOTE 7. COMMITMENTS AND CONTINGENCIES

Guarantees

We issue guarantees to certain lenders and hotel owners, chiefly to obtain long-term management and franchise contracts. The guarantees generally have a stated maximum funding amount and a term of three to ten years. The terms of guarantees to lenders generally require us to fund if cash flows from hotel operations are inadequate to cover annual debt service or to repay the loan at maturity. The terms of the guarantees to hotel owners generally require us to fund if the hotels do not attain specified levels of operating profit. Guarantee fundings to lenders and hotel owners are generally recoverable out of future hotel cash flows and/or proceeds from the sale or refinancing of hotels. We also enter into project completion guarantees with certain lenders in conjunction with hotels that we or our joint venture partners are building.

We present the maximum potential amount of our future guarantee fundings and the carrying amount of our liability for our debt service, operating profit, and other guarantees (excluding contingent purchase obligations) for which we are the primary obligor at year-end 2019 in the following table:

<i>(\$ in millions)</i> Guarantee Type	Maximum Potential Amount of Future Fundings	Recorded Liability for Guarantees
Debt service	\$ 53	\$ 6
Operating profit	231	142
Other	15	3
	<u>\$ 299</u>	<u>\$ 151</u>

Our liability at year-end 2019 for guarantees for which we are the primary obligor is reflected in our Balance Sheets as \$16 million of “Accrued expenses and other” and \$135 million of “Other noncurrent liabilities.”

Our guarantees listed in the preceding table include \$3 million of debt service guarantees, \$114 million of operating profit guarantees, and \$5 million of other guarantees that will not be in effect until the underlying properties open and we begin to operate the properties or certain other events occur.

In conjunction with financing obtained for specific projects or properties owned by us or joint ventures in which we are a party, we may provide industry standard indemnifications to the lender for loss, liability, or damage occurring as a result of the actions of the other joint venture owner or our own actions.

Contingent Purchase Obligation

Sheraton Grand Chicago. We granted the owner a one-time right, exercisable in 2022, to require us to purchase the leasehold interest in the land and the hotel for \$300 million in cash (the “put option”). If the owner exercises the put option, we have the option to purchase, at the same time the put transaction closes, the fee simple interest in the underlying land for an additional \$200 million in cash. We account for the put option as a guarantee, and our recorded liability at year-end 2019 was \$57 million.

We concluded that the entity that owns the Sheraton Grand Chicago hotel is a variable interest entity. We did not consolidate the entity because we do not have the power to direct the activities that most significantly impact the entity’s economic performance. Our maximum exposure to loss related to the entity is equal to the difference between the purchase price and the fair value of the hotel at the time that the put option is exercised, plus the maximum funding amount of an operating profit guarantee that we provided for the hotel.

Commitments

At year-end 2019, we had various purchase commitments for goods and services in the normal course of business, primarily for programs and services for which we are reimbursed by third-party owners, totaling \$276 million. We expect to purchase goods and services subject to these commitments as follows: \$116 million in 2020, \$97 million in 2021, and \$63 million in 2022.

Letters of Credit

At year-end 2019, we had \$145 million of letters of credit outstanding (all outside the Credit Facility, as defined in Note 9), most of which were for our self-insurance programs. Surety bonds issued as of year-end 2019 totaled \$160 million, most of which state governments requested in connection with our self-insurance programs.

Data Security Incident

Description of Event

On November 30, 2018, we announced a data security incident involving unauthorized access to the Starwood reservations database (the “Data Security Incident”). Working with leading security experts, we determined that there was unauthorized access to the Starwood network since 2014 and that an unauthorized party had copied information from the Starwood reservations database and taken steps towards removing it. The Starwood reservations database is no longer used for business operations.

Expenses and Insurance Recoveries

We recorded \$148 million of expenses, partially offset by \$84 million of accrued insurance recoveries related to the Data Security Incident in 2019, and \$28 million of expenses, partially offset by \$25 million of accrued insurance recoveries, related to the Data Security Incident in 2018. We received insurance recoveries of \$58 million in 2019. Expenses in 2019 primarily included the accrual for the loss contingency related to the Proposed ICO Fine discussed below, along with customer care and legal costs, and expenses in 2018 primarily included costs to investigate the Data Security Incident and customer care costs. We recognize insurance recoveries when they are probable of receipt and present them in our Income Statements in the same caption as the related expense, up to the amount of total expense incurred in prior and current periods. We present expenses and insurance recoveries related to the Data Security Incident in either the “Reimbursed expenses” or “Merger-related costs and charges” captions of our Income Statements.

Litigation, Claims, and Government Investigations

Following our announcement of the Data Security Incident, approximately 100 lawsuits were filed by consumers and others against us in U.S. federal, U.S. state and Canadian courts related to the incident. All but one of the U.S. cases have been consolidated and transferred to the U.S. District Court for the District of Maryland, pursuant to orders of the U.S. Judicial Panel on Multidistrict Litigation (the “MDL”). The plaintiffs in the U.S. and Canadian cases, who generally purport to represent various classes of consumers, generally claim to have been harmed by alleged actions and/or omissions by the Company in connection with the Data Security Incident and assert a variety of common law and statutory claims seeking monetary damages, injunctive relief, costs and attorneys’ fees, and other related relief. Among the U.S. cases consolidated in the MDL proceeding is a putative class action lawsuit that was filed against us and certain of our current officers and directors on December 1, 2018, alleging violations of the federal securities laws in connection with statements regarding our cybersecurity systems and controls, and seeking certification of a class of affected persons, unspecified monetary damages, costs and attorneys’ fees, and other related relief. The MDL proceeding also includes two shareholder derivative complaints that were filed on February 26,

2019 and March 15, 2019, respectively, against the Company, certain of its officers and certain of the members of our Board of Directors, alleging, among other claims, breach of fiduciary duty, corporate waste, unjust enrichment, mismanagement and violations of the federal securities laws, and seeking unspecified monetary damages and restitution, changes to the Company's corporate governance and internal procedures, costs and attorneys' fees, and other related relief. A third shareholder derivative complaint was filed in the Delaware Court of Chancery on December 3, 2019 against the Company and certain of its officers and certain current and former members of our Board of Directors, alleging claims and seeking relief generally similar to the claims made and relief sought in the other two derivative cases. This case will not be consolidated with the MDL proceeding. We dispute the allegations in the lawsuits described above and are vigorously defending against such claims. We have filed motions to dismiss several of these cases, some of which have been denied, but the cases generally remain at an early stage. There has been some consolidation of the Canadian cases, with five cases now pending across five provinces, and we expect there could be further consolidation in the future. In addition, in April 2019, we received a letter purportedly on behalf of a shareholder of the Company (also one of the named plaintiffs in the putative securities class action described above) demanding that our Board of Directors take action against the Company's current and certain former officers and directors to recover damages for alleged breaches of fiduciary duties and related claims arising from the Data Security Incident. The Board of Directors has constituted a demand review committee to investigate the claims made in the demand letter, and the committee has retained independent counsel to assist with the investigation. The committee's investigation is ongoing.

In addition, numerous U.S. federal, U.S. state and foreign governmental authorities are investigating, or otherwise seeking information and/or documents related to, the Data Security Incident and related matters, including Attorneys General offices from all 50 states and the District of Columbia, the Federal Trade Commission, the Securities and Exchange Commission, certain committees of the U.S. Senate and House of Representatives, the Information Commissioner's Office in the United Kingdom (the "ICO") as lead supervisory authority in the European Economic Area, and regulatory authorities in various other jurisdictions. In July 2019, the ICO issued a formal notice of intent under the U.K. Data Protection Act 2018 proposing a fine in the amount of £99 million against the Company in relation to the Data Security Incident (the "Proposed ICO Fine"). In late August 2019, we submitted a written response to the ICO vigorously defending our position, and we have continued to engage with the ICO regarding the Data Security Incident and Proposed ICO Fine. We mutually agreed with the ICO to an extension of the regulatory process until June 1, 2020 and the ICO proceeding is ongoing. In the 2019 second quarter, we recorded an accrual in the full amount of the Proposed ICO Fine for this loss contingency, and in the 2019 fourth quarter, we reduced the accrual to \$65 million based on the ongoing proceeding. We present the accrual in the "Accrued expenses and other" caption of our Balance Sheets and the related expense in the "Merger-related costs and charges" caption of our Income Statements.

While we believe it is reasonably possible that we may incur additional losses associated with the above described proceedings and investigations, it is not possible to estimate the amount of loss or range of loss, if any, in excess of the amounts already incurred that might result from adverse judgments, settlements, fines, penalties or other resolution of these proceedings and investigations based on the current stage of these proceedings and investigations, the absence of specific allegations as to alleged damages, the uncertainty as to the certification of a class or classes and the size of any certified class, if applicable, and/or the lack of resolution of significant factual and legal issues.

NOTE 8. LEASES

We enter into operating and finance leases primarily for hotels, offices, and equipment. Most leases have initial terms of up to 20 years, and contain one or more renewals at our option, generally for five- or 10-year periods. We have generally not included these renewal periods in the lease term as it is not reasonably certain that we will exercise the renewal option.

The following table details the composition of lease expense at year-end 2019:

<i>(\$ in millions)</i>	2019	
Operating lease cost	\$	185
Variable lease cost		113

In the 2019 fourth quarter, we recorded impairment charges of \$78 million and \$21 million in the "Depreciation, amortization, and other" caption of our Income Statements to reduce the carrying amount of the Renaissance New York Times Square Hotel lease right-of-use asset and property and equipment, including leasehold improvements, respectively. We determined that we may not be able to fully recover the carrying amount of this North American Full-Service hotel lease after evaluating the assets for recovery due to declines in market performance and future cash flow projections. We estimated the fair value using an income approach reflecting internally developed Level 3 discounted cash flows that included, among other things, our expectations of future cash flows based on historical experience and projected growth rates, usage estimates and demand trends. Additionally, during the year ended 2019, we recorded an expense of \$34 million in the "Merger-related costs

and charges” caption of our Income Statements due to the impairment of a legacy-Starwood office building accounted for as a finance lease.

The following table presents our future minimum lease payments at year-end 2019:

<i>(\$ in millions)</i>	Operating Leases	Finance Leases
2020	\$ 173	\$ 13
2021	171	13
2022	165	13
2023	115	13
2024	107	14
Thereafter	579	151
Total minimum lease payments	\$ 1,310	\$ 217
Less: Amount representing interest	298	60
Present value of minimum lease payments	\$ 1,012	\$ 157
Current ⁽¹⁾	130	6
Noncurrent ⁽²⁾	882	151
	\$ 1,012	\$ 157

⁽¹⁾ Operating leases are recorded in the “Accrued expenses and other” and finance leases are recorded in the “Current portion of long-term debt” captions of our Balance Sheets.

⁽²⁾ Operating leases are recorded in the “Operating lease liabilities” and finance leases are recorded in the “Long-term debt” captions of our Balance Sheets.

At year-end 2019, we had entered into an agreement that we expect to account for as an operating lease with a 20-year term for our new headquarters office, which is not reflected in our Balance Sheets or in the table above as the lease has not commenced.

The following table presents additional information about our lease obligations at year-end 2019:

	Operating leases	Finance leases
Weighted Average Remaining Lease Term (in years)	11	14
Weighted Average Discount Rate	4.8%	4.4%

The following table presents supplemental cash flow information for 2019:

<i>(\$ in millions)</i>	2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash outflows for operating leases	\$ 176
Operating cash outflows for finance leases	7
Financing cash outflows for finance leases	6
Lease assets obtained in exchange for lease obligations:	
Operating leases	89

NOTE 9. LONG-TERM DEBT

We provide detail on our long-term debt balances, net of discounts, premiums, and debt issuance costs, in the following table at year-end 2019 and 2018:

<i>(\$ in millions)</i>	At Year-End 2019	At Year-End 2018
Senior Notes:		
Series K Notes, interest rate of 3.0%, face amount of \$600, matured March 1, 2019 (effective interest rate of 4.4%)	\$ —	\$ 600
Series L Notes, interest rate of 3.3%, face amount of \$350, maturing September 15, 2022 (effective interest rate of 3.4%)	349	349
Series M Notes, interest rate of 3.4%, face amount of \$350, maturing October 15, 2020 (effective interest rate of 3.6%)	349	349
Series N Notes, interest rate of 3.1%, face amount of \$400, maturing October 15, 2021 (effective interest rate of 3.4%)	398	397
Series O Notes, interest rate of 2.9%, face amount of \$450, maturing March 1, 2021 (effective interest rate of 3.1%)	449	448
Series P Notes, interest rate of 3.8%, face amount of \$350, maturing October 1, 2025 (effective interest rate of 4.0%)	346	345
Series Q Notes, interest rate of 2.3%, face amount of \$750, maturing January 15, 2022 (effective interest rate of 2.5%)	747	745
Series R Notes, interest rate of 3.1%, face amount of \$750, maturing June 15, 2026 (effective interest rate of 3.3%)	744	743
Series T Notes, interest rate of 7.2%, face amount of \$181, matured December 1, 2019 (effective interest rate of 2.3%)	—	188
Series U Notes, interest rate of 3.1%, face amount of \$291, maturing February 15, 2023 (effective interest rate of 3.1%)	291	291
Series V Notes, interest rate of 3.8%, face amount of \$318, maturing March 15, 2025 (effective interest rate of 2.8%)	332	335
Series W Notes, interest rate of 4.5%, face amount of \$278, maturing October 1, 2034 (effective interest rate of 4.1%)	291	292
Series X Notes, interest rate of 4.0%, face amount of \$450, maturing April 15, 2028 (effective interest rate of 4.2%)	444	443
Series Y Notes, floating rate, face amount of \$550, maturing December 1, 2020 (effective interest rate of 2.5% at December 31, 2019)	549	547
Series Z Notes, interest rate of 4.2%, face amount of \$350, maturing December 1, 2023 (effective interest rate of 4.4%)	347	347
Series AA Notes, interest rate of 4.7%, face amount of \$300, maturing December 1, 2028 (effective interest rate of 4.8%)	297	297
Series BB Notes, floating rate, face amount of \$300, maturing March 8, 2021 (effective interest rate of 2.5% at December 31, 2019)	299	—
Series CC Notes, interest rate of 3.6%, face amount of \$550, maturing April 15, 2024 (effective interest rate of 3.9%)	564	—
Series DD Notes, interest rate of 2.1%, face amount of \$550, maturing October 3, 2022 (effective interest rate of 2.4%)	543	—
Commercial paper	3,197	2,245
Credit Facility	—	—
Finance lease obligations	157	163
Other	247	223
	<u>\$ 10,940</u>	<u>\$ 9,347</u>
Less: Current portion of long-term debt	(977)	(833)
	<u>\$ 9,963</u>	<u>\$ 8,514</u>

All our long-term debt is recourse to us but unsecured, other than debt assumed in our acquisition of Elegant which we paid off in January 2020. All the Senior Notes shown in the table above are our unsecured and unsubordinated obligations, which rank equally with our other Senior Notes and all other unsecured and unsubordinated indebtedness that we have issued or will issue from time to time, and are governed by the terms of an indenture, dated as of November 16, 1998, between us and The Bank of New York Mellon (formerly The Bank of New York), as trustee. With the exception of the floating rate Series Y

Notes and Series BB Notes, we may redeem some or all of each series of the Senior Notes before maturity under the terms provided in the applicable form of Senior Note.

In the 2019 fourth quarter, we issued \$550 million aggregate principal amount of 2.125 percent Series DD Notes due October 3, 2022 (the “Series DD Notes”). We will pay interest on the Series DD Notes in April and October of each year, commencing in April 2020. In connection with the offering, we entered into interest rate swap agreements, which have the economic effect of converting the Series DD Notes into floating rate debt with a variable interest rate of one-month LIBOR (the London Interbank Offered Rate) plus 0.754 percent. We received net proceeds of approximately \$545 million from the offering of the Series DD Notes, after deducting the underwriting discount and estimated expenses, which were made available for general corporate purposes, which may include working capital, capital expenditures, acquisitions, stock repurchases, or repayment of outstanding commercial paper or other borrowings.

In the 2019 second quarter, we amended and restated our multicurrency revolving credit agreement (the “Credit Facility”) to extend the maturity date of the Credit Facility and increase the aggregate amount of available borrowings to up to \$4.5 billion. The available borrowings support our commercial paper program and general corporate needs. Borrowings under the Credit Facility generally bear interest at LIBOR plus a spread, based on our public debt rating. We also pay quarterly fees on the Credit Facility at a rate based on our public debt rating. While any outstanding commercial paper borrowings and/or borrowings under our Credit Facility generally have short-term maturities, we classify the outstanding borrowings as long-term based on our ability and intent to refinance the outstanding borrowings on a long-term basis. The Credit Facility expires on June 28, 2024.

