



## A Message From Our Executive Chairman



**J.W. MARRIOTT, JR.**  
*Executive Chairman  
and Chairman of the Board*

There are so many ways to *Find Your World* at Marriott International. Our more than 3,900 hotels in more than 70 countries provide the stage for you to close that important business deal, take your loved ones on a beach vacation, or explore new destinations on a journey of personal discovery. For our guests and approximately 325,000 associates at headquarters and our managed and franchised hotels, we are working hard to help you meet your goals, whether it's creating lasting memories or building on life's successes.

I am so proud of our company. Something I've noticed even more in my role as Executive Chairman is that Marriott's history and culture are the foundation for our future. Our stakeholders recognize this, too.

I am confident we'll continue our success and come even closer to realizing our vision of being the best lodging company in the world. In 2013, our strategy delivered great results. We grew our portfolio, and had more hotels in the pipeline than any time in Marriott's history. Our leadership teams created new opportunities for growth across the globe, from opening one of every five new rooms in the U.S. and setting us up for growth in Africa, to accelerating our growth in Asia and creating and launching new brands in Europe. We've also designed new hotels for our Indian and Brazilian guests, and our lifestyle and luxury brands are industry leaders. The Autograph Collection® and EDITION® brands are the trendiest hotels in our portfolio and we're also designing new ways for our flagship brand, Marriott Hotels®, to capture the next generation of travelers.

We also know that people care who they do business with—they want to know it's someone who shares their values and takes action on important global issues they care about. For our part, we take pride in making investments in the communities where we do business. For example, we're offering a "World of Opportunity" for unemployed youth so they can receive the education and skills they need in today's economy. We're also working with small and growing companies we do business with, especially women-owned enterprises in emerging markets around the world. Finally, we're protecting our natural resources both in our hotels and far beyond, from the Amazon rainforest to Thailand's mangroves to the fresh water of China's mighty rivers.

At Marriott, one of our core values is to support our associates, who are our strongest link to our customers. I'm proud that we were again named as one of the best places to work in surveys all over the world, from *FORTUNE*® to *Working Mother* to the World's Best Multinational Workplaces by Great Place to Work®, and to once again be among *FORTUNE*'s World's Most Admired Companies.

We invite you to *Find Your World* with us. Wherever your journeys take you, we'll be there to welcome you at one of our many exciting brands around the world. Wishing you great travels!

Follow Bill Marriott's blog at [MarriottOnTheMove.com](http://MarriottOnTheMove.com)



## To Our Shareholders



**ARNE M. SORENSON**  
*President and  
Chief Executive Officer*

In 2013, Marriott International charted new territory.

We had a record year in hotel development, signing more than one hotel a day, positioning us to add 67,000 rooms to our system over the next few years and boosting our development pipeline to a record 195,000 rooms by year-end. Our worldwide management and franchise fees reached a record \$1.5 billion. We accelerated our global expansion, in 2014 expecting to become the largest hotel company in Africa with our planned acquisition of Protea, and growing our footprint in Asia, Europe, The Americas and across the Middle East.

We launched new brands such as Moxy Hotels<sup>SM</sup>, designed to attract the expanding Millennial generation as well as the young at heart, and introduced AC Hotels by Marriott<sup>®</sup> in North America, a design-focused brand inspired by the fashion houses of Europe that appeals to younger business travelers. At the same time, we invested significantly in our flagship brand, Marriott Hotels, and in the EDITION brand, with its newest location opening recently to great fanfare in London. Future EDITION destinations include Miami, Fla.; New York, N.Y.; West Hollywood, Calif.; Gurgaon, India; Abu Dhabi in the United Arab Emirates; Sanya, China; Shanghai, China; Wuhan, China and Bangkok, Thailand.

These accomplishments are rooted in our core values and 86-year history as a successful hospitality company that welcomes everyone. We've learned that if we deploy the enthusiasm and skill of the best and brightest associates in the industry to innovate with an eye on tomorrow, we will continue to delight guests as the world's most preferred lodging company.

