



## A Message From The Executive Chairman



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

We are excited about this year's theme — "World's Favorite Travel Company" — and are working hard to live up to that promise. With more than 4,100 hotels around the world, more than 360,000 associates want to be the top choice for every travel experience, from weddings and family getaways to business trips and conferences. Last year, I visited more than 170 of our hotels around the world. I see the dedication, passion and pride of our associates everywhere I go. This is who we are — our business is to welcome and serve travelers of every kind, everywhere.

From our company's beginning, we have succeeded because we've stayed true to our core values — Putting People First, Pursuing Excellence, Embracing Change, Acting with Integrity and Serving Our World. For us, 2014 was a year of embracing change. I've always believed that change is good; it keeps you relevant and encourages growth and progress. From a more decentralized global business structure, to how we attract talented associates and travelers — these changes are moving us forward and keeping us fresh. Innovations are also fueling our growth, and help us

not only to appeal to the next generation of customer, but also delight our already loyal customers with the memorable travel adventures they expect from us.

We are bringing innovation to our brands, our food and beverage offerings, our guest experiences and even our recently reinvented global headquarters, to attract millennials and those with a millennial mindset. In fact, in 2014, we were named by *Forbes*® as Most Innovative Hotel Company — ranking among the top 20 innovative companies across a variety of industries. Over the past few years, we've welcomed exciting new hotel brands that let us capture a new customer segment or provide a new stay experience. In 2014, we welcomed the Protea Hotels® brand in Africa and earlier this year announced an agreement to acquire Delta Hotels and Resorts® in Canada.

Last year, we opened our 4,000th hotel — the Marriott Marquis® Washington, DC. It is only fitting that this spectacular hotel is located only blocks from the site of our first Hot Shoppe restaurant, the company's initial business nearly 90 years ago.

With change everywhere, we are focused on being the world's favorite travel company to everyone we touch and serve: our guests, owners, franchisees, shareholders and associates. At the same time, we remain true to our purpose of offering a world of opportunity. For our part, we take pride in making investments in the communities where we do business. For example, across the globe we're offering opportunity for unemployed youth so they can receive the education and skills they need in today's economy. We are promoting tourism to build developing economies — like the hotel we opened in Haiti earlier this year. We're also working with small and growing companies that provide us with goods and services, especially women-owned enterprises in emerging markets globally. And we continue to focus on protecting our natural resources in our hotels and far beyond, including in the Amazon rainforest, Thailand's mangroves and the fresh water of China's rivers.

Our associates are our top investment. "Take care of your associates and they'll take care of the guests" was the philosophy of our founder, my father — J. Willard Marriott. At Marriott, caring for people and the community is part of who we are. Around the globe, we offer our associates fair treatment, respect and opportunities for personal and professional growth. We know that when we feel valued

and respected, it helps make our guests feel that way too. That's part of our deeply embedded company culture, and is the main ingredient in our success.

We have a longstanding reputation for excellent customer service. We continually seek innovative and creative ways to meet the needs of our guests. We maintain high standards in every aspect of our business, from ethics and human rights to environmental and social sustainability to diversity and inclusion. I'm proud that we are recognized for our commitment to our customers and associates. In 2014, 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 join us and hope we can be the "World's Favorite Travel Company," and yours, too. Wherever you travel, we'll be there to welcome you at one of our many exciting brands around the world. Wishing you great travel experiences wherever you go!

A handwritten signature in black ink that reads "J.W. Marriott, Jr." The signature is fluid and cursive, with the first letters of each word being capitalized and prominent.

J.W. "Bill" Marriott, Jr.

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



## To Our Shareholders



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

2014 was a record-setting year for Marriott International on our journey to be the World's Favorite Travel Company. We signed agreements for more than 650 hotels or 100,000 rooms — the most deals ever signed in our company's history. That's a signing pace of nearly two new hotel deals a day. This significant achievement takes our pipeline of hotels under development to a record of more than 1,400 properties and 240,000 rooms. We're on target to reach 1 million rooms over the next several years as our owners invest over \$50 billion in new hotels.

The opening of our 4,000th hotel, the flagship Marriott Marquis Washington, DC, was a milestone in 2014. This hotel, which opened to great fanfare in June, is a short distance from where our company began in 1927. Taking more than 10 years to develop, we are proud of the teamwork and collaboration with the various stakeholders and city officials that helped make this new hotel a reality. We have four other Marriott Marquis hotels in our pipeline in Houston, Chicago, Miami and Shanghai.