In the 2019 first quarter, we issued \$300 million aggregate principal amount of LIBOR plus 0.650 percent Series BB Notes due March 8, 2021 (the “Series BB Notes”) and \$550 million aggregate principal amount of 3.600 percent Series CC Notes due April 15, 2024 (the “Series CC Notes”). We pay interest on the Series BB Notes in March, June, September, and December of each year, which commenced in June 2019, and we pay interest on the Series CC Notes in April and October of each year, which commenced in October 2019. In connection with the offering, we entered into interest rate swap agreements, which have the economic effect of converting the Series CC Notes into floating rate debt with a variable interest rate of one-month LIBOR plus 1.1205 percent. We received net proceeds of approximately \$841 million from the offering of the Series BB Notes and Series CC Notes, after deducting the underwriting discount and estimated expenses, which were made available for general corporate purposes, which may include working capital, capital expenditures, acquisitions, stock repurchases, or repayment of outstanding commercial paper or other borrowings.

The following table presents future principal payments, net of discounts, premiums, and debt issuance costs, for our debt at year-end 2019:

Debt Principal Payments (\$ in millions)	Amount
2020	\$ 977
2021	1,164
2022	1,657
2023	694
2024	3,783
Thereafter	2,665
Balance at year-end 2019	<u>\$ 10,940</u>

We paid cash for interest, net of amounts capitalized, of \$348 million in 2019, \$290 million in 2018, and \$234 million in 2017.

NOTE 10. INTANGIBLE ASSETS AND GOODWILL

The following table details the composition of our intangible assets at year-end 2019 and 2018:

(\$ in millions)	At Year-End 2019	At Year-End 2018
Definite-lived Intangible Assets		
Costs incurred to obtain contracts with customers	\$ 1,588	\$ 1,347
Contracts acquired in business combinations and other	1,972	1,983
	3,560	3,330
Accumulated amortization	(808)	(674)
	2,752	2,656
Indefinite-lived Intangible Brand Assets		
	5,889	5,724
	<u>\$ 8,641</u>	<u>\$ 8,380</u>

We capitalize direct costs that we incur to obtain management, franchise, and license agreements. We amortize these costs on a straight-line basis over the initial term of the agreements, ranging from 15 to 30 years.

For acquired definite-lived intangible assets, we recorded amortization expense of \$105 million in 2019, \$111 million in 2018, and \$116 million in 2017 in the "Depreciation, amortization, and other" caption of our Income Statements. For these assets, we estimate that our aggregate amortization expense will be \$102 million for each of the next five fiscal years.

The following table details the carrying amount of our goodwill at year-end 2019 and 2018:

(\$ in millions)	North American Full-Service	North American Limited-Service	Asia Pacific	Other International	Total Goodwill
Balance at year-end 2018	\$ 3,566	\$ 1,755	\$ 1,862	\$ 1,856	\$ 9,039
Foreign currency translation	10	7	2	(10)	9
Balance at year-end 2019	<u>\$ 3,576</u>	<u>\$ 1,762</u>	<u>\$ 1,864</u>	<u>\$ 1,846</u>	<u>\$ 9,048</u>

NOTE 11. PROPERTY AND EQUIPMENT

The following table presents the composition of our property and equipment balances at year-end 2019 and 2018:

(\$ in millions)	At Year-End 2019	At Year-End 2018
Land	\$ 684	\$ 591
Buildings and leasehold improvements	1,100	1,275
Furniture and equipment	1,225	1,439
Construction in progress	196	168
	3,205	3,473
Accumulated depreciation	(1,301)	(1,517)
	<u>\$ 1,904</u>	<u>\$ 1,956</u>

We record property and equipment at cost, including interest and real estate taxes we incur during development and construction. We capitalize the cost of improvements that extend the useful life of property and equipment when we incur them. These capitalized costs may include structural costs, equipment, fixtures, floor, and wall coverings. We expense all repair and maintenance costs when we incur them. We compute depreciation using the straight-line method over the estimated useful lives of the assets (generally three to 40 years), and we amortize leasehold improvements over the shorter of the asset life or lease term. Our gross depreciation expense totaled \$346 million in 2019, \$256 million in 2018, and \$231 million in 2017 (of which \$121 million in 2019, \$147 million in 2018, and \$126 million in 2017 was included in the "Reimbursed expenses" caption of our Income Statements). Fixed assets attributed to operations located outside the U.S. were \$695 million in 2019 and \$533 million in 2018.

In the 2019 fourth quarter, we recorded impairment charges to reduce the carrying amount of the Renaissance New York Times Square Hotel property and equipment, including leasehold improvements, and right-of-use asset as discussed in Note 8.

NOTE 12. NOTES RECEIVABLE

The following table presents the expected future principal payments, net of reserves and unamortized discounts, as well as interest rates for our notes receivable at year-end 2019:

Notes Receivable Principal Payments (\$ in millions)	Amount
2020	\$ 9
2021	32
2022	28
2023	2
2024	8
Thereafter	47
Balance at year-end 2019	\$ 126
Weighted average interest rate at year-end 2019	5.6%
Range of stated interest rates at year-end 2019	0-9%

At year-end 2019, our recorded investment in impaired senior, mezzanine, and other loans was \$20 million, and we had a \$12 million allowance for credit losses, leaving \$8 million of exposure to our investment in impaired loans. At year-end 2018, our recorded investment in impaired senior, mezzanine, and other loans was \$45 million, and we had a \$25 million allowance for credit losses, leaving \$20 million of exposure to our investment in impaired loans. Our average investment in impaired senior, mezzanine, and other loans totaled \$33 million during 2019, \$70 million during 2018, and \$84 million during 2017.

NOTE 13. FAIR VALUE OF FINANCIAL INSTRUMENTS

We believe that the fair values of our current assets and current liabilities approximate their reported carrying amounts. We present the carrying values and the fair values of noncurrent financial assets and liabilities that qualify as financial instruments, determined under current guidance for disclosures on the fair value of financial instruments, in the following table:

(\$ in millions)	At Year-End 2019		At Year-End 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Senior, mezzanine, and other loans	\$ 117	\$ 112	\$ 125	\$ 116
Total noncurrent financial assets	\$ 117	\$ 112	\$ 125	\$ 116
Senior Notes	\$ (6,441)	\$ (6,712)	\$ (5,928)	\$ (5,794)
Commercial paper	(3,197)	(3,197)	(2,245)	(2,245)
Other long-term debt	(174)	(179)	(184)	(182)
Other noncurrent liabilities	(196)	(196)	(153)	(153)
Total noncurrent financial liabilities	\$ (10,008)	\$ (10,284)	\$ (8,510)	\$ (8,374)

We estimate the fair value of our senior, mezzanine, and other loans by discounting cash flows using risk-adjusted rates, both of which are Level 3 inputs.

We estimate the fair value of our other long-term debt, excluding leases, using expected future payments discounted at risk-adjusted rates, which are Level 3 inputs. We determine the fair value of our Senior Notes using quoted market prices, which are directly observable Level 1 inputs. As discussed in Note 9, even though our commercial paper borrowings generally have short-term maturities of 30 days or less, we classify outstanding commercial paper borrowings as long-term based on our ability and intent to refinance them on a long-term basis. As we are a frequent issuer of commercial paper, we use pricing from recent transactions as Level 2 inputs in estimating fair value. At year-end 2019 and year-end 2018, we determined that the carrying value of our commercial paper approximated fair value due to the short maturity. Our other noncurrent liabilities largely consist of guarantees. As we note in the "Guarantees" caption of Note 2, we measure our liability for guarantees at fair value on a nonrecurring basis, which is when we issue or modify a guarantee using Level 3 internally developed inputs. At year-end 2019 and year-end 2018, we determined that the carrying values of our guarantee liabilities approximated their fair values based on Level 3 inputs.

See the "Fair Value Measurements" caption of Note 2 for more information on the input levels we use in determining fair value.

NOTE 14. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table details the accumulated other comprehensive loss activity for 2019, 2018, and 2017:

(\$ in millions)	Foreign Currency Translation Adjustments	Derivative Instrument and Other Adjustments	Accumulated Other Comprehensive Loss
Balance at year-end 2016	\$ (503)	\$ 6	\$ (497)
Other comprehensive (loss) income before reclassifications ⁽¹⁾	478	(9)	469
Reclassification of losses (gains), net of tax	2	9	11
Net other comprehensive (loss) income	480	—	480
Balance at year-end 2017	\$ (23)	\$ 6	\$ (17)
Other comprehensive (loss) income before reclassifications ⁽¹⁾	(391)	4	(387)
Reclassification of losses (gains), net of tax	11	6	17
Net other comprehensive (loss) income	(380)	10	(370)
Adoption of ASU 2016-01	—	(4)	(4)
Balance at year-end 2018	\$ (403)	\$ 12	\$ (391)
Other comprehensive (loss) income before reclassifications ⁽¹⁾	35	2	37
Reclassification of losses (gains), net of tax	—	(7)	(7)
Net other comprehensive (loss) income	35	(5)	30
Balance at year-end 2019	\$ (368)	\$ 7	\$ (361)

⁽¹⁾ Other comprehensive (loss) income before reclassifications for foreign currency translation adjustments includes gains (losses) on intra-entity foreign currency transactions that are of a long-term investment nature of \$6 million for 2019, \$14 million for 2018, and \$(147) million for 2017.

NOTE 15. BUSINESS SEGMENTS

We are a diversified global lodging company with operations in the following reportable business segments:

- *North American Full-Service*, which includes our Luxury and Premium properties located in the U.S. and Canada;
- *North American Limited-Service*, which includes our Select properties located in the U.S. and Canada; and
- *Asia Pacific*, which includes all properties in our Asia Pacific region.

The following operating segments do not meet the applicable accounting criteria for separate disclosure as reportable business segments: Caribbean and Latin America, Europe, and Middle East and Africa. We present these operating segments together as “Other International” in the tables below.

We evaluate the performance of our operating segments using “segment profits” which is based largely on the results of the segment without allocating corporate expenses, income taxes, indirect general, administrative, and other expenses, or merger-related costs and charges. We assign gains and losses, equity in earnings or losses from our joint ventures, and direct general, administrative, and other expenses to each of our segments. “Unallocated corporate” represents a portion of our revenues, including license fees we receive from our credit card programs and fees from vacation ownership licensing agreements, revenues and expenses for our Loyalty Program, general, administrative, and other expenses, merger-related costs and charges, equity in earnings or losses, and other gains or losses that we do not allocate to our segments.

Our President and Chief Executive Officer, who is our “chief operating decision maker”, monitors assets for the consolidated company, but does not use assets by operating segment when assessing performance or making operating segment resource allocations.

In January 2020, we modified our reportable segment structure as a result of a change in the way management intends to evaluate results and allocate resources within the Company. Beginning with the first quarter of 2020, we will present the following three reportable business segments:

- *North America*, which includes all properties in our North America region;
- *Asia Pacific*, which includes all properties in our Asia Pacific region; and
- *Europe, Middle East, and Africa*, which includes all properties in these regions.

Our Caribbean and Latin America segment will be combined with the “Unallocated corporate” caption.

Segment Revenues

The following tables present our revenues disaggregated by segment and major revenue stream for the last three fiscal years:

	2019				
(\$ in millions)	North American Full-Service	North American Limited-Service	Asia Pacific	Other International	Total
Gross fee revenues	\$ 1,299	\$ 966	\$ 477	\$ 555	\$ 3,297
Contract investment amortization	(35)	(13)	(2)	(12)	(62)
Net fee revenues	1,264	953	475	543	3,235
Owned, leased, and other revenue	581	134	178	663	1,556
Cost reimbursement revenue	11,610	2,291	536	1,149	15,586
Total segment revenue	\$ 13,455	\$ 3,378	\$ 1,189	\$ 2,355	\$ 20,377
Unallocated corporate					595
Total revenue					\$ 20,972

	2018				
(\$ in millions)	North American Full-Service	North American Limited-Service	Asia Pacific	Other International	Total
Gross fee revenues	\$ 1,255	\$ 903	\$ 479	\$ 518	\$ 3,155
Contract investment amortization	(33)	(12)	(2)	(11)	(58)
Net fee revenues	1,222	891	477	507	3,097
Owned, leased, and other revenue	593	128	182	668	1,571
Cost reimbursement revenue	11,257	2,198	459	1,091	15,005
Total segment revenue	\$ 13,072	\$ 3,217	\$ 1,118	\$ 2,266	\$ 19,673
Unallocated corporate					1,085
Total revenue					\$ 20,758

	2017				
(\$ in millions)	North American Full-Service	North American Limited-Service	Asia Pacific	Other International	Total
Gross fee revenues	\$ 1,202	\$ 842	\$ 431	\$ 476	\$ 2,951
Contract investment amortization	(25)	(11)	(1)	(13)	(50)
Net fee revenues	1,177	831	430	463	2,901
Owned, leased, and other revenue	697	132	191	685	1,705
Cost reimbursement revenue	11,035	2,256	433	1,140	14,864
Total segment revenue	\$ 12,909	\$ 3,219	\$ 1,054	\$ 2,288	\$ 19,470
Unallocated corporate					982
Total revenue					\$ 20,452

Revenues attributed to operations located outside the U.S. were \$4,400 million in 2019, \$4,246 million in 2018, and \$3,830 million in 2017.

Segment Profits

<i>(\$ in millions)</i>	2019	2018	2017
North American Full-Service	\$ 1,148	\$ 1,153	\$ 1,238
North American Limited-Service	852	786	827
Asia Pacific	369	456	361
Other International	435	570	420
Unallocated corporate	(837)	(302)	386
Interest expense, net of interest income	(368)	(318)	(250)
Income taxes	(326)	(438)	(1,523)
Net income	<u>\$ 1,273</u>	<u>\$ 1,907</u>	<u>\$ 1,459</u>

Segment profits attributed to operations located outside the U.S. were \$982 million in 2019, \$1,155 million in 2018, and \$837 million in 2017. The 2019 segment profits consisted of \$369 million from Asia Pacific, \$272 million from Europe, \$118 million from Caribbean and Latin America, \$45 million from the Middle East and Africa, and \$178 million from other locations.

Depreciation, Amortization, and Other

<i>(\$ in millions)</i>	2019	2018	2017
North American Full-Service	\$ 199	\$ 82	\$ 82
North American Limited-Service	19	15	14
Asia Pacific	25	26	32
Other International	71	70	71
Unallocated corporate	27	33	30
	<u>\$ 341</u>	<u>\$ 226</u>	<u>\$ 229</u>

Capital Expenditures

<i>(\$ in millions)</i>	2019	2018	2017
North American Full-Service	\$ 270	\$ 290	\$ 21
North American Limited-Service	17	15	10
Asia Pacific	2	6	12
Other International	164	40	42
Unallocated corporate	200	205	155
	<u>\$ 653</u>	<u>\$ 556</u>	<u>\$ 240</u>

NOTE 16. RELATED PARTY TRANSACTIONS

Equity Method Investments

We have equity method investments in entities that own properties for which we provide management services and receive fees. In addition, in some cases we provide loans, preferred equity, or guarantees to these entities.

The following tables present financial data resulting from transactions with these related parties:

Income Statement Data

<i>(\$ in millions)</i>	2019	2018	2017
Base management fees	\$ 21	\$ 25	\$ 28
Incentive management fees	8	12	15
Contract investment amortization	(2)	(2)	(2)
Owned, leased, and other revenue	—	—	2
Cost reimbursement revenue	233	332	356
Depreciation, amortization, and other	(2)	(2)	(3)
General, administrative, and other	(2)	—	(1)
Reimbursed expenses	(236)	(337)	(356)
Gains and other income, net	2	51	658
Interest expense	3	—	—
Interest income	—	—	4
Equity in earnings	13	103	40

Balance Sheet Data

<i>(\$ in millions)</i>	At Year-End 2019	At Year-End 2018
Current assets		
Accounts and notes receivable, net	\$ 16	\$ 31
Prepaid expenses and other	1	1
Intangible assets		
Contract acquisition costs and other	29	32
Equity method investments	577	732
Other noncurrent assets	3	10
Current liabilities		
Accounts payable	(1)	(4)
Accrued expenses and other	(3)	(16)
Deferred tax liabilities	(37)	(20)
Other noncurrent liabilities	(3)	(11)

Undistributed earnings attributable to our equity method investments represented approximately \$11 million of our consolidated retained earnings at year-end 2019.

Summarized Financial Information for Investees

The following tables present summarized financial information for the entities in which we have equity method investments:

<i>(\$ in millions)</i>	2019	2018	2017
Sales	\$ 815	\$ 932	\$ 1,176
Net income	80	221	222

<i>(\$ in millions)</i>	At Year-End 2019	At Year-End 2018
Assets (primarily composed of hotel real estate managed by us)	\$ 2,555	\$ 2,724
Liabilities	1,691	1,843

The carrying amount of our equity method investments was \$577 million at year-end 2019 and \$732 million at year-end 2018. This value exceeded our share of the book value of the investees' net assets by \$311 million at year-end 2019 and \$419 million at year-end 2018, primarily due to the value that we assigned to land, contracts, and buildings owned by the investees.

Other Related Parties

We received management fees of approximately \$12 million in 2019, \$13 million in 2018, and \$13 million in 2017, plus reimbursement of certain expenses, from our operation of properties owned by JWM Family Enterprises, L.P., which is beneficially owned and controlled by J.W. Marriott, Jr., Deborah Marriott Harrison, and other members of the Marriott family.