This is an exciting time to be in the hotel business. Travel is expanding around the world, providing an economic boost and higher employment. In 2012, the United Nations' World Tourism Organization reported that 1 billion trips were taken by people who traveled outside their borders, and our vision as an industry is to achieve 2 billion. One in 11 jobs globally (260 million) is supported by travel and tourism<sup>1</sup> and in the next 10 years the sector will account for 10 percent of global GDP. World and industry leaders, including those who sit on the World Economic Forum's Governors of Aviation, Travel and Tourism Committee with me, increasingly see travel as a key to economic mobility and opportunity leading to prosperity. For our part, we recently signed onto President Obama's initiative to help the long-term unemployed find jobs in the U.S. We think that more travel will create more jobs.

In the developed world, Marriott is creating new product niches and entering new markets and customer segments, expanding our share of rooms in both North America and Europe. At the same time, growth in new hotel supply in the developed world is very low, which we expect means strong occupancy and room rate improvement in the years ahead. With the increase in travel, new hotel development is accelerating in many emerging markets around the world. Marriott is pursuing growth in these rapidly expanding markets with our existing brands as well as new brands tailored for the local market, such as Courtyard<sup>®</sup> in China and Fairfield by Marriott<sup>SM</sup> in India and Brazil.

### **2013 PERFORMANCE HIGHLIGHTS**

Here are some of the highlights from our successful 2013 efforts:

<sup>1</sup> World Travel & Tourism Commission and United Nations World Tourism Organization

For the full year 2013, diluted earnings per share (EPS) totaled \$2.00 and EPS increased 16 percent over the prior year. Adjusted for the Courtyard joint venture gain in 2012, EPS increased 22 percent over the prior year. Adjusted Earnings Before Interest Expense, Taxes, Depreciation and Amortization (EBITDA) rose 9 percent. Adjusted operating income margins reached a record 40 percent and return on invested capital reached 32 percent in 2013.<sup>2</sup>

Revenue Per Available Room (RevPAR) for the company's worldwide comparable systemwide properties increased 4.6 percent in 2013 on a constant dollar basis, and average daily rates rose more than 3 percent. In North America, systemwide RevPAR rose 5 percent, with nearly 4 percent higher average daily rates.

Marriott Rewards®, our award-winning guest loyalty program, and The Ritz-Carlton Rewards® program, now in its fourth year, together surpassed 45 million members, accounting for more than half of our room nights worldwide. Our members are committed to us. Over the past seven years, the most active 1 percent of Marriott's customers accounted for more than 30 percent of room nights.

One-quarter of our worldwide booked room nights in 2013 came through Marriott.com, our most cost-effective channel, and more than 13 percent of those were generated through a mobile device. The Marriott Mobile app also allows Marriott Rewards members to check in or check out at 329 North American and 20 international Marriott Hotels and in 2014 nearly all 500 Marriott Hotels worldwide plan to offer mobile check-in and checkout. To date, the Marriott Mobile app has been downloaded more than 2.8 million times.

During 2013, Marriott had the fastest-growing new-construction pipeline in the industry, worldwide.<sup>3</sup> We opened nearly 26,000 rooms and signed more than one new hotel project per day, totaling a record 387 hotels. Given our strong pipeline and anticipated addition of the Protea hotel chain, we expect new hotel openings to accelerate in 2014 and 2015, and expect our system to grow by approximately 5 percent net of deletions in 2014.

Our portfolio of luxury brands—BVLGARI® Hotels & Resorts, The Ritz-Carlton®, JW Marriott®, and our

latest luxury lifestyle brand, EDITION, together reached more than 170 properties and nearly 45,000 rooms worldwide.

We repurchased 20 million shares in 2013 for approximately \$829 million. Including nearly \$200 million in dividends, we returned more than \$1 billion to shareholders during the year. We're stepping up returns in 2014 and expect to return \$1.25 to \$1.5 billion in share repurchases and dividends to shareholders.

