

Letter to Shareholders



Arne M. Sorenson
President and Chief Executive Officer

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

Dear Shareholders,

This year our company celebrates its 90th anniversary, and we are pleased to say that Marriott International has never been better positioned for the future after one of the most exciting and dynamic years in our company's history.

Last year, we successfully completed our historic acquisition of Starwood Hotels & Resorts Worldwide, and immediately started to capitalize on the benefits of this merger. We saw strong growth here and abroad, and continued to delight our guests with new innovations. The integration of Starwood is opening new doors of opportunity for Marriott, as it strengthens our competitive position for the future.

2016 Highlights

The Starwood acquisition, completed on September 23, 2016, expands our presence around the world, broadens our appeal to younger travelers, and provides a wide range of choices for our guests. With our tremendous scale, we see significant financial benefit for our owners, franchisees, and shareholders and exciting, new opportunities for our associates and the communities where we live and work.

While the merger dominated the news last year, there were many other highlights, starting with our 2016 financial performance:

- Diluted earnings per share totaled \$2.64, a decrease of 16 percent over the prior year. Combining Marriott and Starwood results for the year, assuming Marriott's acquisition of Starwood and Starwood's sale of its timeshare business occurred on January 1, 2015, diluted earnings per share totaled \$3.30, a 16 percent increase over the prior year.
- Combining Marriott and Starwood for both years, combined adjusted earnings before interest, taxes, depreciation, and amortization (combined adjusted EBITDA) rose 9 percent to \$3.0 billion.¹
- Fee revenue reached record levels in 2016, boosted by significant unit growth, Revenue Per Available Room (RevPAR) improvement, outstanding property margin gains and the acquisition of Starwood.
- Constant dollar RevPAR for the combined company's comparable worldwide systemwide properties increased 1.8 percent in 2016. In North America, combined comparable systemwide constant dollar RevPAR increased 2.3 percent.
- Together with owners and franchisees, Marriott and Starwood opened more than 68,000 rooms during the year and ended 2016 with over 420,000 rooms in the development pipeline.

- Marriott repurchased 8.0 million shares of the company's common stock for \$573 million. We remain committed to our asset-light management and franchise strategy, which should continue to yield significant cash returns to stockholders over time.

Better Than Ever

We offer the largest and most compelling range of brands and properties in hospitality, allowing our guests or travel agents to pick the brand that best suits particular travel needs. These brands are categorized as follows:

- **Luxury:** Personalized and superb amenities and services — [The Ritz-Carlton](#),[®] [St. Regis](#),[®] [JW Marriott](#),[®] [The Luxury Collection](#),[®] [Bulgari](#)[®] [Hotels & Resorts](#), [EDITION](#)[®] and [W](#)[®] [Hotels](#)
- **Premium:** Sophisticated and thoughtful amenities and services — [Marriott Hotels](#),[®] [Sheraton](#),[®] [Westin](#),[®] [Renaissance](#)[®] [Hotels](#), [Le Méridien](#),[®] [Autograph Collection](#)[®] [Hotels](#), [Delta Hotels by Marriott](#),SM [Gaylord Hotels](#),[®] [Marriott Vacation Club](#),[®] [Tribute Portfolio](#)[™] and [Design Hotels](#)[™]
- **Select:** Smart and easy amenities and services — [Courtyard](#),[®] [Fairfield Inn & Suites](#),[®] [SpringHill Suites](#),[®] [Four Points](#)[®] [by Sheraton](#), [Aloft](#),[®] [AC Hotels by Marriott](#),[®] [Protea Hotels by Marriott](#)[®] and [Moxy](#)[®] [Hotels](#)
- **Longer Stays:** Amenities and services that mirror the comforts of home — [Element](#),[®] [Residence Inn](#),[®] [TownePlace Suites](#)[®] and [Marriott Executive Apartments](#)[®]

¹ See our 2016 fourth quarter earnings press release that we included as Exhibit 99 to the Form 8-K dated February 15, 2017, that we filed with the U.S. Securities and Exchange Commission for more information on this non-GAAP measure.

With the acquisition, Marriott now has the most powerful frequent traveler programs in the lodging industry. With 100 million members, [Marriott Rewards](#),[®] [The Ritz-Carlton Rewards](#)[®] and [Starwood Preferred Guest](#) (SPG[®]) provide members with unprecedented choice, value, and experiences. The programs benefit from SPG's expertise with affluent consumers in the lifestyle segment and Marriott's long-standing relationship with frequent business travelers across a broad brand portfolio. With the larger program, we expect to expand our partnerships, such as our relationships with the NFL, the NCAA and Universal Music Group, offering members unique experiences that will drive greater engagement.

Upon closing the transaction, members who linked their accounts immediately had their matched status across the programs, along with the ability to transfer and redeem points between [Marriott Rewards](#), which includes [The Ritz-Carlton Rewards](#), and [Starwood Preferred Guest](#) (SPG) programs. This was a big integration win for us and for our loyalty members.