NOTE 17. RELATIONSHIP WITH MAJOR CUSTOMER

Host Hotels & Resorts, Inc., formerly known as Host Marriott Corporation, and its affiliates (“Host”) owned or leased 60 lodging properties at year-end 2019 and 74 at year-end 2018 that we operated or franchised. Over the last three years, we recognized revenues, including cost reimbursement revenue, of \$2,406 million in 2019, \$2,542 million in 2018, and \$2,671 million in 2017 from those lodging properties, and included those revenues in our North American Full-Service and North American Limited-Service reportable business segments, and our Caribbean and Latin America and Europe operating segments.

Host was also a partner in certain unconsolidated partnerships that own lodging properties that we operate under long-term agreements. We recognized revenues, including cost reimbursement revenue, of \$123 million in 2018 and \$114 million in 2017 from those lodging properties, and included those revenues in our North American Full-Service reportable business segment and our Europe operating segment. We did not recognize any revenues in 2019 related to these lodging properties as Host was not affiliated with these lodging properties during 2019.

SUPPLEMENTARY DATA QUARTERLY FINANCIAL DATA – UNAUDITED

(\$ in millions, except per share data)

	2019				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year
Revenues	\$ 5,012	\$ 5,305	\$ 5,284	\$ 5,371	\$ 20,972
Operating income	\$ 510	\$ 409	\$ 607	\$ 274	\$ 1,800
Net income	\$ 375	\$ 232	\$ 387	\$ 279	\$ 1,273
Basic earnings per share ⁽¹⁾	\$ 1.10	\$ 0.70	\$ 1.17	\$ 0.85	\$ 3.83
Diluted earnings per share ⁽¹⁾	\$ 1.09	\$ 0.69	\$ 1.16	\$ 0.85	\$ 3.80

(\$ in millions, except per share data)

	2018				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year
Revenues	\$ 5,009	\$ 5,409	\$ 5,051	\$ 5,289	\$ 20,758
Operating income	\$ 530	\$ 818	\$ 596	\$ 422	\$ 2,366
Net income	\$ 420	\$ 667	\$ 503	\$ 317	\$ 1,907
Basic earnings per share ⁽¹⁾	\$ 1.17	\$ 1.89	\$ 1.45	\$ 0.93	\$ 5.45
Diluted earnings per share ⁽¹⁾	\$ 1.16	\$ 1.87	\$ 1.43	\$ 0.92	\$ 5.38

⁽¹⁾ The sum of the earnings per share for the four quarters may differ from annual earnings per share due to the required method of computing the weighted average shares in interim periods.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

As of the end of the period covered by this annual report, we evaluated, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the “Exchange Act”). Management necessarily applied its judgment in assessing the costs and benefits of those controls and procedures, which by their nature, can provide only reasonable assurance about management’s control objectives. You should note that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and we cannot assure you that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. Based upon this evaluation, our Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures were not effective because of the material weakness in internal control over financial reporting described below. In light of the material weakness, management performed additional procedures to validate the accuracy and completeness of the financial results impacted by the control deficiencies. Such procedures included the validation of data underlying key financial models, substantive logic inspection, fluctuation analyses, and detailed testing.

Material Weakness in Internal Control Over Financial Reporting

A material weakness (as defined in Rule 12b-2 under the Exchange Act) is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company’s annual or interim financial statements will not be prevented or detected on a timely basis.

As we reported in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, in the 2018 fourth quarter, we identified the following deficiencies in the design of internal control over financial reporting for our Loyalty Program.

1. There were not sufficient resources with an understanding of both the requirements under generally accepted accounting principles of ASU 2014-09 and Loyalty Program operations involved in the initial implementation and ongoing monitoring of ASU 2014-09 to allow the individuals responsible for the review of the Loyalty Program accounting model to prevent or detect material misstatements on a timely basis in the normal course of their review.
2. The combination of the Starwood Preferred Guest and Marriott Rewards programs in August 2018 resulted in delayed, incomplete, and inaccurate reporting of Loyalty Program data such that the financial results of the Loyalty Program could not be properly recorded on a timely basis.

These control deficiencies resulted in errors in the calculation of cost reimbursement revenue and reimbursed expenses in our previously issued financial statements for the 2018 first, second, and third quarters. Although the errors were not material to those financial statements, we concluded that the combination of control deficiencies represented a material weakness. Ernst & Young LLP, an independent registered public accounting firm, has independently assessed our internal control over financial reporting and its report is included in Part II, Item 8 of this report.

Remediation of Material Weakness

We are committed to maintaining a strong internal control environment and implementing measures designed to help ensure that control deficiencies contributing to the material weakness are remediated as soon as possible. We have made progress towards remediation and continue to implement our remediation plan for the material weakness in internal control over financial reporting described above, which includes steps to increase dedicated personnel, improve reporting processes, design and implement new controls, and enhance related supporting technology. We will consider the material weakness remediated after the applicable controls operate for a sufficient period of time, and management has concluded, through testing, that the controls are operating effectively.

Internal Control Over Financial Reporting

We have set forth management’s report on internal control over financial reporting and the attestation report of our independent registered public accounting firm on our internal control over financial reporting in Part II, Item 8 of this Form 10-K, and we incorporate those reports here by reference.

As outlined above, we are in the process of taking steps to remediate the material weakness. We made no other changes in internal control over financial reporting during the fourth quarter of 2019 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Items 10, 11, 12, 13, 14.

As described below, we incorporate by reference in this Annual Report on Form 10-K certain information appearing in the Proxy Statement that we will furnish to our shareholders for our 2020 Annual Meeting of Shareholders.

Item 10. Directors, Executive Officers, and Corporate Governance.

We incorporate this information by reference to “Our Board of Directors,” “Audit Committee,” “Transactions with Related Persons,” and “Selection of Director Nominees” sections of our Proxy Statement. We have included information regarding our executive officers and our Code of Ethics below.

Item 11. Executive Compensation.

We incorporate this information by reference to the “Executive and Director Compensation” and “Compensation Committee Interlocks and Insider Participation” sections of our Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

We incorporate this information by reference to the “Securities Authorized for Issuance Under Equity Compensation Plans” and the “Stock Ownership” sections of our Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

We incorporate this information by reference to the “Transactions with Related Persons” and “Director Independence” sections of our Proxy Statement.

Item 14. Principal Accountant Fees and Services.

We incorporate this information by reference to the “Independent Registered Public Accounting Firm Fee Disclosure” and the “Pre-Approval of Independent Auditor Fees and Services Policy” sections of our Proxy Statement.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

We include below certain information on our executive officers. This information is as of February 1, 2020, except where indicated.

Name and Title	Age	Business Experience
J.W. Marriott, Jr. Executive Chairman and Chairman of the Board	87	J.W. Marriott, Jr. was elected Executive Chairman effective March 31, 2012, having relinquished his position as Chief Executive Officer. He served as Chief Executive Officer of the Company and its predecessors since 1972. He joined Marriott in 1956, became President and a Director in 1964, Chief Executive Officer in 1972, and Chairman of the Board in 1985. Mr. Marriott serves on the Board of Trustees of The J. Willard & Alice S. Marriott Foundation and the Executive Committee of the World Travel & Tourism Council. Mr. Marriott has served as a Director of the Company and its predecessors since 1964. He holds a Bachelor of Science degree in Banking and Finance from the University of Utah.
Arne M. Sorenson President and Chief Executive Officer	61	Arne M. Sorenson is President and Chief Executive Officer of Marriott. Mr. Sorenson became the third CEO in the Company's history in 2012. Before that, he served as Marriott's President and Chief Operating Officer. He has held a number of positions since joining Marriott in 1996, including Executive Vice President, Chief Financial Officer, President of Continental European Lodging, and Senior Vice President of Business Development. He was elected to Marriott's Board of Directors in 2011. Mr. Sorenson is active on multiple boards. He joined the Microsoft Board of Directors in November 2017. He is also a member of the Business Roundtable, serving on both its Immigration and Infrastructure Committees. He serves on the Board of Trustees for The Brookings Institution, the Board of Directors for the Warrior-Scholar Project, and as a member of the Luther College Board of Regents. Before he joined Marriott, Mr. Sorenson was a Partner with the law firm Latham & Watkins in Washington, D.C. He holds a Bachelor of Arts degree from Luther College in Decorah, Iowa and a J.D. from the University of Minnesota Law School.
Bao Giang Val Bauduin Controller and Chief Accounting Officer	43	Val Bauduin became Marriott's Controller and Chief Accounting Officer in June 2014, with responsibility for the accounting operations of the Company including oversight of Financial Reporting & Analysis, Accounting Policy, Governance, Risk Management (Insurance, Claims, Business Continuity, Fire & Life Safety), Global Finance Shared Services, and the Corporate Finance Business Partners and in January 2020, he also became Chief Financial Officer - Consumer Operations, Technology & Emerging Business. Before joining Marriott, Mr. Bauduin was a Partner and U.S. Hospitality leader of Deloitte & Touche LLP from 2011 to 2014, where he served as a Travel, Hospitality & Leisure industry expert for Deloitte teams globally. He earned a Bachelor of Arts in Economics from the University of Notre Dame and a Master of Business Administration from The Wharton School at the University of Pennsylvania. He is also a Certified Public Accountant.
Liam Brown Group President, Europe, Middle East & Africa	59	Liam Brown became Group President of Europe, Middle East & Africa, a division that encompasses Continental Europe, the United Kingdom, and Ireland, along with the entire Middle East region and the continent of Africa in January 2020. Mr. Brown joined Marriott in 1989 and served as President for Franchising, Owner Services and Managed by Marriott Select Brands, North America from 2012 to 2018. Most recently, he served as the President and Managing Director of Europe. Other key positions held by Mr. Brown include Chief Operations Officer for the Americas for Select Service & Extended Stay Lodging and Owner & Franchise Services, as well as Senior Vice President and Executive Vice President of Development for Marriott's Select Service & Extended Stay lodging products. He holds a Hotel Diploma and Business Degree from the Dublin Institute of Technology, Trinity College and earned his Master of Business Administration from the Robert H. Smith School of Management at the University of Maryland.

Name and Title	Age	Business Experience
Anthony G. Capuano Group President - Global Development, Design and Operations Services	54	Anthony G. Capuano became Group President - Global Development, Design and Operations Services in January 2020. He continues to be responsible for leading the Company's global development and design efforts. Mr. Capuano began his Marriott career in 1995 as part of the Market Planning and Feasibility team. Between 1997 and 2005, he led Marriott's full-service development efforts in the Western U.S. and Canada. In early 2008, his responsibilities expanded to include all of North America and the Caribbean and Latin America and he became Executive Vice President and Global Chief Development Officer in 2009. Mr. Capuano began his professional career in Laventhol and Horwath's Boston-based Leisure Time Advisory Group. He then joined Kenneth Leventhal and Company's hospitality consulting group in Los Angeles, CA. Mr. Capuano earned his bachelor's degree in Hotel Administration from Cornell University. He is an active member of the Cornell Hotel Society and a member of The Cornell School of Hotel Administration Dean's Advisory Board. Mr. Capuano is also a member of the American Hotel and Lodging Association's Industry Real Estate Financial Advisory Council.
David Grissen Group President	62	David Grissen became Group President effective February 2014, assuming additional responsibility for The Ritz-Carlton and EDITION Brands. He became the Group President for the Americas in 2012, with responsibility for all business activities including Operations, Sales and Marketing, Revenue Management, Human Resources, Engineering, Rooms Operations, Food and Beverage, Retail, Spa, Information Technology and Development. Before this, he served as President, Americas from 2010; Executive Vice President of the Eastern Region from 2005; Senior Vice President of the Mid-Atlantic Region and Senior Vice President of Finance and Business Development from 2000. Mr. Grissen is chair of the Americas' Hotel Development Committee and a member of the Lodging Strategy Group and Corporate Growth Committee. He is a member of the Board of Directors of Regis Corporation. Mr. Grissen holds a Bachelor of Arts degree from Michigan State University and earned his Master of Business Administration from Loyola University in Chicago.
Stephanie Linnartz Group President - Consumer Operations, Technology & Emerging Businesses	51	Stephanie Linnartz became Group President - Consumer Operations, Technology & Emerging Businesses in January 2020. She is responsible for the Company's brand management, sales, marketing, revenue management, distribution, customer experience and innovation, information technology and digital functions, including Marriott Bonvoy. Ms. Linnartz also is responsible for developing, incubating, and running new lines of business that focus on consumer interaction with Marriott Bonvoy. Before assuming her current position, Ms. Linnartz served as Global Chief Commercial Officer from 2013 to 2019; Global Officer, Sales and Revenue Management from 2009 to 2013; Senior Vice President, Global Sales from 2008 to 2009; and, Senior Vice President, Sales and Marketing Planning and Support from 2005 to 2008. She holds a bachelor's degree in Political Science and Government from the College of the Holy Cross and earned her Master of Business Administration from the College of William and Mary.

Name and Title	Age	Business Experience
Kathleen K. Oberg Executive Vice President and Chief Financial Officer	59	Kathleen (“Leeny”) K. Oberg was appointed as Marriott’s Chief Financial Officer, effective January 1, 2016. Previously, Ms. Oberg was the Chief Financial Officer for The Ritz-Carlton since 2013, where she contributed significantly to the brand’s performance, growth, and organizational effectiveness. Prior to assuming that role, Ms. Oberg served in a range of financial leadership positions with Marriott. From 2008 to 2013, she was the Company’s Senior Vice President, Corporate and Development Finance, where she led a team that valued new hotel development projects and merger and acquisition opportunities, prepared the Company’s long-range plans and annual budgets, and made recommendations for the Company’s financial and capital allocation strategy. From 2006 to 2008, Ms. Oberg served in London as Senior Vice President, International Project Finance and Asset Management for Europe and the Middle East and Africa, and as the region’s senior finance executive. Ms. Oberg first joined Marriott as part of its Investor Relations group in 1999. Before joining Marriott, Ms. Oberg held a variety of financial leadership positions with such organizations as Sodexo (previously Sodexo Marriott Services), Sallie Mae, Goldman Sachs, and Chase Manhattan Bank. She currently serves on the Adobe Board of Directors. She earned her Bachelor of Science in Commerce, with concentrations in Finance and Management Information Systems from the University of Virginia, McIntire School of Commerce and received her Master of Business Administration from Stanford University Graduate School of Business.
Rena Hozore Reiss Executive Vice President and General Counsel	60	Rena Hozore Reiss became Executive Vice President and General Counsel in December 2017. Ms. Reiss previously held the position of Executive Vice President, General Counsel and Corporate Secretary at Hyatt Hotels where she led the global legal team and oversaw Hyatt’s risk management team and corporate transactions group. Prior to her position with Hyatt, Ms. Reiss was an attorney in Marriott’s law department from 2000 to 2010 building her career in roles with increasing responsibility, ultimately holding the position of Senior Vice President and Associate General Counsel in which she led Marriott’s managed development efforts in the Americas region. Before joining Marriott, Ms. Reiss was a partner at Counts & Kanne, Chartered, in Washington, D.C. and Associate General Counsel at the Miami Herald Publishing Company. She earned her A.B. from Princeton University and her J.D. from Harvard Law School.
David A. Rodriguez Executive Vice President and Global Chief Human Resources Officer	61	David A. Rodriguez was appointed Executive Vice President and Global Chief Human Resources Officer in 2006. Before joining Marriott in 1998, he held senior roles in human resources at Citicorp (now Citigroup) from 1989 through 1998. Dr. Rodriguez holds a Bachelor of Arts degree and a doctorate degree in Industrial and Organizational Psychology from New York University. He is an elected fellow of the National Academy of Human Resources, chairman of the American Health Policy Institute, vice chair of the Human Resources Policy Association, and a governor on the board of the Health Transformation Alliance.
Craig S. Smith Group President & Managing Director Asia Pacific	57	Craig S. Smith became Group President and Managing Director of Asia Pacific in October 2019 and previously served as President and Managing Director of Asia Pacific since June 2015, assuming the responsibility for the strategic leadership of all operational and development functions spanning the region. Mr. Smith began his career with Marriott in 1988. Before his current position, Mr. Smith served as President of Marriott’s Caribbean and Latin America region from 2011 to 2015. Before moving to the Caribbean and Latin America region in 2011, he was Executive Vice President and Chief Operations Officer for Asia Pacific. As the son of an American diplomat, Mr. Smith has lived in 13 countries, working in North America, the Caribbean, Latin America, Asia Pacific, and Australia. He is fluent in Spanish and conversant in Portuguese. Mr. Smith earned his Master of Business Administration from the Rotman School of Management at the University of Toronto and a Bachelor of Science from Brigham Young University.

Code of Ethics and Business Conduct Guide

The Company has long maintained and enforced a Code of Ethics that applies to all Marriott associates, including our Chairman of the Board, Chief Executive Officer, Chief Financial Officer, and Principal Accounting Officer, and to each member of the Board. The Code of Ethics is encompassed in our Business Conduct Guide, which is available in the Investor Relations section of our website (www.Marriott.com/investor) by clicking on “Governance” and then “Documents & Charters.” We intend to post on that website any future changes or amendments to our Code of Ethics, and any waiver of our Code of Ethics that applies to our Chairman of the Board, any of our executive officers, or a member of our Board within four business days following the date of the amendment or waiver.