## ACHIEVING OUR VISION

We are now more global than ever. We've grown our system outside the U.S. by 46 percent in the past seven years—and added five new brands. We are in major destination cities and small towns across Asia, the Middle East and Africa. Our continental operating structure gives us close-to-market leadership, speeds innovation, and makes us more efficient and insightful about customers and cultures around the world.

In the Asia Pacific region, we expect to open a hotel every week across 10 different brands, doubling in size, reaching 330 hotels with more than 96,000 rooms across 16 countries by 2016. In 2013, Marriott signed agreements to add 78 new hotels and more than 22,000 rooms in the region, an industry-leading pace among upper-upscale and luxury operators. In 2013, we welcomed the first Fairfield by Marriott in Bengaluru, India and have 12 additional Fairfield by Marriott hotels in development in India. China remains our biggest market in the region with 67 open hotels and signed contracts for more than 80 hotels under development, which will take us to more than 150 hotels there in the next three years.

In Africa, our growth is being propelled by our planned Protea acquisition. With Protea, Marriott expects to nearly double our distribution in the Middle East and Africa to more than 23,000 rooms. The acquisition will also provide us with a proven operational platform and leadership team to accelerate Marriott's growth and solidify our leadership position in the dynamic and growing African hotel market.

In Europe, we opened The London EDITION in 2013. In early 2014, we demonstrated the value of this new brand and our consistent asset-light strategy by selling The London EDITION and entering into definitive agreements to sell two others under development

<sup>2</sup> See pages 17 and 89-92 for additional information on these non-GAAP measures, including reconciliations, our reasons for providing these measures and limitations on their use.

<sup>3</sup> Smith Travel Research

in New York and Miami while maintaining long-term management contracts. We are committed to our management and franchise business model which helps us deliver value to shareholders through predictable, strong earnings growth and high return on invested capital.

In the United States, we ended 2013 with more than 22,000 hotel rooms under construction, representing the largest hotel construction pipeline in the industry.<sup>4</sup> Marriott operates or franchises one of every five new hotel rooms that opened in the U.S. in 2013. The recently opened combination Courtyard/Residence Inn® New York Manhattan/Central Park, dubbed the tallest hotel in New York City, was recently honored with the Development of the Year Award at the Americas Lodging Investment Summit. That hotel and the Courtyard/Residence Inn in Los Angeles (scheduled to open in June 2014) are standouts in our efforts to develop multi-brand and multi-use properties. More than 70 percent of the hotels in our North American pipeline are located outside the largest 25 U.S. metropolitan markets. In 2013, we added 90 new owners or franchisees to our system.

We've proven that growing distribution increases guest satisfaction and loyalty. It also drives owner preference, efficiency and profitability. Marriott's distinguished brand lineup, the broadest in the industry, drives our distribution. AC Hotels by Marriott will open its first hotel in the U.S. in 2014, with 16 other projects under contract (totaling 3,215 rooms) around the globe.

Our new brand, Moxy Hotels, is on track to open its first hotel in Milan, Italy, in August 2014, and we plan to open additional properties in six other European markets in 2015. The brand, expected to reach 150 hotels in the next 10 years, combines contemporary design and approachable service at an affordable price. It's an example of how we envision strategic growth, working closely with our partners, our owners and franchisees.

The fastest hotel brand launch in the industry, the Autograph Collection, has added nearly 60 hotels since its 2010 introduction. The Autograph Collection is a portfolio of unique hotels that harnesses the power of Marriott's global sales, marketing and

revenue engines for independent hotel owners. Forty percent of this brand's U.S. reservations are driven by Marriott Rewards members.