We believe there is an opportunity to enhance the competitiveness of Starwood's brands. On average, in 2016, comparable legacy-Marriott brand hotel property revenue was 13 percent higher than competitor hotels in the same markets driven by Marriott's loyalty program, strong group and corporate sales organization, broad distribution and operational excellence. Legacy-Starwood brand revenue was 5 percent higher than its competitor hotels reflecting strong market positioning with the [Starwood Preferred Guest](#) loyalty program and popular lifestyle brands. With the combination of our brands, we believe we can enhance hotel revenue and profitability for Starwood

brands, leveraging Marriott's strengths in sales, procurement and operations. Similarly, we believe the enhanced scale of the company will augment the profitability of our legacy-Marriott brands. With stronger profitability, we also expect stronger unit growth across our system for all our brands, particularly in underpenetrated markets.

Overhead savings will likely be significant. We expect to reach a run rate of \$250 million of annual general and administrative cost savings by mid-2018.

The combined company should generate significant cash flow over the next few years. We expect to sell Starwood's owned assets over time and anticipate raising over \$1.5 billion over the next 24 months, including the \$175 million we received for the sale of [The St. Regis San Francisco](#) in the fourth quarter of 2016. Our approach to selling these assets reflects the importance of getting full value for the hotel, a strong management agreement and a property improvement plan where needed.

Global Growth

Marriott and Starwood experienced record growth in 2016 in every part of the world across all segments.

In the United States, on a combined basis, we opened over 35,000 rooms in 2016 and ended the year with a 35 percent share of the under-construction industry rooms, more than any other hotel company. We have seen tremendous growth with some of our newest brands, including [Autograph Collection](#), [EDITION](#), [Moxy](#), [AC Hotels by Marriott](#), and [Delta Hotels](#) as well as with legacy-Starwood brands such as [Le Méridien](#), [Aloft](#) and [Four Points](#).

We celebrated several firsts in the U.S. in 2016 including our first North American Moxy hotel in Tempe, Arizona, followed by a Moxy hotel in New Orleans in April, the first of our hotels with keyless entry. We also began construction on our first-ever triple-brand hotel in Nashville's popular SoBro neighborhood. This landmark project will contain three brands — [AC Hotels by Marriott](#), [SpringHill Suites](#), and Residence Inn, with three distinct hospitality experiences from which to choose. The highly anticipated [JW Marriott Minneapolis Mall of America](#) opened in 2016, bringing a new level of luxury as one of the most significant hotel developments to take place in the Twin Cities area. In 2016, we also opened, with much anticipation, the [W Las Vegas](#) along with the [Aloft Long Island City — Manhattan View](#), the first Aloft in Queens, which is just outside of New York City.

While we're excited about the development story in the U.S., our growth around the world is equally as exciting. For the first time in Marriott's history, more than half the rooms in our development pipeline are outside of North America, with 44 percent of those rooms under construction.

In our Asia Pacific region, we opened 65 hotels with 18,000 rooms in 2016, and our signed development pipeline totaled an impressive 495 hotels and approximately 126,000 rooms. In the region, we opened the [Sanya EDITION](#), the first of the brand in Asia Pacific; the first Fairfield property in Indonesia — [Fairfield by Marriott, Surabaya](#); opened the [Meixi Lake Hotel, a Luxury Collection Hotel, Changsha](#) in China, and the [Hotel Vagabond, A Tribute Portfolio Hotel, Singapore](#), the first of the brand on the island.

In Europe, we opened nearly 30 properties including three new hotels in the Netherlands — [The Hague Marriott Hotel](#), [Hotel Nassau Breda](#), [Autograph Collection](#) and [Element Amsterdam](#) along with an AC Hotel in Marseille and the [Renaissance Paris](#)

[Republique Hotel](#), situated in the Canal Saint-Martin district. In 2016, we also announced the official unveiling of the [Sheraton Grand London Park Lane](#) after a multi-million pound transformation. The hotel has been designated as a [Sheraton Grand](#), the brand's premier tier of hotels recognized for their enticing destinations, distinguished designs and excellence in service and guest experiences. The [Sheraton Grand London Park Lane](#) is the first property in London to join this distinguished portfolio of 40 Sheraton Grand hotels worldwide.

In the Middle East and Africa region, we successfully opened the [Kigali Marriott Hotel](#) in Rwanda, becoming one of the first international hotel brands to have a presence in the country. We also signed deals for new properties in Cape Town, Nairobi, Cairo and Mauritius. These signings comprise more than 1,100 new rooms, further underscoring Marriott's leadership position across the continent. By 2020, we expect our brands, including the [Protea](#) brand, will expand from 18 African countries to 25, adding an additional 40 properties across 12 brands. In 2016, we also opened the [Aloft Riyadh](#), the first of the brand in Saudi Arabia and the [W Dubai Al Habtoor City](#), the brand's first hotel in the Emirates.