PART IV**Item 15. Exhibits and Financial Statement Schedules.**

LIST OF DOCUMENTS FILED AS PART OF THIS REPORT

(1) FINANCIAL STATEMENTS

We include this portion of Item 15 under Part II, Item 8 of this Annual Report on Form 10-K.

(2) FINANCIAL STATEMENT SCHEDULES

We include the financial statement schedule information required by the applicable accounting regulations of the SEC in the notes to our financial statements and incorporate that information in this Item 15 by reference.

(3) EXHIBITS

Any shareholder who wants a copy of the following Exhibits may obtain one from us upon request at a charge that reflects the reproduction cost of such Exhibits. Requests should be made to the Secretary, Marriott International, Inc., 10400 Fernwood Road, Department 52/862, Bethesda, MD 20817.

We have not filed as exhibits certain instruments defining the rights of holders of the long-term debt of Marriott or its subsidiary Starwood Hotels & Resorts Worldwide, LLC, pursuant to Item 601(b)(4)(iii) of Regulation S-K promulgated under the Exchange Act, because the amount of debt authorized and outstanding under each such instrument does not exceed 10 percent of the total assets of the Company’s and its consolidated subsidiaries. The Company agrees to furnish a copy of any such instrument to the Commission upon request.

Exhibit No.	Description	Incorporation by Reference (where a report is indicated below, that document has been previously filed with the SEC and the applicable exhibit is incorporated by reference thereto)
2.1	Agreement and Plan of Merger, dated as of November 15, 2015, by and among the Company, Starwood, and certain of their subsidiaries.	Exhibit No. 2.1 to our Form 8-K filed November 16, 2015 (File No. 001-13881).
2.2	Amendment No. 1 to Agreement and Plan of Merger, dated March 20, 2016, by and among the Company, Starwood, and certain of their subsidiaries.	Exhibit No. 2.1 to our Form 8-K filed March 21, 2016 (File No. 001-13881).
3.1	Restated Certificate of Incorporation.	Exhibit No. 3(i) to our Form 8-K filed August 22, 2006 (File No. 001-13881).
3.2	Amended and Restated Bylaws.	Exhibit No. 3.(ii) to our Form 8-K filed August 14, 2019 (File No. 001-13881).
4.1	Form of Common Stock Certificate.	Exhibit No. 4.5 to our Form S-3ASR filed December 8, 2005 (File No. 333-130212).
4.2	Indenture dated as of November 16, 1998, between the Company and The Bank of New York Mellon, as successor to JPMorgan Chase Bank, N.A., formerly known as The Chase Manhattan Bank.	Exhibit No. 4.1 to our Form 10-K for the fiscal year- ended January 1, 1999 (File No. 001-13881).
4.3	Description of Registrant’s Securities	Filed with this report.

<u>Exhibit No.</u>	<u>Description</u>	<u>Incorporation by Reference (where a report is indicated below, that document has been previously filed with the SEC and the applicable exhibit is incorporated by reference thereto)</u>
10.1	U.S. \$4,500,000 Fifth Amended and Restated Credit Agreement dated as of June 28, 2019 with Bank of America, N.A. as administrative agent and certain banks.	Exhibit No. 10 to our Form 8-K filed July 1, 2019 (File No. 001-13881).
10.2.1	License, Services and Development Agreement entered into on November 17, 2011, among the Company, Marriott Worldwide Corporation, Marriott Vacations Worldwide Corporation, and the other signatories thereto.	Exhibit No. 10.1 to our Form 8-K filed November 21, 2011 (File No. 001-13881).
10.2.2	First Amendment to License, Services, and Development Agreement for Marriott Projects, dated February 26, 2018, among the Company, Marriott Worldwide Corporation, Marriott Vacations Worldwide Corporation, and the other signatories thereto.	Exhibit No. 10.1 to our Form 8-K filed February 27, 2018 (File No. 001-13881).
10.2.3	Letter of Agreement, effective as of September 1, 2018, among Marriott International, Inc., Marriott Worldwide Corporation, Marriott Rewards, LLC, Starwood Hotels & Resorts Worldwide, LLC, Marriott Vacations Worldwide Corporation, Marriott Ownership Resorts, Inc., Vistana Signature Experiences, Inc. and ILG, LLC.	Exhibit No. 10.2 to our Form 10-Q filed November 6, 2018 (File No. 001-13881).
10.3.1	License, Services and Development Agreement entered into on November 17, 2011, among The Ritz-Carlton Hotel Company, L.L.C., Marriott Vacations Worldwide Corporation, and the other signatories thereto.	Exhibit No. 10.2 to our Form 8-K filed November 21, 2011 (File No. 001-13881).
10.3.2	First Amendment to License, Services, and Development Agreement for Ritz-Carlton Projects, dated February 26, 2018, among The Ritz-Carlton Hotel Company, L.L.C., Marriott Vacations Worldwide Corporation, and the other signatories thereto.	Exhibit No. 10.2 to our Form 8-K filed February 27, 2018 (File No. 001-13881).
10.4.1	Marriott Rewards Affiliation Agreement entered into on November 17, 2011, among the Company, Marriott Rewards, L.L.C., Marriott Vacations Worldwide Corporation and certain of its subsidiaries, Marriott Ownership Resorts, Inc., and the other signatories thereto.	Exhibit No. 10.5 to our Form 8-K filed November 21, 2011 (File No. 001-13881).
10.4.2	First Amendment to the Marriott Rewards Affiliation Agreement, dated February 26, 2018, among the Company, Marriott Rewards, LLC, Marriott Vacations Worldwide Corporation, and Marriott Ownership Resorts, Inc.	Exhibit No. 10.3 to our Form 8-K filed February 27, 2018 (File No. 001-13881).
10.4.3	Second Amendment to Marriott Rewards Affiliation Agreement, dated November 25, 2019, among the Company, Marriott Rewards, LLC, Marriott Vacations Worldwide Corporation, and Marriott Ownership Resorts, Inc.	Filed with this report.
*10.5.1	Marriott International, Inc. Stock and Cash Incentive Plan, as Amended Through February 13, 2014.	Exhibit A to our Definitive Proxy Statement filed April 4, 2014 (File No. 001-13881).
*10.5.2	Amendment dated August 7, 2014 to the Marriott International, Inc. Stock and Cash Incentive Plan.	Exhibit No. 10 to our Form 10-Q filed October 29, 2014 (File No. 001-13881).
*10.5.3	Amendment dated September 23, 2016 to the Marriott International, Inc. Stock and Cash Incentive Plan.	Exhibit 10.8.2 to our Form 10-K filed February 15, 2018 (File No. 001-13881).

Exhibit No.	Description	Incorporation by Reference (where a report is indicated below, that document has been previously filed with the SEC and the applicable exhibit is incorporated by reference thereto)
*10.5.4	Amendment dated May 5, 2017 to the Marriott International, Inc. Stock and Cash Incentive Plan.	Exhibit 10.8.3 to our Form 10-K filed February 15, 2018 (File No. 001-13881).
*10.5.5	Amendment dated February 15, 2019 to the Marriott International, Inc. Stock and Cash Incentive Plan.	Exhibit 10.7.5 to our Form 10-K filed March 1, 2019 (File No. 001-13881).
*10.5.6	Amendment dated May 10, 2019 to the Marriott International, Inc. Stock and Cash Incentive Plan.	Exhibit 10.1 to our Form 10-Q filed August 6, 2019 (File No. 001-13881).
*10.6.1	Marriott International, Inc. Executive Deferred Compensation Plan, Amended and Restated as of January 1, 2009.	Exhibit No. 99 to our Form 8-K filed August 6, 2009 (File No. 001-13881).
*10.6.2	Amendment to the Marriott International, Inc. Executive Deferred Compensation Plan, effective January 1, 2010.	Exhibit 10.9.1 to our Form 10-K filed February 15, 2018 (File No. 001-13881).
*10.6.3	Amendment to the Marriott International, Inc. Executive Deferred Compensation Plan, effective April 1, 2010.	Exhibit 10.9.2 to our Form 10-K filed February 15, 2018 (File No. 001-13881).
*10.6.4	Amendment to the Marriott International, Inc. Executive Deferred Compensation Plan, effective October 25, 2011.	Exhibit 10.9.3 to our Form 10-K filed February 15, 2018 (File No. 001-13881).
*10.6.5	Amendment to the Marriott International, Inc. Executive Deferred Compensation Plan, effective November 19, 2011.	Exhibit 10.9.4 to our Form 10-K filed February 15, 2018 (File No. 001-13881).
*10.6.6	Amendment to the Marriott International, Inc. Executive Deferred Compensation Plan, effective January 1, 2013.	Exhibit 10.9.5 to our Form 10-K filed February 15, 2018 (File No. 001-13881).
*10.6.7	Amendment to the Marriott International, Inc. Executive Deferred Compensation Plan, effective September 23, 2016 (409A).	Exhibit 10.9.6 to our Form 10-K filed February 15, 2018 (File No. 001-13881).
*10.6.8	Amendment to the Marriott International, Inc. Executive Deferred Compensation Plan, effective September 23, 2016 (Starwood deferral elections).	Exhibit 10.9.7 to our Form 10-K filed February 15, 2018 (File No. 001-13881).
*10.6.9	Amendment to the Marriott International, Inc. Executive Deferred Compensation Plan, effective January 1, 2019.	Exhibit 10.8.9 to our Form 10-K filed March 1, 2019 (File No. 001-13881).
*10.7.1	Form of Employee Non-Qualified Stock Option Agreement for the Marriott International, Inc. Stock and Cash Incentive Plan.	Exhibit 10.10 to our Form 10-K filed February 15, 2018 (File No. 001-13881).
*10.7.2	Form of Senior Executive Supplemental Non-Qualified Stock Option Agreement for the Marriott International, Inc. Stock and Cash Incentive Plan.	Exhibit 10.10.1 to our Form 10-K filed February 15, 2018 (File No. 001-13881).
*10.8.1	Form of Executive Restricted Stock Unit/MI Shares Agreement for the Marriott International, Inc. Stock and Cash Incentive Plan (pre-February 2018).	Exhibit 10.11 to our Form 10-K filed February 15, 2018 (File No. 001-13881).
*10.8.2	Form of Executive Restricted Stock Unit/MI Shares Agreement for the Marriott International, Inc. Stock and Cash Incentive Plan (February 2018).	Exhibit 10.6.1 to our Form 10-Q filed May 10, 2018 (File No. 001-13881).
*10.8.3	Form of Retention Executive Restricted Stock Unit Agreement for the Marriott International, Inc. Stock and Cash Incentive Plan (February 2018).	Exhibit 10.6.2 to our Form 10-Q filed May 10, 2018 (File No. 001-13881).

Exhibit No.	Description	Incorporation by Reference (where a report is indicated below, that document has been previously filed with the SEC and the applicable exhibit is incorporated by reference thereto)
*10.8.4	Form of MI Shares Agreement for the Marriott International, Inc. Stock and Cash Incentive Plan (March 2019).	Exhibit 10.1 to our Form 10-Q filed May 10, 2019 (File No. 001-13881).
*10.8.5	Form of Retention Executive Restricted Stock Unit Agreement for the Marriott International, Inc. Stock and Cash Incentive Plan (March 2019).	Exhibit 10.2 to our Form 10-Q filed May 10, 2019 (File No. 001-13881).
*10.9.1	Form of Stock Appreciation Right Agreement for the Marriott International, Inc. Stock and Cash Incentive Plan (pre-February 2018).	Exhibit 10.12 to our Form 10-K filed February 15, 2018 (File No. 001-13881).
*10.9.2	Form of Senior Executive Supplemental Stock Appreciation Right Agreement for the Marriott International, Inc. Stock and Cash Incentive Plan.	Exhibit 10.12.1 to our Form 10-K filed February 15, 2018 (File No. 001-13881).
*10.9.3	Form of Stock Appreciation Right Agreement for the Marriott International, Inc. Stock and Cash Incentive Plan (For Non-Employee Directors).	Exhibit 10.12.2 to our Form 10-K filed February 15, 2018 (File No. 001-13881).
*10.9.4	Form of Stock Appreciation Right Agreement for the Marriott International, Inc. Stock and Cash Incentive Plan (February 2018).	Exhibit 10.7 to our Form 10-Q filed May 10, 2018 (File No. 001-13881).
*10.9.5	Form of Stock Appreciation Rights Agreement for the Marriott International, Inc. Stock and Cash Incentive Plan (March 2019).	Exhibit 10.3 to our Form 10-Q filed May 10, 2019 (File No. 001-13881).
*10.10.1	Form of Performance Share Unit Award Agreement for the Marriott International, Inc. Stock and Cash Incentive Plan (February 2018).	Exhibit 10.8 to our Form 10-Q filed May 10, 2018 (File No. 001-13881).
*10.10.2	Form of Performance Share Unit Award Agreement for the Marriott International, Inc. Stock and Cash Incentive Plan (March 2019).	Exhibit 10.4 to our Form 10-Q filed May 10, 2019 (File No. 001-13881).
*10.11	Summary of Marriott International, Inc. Director Compensation.	Exhibit 10 to our Form 10-Q filed November 5, 2019 (File No. 001-13881).
*10.12	Marriott International, Inc. Executive Officer Annual Cash Incentive Program.	Exhibit 10.9 to our Form 10-Q filed May 10, 2018 (File No. 001-13881).
*10.13.1	Starwood 1999 Long-Term Incentive Compensation Plan.	Exhibit 10.4 to Starwood's Form 10-Q for the quarterly period ended June 30, 1999 (File No. 001-07959).
*10.13.2	First Amendment to the Starwood 1999 Long-Term Incentive Compensation Plan, dated as of August 1, 2001.	Exhibit 10.1 to Starwood's Form 10-Q for the quarterly period ended September 30, 2001 (File No. 001-07959).
*10.13.3	Second Amendment to the Starwood 1999 Long-Term Incentive Compensation Plan.	Exhibit 10.2 to Starwood's Form 10-Q for the quarterly period ended March 31, 2003 (File No. 001-07959).
*10.14.1	Starwood 2002 Long-Term Incentive Compensation Plan.	Annex B of Starwood's 2002 Notice of Annual Meeting and Proxy Statement filed April 12, 2002 (File No. 001-07959).
*10.14.2	First Amendment to the Starwood 2002 Long-Term Incentive Compensation Plan.	Exhibit 10.1 to Starwood's Form 10-Q for the quarterly period ended March 31, 2003 (File No. 001-07959).
*10.15.1	Starwood 2004 Long-Term Incentive Compensation Plan, amended and restated as of December 31, 2008.	Exhibit 10.3 to Starwood's Form 8-K filed January 6, 2009 (File No. 001-07959).
*10.15.2	First Amendment to the Starwood 2004 Long-Term Incentive Compensation Plan.	Exhibit 10.1 to Starwood's Form 10-Q for the quarterly period ended June 30, 2013 (File No. 001-07959).