We are also focusing on new development that can provide sustainable economic activity and local employment. In the coming years, more than half of Marriott's new hotels will be located in emerging markets where tourism is a major driver of new jobs and economic growth. Two major sustainable development projects include our first ground-up hotel in Sub-Saharan Africa, in Rwanda, which is the largest in that country. The hotel, located in Kigali, is expected to open in 2016, and represents the start of our aggressive growth plans in that region. We intend to help fuel the Rwandan travel industry and train young women for professional hotel careers through our partnership with Rwandan-based Akilah Institute for Women.

In addition, the Marriott Port-au-Prince in Haiti is scheduled to open in early 2015. The hotel is expected to help boost the local economy by supporting local vendors, hospitality training and generating more than 200 new hospitality jobs, in addition to the 300<sup>5</sup> jobs generated by the hotel's construction.

We believe responsible hotel and resource management creates economic opportunities and can be a positive force for the environment. From our associates worldwide to an array of external business and community partners, we have engaged the resources needed to help us accomplish our goals, which include efforts to reduce energy and water consumption 20 percent by 2020 and develop green hotels—we have more than 100 properties LEED® (Leadership in Energy and Environmental Design) certified with the U.S. Green Building Council. Our objectives also include greening our multi-billion dollar supply chain; in 2013, Marriott achieved its goal of spending 75 percent of our furniture, fixtures and equipment dollars on suppliers who are in MindClick's Hospitality Sustainability Performance Index. We are also engaged in educating and inspiring associates and guests to conserve and preserve natural resources as well as addressing environmental challenges through innovative conservation initiatives including rainforest protection and water conservation.

<sup>4</sup> Smith Travel Research

<sup>5</sup> International Financial Corporation

## LOOKING AHEAD TO A BRIGHT FUTURE

We are investing in effective marketing and social media platforms to deliver what next generation guests want. Today, more than half of the world's population is under the age of 25.<sup>6</sup> In 2013, the Generation Y population accounted for 19 percent of total room nights in U.S. business travel and we expect that to nearly double to 34 percent by 2020<sup>7</sup> as these Millennials graduate and start traveling for work. We are attracting this growing demographic segment by introducing new brands tailored to their needs, along with updating existing brands with the technology, design, wellness, and food and beverage experiences that are important to them.

Our flagship brand, Marriott Hotels, launched the multi-year 'Travel Brilliantly<sub>SM</sub>' global marketing campaign—a bold effort amplifying the brand's dedication to leading the future of travel. Using social media and online, broadcast and cable TV spots, the campaign engaged younger travelers to share their best ideas with us to reimagine the future of travel.

Our company is investing in mobile-booking technologies and is ensuring that the Wi-Fi in our properties meets the demands of today's tech-savvy consumer. Greater Wi-Fi speed and reliability will increase our appeal and boost Marriott's relevance, preference and revenue.


In addition to our mobile app, we created new guest service applications for our Marriott Hotels brand such as Red Coat<sub>SM</sub> Direct, giving meeting organizers the ability to adjust their requests and preferences with a touch of a button on their devices, without ever leaving the meeting room. With our Workplace on Demand app, powered by LiquidSpace®, guests can book both free and paid meeting spaces as easily as they book guest rooms.

As we grow around the world, more than 100,000 people will begin their Marriott career in 2014, including thousands of Millennials. So, we launched "Mobile Apply,"—an industry first—giving job seekers an easy way to find and apply for jobs from their smart phones. This engages candidates across the globe on their terms and recognizes that in the developing world, candidates are often more likely to have a smart phone than a computer.

We live the motto "success is never final." In the past five years, despite a significant economic downturn, we grew our system by more than 20 percent, while also returning \$4 billion to shareholders in dividends and share repurchases, reducing diluted shares outstanding by 16 percent.

We are proud of our performance. On behalf of our team around the world, thank you for helping us to achieve great heights in 2013. We look forward to helping you *Find Your World* when you stay, work and do business with us.



*For real-time updates from Arne Sorenson, follow him on LinkedIn  where he is a Thought Influencer.*

March 14, 2014

<sup>6</sup> Population Action International

<sup>7</sup> "Lodging Strategic Insights," DK Shifflett & Associates