In the Caribbean and Latin America, we announced the signing of 39 new hotels in the region, totaling nearly 6,000 hotel rooms. We are excited to continue growing our reach in the region with brands as diverse as [The Ritz-Carlton](#), [Renaissance](#), [AC Hotels by Marriott](#), and legacy-Starwood brands [Westin](#) and [Aloft](#). By 2022, we expect to open 38 additional properties in Mexico, reinforcing the country's status as Marriott's top market within the region.

Marriott and Starwood were both part of a powerful moment in early 2016 when the U.S. Treasury Department approved applications from the then-separate companies to operate hotels in Cuba. This announcement came in conjunction with President

Obama's historic trip to Havana. With the opening of Cuba's doors, we have the chance to build our presence in this appealing market, generate new economic opportunities and demonstrate our corporate citizenship. In 2016, a legacy-Starwood Four Points by Sheraton became the first American-branded hotel to fly its flag in Cuba.

Guest-focused Innovation

We continued to delight our guests with innovative new experiences in 2016. We are especially proud of our pioneering "M Beta" [Charlotte Marriott City Center](#) hotel in North Carolina. This is a forward-looking testing ground for exciting new concepts where we invite guests to be part of the innovation and decision-making, as we constantly evolve and challenge our way of elevating guest experiences.

[Mobile Requests](#), the industry-leading, two-way chat feature on our mobile app, is now available at more than 4,000 legacy-Marriott properties around the world. We expect to add Mobile Check-in and Checkout to legacy-Starwood brands in 2017.

Our relationship with TripAdvisor allows travelers shopping for hotel rooms on its Instant Booking platform to conveniently make a reservation at any of legacy-Marriott's more than 4,700 hotels around the world without leaving the TripAdvisor site experience. We look forward to adding legacy-Starwood brands to the TripAdvisor Instant Booking platform in early 2017.

Looking Ahead

We are very excited about our prospects. On a global scale, the World Travel and Tourism Council forecasts that the travel and tourism industry will grow at a faster rate than other major industries. This is being driven by demographic changes — with the baby boomer generation hitting retirement and the millennial generation climbing the income ladder — as well as a growing global middle class. We have never been better positioned to meet this opportunity.

For 2017, we expect to grow our rooms by 6 percent net. Our RevPAR and unit growth guidance implies an impressive 15 to 20 percent earnings per share (EPS) growth in 2017 compared to our combined Marriott and Starwood 2016 results.

At a meeting with security analysts in March 2017, we outlined plans to grow our system by 285,000 to 300,000 rooms and assuming comparable hotel RevPAR growth of 1 to 3 percent, increase earnings per share by 17 to 21 percent compounded and return \$8 to \$9 billion to shareholders through share repurchases and dividends over the next three years combined.

An Ongoing Commitment to Our Core Values

Marriott's core values guide how we do business, support our local communities and work to protect the environment. For us, how we do business is as important as the business we do. Integrity and ethical behavior have been and continue to be the cornerstones of our company. Our worldwide network of 100 Marriott Business Councils empowers our hotel leaders to work together to drive large-scale business initiatives that help to build the economic strength of the communities we call home.

Our culture is best represented by the most significant of our five core values — putting people first. We realized long ago that a diverse and inclusive workforce strengthens Marriott's culture, provides a competitive advantage and enhances sustainable business growth, as well as economic and community vitality. For example, Marriott has produced an award-winning, dedicated campaign — [#LoveTravels](#), which expresses our commitment to ensuring all guests feel welcomed. Additionally, we are focused on maintaining our position as a best-in-class diversity and inclusion leader by increasing our spend with diverse suppliers globally to nearly \$560 million in 2017 and increasing diverse- and women-owned hotels to 1,500 by 2020.

Marriott's efforts to stay true to our core values have given us numerous recognitions, including:

- Great Place to Work® – *FORTUNE*® 100 Best Companies to Work For
- *FORTUNE*® – Most Admired Companies
- *Forbes* – Most Innovative, #1 in the Hotel Category
- DiversityInc – Top 50 Companies for Diversity
- Human Rights Campaign's Corporate Equality Index – 100 percent score
- Ethisphere – World's Most Ethical Companies
- *Fast Company* – Most Innovative Companies
- ECPAT-USA – Change Maker for Protection

For 90 years, we have upheld a commitment to responsible business, human rights and uncompromising ethical and legal standards in all aspects of our business. Our success is grounded in our purpose, values, and conduct demonstrated each day through our world-class service, ethical business practices and commitment to our associates, communities, and culture.

We have tremendous strengths as a company – bringing together the best talent, creativity, and

services. We haven't gotten to where we are without the tireless work of the more than 675,000 associates who wear the Marriott nametag and countless business partners worldwide. Each day, we are energized to build our business and serve our customers – and that's really what it's about ... delighting more guests all over the world.

With our portfolio of 30 brands and rapidly expanding global footprint, we are excited to welcome you wherever you travel.

Wishing you safe travels,



J.W. "Bill" Marriott, Jr.

Executive Chairman and Chairman of the Board



Arne M. Sorenson

President and Chief Executive Officer

March 16, 2017

Follow Bill Marriott's blog at MarriottOnTheMove.com

Follow Arne Sorenson on [LinkedIn](#) .