Exhibit No.	Description	Incorporation by Reference (where a report is indicated below, that document has been previously filed with the SEC and the applicable exhibit is incorporated by reference thereto)
*10.16.1	Starwood 2013 Long-Term Incentive Compensation Plan.	Exhibit 4.4 to Starwood’s Form S-8 filed June 28, 2013 (File No. 333-189674).
*10.16.2	Amendment dated May 5, 2017 to the Starwood 2013 Long-Term Incentive Compensation Plan.	Exhibit 10.19.1 to our Form 10-K filed February 15, 2018 (File No. 001-13881).
*10.17	Amendment dated June 29, 2016 to the Starwood 2013 Long-Term Incentive Compensation Plan, the Starwood 2004 Long-Term Incentive Compensation Plan, the Starwood 2002 Long-Term Incentive Compensation Plan, and the Starwood 1999 Long-Term Incentive Compensation Plan.	Exhibit 10.20 to our Form 10-K filed February 15, 2018 (File No. 001-13881).
*10.18	Amendment dated September 23, 2016 to the Starwood 2013 Long-Term Incentive Compensation Plan, the Starwood 2004 Long-Term Incentive Compensation Plan, the Starwood 2002 Long-Term Incentive Compensation Plan, and the Starwood 1999 Long-Term Incentive Compensation Plan.	Exhibit 10.21 to our Form 10-K filed February 15, 2018 (File No. 001-13881).
*10.19	Amendment dated November 10, 2016 to the Marriott International, Inc. Stock and Cash Incentive Plan, the Starwood 2013 Long-Term Incentive Compensation Plan, the Starwood 2004 Long-Term Incentive Compensation Plan, the Starwood 2002 Long-Term Incentive Compensation Plan, and the Starwood 1999 Long-Term Incentive Compensation Plan.	Exhibit 10.22 to our Form 10-K filed February 15, 2018 (File No. 001-13881).
†10.20	Amended and Restated Side Letter Agreement - Program Affiliation, dated February 26, 2018, among the Company, Marriott Vacations Worldwide, and certain of their subsidiaries.	Exhibit No. 10.5 to our Form 8-K filed February 27, 2018 (File No. 001-13881).
10.21	Aircraft Time Sharing Agreement, effective as of September 20, 2018, between Marriott International Administrative Services, Inc. and J. Willard Marriott Jr.	Exhibit No. 10.3 to our Form 10-Q filed November 6, 2018 (File No. 001-13881).
21	Subsidiaries of Marriott International, Inc.	Filed with this report.
23	Consent of Ernst & Young LLP.	Filed with this report.
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a).	Filed with this report.
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a).	Filed with this report.
32	Section 1350 Certifications.	Furnished with this report.
101	The following financial statements from Marriott International, Inc.’s Annual Report on Form 10-K for the year ended December 31, 2019, formatted in Inline XBRL (Extensible Business Reporting Language): (i) the Consolidated Statements of Income for the year ended December 31, 2019, December 31, 2018, and December 31, 2017; (ii) the Consolidated Balance Sheets at December 31, 2019, and December 31, 2018; (iii) the Consolidated Statements of Cash Flows for the year ended December 31, 2019, December 31, 2018, and December 31, 2017; (iv) the Consolidated Statements of Comprehensive Income for the year ended December 31, 2019, December 31, 2018, and December 31, 2017; (v) the Consolidated Statements of Shareholders’ Equity for the year ended December 31, 2019, December 31, 2018, and December 31, 2017; and (vi) Notes to Consolidated Financial Statements.	<i>Submitted electronically with this report.</i>

Exhibit No.	Description	Incorporation by Reference (where a report is indicated below, that document has been previously filed with the SEC and the applicable exhibit is incorporated by reference thereto)
101.INS	XBRL Instance Document.	<i>Submitted electronically with this report.</i>
101.SCH	XBRL Taxonomy Extension Schema Document.	<i>Submitted electronically with this report.</i>
101.CAL	XBRL Taxonomy Calculation Linkbase Document.	<i>Submitted electronically with this report.</i>
101.DEF	XBRL Taxonomy Extension Definition Linkbase.	<i>Submitted electronically with this report.</i>
101.LAB	XBRL Taxonomy Label Linkbase Document.	<i>Submitted electronically with this report.</i>
101.PRE	XBRL Taxonomy Presentation Linkbase Document.	<i>Submitted electronically with this report.</i>
104	The cover page from Marriott International, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2019, formatted in Inline XBRL (included as Exhibit 101).	<i>Submitted electronically with this report.</i>
*	Denotes management contract or compensatory plan.	
†	Portions of this exhibit were redacted pursuant to a confidential treatment request filed with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Exchange Act. The redacted portions of this exhibit have been filed with the Securities and Exchange Commission.	

Item 16. Form 10-K Summary.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act, we have duly caused this Form 10-K to be signed on our behalf by the undersigned, thereunto duly authorized, on this 27th day of February 2020.

MARRIOTT INTERNATIONAL, INC.

By: /s/Arne M. Sorenson
Arne M. Sorenson
President and Chief Executive Officer

Pursuant to the requirements of the Exchange Act, this Form 10-K has been signed by the following persons on our behalf in the capacities indicated and on the date indicated above.

PRINCIPAL EXECUTIVE OFFICER:

/s/Arne M. Sorenson President, Chief Executive Officer and Director
Arne M. Sorenson

PRINCIPAL FINANCIAL OFFICER:

/s/Kathleen K. Oberg Executive Vice President and Chief Financial Officer
Kathleen K. Oberg

PRINCIPAL ACCOUNTING OFFICER:

/s/Bao Giang Val Bauduin Controller and Chief Accounting Officer
Bao Giang Val Bauduin

DIRECTORS:

/s/J.W. Marriott, Jr.
J.W. Marriott, Jr., Executive Chairman and Chairman of the Board

/s/Mary K. Bush
Mary K. Bush, Director

/s/Bruce W. Duncan
Bruce W. Duncan, Director

/s/Deborah Marriott Harrison
Deborah Marriott Harrison, Director

/s/Frederick A. Henderson
Frederick A. Henderson, Director

/s/Eric Hippeau
Eric Hippeau, Director

/s/Lawrence W. Kellner
Lawrence W. Kellner, Director

/s/Debra L. Lee
Debra L. Lee, Director

/s/Aylwin B. Lewis
Aylwin B. Lewis, Director

/s/Margaret M. McCarthy
Margaret M. McCarthy, Director

/s/George Muñoz
George Muñoz, Director

/s/Steven S Reinemund
Steven S Reinemund, Director

/s/Susan C. Schwab
Susan C. Schwab, Director

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

Marriott International, Inc. ("Marriott") has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: our Class A Common Stock, par value \$0.01 per share (our "common stock").

DESCRIPTION OF COMMON STOCK

The following summary description sets forth some of the general terms and provisions of our common stock. Because this is a summary description, it does not contain all of the information that may be important to you. For a more detailed description of our common stock, you should refer to the provisions of our restated certificate of incorporation (our "certificate of incorporation") and our amended and restated bylaws (our "bylaws"), each of which are exhibits to the Annual Report on Form 10-K to which this description is an exhibit.

General

Under our certificate of incorporation, Marriott is authorized to issue up to eight hundred million (800,000,000) shares of our common stock and up to ten million (10,000,000) shares of preferred stock, without par value (our "preferred stock"), 800,000 shares of which have been designated Series A Junior Participating Preferred Stock. The shares of our common stock currently outstanding are fully paid and non-assessable. No shares of preferred stock are currently outstanding.

No Preemptive, Redemption or Conversion Rights

Our common stock is not redeemable, is not subject to sinking fund provisions, does not have any conversion rights and is not subject to call. Holders of shares of common stock do not have preemptive rights to acquire newly issued shares, but our certificate of incorporation states that our board of directors may provide for such rights in the future in its discretion.

Voting Rights

We have one class of stock outstanding, our common stock, all holders of which have ten votes per share in all elections of directors and on all other matters submitted to a vote of stockholders of Marriott. Holders of shares of common stock do not have cumulative voting rights. Directors elected at a meeting of stockholders are elected by the vote of the majority of the votes cast (as defined in our bylaws), provided, that if the number of nominees exceeds the number of directors to be elected, the directors, not exceeding the authorized number of directors as fixed by the board of directors in accordance with the bylaws, receiving the greatest number of votes of the stockholders entitled to vote thereon, present in person or by proxy, will be elected. All other matters submitted to a vote of stockholders are decided by the affirmative vote of a majority of the voting power of the shares present in person or represented by proxy and entitled to vote thereon, unless the matter is one upon which a different vote is required by express provision of law, our certificate of incorporation or our bylaws.

Board of Directors

Our board of directors is not classified. Our board of directors has the authority to make, alter, amend and repeal bylaws, subject to certain limitations set forth in our certificate of incorporation and bylaws.

Dividend Rights

Subject to the preferences applicable to any outstanding shares of preferred stock, the holders of common stock are entitled to receive dividends, if any, as and when declared, from time to time, by our board of directors out of funds legally available therefor.

Liquidation, Dissolution or Similar Rights

Upon dissolution, after satisfaction of the claims of creditors, the assets of Marriott would be distributed to stockholders in accordance with their respective interests, including any rights a holder of shares of preferred stock may have to preferred distributions upon dissolution or liquidation of Marriott.

Preferred Stock

Under our certificate of incorporation, without further stockholder action, our board of directors is authorized, subject to any limitations prescribed by Delaware law, to provide for the issuance of shares of preferred stock in one or more series, to establish from time to time the number of shares to be included in each such series, to set the voting powers of each such series, and to fix the designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions of each such series.

Forum Selection Clause

Under our bylaws, unless Marriott consents in writing to the selection of an alternative forum, the sole and exclusive forum for any current or former stockholder making certain types of claims shall be the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, another state court or a federal court located within the State of Delaware). This provision applies to claims, including claims in the right of Marriott, (a) that are based upon a violation of a duty by a current or former director, officer, employee or stockholder in such capacity, or (b) as to which the Delaware General Corporation Law (the "DGCL") confers jurisdiction upon the Court of Chancery.

Other Anti-Takeover Effects of Provisions of our Certificate of Incorporation, Bylaws, and Delaware Law

Our certificate of incorporation and bylaws and Delaware law contain provisions that, in addition to being applicable in other contexts, could delay or discourage some transactions involving an actual or potential change in control of Marriott or its management. For example, under Section 203 of the DGCL a stockholder holding 15% or more of our outstanding voting stock could not acquire us without consent of our board of directors for at least three years after the date the stockholder first held 15% or more of the voting stock. Our governing corporate documents also, among other things, require supermajority votes for mergers and similar transactions, for certain transactions with any interested stockholder (as defined in our certificate of incorporation), as well as to remove a director, and to amend certain provisions of our certificate of incorporation and bylaws. In addition, our board of directors could, without stockholder approval, implement other anti-takeover defenses, such as a stockholder rights plan.

**SECOND AMENDMENT TO
MARRIOTT REWARDS AFFILIATION AGREEMENT**

This Second Amendment to Marriott Rewards Affiliation Agreement (this “Second Amendment”), dated as of November 25, 2019 (“Effective Date”), is by and among MARRIOTT INTERNATIONAL, INC. (“MII”), a Delaware corporation, MARRIOTT REWARDS, LLC (“Rewards”, and together with MII, “Marriott”), an Arizona limited liability company, MARRIOTT VACATIONS WORLDWIDE CORPORATION (“MVWC”), a Delaware corporation, and MARRIOTT OWNERSHIP RESORTS, INC. (“MORI”, and together with MVWC, “MVW”), a Delaware corporation. As used in this Agreement, the terms “Rewards”, “MII”, “Marriott”, “MORI”, “MVWC”, and “MVW” shall mean Rewards, MII, Marriott, MORI, MVWC, and MVW, as the case may be, and their respective subsidiaries.

RECITALS

A. MII, Rewards, MVWC and MORI are parties to that certain Marriott Rewards Affiliation Agreement, dated as of November 17, 2011 and effective as of November 21, 2011, as amended by that certain First Amendment to Marriott Rewards Affiliation Agreement dated as of February 26, 2018 (as amended, the “Rewards Agreement”).

B. Marriott and MVW desire to amend the Rewards Agreement as set forth herein.

C. Capitalized terms used herein that are not otherwise defined shall have the respective meanings set forth in the Rewards Agreement.

AGREEMENT

In consideration of the foregoing and the mutual covenants and agreements herein contained, and intending to be legally bound hereby, the parties agree as follows:

Section 1. **MVW Associates.** As of the Effective Date of this Second Amendment, Section 18(a) of the Rewards Agreement is hereby amended to delete the second sentence thereof and replace it with the following:

MVW Associate Rewards Members shall be subject to all Program Rules.

Section 2. **Counterparts; Authorization of Authority.**

(a) This Second Amendment may be executed in a number of identical counterparts, each of which will be deemed an original for all purposes and all of which, taken together, will constitute, collectively, one agreement. Delivery of an executed signature page to this Second Amendment by electronic transmission will be effective as delivery of a manually signed counterpart of this Second Amendment.

(b) Each party represents, warrants and covenants that it has and will continue to have all necessary power and authority to execute and deliver this Second Amendment.

Section 3. **Full Force and Effect**

Except to the extent specifically amended, modified or supplemented by this Second Amendment, the Rewards Agreement remains unchanged and in full force and effect. From and after the effectiveness of this Second Amendment, each reference in the Rewards Agreement to “this Agreement,” “hereof”,

“hereunder” or words of similar import will be deemed to mean the Rewards Agreement, as so amended, modified or supplemented by this Second Amendment.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Second Amendment, effective as of the Effective Date.

MARRIOTT INTERNATIONAL, INC.

By:
Name: Timothy Grisius
Title: Global Real Estate Officer

MARRIOTT REWARDS, LLC

By:
Name: Timothy Grisius
Title: Authorized Signatory

MARRIOTT VACATIONS WORLDWIDE CORPORATION

By:
Name: Stephen P. Weisz
Title: President and Chief Executive Officer

MARRIOTT OWNERSHIP RESORTS, INC.

By:
Name: Stephen P. Weisz
Title: President

[Second Amendment to Marriott Rewards Affiliation Agreement]

Marriott International, Inc.

Subsidiaries of the Registrant

<u>Entity Name</u>	<u>Jurisdiction of Incorporation</u>
1367357 Alberta ULC	Canada
14 East Fifty-Fifth Air Parcel, LLC	Delaware
14 East Fifty-Fifth Street New York LLC	Delaware
1567 Broadway Condominium	New York
1640054 Alberta ULC	Canada
225 Liquor Licensee LLC	New Jersey
315 East Dean Street Aspen LLC	Delaware
333 International, Inc.	Delaware
3387 Lenox Road LLC	Delaware
520 Canal Street Limited Partnership	Louisiana
6106 East Camelback LLC	Delaware
697 Fifth Avenue New York LLC	Delaware
909 North Michigan Avenue Corporation	Delaware
9701 Collins Avenue, LLC	Delaware
Aberdeen Hotel Limited	Jersey
ACHM Gerenciamento Internacional de Hoteis do Brasil Ltda.	Brazil
ACHM Global Hospitality Licensing S.à r.l.	Luxembourg
ACHM International Management Company (French Branch)	France
ACHM International Management Company S.à.r.l.	Luxembourg
ACHM Spain Management S.L.	Spain
Adamar International Lodging, Ltd.	Bermuda
Administracion de Empresas Starwood S de RL de SV	Mexico
Adquisiciones Cancun-Vallarta S. de R.L. de C.V. - (Joint Venture)	Mexico
Aeropuerto Shareholder, Inc.	Delaware
Alitrip Holding Company Limited	Cayman Islands
Aloft Hotel Management, Inc.	Delaware
Aloft International Hotel Management, Inc.	Delaware
Alpha Steam Acquisition, LLC	Delaware
Alphaventure Music Publishing Corp.	New York
Alstar Operating LLC	New York
Alstar Realty LLC	New York
Amazonas H.O.T. S.A. (Joint Venture)	Ecuador
AP Arabella (Pty) Ltd	South Africa
AP Mount Grace (Pty) Limited	South Africa
Atlanta Acquisition LLC	Delaware
Bal Harbour Hotel LLC	Delaware
Baltic Investment Company, L.L.C.	New Jersey
Baltimore Marriott Inner Harbor, L.L.C.	Delaware
BCN Hotel Management Company, S.L.	Spain
Beijing International Club Co. Ltd	China
Berlin Marriott Hotelmanagement GmbH	Germany
Betaventure Music Publishing Corp.	New York
Blue Marble Co., Inc.	Delaware

<u>Entity Name</u>	<u>Jurisdiction of Incorporation</u>
Boston Convention Associates, LLC	Delaware
Branch of the private limited liability company "Luxury Hotels International Management Company" (Moscow Branch)	Russian Federation
Branch Office of the Private limited liability company "The Ritz-Carlton Hotel Company B.V." (Russian Branch)	Russian Federation
Bulgari Hotels and Resorts Milano, S.r.l. (Joint Venture)	Italy
Business Tourism Company LLC - (Joint Venture)	Jordan
BW SL 1 Limited	Saint Lucia
Camelback Country Club, Inc. (d/b/a Camelback Golf Club)	Arizona
Camelback Properties Inn, Inc.	Delaware
Canal Street Holdings, Inc.	Delaware
Capitol Employment Services, LLC	Delaware
Carpstar/Jordan Development LLC	Delaware
CBM Annex, Inc.	Delaware
Centerline Georgia Investor LLC	Delaware
Charleston Marriott, LLC	Delaware
Cheshunt Hotel Operating Company Limited (Joint Venture)	United Kingdom
Chicago Hotel Services, LLC	Delaware
Cia Palmares Hoteis e Turismo	Brazil
Ciga Gestioni S.r.l	Italy
CIGA Hotels GmbH	Austria
CIGA Immobiliare B.V.	Netherlands
CIGA International Management B.V.	Netherlands
Cigahotels Espana S.L.U	Spain
Classic Select Hospitality Service Company	Japan
Cologne MH Operating Company GmbH	Germany
Colony Club (Barbados) Limited	Barbados
Colony SL 1 Limited	Saint Lucia
Columbia Courtyard, Inc.	Maryland
Consolidated Hotels Limited	Hong Kong
Corporacion Habitacional Mexicana S. de R.L. de C.V.	Mexico
Corporate General, Inc.	Delaware
Courtyard Management Corporation	Delaware
Crystal Cove Hotel Limited	Barbados
Crystal SL 1 Limited	Saint Lucia
CS&M Associates	Louisiana
CTYD III Corporation	Delaware
Culinary Concepts (Abu Dhabi) LLC	Delaware
Culinary Concepts (Atlanta Buckhead) LLC	Delaware
Culinary Concepts (Atlanta Midtown) LLC	Delaware
Culinary Concepts (Bal Harbour) LLC	Delaware
Culinary Concepts (BB Puerto Rico) LLC	Delaware
Culinary Concepts (Boston) LLC	Delaware
Culinary Concepts (Cairo) LLC	Delaware
Culinary Concepts (Doha) LLC	Delaware
Culinary Concepts (Dubai) LLC	Delaware

