**Marriot’s**

***Revenue Drivers***

* The increase in base management fees primarily reflected higher RevPAR and unit growth.
* The increase in franchise fees primarily reflected higher RevPAR, unit growth ($99 million), and higher non-RevPAR related franchise fees ($50 million). Non-RevPAR related franchise fees of $832 million in 2023 increased primarily due to higher co-branded credit card fees ($55 million).
* The increase in incentive management fees primarily reflected higher profits at many managed hotels. In 2023, management fees rose from 68 percent of managed properties worldwide, compared to 61 percent in 2022. The management fees rose from 31 percent of U.S. & Canada managed properties and 85 percent of our International managed properties in 2023, compared to 29 percent in U.S. & Canada and 76 percent in International in 2022. In addition, 65 percent of total incentive management fees in 2023 came from our International managed properties versus 58 percent in 2022.
* Global RevPAR (Revenue Per Available Room) - Rose nearly 15% in 2023.
* Net rooms growth - 4.7% in 2023, the highest since 2019.
* Group demand - Group revenues rose 19% compared to 2022.
* Business transient segment - Global business transient revenues increased 18% compared to 2022.
* Leisure transient segment - Posted more than 10% year-over-year revenue growth.
* Marriott Bonvoy loyalty program - Over 60% of global room nights were booked by members.

***Business Segment***

U.S. & Canada segment profit increased primarily due to the following:

* $313 million of higher gross fee revenues, primarily reflecting higher RevPAR driven by increases in both ADR and
* occupancy, unit growth, and higher profits at certain managed hotels; and
* $73 million of higher owned, leased, and other revenue, net of direct expenses, primarily reflecting $57 million of higher termination fees, primarily related to one development project, and a $31 million estimated monetary payment recorded in 2022 related to a portfolio of 12 leased hotels;

**International segment profit increased primarily due to the following:**

* $373 million of higher gross fee revenues, primarily reflecting higher profits at certain managed hotels, higher RevPAR driven by increases in both occupancy and ADR in all regions, and unit growth, partially offset by net unfavourable foreign exchange rates;
* $24 million of higher gains and other income, net, primarily reflecting a gain on the sale of a hotel in the Caribbean & Latin America region ($24 million); and
* $3 million of higher owned, leased, and other revenue, net of direct expenses, primarily reflecting stronger results at owned and leased properties ($43 million), partially offset by subsidies received in 2022 for certain of leased hotels under German government COVID-19 assistance programs ($29 million).

***Cost Driver***

* Owned, leased, and other revenue, net of direct expenses, increased primarily due to stronger results at our owned and leased properties, $46 million of higher termination fees, primarily related to one development project in U.S. & Canada, and an estimated monetary payment of $31 million recorded in 2022 related to a portfolio of 12 leased hotels in the U.S. & Canada, partially offset by $29 million of subsidies received in 2022 for certain of our leased hotels under German government COVID-19 assistance programs
* Cost reimbursements, net (cost reimbursement revenue, net of reimbursed expenses) varies due to timing differences between the costs for centralized programs and services and the related reimbursements we receive from property owners and franchisees. Over the long term, our centralized programs and services are not designed to impact our economics, either positively or negatively. The decrease in cost reimbursements, net primarily reflected Loyalty Program activity, primarily due to lower program revenues and higher program expenses, higher expenses related to our insurance program, and higher marketing expenses.
* General, administrative, and other expenses increased primarily due to higher administrative and compensation costs and higher litigation accruals.
* Merger-related charges and other expenses increased primarily due to the Data Security Incident

***Other Information:***

At year-end 2023, the company operated 19 customer engagement centres, seven in the U.S. and 12 in other countries and territories. We own two of the U.S. facilities and either lease the others or share space with a company-operated property. Affiliation with a brand is common in the U.S. lodging industry. In 2023, approximately 72 percent of U.S. hotel rooms were brand-affiliated.

***Competition***

The company compete against many other companies with strong brands and guest appeal, including Hilton, IHG Hotels & Resorts, Hyatt, Wyndham Hotels & Resorts, Accor, Choice Hotels, Best Western Hotels & Resorts, and others.

***Risk Factors***

***Operational Risks***

* Premature termination of management or franchise agreements could hurt financial performance.
* An increase in the use of third-party Internet services to book online hotel reservations could adversely impact the business.
* The growth strategy depends upon attracting third-party owners and franchisees to our platform, and future arrangements with these third parties may be less favourable to us, depending on the terms offered by competitors.
* Actions by our franchisees and licensees or others could adversely affect our image and reputation

***Risks Relating to Industry***

* The industry is highly competitive, which may impact our ability to compete successfully for guests. Economic and other global, national, and regional conditions and events have in the past impacted, and could in the future impact, the business, financial results and growth.