<u>Entity Name</u>	<u>Jurisdiction of Incorporation</u>
Culinary Concepts (Mexico City) LLC	Delaware
Culinary Concepts (Park City) LLC	Delaware
Culinary Concepts (Phoenician) LLC	Delaware
Culinary Concepts (Princeville) LLC	Delaware
Culinary Concepts (Vancouver) LLC	Delaware
Culinary Concepts (Washington) LLC	Delaware
Culinary Concepts Hospitality Group, LLC	New York
Culinary Concepts Torre Libertad, S. de R.L. de C.V.	Mexico
CWT Savannah Club, LLC	Delaware
CWT Savannah Holdings, LLC	Delaware
CWT Savannah Hotel, LLC	Delaware
CY Paris Gare de Lyon Bercy SAS	France
Daphne's Restaurant (St. Lucia) Limited	Saint Lucia
Daphne's Restaurant Ltd.	Barbados
Delta Hotels Services Limited	Canada
Design Hotels AG	Germany
Destination Services of Scottsdale LLC	Delaware
Detroit CY, LLC.	Delaware
Detroit Hotel Services, LLC	Delaware
Detroit MHS, LLC	Delaware
Detroit Starwood, LLC	Delaware
Dominican Hotels (B.V.I.) Ltd.	Virgin Islands, British
Edison Hotel Associates Limited Partnership	New Jersey
EDITION Management LLC	Delaware
Elan Hotel Beverage Corporation	Texas
Elcrisa, S.A. de C.V. - (Joint Venture)	Mexico
Elegant Finance (St. Lucia) Limited	Saint Lucia
Elegant Hotels (Barbados) Management Limited	Barbados
Elegant Hotels BGI Limited	Barbados
Elegant Hotels Group Limited	United Kingdom
Elegant Services (St. Lucia) Limited	Saint Lucia
Empresa de Servicios Hoteleros Punta Mita S.A de C.V. (Joint Venture)	Mexico
Empresa de Servicios Reforma 325, S. de R.L. de C.V.	Mexico
Emstar Operating LLC	New York
Emstar Realty LLC	New York
ENA Hotel Holding Company Pvt Ltd	Maldives
Essex House Condominium Corporation	Delaware
F. L. Insurance Corporation	Hawaii
Fairfield FMC, LLC	Delaware
Fesdhu Holdings Pvt Ltd	Maldives
Fifth Avenue Hotel Suites, LLC	Delaware
Fiji Cayman Holdings	Cayman Islands
FOH Holdco, LLC	Delaware
Franchise and License (Canadian) Ops Limited Partnership	Canada
Franchise System Holdings, Inc.	Delaware

<u>Entity Name</u>	<u>Jurisdiction of Incorporation</u>
Frankfurt Airport Marriott Hotel Management GmbH	Germany
Frankfurt Marriott Hotelmanagement GmbH	Germany
Furana Holdings Pvt Ltd	Maldives
Galaxy Hotel Systems LLC	Delaware
Gambits, A Nonprofit Corporation (Incorporated Club)	Utah
Gateway Beverages, Inc.	Texas
Geyex International N.V.	Curacao
GH Hotel Operating Company Limited	United Kingdom
Global Connexions LLC	Delaware
Global Hospitality Licensing S.à r.l.	Luxembourg
Global Hospitality Licensing S.À R.L. (Macao Tax Registration)	Macao
Global Hospitality Licensing S.A.R.L. (India Tax Registration)	India
Global Hospitality Licensing S.A.R.L. (Jordan Tax Registration)	Jordan
Global Hospitality Licensing S.A.R.L. (Kuwait Tax Registration)	Kuwait
Global Hospitality Licensing S.A.R.L. (Qatar Tax Registration)	Qatar
Global Hospitality Licensing S.A.R.L. (Saudi Arabia Tax Registration)	Saudi Arabia
Granton International, Ltd.	Virgin Islands, British
Guangzhou Gingerroot Information Technology Co., Ltd.	China
Guangzhou Starwood Customer Contact Centre Co., Ltd.	China
Hamburg Marriott Hotelmanagement GmbH	Germany
Headquarters Hotel Management, L.L.C.	New Jersey
Heidelberg Marriott Hotelmanagement GmbH	Germany
Hospitality International, Inc.	Texas
Host Restaurants, Inc.	Delaware
HOT Finance Luxembourg SARL	Luxembourg
HOT Finance Luxembourg, LLC	Delaware
HOT Global Holding SCS	Luxembourg
HOT International Finance SARL	Luxembourg
HOT International Holding S.A.R.L., Luxembourg, Zurich Branch	Switzerland
HOT International Holding SARL	Luxembourg
HOT Luxembourg Holding SARL	Luxembourg
HOT Ventures LLC	Delaware
Hotel Gym Ventures, LLC	Delaware
Hotel Investors of Michigan, Inc.	Michigan
Hotel Investors of Nebraska, Inc.	Nebraska
Hotel Macenas SI	Spain
Hoteles de Chile S.A. (Joint Venture)	Chile
Hoteles Sheraton del Peru S.A.C	Peru
Hoteles Sheraton, S. de R.L. de C.V.	Mexico
Hudson Sheraton Corporation LLC	Delaware
Hunt Valley Courtyard, Inc.	Delaware
IDF Enterprises LLC	Delaware
Inter Heritage (M) Sdn. Bhd.	Malaysia
International Hotel Licensing Company (India Tax Registration)	India
International Hotel Licensing Company (Jordan Tax Registration)	Jordan

<u>Entity Name</u>	<u>Jurisdiction of Incorporation</u>
International Hotel Licensing Company (Kuwait Tax Registration)	Kuwait
International Hotel Licensing Company (Qatar Tax Registration)	Qatar
International Hotel Licensing Company (Saudi Arabia Tax Registration)	Saudi Arabia
International Hotel Licensing Company S.à r.l, Luxembourg (Zurich Branch)	Switzerland
International Hotel Licensing Company S.à.r.l.	Luxembourg
International Luxury Hotels (Singapore) Pte. Limited	Singapore
International Tourism Management Services, LLC	Florida
Inversiones ECA, S.A. de C.V.	Mexico
ITT Corporation Split Dollar Life/Death Benefits Trust	New York
Japan Hospitality Service Company	Japan
Japan Hotel Management Company	Japan
JG's Vancouver Market Inc.	Canada
Kansas Hospitality Services, Inc.	Kansas
Koorshevel Ltd.	Israel
KW Beach Suites Limited Partnership	Florida
LAX Properties, LLC	Delaware
Le Centre Sheraton Limited Partnership	Canada
Leipzig Marriott Hotelmanagement GmbH	Germany
LF, South Beach, LLC	Delaware
LHI (MYANMAR)CO., LTD	Myanmar
LHI Rwanda Ltd	Rwanda
Limited Liability Company "CYBM Voznesenkiy Hotel Leasing"	Russian Federation
Limited Liability Company "Renaissance Samara Hotel Leasing"	Russian Federation
Limited Liability Company "Renaissance St. Petersburg Hotel Leasing"	Russian Federation
Limited Liability Company "St. Petersburg CY Hotel Leasing"	Russian Federation
Limited Liability Company Marriott Novy Arbat Hotel Leasing	Russian Federation
LLC MHR Nizhny Novgorod Hotel Management	Russian Federation
LM IPCO (Italy) LLC	Delaware
Lottco I, LLC	Delaware
Lottco II, LLC	Delaware
Lux Hotels Management Peru S.A.C.	Peru
Lux International Hotels N.V.	Curacao
Luxury Canada, ULC	Canada
Luxury China Hotels Limited	Hong Kong
Luxury China Hotels Limited (China Registration)	China
Luxury Finance, LLC	Delaware
Luxury Holding of Luxembourg S.à.r.l.	Luxembourg
Luxury Hotel Leasing South Africa (Pty) Ltd (f/k/a PH Hunters Rest (Pty) Ltd)	South Africa
Luxury Hotel Management of Bolivia S.R.L.	Bolivia
Luxury Hotel Management of Czech Republic s.r.o.	Czech Republic
Luxury Hotels & Resorts (Thailand) Limited	Thailand
Luxury Hotels (Barbados) Limited	Barbados
Luxury Hotels (China) International Management of Hong Kong Limited	Hong Kong
Luxury Hotels (China) International Management of Hong Kong Limited (China Tax registration)	China
Luxury Hotels Broad-Based Ownership Trust	South Africa

<u>Entity Name</u>	<u>Jurisdiction of Incorporation</u>
Luxury Hotels Cape Town (Pty) Ltd	South Africa
Luxury Hotels Design & Construction Hong Kong Limited	Hong Kong
Luxury Hotels International (Gabon) SARL	Gabon
Luxury Hotels International Company of Jamaica Limited	Jamaica
Luxury Hotels International Design & Construction Services, Inc.	Delaware
Luxury Hotels International Lodging Ltd.	Bermuda
Luxury Hotels International Lodging Ltd. (Cayman Islands Branch)	Cayman Islands
Luxury Hotels International Lodging Ltd. (Panama Branch)	Panama
Luxury Hotels International Management (Bonaire) B.V.	Bonaire, Sint Eustatius and Saba
Luxury Hotels International Management (Oman) LLC	Oman
Luxury Hotels International Management Austria GmbH	Austria
Luxury Hotels International Management Belgium SPRL	Belgium
Luxury Hotels International Management Colombia S.A.S.	Colombia
Luxury Hotels International Management Company B.V.	Netherlands
Luxury Hotels International Management Company B.V. (Azerbaijan Branch)	Azerbaijan
Luxury Hotels International Management Company B.V. (China Tax Registration)	China
Luxury Hotels International Management Company B.V. (Egypt Branch), formerly known as Marriott Hotels International (Egypt) B.V.	Egypt
Luxury Hotels International Management Company B.V. (El Salvador Branch)	El Salvador
Luxury Hotels International Management Company B.V. (Libya Branch)	Libya
Luxury Hotels International Management Company B.V. (Malaysia Branch)	Malaysia
Luxury Hotels International Management Company B.V. (Portuguese Branch)	Portugal
Luxury Hotels International Management Company B.V. (Saudi Arabia Tax Registration)	Saudi Arabia
Luxury Hotels International Management Company B.V., Taiwan Branch	Taiwan
Luxury Hotels International Management Italy Srl.	Italy
Luxury Hotels International Management Mexico, S.A. de C.V.	Mexico
Luxury Hotels International Management of Aruba N.V.	Aruba
Luxury Hotels International Management of Guatemala, S.A.	Guatemala
Luxury Hotels International Management of Saudi Arabia Limited	Saudi Arabia
Luxury Hotels International Management St. Kitts Limited	Saint Kitts and Nevis
Luxury Hotels International Management Switzerland GmbH	Switzerland
Luxury Hotels International MEA-KSA Limited	Saudi Arabia
Luxury Hotels International MEA-QFC LLC	Qatar
Luxury Hotels International of Canada, ULC	Canada
Luxury Hotels International of France SAS	France
Luxury Hotels International of Hong Kong Limited	Hong Kong
Luxury Hotels International of Hong Kong Limited (China Registration)	China
Luxury Hotels International of Hong Kong Limited (Korea Tax Registration)	Korea, Republic of
Luxury Hotels International of Hong Kong Limited (Macao Branch)	Macao
Luxury Hotels International of Japan, Inc.	Japan
Luxury Hotels International of Puerto Rico, Inc.	Puerto Rico
Luxury Hotels International of Spain S.L.U.	Spain
Luxury Hotels International of Tunisia SARL	Tunisia
Luxury Hotels International OR Tambo (Pty) Ltd	South Africa
Luxury Hotels International Sales of Israel Ltd.	Israel

<u>Entity Name</u>	<u>Jurisdiction of Incorporation</u>
Luxury Hotels International Saudi Arabia Limited	Saudi Arabia
Luxury Hotels International South Africa (Pty) Ltd	South Africa
Luxury Hotels International Sweden AB	Sweden
Luxury Hotels Irish Holding Company Limited, formerly known as MSCI Irish Holding Company Limited	Ireland
Luxury Hotels Management (BVI) Limited	Virgin Islands, British
Luxury Hotels Management (BVI) Limited (Guyana Branch)	Guyana
Luxury Hotels Management (BVI) Limited (Haiti Branch)	Haiti
Luxury Hotels Management (BVI) Limited Ogranak Beograd	Serbia
Luxury Hotels Management (Ghana) Limited	Ghana
Luxury Hotels Management Bermuda Ltd.	Bermuda
Luxury Hotels Management MEA Limited	United Arab Emirates
Luxury Hotels Management St. Lucia Limited	Saint Lucia
Luxury Hotels of Costa Rica Management Company, Sociedad de Responsabilidad Limitada	Costa Rica
Luxury Hotels of Turks & Caicos Ltd	Turks and Caicos Islands
Luxury Hotels Poland sp. z o.o.	Poland
Luxury Hotels Uluslararası Otel İşletmeciliği Limited Şirketi	Turkey
Luxury International Holdings of Canada, ULC	Canada
Luxury International Management Nigeria Limited	Nigeria
Luxury Lodging (CMB) Co., Ltd.	Cambodia
LUXURY MANAGEMENT COMPANY MACEDONIA DOOEL Skopje	North Macedonia, Republic of
Luxury Reservations Limited	Ireland
Luxury Singapore Holding Company Pte. Ltd.	Singapore
Luxury Swiss Management Company GmbH	Switzerland
Luxury Swiss Management Company GmbH (Morocco Branch)	Morocco
Luxury Swiss Management Company GmbH (New Zealand Branch)	New Zealand
Luxury Swiss Management Company GmbH, Ethiopia International Contracting Office	Ethiopia
Luxury Switzerland Holding Company GmbH	Switzerland
LuxuryHotels International of Ecuador Cia. Ltda.	Ecuador
M.H.S. Realty Sales, LLC	Delaware
Malta Regional Hospitality Licensing Limited	Malta
Manhattan Sheraton Corporation	New York
Mar Hoteis de Sao Paulo Ltda.	Brazil
Marceau Investissements SA	France
Marquis Insurance Corporation	Hawaii
Marriott (Schweiz) GmbH	Switzerland
Marriott Acquisition 2002 Subsidiary, LLC	Delaware
Marriott Acquisition 2002, LLC	Delaware
Marriott Argentina Licensing Company S.A.	Argentina
MARRIOTT BRASIL LICENCIAMENTO LTDA	Brazil
MARRIOTT BRASIL SERVICOS LTDA	Brazil
Marriott Cayman Islands Licensing Company I, Ltd.	Cayman Islands
Marriott Cayman Islands Licensing Company II, Ltd.	Cayman Islands
Marriott Cayman Islands Licensing Company III, Ltd.	Cayman Islands
Marriott Cayman Islands Licensing Company IV, Ltd.	Cayman Islands
Marriott Cayman Islands Licensing Company VI, Ltd.	Cayman Islands

<u>Entity Name</u>	<u>Jurisdiction of Incorporation</u>
Marriott Cayman Islands Licensing Company VIII, Ltd.	Cayman Islands
Marriott Cayman Islands Licensing Company X, Ltd.	Cayman Islands
Marriott Chile Licensing Company Limitada	Chile
Marriott Chile S.A.	Chile
Marriott Claims Services Corporation	Texas
Marriott Crystal City Manager, LLC	Delaware
Marriott Curacao N.V.	Curacao
Marriott De Honduras, Sociedad de Responsabilidad Limitada	Honduras
Marriott Ecuador Licensing Company MLC CIA LTDA	Ecuador
Marriott European Holdings Limited - (Joint Venture)	Jersey
Marriott European Hotel Operating Company Limited - (Joint Venture)	United Kingdom
Marriott Fifth Avenue, LLC	Delaware
Marriott France Group Companies SAS	France
Marriott Hotel Holding GmbH	Germany
Marriott Hotel Management Company (Virgin Islands), Inc.	Virgin Islands, U.S.
Marriott Hotel Services Berlin GmbH	Germany
Marriott Hotel Services, Inc.	Delaware
Marriott Hotel-Betriebsgesellschaft, m.b.H	Austria
Marriott Hotelmanagement Cologne GmbH	Germany
Marriott Hotelmanagement GmbH	Germany
Marriott Hotels Denmark A/S	Denmark
Marriott Hotels Hellas, S.A.	Greece
Marriott Hotels India Private Limited	India
Marriott Hotels International B.V.	Netherlands
Marriott Hotels International B.V. (Armenia Branch)	Armenia
Marriott Hotels International B.V. (Caracas, Venezuela Branch)	Venezuela, Bolivarian Republic of
Marriott Hotels International B.V. (China Registration)	China
Marriott Hotels International B.V. (Dominican Republic Branch)	Dominican Republic
Marriott Hotels International B.V. (Egypt Branch)	Egypt
Marriott Hotels International B.V. (Jordan Branch)	Jordan
Marriott Hotels International B.V. (Kuwait Tax Registration)	Kuwait
Marriott Hotels International B.V. (Portugal Branch)	Portugal
Marriott Hotels International B.V. (Saudi Arabia Tax Registration)	Saudi Arabia
Marriott Hotels International B.V. (Seoul MEA Branch)	Korea, Republic of
Marriott Hotels International B.V. (Seoul, South Korea Branch)	Korea, Republic of
Marriott Hotels International Limited	United Kingdom
Marriott Hotels International Limited (Belgium Branch)	Belgium
Marriott Hotels International Limited (French Branch - Liasion Office)	France
Marriott Hotels International Limited (Representative Office)	Spain
Marriott Hotels Limited	United Kingdom
Marriott Hotels Maldives Private Limited	Maldives
Marriott Hotels Management France SAS	France
Marriott Hotels of Amsterdam, B.V.	Netherlands
Marriott Hotels, S.A. de C.V.	Mexico
Marriott Hurghada Management, Inc.	Delaware

<u>Entity Name</u>	<u>Jurisdiction of Incorporation</u>
Marriott Hurghada Management, Inc. (Egypt Branch)	Egypt
Marriott International Administrative Services, Inc.	Delaware
Marriott International Capital Corporation	Delaware
Marriott International Construction Services, Inc.	Delaware
Marriott International Design & Construction Services, Inc.	Delaware
Marriott International Design & Construction Services, Inc. (India Registration)	India
Marriott International Design & Construction Services, Inc. (UK Establishment)	United Kingdom
Marriott International Design and Construction Services, Inc. (Qatar Tax Registration)	Qatar
Marriott International Design and Construction Services, Inc., Kuwait Tax Registration	Kuwait
Marriott International Finance Company B.V.	Netherlands
Marriott International Holding Company B.V., Bertrange, Zurich Branch	Switzerland
Marriott International Holding Company B.V./S.à.r.l.	Luxembourg
Marriott International Hotels, Inc.	Maryland
Marriott International Hotels, Inc. (Argentina Branch)	Argentina
Marriott International Hotels, Inc. (Ecuador Branch)	Ecuador
Marriott International Hotels, Inc. (India Registration)	India
Marriott International Hotels, Inc. (Malaysia Branch)	Malaysia
Marriott International Hotels, Inc. (Philippine Branch)	Philippines
Marriott International Hotels, Inc. (Saudi Arabia Tax Registration)	Saudi Arabia
Marriott International Hotels, Inc. Maryland USA Sucursala Bucuresti Romania (Romanian Branch)	Romania
Marriott International JBS Corporation	Delaware
Marriott International Licensing Company B.V.	Netherlands
Marriott International Licensing Company, B.V. (India Tax Registration)	India
Marriott International Lodging N.V.	Curacao
Marriott International Management Company B.V.	Netherlands
Marriott International Management Company B.V. (Australian Branch)	Australia
Marriott International Management Company B.V. (Dongdaemoon Branch)	Korea, Republic of
Marriott International Management Company B.V. (Fairfield Busan Branch)	Korea, Republic of
Marriott International Management Company B.V. (Fairfield Yeongdeungpo Branch)	Korea, Republic of
Marriott International Management Company B.V. (Magok Branch)	Korea, Republic of
Marriott International Management Company B.V. (Namdaemun Branch)	Korea, Republic of
Marriott International Management Company B.V. (Seongnam Branch)	Korea, Republic of
Marriott International Management Company B.V. (Seoul Branch)	Korea, Republic of
Marriott International Management Company BV (China Registration)	China
Marriott International, Inc.	Delaware
Marriott International, Inc. (India Registration)	India
Marriott International, Inc. (Saudi Arabia Tax Registration)	Saudi Arabia
Marriott International, Inc. (Sucursal en Cuba)	Cuba
Marriott Inversiones y Servicios Limitada	Chile
Marriott Jamaica Licensing Company Limited	Jamaica
Marriott Magenta Holding Company, Inc.	Delaware
Marriott Market Street Hotel, Inc.	Delaware
Marriott Mirage City Management, Inc.	Delaware
Marriott Oak Brook Hills Services, LLC	Delaware
Marriott P.R. Management Corporation	Delaware

<u>Entity Name</u>	<u>Jurisdiction of Incorporation</u>
Marriott Payroll Services, LLC	Delaware
Marriott Peru Licensing Company SRL	Peru
Marriott Properties (International) Limited	Hong Kong
Marriott Ranch Properties, Inc.	Delaware
Marriott Rewards Subsidiary, Inc.	Delaware
Marriott Rewards, Inc.	Delaware
Marriott Rewards, LLC	Arizona
Marriott RHG Acquisition B.V., Bertrange, Zurich Branch	Switzerland
Marriott RHG Acquisition B.V./S.à.r.l.	Luxembourg
Marriott RHG Acquisition SARL	Netherlands
Marriott Senior Holding Co.	Delaware
Marriott Sharm El Sheikh Management (Egypt Branch)	Egypt
Marriott Sharm El Sheikh Management, Inc.	Delaware
Marriott Switzerland Licensing Company II S.ar.l	Switzerland
Marriott Switzerland Licensing Company S.ar.l	Switzerland
Marriott Switzerland Licensing Company S.ar.l (Nevis branch)	Saint Kitts and Nevis
Marriott Trinidad & Tobago Limited	Trinidad and Tobago
Marriott Two Flags Member LLC	Delaware
Marriott Two Flags, LP	Delaware
Marriott U.S. Virgin Islands Licensing Company LLC	Virgin Islands, U.S.
Marriott UK Group Company Limited	United Kingdom
Marriott UK Management Company Limited	United Kingdom
Marriott Worldwide Corporation	Maryland
Marriott Worldwide Corporation (India Registration)	India
Marriott Worldwide Corporation (Jordan Branch)	Jordan
Marriott Worldwide Corporation (Pakistan Tax Registration)	Pakistan
Marriott Worldwide Corporation (Saudi Arabia Tax Registration)	Saudi Arabia
Marriott Worldwide Payroll, LLC	Delaware
Marriott Worldwide Reservation Services, LLC	Delaware
Marriott's Greenbelt Hotel Services, Inc.	Delaware
Mars Merger Sub, LLC	Delaware
MC Lodging Investment Opportunities, Inc.	Delaware
Meridien India I LLC	Delaware
Meridien India II LLC	Delaware
Meridien SAS	France
Meridien SAS, Egypt Branch	Egypt
Meridien SAS, KSA Tax Registration	Saudi Arabia
MHS Guam, Inc.	Delaware
MHSFR II, LLC	Delaware
MHSFR, LLC	Delaware
MHSI Conference Centers of Texas, Inc.	Texas
MHSI Hawaii, LLC	Delaware
MI CBM Investor LLC	Delaware
MI Finance Company	Delaware
MI Fulfillment Services, LLC	Maryland

<u>Entity Name</u>	<u>Jurisdiction of Incorporation</u>
MI Georgia Credits, LLC	Delaware
MI Holding, L. P.	Delaware
MI Hotels of Las Vegas, Inc.	Nevada
MI Member, LLC	Delaware
MI NY Clock Tower, LLC	Delaware
MI Park 201, LLC	Delaware
MI Tenant LLC	Delaware
MI TH4 INVESTOR, LLC	Delaware
MICC (California), LLC	Delaware
MICC SPE I Corp.	Delaware
Midnight Lakeshore LLC	Delaware
Midnight Mexico, LLC	Delaware
Midnight Midland LLC	Delaware
Midnight Oil Company, LLC	Delaware
Midnight Sky, L.L.C.	Delaware
Midnight Square, LLC	Delaware
Midnight Star, L.L.C.	Delaware
MIF, L.L.C.	Delaware
MII Conference Center, Inc.	Maryland
Mission Hills Timeshare, L.L.C.	Delaware
MRC I Funding, LLC	Delaware
MTS Holdco, L.P.	Delaware
Munich CY Schwanthaler Operating Company GmbH	Germany
Nara Hospitality Service Company	Japan
North Dallas Holding Co.	Delaware
North Dallas Hotel Company	Delaware
North Wharf Restaurant (Pty) Ltd	South Africa
Operadora Marriott, S.A. de C.V.	Mexico
Osaka St. Regis Hotel Co., Ltd.	Japan
Park Ridge Hotel Associates L.P.	Delaware
Paynes Bay Investments Limited	Barbados
Permanent Establishment of Luxury Hotels International Management Company B.V.	Ukraine
PH Edward (Pty) Ltd	South Africa
PH F and I Cape Town (Pty) Ltd	South Africa
PH Hazyview (Pty) Ltd, formerly known as PH Richards Bay (Pty) Ltd	South Africa
PH Marine (Pty) Ltd	South Africa
PH Roodepoort (Pty) Ltd	South Africa
PH Victoria Junction (Pty) Ltd	South Africa
Polserv, S.A. de C.V. - (Joint Venture)	Mexico
Porto Bello Cove Hotel Corporation (Joint Venture)	Philippines
Preferred Guest, Inc.	Delaware
Promotora Hotelera Punta Mita S. de R.L. de C.V. (Joint Venture)	Mexico
Protea Hotel International Mauritius (50% owned)	Mauritius
Protea Hotels (International) Limited	United Kingdom
Protea Hotels and Inns (Pty) Limited	South Africa

<u>Entity Name</u>	<u>Jurisdiction of Incorporation</u>
Protea Hotels Empowerment Consortium (Pty) Ltd	South Africa
Protea Hotels Empowerment Initiative (Pty) Ltd	South Africa
Protea Hotels Nigeria Limited	Nigeria
Prudential - HEI Joint Venture	Georgia
PT Indo Pacific Sheraton	Indonesia
PT Luxury Hotels International Indonesia	Indonesia
PT Marriott International Indonesia	Indonesia
PT Ritz Carlton Indonesia	Indonesia
Punta Mita Holding Company, S. de R.L. de C.V.	Mexico
Ramasia International Limited	Virgin Islands, British
Ramcap SAS	France
RC Hotel Holding Company Limited	Virgin Islands, British
RC Hotel Holding Company Limited (Cayman Islands Branch)	Cayman Islands
RC Marriott II, Inc.	Delaware
RC Marriott III, Inc.	Delaware
RC Marriott, Inc.	Delaware
RC Paradise Valley Development, LLC	Delaware
RC Rose Holding Company Limited	Virgin Islands, British
RC Rose Island Hotel Company Limited	Bahamas
RC-UK, Inc.	Delaware
REN Boston Hotel Management LLC	Delaware
REN Boston LP	Delaware
REN Boston Waterfront Hotel, LLC	Delaware
Renaissance Cleveland Hotel, LLC	Delaware
Renaissance Cleveland IOSA, LLC	Delaware
Renaissance do Brasil Hotelaria Ltda.	Brazil
Renaissance do Brasil Hotelaria Ltda. (Brazil Branch)	Brazil
Renaissance do Brasil Hotelaria Ltda. (Porto Maravilha branch)	Brazil
Renaissance do Brasil Hotelaria Ltda. (Recife Branch)	Brazil
Renaissance do Brasil Hotelaria Ltda. (Sao Paulo Branch)	Brazil
Renaissance Dusseldorf Hotelmanagement GmbH	Germany
Renaissance Hamburg Hotelmanagement GmbH	Germany
Renaissance Hollywood Payroll Company, LLC	Delaware
Renaissance Hotel Holdings, Inc.	Delaware
Renaissance Hotel Management Company, LLC	Delaware
Renaissance Hotel Operating Company	Delaware
Renaissance Hotels International B.V.	Netherlands
Renaissance Hotels International B.V. (Kazakhstan Branch)	Kazakhstan
Renaissance Hotels International BV (China Registration)	China
Renaissance Hotels International Corporation Limited	Virgin Islands, British
Renaissance Hotels International Corporation Limited (Malaysia Branch)	Malaysia
Renaissance Hotels International Corporation Limited (Philippine Branch)	Philippines
Renaissance Hotels International Management Belgium SPRL	Belgium
Renaissance Hotels Marketing Services Limited	Virgin Islands, British
Renaissance International Lodging Ltd.	Bermuda

<u>Entity Name</u>	<u>Jurisdiction of Incorporation</u>
Renaissance International Lodging N.V.	Curacao
Renaissance International Management Company B.V.	Netherlands
Renaissance International Management Company BV (China Registration)	China
Renaissance International, Inc.	Delaware
Renaissance Le Parc SAS	France
Renaissance Oakbrook Hotel, LLC	Delaware
Renaissance P.V. Mexicana S.A. de C.V.	Mexico
Renaissance Services B.V.	Netherlands
Renaissance Services B.V. (Bahrain Representative Office)	Bahrain
Renaissance Services B.V. (Dubai Branch)	United Arab Emirates
Renaissance Services B.V. (India Tax Registration)	India
Renaissance Special Purposes B.V.	Netherlands
Renaissance St. Louis Grand, LLC	Delaware
Renaissance St. Louis Suites, LLC	Delaware
Residence Inn by Marriott, LLC	Delaware
RG Holdings LLC	Delaware
RHG Holding N.V.	Curacao
RHG Investments, LLC	Delaware
RHIL Limited	Hong Kong
RHOC Consolidation, LLC	Delaware
RI BWI Airport, L.L.C.	Delaware
Rio Hotel Brasil Empreendimentos Imobiliários Ltda.	Brazil
Ritz-Carlton (Virgin Islands), Inc.	Delaware
Rockville Hotel Associates LLC	Delaware
Roissy CYBM SAS	France
Ronevsorg Hotel Operating Company Limited	United Kingdom
Royal Orchid Hotel (Thailand) Public Company Limited	Thailand
S Collection, Inc.	Delaware
Sabrina Operators, Inc.	Wisconsin
SAMHI JV Business Hotels Private Limited	India
San Diego Sheraton LLC	Delaware
San Fernando Sheraton Corporation	Delaware
SC Orlando, L.L.C.	Delaware
Schaumburg/Oakbrook Marriott Hotels, LLC	Delaware
Scoops, Inc.	Kansas
Seattle Management Corporation	Delaware
Seattle Union Street Associates LLP	Washington
Senior Living Limited Partnership	Delaware
Servicios Culinary Concepts, S. de R.L. de C.V.	Mexico
Servicios Hoteleros Starwood Limitada	Chile
Seville Acquisition, LLC	Delaware
SF Museum Tower LLC	Delaware
Shanghai Gingerroot Enterprise Management Co., Ltd.	China
Shanghai Gingerroot Enterprise Management Co., Ltd., Beijing Branch	China
Shanghai Gingerroot Enterprise Management Co., Ltd., Guangzhou Branch	China

<u>Entity Name</u>	<u>Jurisdiction of Incorporation</u>
Shanghai Gingerroot Hotel Management Co., Ltd.	China
Shanghai Gingerroot Hotel Management Co., Ltd., Beijing Branch	China
Shanghai Gingerroot Hotel Management Co., Ltd., Guangzhou Branch	China
Sheraton (Bermuda) Limited	Bermuda
Sheraton Asia-Pacific Corporation	Delaware
Sheraton Beijing LLC	Delaware
Sheraton Centre Toronto Limited Partnership	Canada
Sheraton Crescent LLC	Delaware
Sheraton de Venezuela CA	Venezuela, Bolivarian Republic of
Sheraton Florida LLC	Delaware
Sheraton Forty-Five Park LLC	Delaware
Sheraton Franquicias E Servicios Hoteleros Ltd	Brazil
Sheraton Gaming (Peru) LLC	Delaware
Sheraton Gaming Corporation	Nevada
Sheraton Gateway Limited Partnership	Canada
Sheraton Grand Phoenix LLC	Delaware
Sheraton Hawaii Hotels Corporation	Hawaii
Sheraton Hotels (England) Ltd.	United Kingdom
Sheraton Hotels (U.K.) Limited	United Kingdom
Sheraton Intercontinental Limited	Bahamas
Sheraton Intercontinental Ltd. - Israel Branch	Israel
Sheraton International (Hong Kong) Limited	Hong Kong
Sheraton International de Mexico LLC	Delaware
Sheraton International GmbH	Austria
Sheraton International IP, LLC	Delaware
Sheraton International, LLC	Delaware
Sheraton IPCO (Italy) LLC	Delaware
Sheraton Key West LLC	Delaware
Sheraton License Company Russia, Inc.	Delaware
Sheraton License Operating Company, LLC	Delaware
Sheraton Management Company Limited	Bahamas
Sheraton Management GmbH	Germany
Sheraton Management, LLC	Delaware
Sheraton Miami LLC	Delaware
Sheraton Middle East Management LLC	Delaware
Sheraton New Jersey Corporation	New Jersey
Sheraton New York LLC	Delaware
Sheraton on the Park Pty Ltd	Australia
Sheraton Operating Corporation	Delaware
Sheraton Overseas Company Limited	Bahamas
Sheraton Overseas Company Limited, Egypt Branch	Egypt
Sheraton Overseas Management Corporation	Delaware
Sheraton Overseas Management Corporation - Tunis Branch	Tunisia
Sheraton Overseas Management Corporation (Argentina Branch)	Argentina
Sheraton Overseas Management Corporation (Thailand Branch)	Thailand

<u>Entity Name</u>	<u>Jurisdiction of Incorporation</u>
Sheraton Overseas Technical Services LLC	Delaware
Sheraton Peachtree LLC	Delaware
Sheraton Puerto Rico Management LLC	Delaware
Sheraton Royal Orchid Co. Ltd	Thailand
Sheraton San Antonio Holdings LLC	Delaware
Sheraton SGC Sub Corporation	Nevada
Sheraton Suites LLC	Delaware
Sheraton Texas LLC	Delaware
Sheraton Vermont Corporation	Vermont
Sheraton West Houston Beverage, LLC	Texas
SII Real Estate Holdings, Inc.	Delaware
SJMEC, Inc.	California
SJMFB, LLC	California
SLC Acquisition LLC	Delaware
SLC Atlanta LLC	Delaware
SLC Indianapolis LLC	Delaware
SLC Management LLC	Delaware
SLC Mexico, LLC	Delaware
SLC Operating Limited Partnership	Delaware
Socho, S.A.	Argentina
Sociedad Administradora General SA v CIA En Comandita Acciones (Joint Venture)	Chile
Societe des Hotels de Noumea	New Caledonia
Societe des Hotels Meridien	France
Solar International Holdings Limited	Cayman Islands
SPG Holding, Inc.	Arizona
Spice Market Holdings, Inc.	Delaware
Spice Market NY, LLC	New York
SPRINGHILL SMC, LLC	Delaware
Square 369 Hotel Associates, LLC	Delaware
SRH Chicago LLC	Illinois
St. Francis Hotel Corporation	Delaware
St. Regis New York Holdings LLC	Delaware
St. Regis New York Operating LLC	Delaware
St. Regis San Francisco Hotel LLC	Delaware
St. Regis Sheraton LLC	Delaware
Star Real Estate Licensing LLC	Delaware
Starwood (M) France Holdings SAS	France
Starwood (M) Hotels Holding Corporation	Delaware
Starwood (M) International Inc.	Delaware
Starwood (M) Middle East I, LLC	Delaware
Starwood (M) Middle East II, LLC	Delaware
Starwood (M) Services Company, Inc.	Delaware
Starwood (Ukraine) Management Company, Inc.	Delaware
Starwood AFIO & Brussels GSO BVBA	Belgium
Starwood Alfonso XIII Hotel Company, S.L.U.	Spain

<u>Entity Name</u>	<u>Jurisdiction of Incorporation</u>
Starwood Asia Pacific Hotels & Resorts Pte. Ltd.	Singapore
Starwood Asia Pacific Hotels & Resorts Pte. Ltd. (Maldives Branch)	Maldives
Starwood Asia Pacific Hotels & Resorts Pte. Ltd. (Samoa Branch)	Samoa
Starwood Aspen Realty LLC	Delaware
Starwood Atlanta Colony Square Realty LLC	Delaware
Starwood Atlantic LLC	Delaware
Starwood Australia Hotels Pty Ltd	Australia
Starwood BPP Holdings LLC	Delaware
Starwood Canada ULC	Canada
Starwood Cayman Holdings	Cayman Islands
Starwood Centralised Services Pty Limited	Australia
Starwood Checkmate Holdings, Inc.	Delaware
Starwood Chicago City Center Realty LLC	Delaware
Starwood Chicago Lakeshore Realty LLC	Delaware
Starwood Chicago Special Manager I, LLC	Delaware
Starwood Chicago Special Manager II, LLC	Delaware
Starwood Chile Holdings, S.A.	Chile
Starwood CMBS I LLC	Delaware
Starwood CMBS II LLC	Delaware
Starwood Customer Contact Centre (AP) Pte. Ltd.	Singapore
Starwood Development Consulting Services (AP) Pte. Ltd.	Singapore
Starwood EAME License & Services Company BVBA, KSA Tax Registration	Saudi Arabia
Starwood EAME License and Services Company BVBA	Belgium
Starwood EAME License and Services Company BVBA, Kuwait Tax Registration	Kuwait
Starwood EAME Services Company BVBA	Belgium
Starwood Edison GP Holdings LLC	Delaware
Starwood Edison LP Holdings LLC	Delaware
Starwood Egypt Management Company SAE	Egypt
Starwood ESPP Funding, Inc.	Delaware
Starwood Fiji LLC	Delaware
Starwood Finance Luxembourg SARL	Luxembourg
Starwood Flight Operations, Inc.	Pennsylvania
Starwood Holdings (HK) Limited	Hong Kong
Starwood Hong Kong Holdings	Cayman Islands
Starwood Hotel Management Company Greece S.A.	Greece
Starwood Hotels & Resorts (SEA) Sdn. Bhd.	Malaysia
Starwood Hotels & Resorts (Shanghai) Co., Ltd.	China
Starwood Hotels & Resorts (Shanghai) Co., Ltd., Beijing Branch	China
Starwood Hotels & Resorts (Shanghai) Co., Ltd., Guangzhou Branch	China
Starwood Hotels & Resorts India Private Limited	India
Starwood Hotels & Resorts Management Company, LLC	Delaware
Starwood Hotels & Resorts Worldwide, LLC	Maryland
Starwood Hotels (Thailand) Company Limited	Thailand
Starwood Hotels Japan Company	Japan
Starwood India Private Limited	India

<u>Entity Name</u>	<u>Jurisdiction of Incorporation</u>
Starwood International Finance Ltd	Ireland
Starwood International Holding SARL	Luxembourg
Starwood International Licensing Company SARL	Luxembourg
Starwood Israel Hotel Management - Israel Branch	Israel
Starwood Israel Hotel Management Inc.	Delaware
Starwood Italia S.R.L.	Italy
Starwood Lahaina LLC	Delaware
Starwood Latin America, Inc.	Delaware
Starwood Lexington Realty LLC	Delaware
Starwood Los Angeles Payroll Company, LLC	Delaware
Starwood Luxembourg Holding SARL	Luxembourg
Starwood Mexico II, LLC	Delaware
Starwood Mexico LF, S. de R.L. de C.V.	Mexico
Starwood Mexico Servicios Compartidos SA de CV	Mexico
Starwood Mexico, LLC	Delaware
Starwood Nevada Holdings, LLC	Delaware
Starwood Newton Realty LLC	Delaware
Starwood Omaha Realty LLC	Delaware
Starwood Operator I LLC	Delaware
Starwood Operator II LLC	Delaware
Starwood Pacific Hotels Pty Limited	Australia
Starwood Park Ridge GP Holdings LLC	Delaware
Starwood Park Ridge LP Holdings LLC	Delaware
Starwood Philadelphia Airport Realty I LLC	Delaware
Starwood Philadelphia Airport Realty II LLC	Delaware
Starwood Rancho Mirage Fee Owner, LLC	Delaware
Starwood Reservations (Canada) Co.	Canada
Starwood Reservations LLC	Delaware
Starwood Reservations LLC (Irish Branch)	Ireland
Starwood Reservations LLC, Kuwait Tax Registration	Kuwait
Starwood Resventure LLC	Delaware
Starwood San Francisco Aloft Realty LLC	Delaware
Starwood Seattle Sixth Avenue Realty LLC	Delaware
Starwood Services (UK) Ltd.	United Kingdom
Starwood Services Poland Sp Z.o.o	Poland
Starwood Sierra Suites License Company, LLC	Delaware
Starwood Taiwan Co. Ltd.	Taiwan
Starwood Wakefield Realty LLC	Delaware
Starwood Weststate LLC	Delaware
Starwood-Charlotte Management LLC	Delaware
Stuttgart Sindelfingen Hotel Management GmbH	Germany
Suites Management LLC	Delaware
SW Business Services, LLC	Arizona
Tamarind Cove Hotel Co. Limited	Barbados
Tamcove SL 1 Limited	Saint Lucia

<u>Entity Name</u>	<u>Jurisdiction of Incorporation</u>
Thai Royal Orchid Real Estate Limited	Thailand
The Dining Room Corporation	Georgia
The House SL 1 Limited	Saint Lucia
The R.C. Management Company of Mexico, S.A. de C.V.	Mexico
The Ritz-Carlton Hotel Company (Berlin) GmbH	Germany
The Ritz-Carlton Hotel Company B.V.	Netherlands
The Ritz-Carlton Hotel Company N.V.	Curacao
The Ritz-Carlton Hotel Company of Canada Limited	Canada
The Ritz-Carlton Hotel Company of Chile S.A.	Chile
The Ritz-Carlton Hotel Company of Egypt S.A.E.	Egypt
The Ritz-Carlton Hotel Company of Mexico, S.A. de C.V.	Mexico
The Ritz-Carlton Hotel Company of Puerto Rico, Inc.	Delaware
The Ritz-Carlton Hotel Company of Singapore Pte Ltd	Singapore
The Ritz-Carlton Hotel Company of the Cayman Islands, Ltd.	Cayman Islands
The Ritz-Carlton Hotel Company, L.L.C.	Delaware
The Ritz-Carlton Hotel Company, L.L.C. (Malaysian Branch)	Malaysia
The Ritz-Carlton Hotel Company, Ltd.	Bermuda
The Ritz-Carlton Hotel Company, Ltd. (Bahamas Branch)	Bahamas
The Ritz-Carlton Hotel Management GmbH	Germany
The Ritz-Carlton International Construction Services, Inc.	Delaware
The Ritz-Carlton International Licensing Company B.V.	Netherlands
The Ritz-Carlton International Licensing Company, LLC	Delaware
The Ritz-Carlton International Management Company B.V.	Netherlands
The Ritz-Carlton International Management Company B.V. (China Registration)	China
The Ritz-Carlton Limited	Hong Kong
The Ritz-Carlton Property Management Company (Kyoto) Ltd.	Japan
The Ritz-Carlton Property Management Company (Tokyo), Ltd.	Japan
The Ritz-Carlton Residences Management Company LLC	Delaware
The Ritz-Carlton Residential Management Company of Singapore Pte. Ltd.	Singapore
The Sheraton LLC	Delaware
The Westin Building Company	Washington
Tokyo Hospitality Service Company	Japan
Torriam Hotel Operating Company Limited	Ireland
Torriam International Lodging N.V.	Curacao
Toulouse Operating Company SAS	France
TownePlace Management, LLC	Delaware
Townhouse Management Realty LLC	Delaware
Transamerican Hoteles, S.A.S	Dominican Republic
Travel Ease International	Cayman Islands
Travel Ease International (Hong Kong) Limited	Hong Kong
Treasure SL 1 Limited	Saint Lucia
Tribute Portfolio IP, LLC	Delaware
Turtle Beach Resort Limited	Barbados
Turtle SL 1 Limited	Saint Lucia
Victory Beverages, Inc	Texas

<u>Entity Name</u>	<u>Jurisdiction of Incorporation</u>
W Atlanta Buckhead Beverage LLC	Delaware
W Atlanta Midtown Beverage, LLC	Delaware
W Hotel Limited Partnership	Canada
W Hotel Management, Inc.	Delaware
W Hotels Management, LLC	Delaware
W Hotels Music LLC	Delaware
W Hotels Real Estate, LLC	Delaware
W Hotels TCI GP Ltd.	Turks and Caicos Islands
W Hotels Turks & Caicos LP	Turks and Caicos Islands
W International Hotel Management, Inc.	Delaware
W International Inc.	Delaware
W IPCO (Italy) LLC	Delaware
W Leicester Square Ltd.	United Kingdom
W Miami Beach Holdings LLC	Delaware
W Montreal Opco Inc.	Canada
W Operating Company LLC	Delaware
W PR Management LLC	Delaware
W San Diego Hotel, LLC	Delaware
W Scottsdale Beverage LLC	Delaware
W Turks & Caicos GP, LLC	Delaware
Washington Sheraton LLC	Delaware
Water Acquisition, LLC	Delaware
Waves Hotel Limited	Barbados
Waves SL 1 Limited	Saint Lucia
WEC 99C-1 LLC	Delaware
WEC 99C-10 LLC	Delaware
WEC 99C-11 LLC	Delaware
WEC 99C-12 LLC	Delaware
WEC 99C-13 LLC	Delaware
WEC 99C-14 LLC	Delaware
WEC 99C-2 LLC	Delaware
WEC 99C-3 LLC	Delaware
WEC 99C-4 LLC	Delaware
WEC 99C-5 LLC	Delaware
WEC 99C-6 LLC	Delaware
WEC 99C-7 LLC	Delaware
WEC 99C-8 LLC	Delaware
WEC 99C-9 LLC	Delaware
West Virginia Marriott Hotels, Inc.	West Virginia
Western Host, Inc.	California
Westin 200, Inc.	Delaware
Westin Arizona LLC	Delaware
Westin Aruba Hotel Advisors, LLC	Delaware
Westin Aruba Hotel Management LLC	Delaware
Westin Asia Management Co., LLC	Delaware

<u>Entity Name</u>	<u>Jurisdiction of Incorporation</u>
Westin Asset Management Co.	Delaware
Westin Beverage Services LLC	Texas
Westin Birmingham Operator, LLC	Delaware
Westin Chicago at North River Payroll Company	Delaware
Westin CP Beverage Company, Inc.	Delaware
Westin Crown Plaza Hotel Company	Delaware
Westin DIA Operator, LLC	Delaware
Westin Hotel Management, L.P.	Delaware
Westin Hotel Management, L.P. (Dominican Republic Branch)	Dominican Republic
Westin Hotels Management, LLC	Delaware
Westin Hotels PRC, LLC	Delaware
Westin International (Malta) Ltd	Malta
Westin International Europe B.V.	Netherlands
Westin IPCO (Italy) LLC	Delaware
Westin Kierland, LLC	Delaware
Westin License Holding, LLC	Delaware
Westin Montreal Airport Hotel Company	Delaware
Westin O'Hare Hotel Company	Delaware
Westin Ontario (London) Hotel Company	Delaware
Westin Operator, LLC	Delaware
Westin Ottawa Management Co., LLC	Delaware
Westin Portland L.L.C.	Delaware
Westin Realty Corp.	Delaware
Westin River North, Chicago Beverage Company	Delaware
Westin San Antonio Resort Company	Delaware
Westin Savannah Holdings, LLC	Delaware
Westin St. Lucia Management LLC	Delaware
Westin Two Hundred L.L.C.	Delaware
Westin Washington Operator L.L.C.	Delaware
Wetbar New York, LLC	Delaware
WHC Payroll Company	Nevada
Whiskey Blue Boston, LLC	Delaware
Whiskey Blue New Orleans, LLC	Delaware
WHLP Acquisition, LLC	Delaware
WHR Colorado Beverage Company	Delaware
Windward Investments Limited	Barbados
Witty Restaurant Group, Inc.	Delaware
Worldwide Franchise Systems, Inc.	Delaware

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-223052), as amended, pertaining to the Marriott Retirement Savings Plan;
- (2) Registration Statement (Form S-8 No. 333-208684), as amended, pertaining to the 2013 Long-Term Incentive Compensation Plan, 2004 Long-Term Incentive Compensation Plan, 2002 Long-Term Incentive Compensation Plan, 1999 Long-Term Incentive Compensation Plan, 1995 Long-Term Incentive Plan, and Marriott Retirement Savings Plan;
- (3) Registration Statement (Form S-8 No. 333-230005) pertaining to the Marriott International, Inc. Executive Deferred Compensation Plan;
- (4) Registration Statement (Form S-8 No. 333-58747) pertaining to the Marriott International, Inc. Employee Stock Purchase Plan;
- (5) Registration Statement (Form S-8 No. 333-161194) pertaining to the Marriott International, Inc. Stock and Cash Incentive Plan, as amended, and Marriott International, Inc. Executive Deferred Compensation Plan, as amended;
- (6) Registration Statement (Form S-8 No. 333-230006) pertaining to the Marriott Retirement Savings Plan; and
- (7) Registration Statement (Form S-3 ASR No. 333-223058) of Marriott International, Inc.

of our reports dated February 27, 2020, with respect to the consolidated financial statements of Marriott International, Inc., and the effectiveness of internal control over financial reporting of Marriott International, Inc., included in this Annual Report (Form 10-K) of Marriott International, Inc. for the year ended December 31, 2019.

/s/ Ernst & Young LLP

Tysons, Virginia
February 27, 2020

**Certification of Chief Executive Officer
Pursuant to Rule 13a-14(a)**

I, Arne M. Sorenson, certify that:

1. I have reviewed this annual report on Form 10-K of Marriott International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 27, 2020

/s/ Arne M. Sorenson

Arne M. Sorenson
President and
Chief Executive Officer
(Principal Executive Officer)

**Certification of Chief Financial Officer
Pursuant to Rule 13a-14(a)**

I, Kathleen K. Oberg, certify that:

1. I have reviewed this annual report on Form 10-K of Marriott International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 27, 2020

/s/ Kathleen K. Oberg

Kathleen K. Oberg
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

Certification
Pursuant to Rule 13a-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002
(18 U.S.C. Sections 1350(a) and (b))

I, Arne M. Sorenson, President and Chief Executive Officer of Marriott International, Inc. (the “Company”) certify that:

- (1) the annual report on Form 10-K of the Company for the period ended December 31, 2019, (the “Annual Report”) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) the information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 27, 2020

/s/ Arne M. Sorenson

Arne M. Sorenson
President and
Chief Executive Officer
(Principal Executive Officer)

I, Kathleen K. Oberg, Executive Vice President and Chief Financial Officer of Marriott International, Inc. (the “Company”) certify that:

- (1) the annual report on Form 10-K of the Company for the period ended December 31, 2019, (the “Annual Report”) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) the information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 27, 2020

/s/ Kathleen K. Oberg

Kathleen K. Oberg
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)