### PERFORMANCE HIGHLIGHTS

Demand across our system was strong in 2014. Worldwide Revenue per Available Room (RevPAR) rose 6.6 percent and average daily rates rose 3.7 percent with business and leisure demand driving worldwide occupancy to over 73 percent. In North America, group demand is accelerating. In 2014, our group sales organization signed more than \$2.5 billion in contracts for future group revenue, up 6.5 percent over the prior year, which will benefit our hotels over the next five years.

With our owners and franchisees, we added more than 300 properties to our system during the year. This unit expansion helped drive fee revenue to a record-breaking \$1.7 billion in 2014, up 11 percent over the prior year. With improved operating efficiencies and higher room rates, we and our hotel owners improved profit margins in our hotels by 1.2 percentage points. We watched the bottom line as general, administrative, and other expenses rose only 2 percent and our operating margins, excluding cost

reimbursements, reached a record 42 percent, and generated diluted earnings per share from operations of \$2.54 for 2014, an increase of 27 percent. Our management and franchise business model continues to allow rapid unit growth while delivering significant shareholder returns. In 2014, we returned \$1.75 billion to our investors through share repurchases and dividends and as of February 2015, 37 million shares remained in Board authorized buybacks. Return on invested capital for 2014 reached a record of nearly 36 percent.

Marriott's footprint expanded rapidly across the globe in 2014, as we established new platforms for growth. We acquired Protea Hotels®, which expanded our reach in Africa, and we expect to pursue meaningful growth opportunities there. Our first Moxy hotel opened in Europe and the AC Hotel New Orleans Bourbon/French Quarter Area marked that brand's first hotel opening in North America, with Kansas City and Miami Beach next. We opened The Miami Beach EDITION®, a sleek, sophisticated, luxurious hotel worthy of its Collins Avenue address, with our partner Ian Schrager. The New York (Madison Square Park) EDITION is scheduled to open later in 2015. Our financial commitment to build three EDITION hotels accelerated growth of the brand and we have already received an approximately \$550 million return of our capital through sale of the hotels. Seven more EDITION hotels are under development by third-party owners, which we expect will open in the next three years.

Our luxury and lifestyle brands are positioned to appeal to next generation travelers. The Autograph Collection®, a group of unique independently owned and operated properties which we introduced in 2009, already has 75 hotels globally. Joined by The Ritz-Carlton®, BVLGARI®, EDITION, JW Marriott®, Renaissance® Hotels, AC Hotels and Moxy Hotels®, these eight brands comprise 27 percent of our global pipeline, focusing on a demographic that will soon represent 60 percent of our business.

#### **RECORD-SETTING GLOBAL GROWTH**

Our select-service brands are driving growth in North America. Popular with both guests and franchisees, our North American pipeline of new select-service

hotels has nearly doubled in the past four years to over 900 hotels under development. We are also growing our pre-eminent meetings and convention hotel network in the U.S. At year-end 2014, Marriott operates nearly 30 percent of branded hotels in the U.S. with 1,000 rooms or more. Our Gaylord Hotels® brand, acquired in 2012, is performing well. Throughout our system, we are reimagining and reinventing our products with renovations and new initiatives such as the Marriott Hotels® M Club Lounge, which brings the concierge lounge to the first floor, boosting food and beverage sales and guest engagement.

In 2014, the Caribbean and Latin America was a region to watch. Establishing a presence in the Bahamas and Haiti, growing rapidly in Mexico and with plans for full-service and select-service expansion in Brazil, the region is poised for even more success in the next few years. In 2014, Marriott welcomed the iconic Atlantis, Paradise Island to the Autograph Collection. The most popular destination in the Caribbean, the 3,400-room resort was the perfect entrée for us into the Bahamas.

In February 2015, we showed our commitment to rebuilding the Haitian economy through tourism five years after the devastating 2010 earthquake. The Marriott Port-au-Prince Hotel will provide 200 jobs to local Haitians, including Haitian youth who we identified in collaboration with the Haitian Ministry of Tourism as future leaders. Additionally, to help build Haiti's burgeoning small business community, we are committed to sourcing many of the hotel's supplies from local businesses.

In Europe, we are represented by nearly 300 hotels with more than 56,000 rooms across 12 brands. We have signed or opened over 34,000 new rooms since 2010. This growth has been driven by the launch of four new lifestyle brands — EDITION, Autograph Collection, AC Hotels and Moxy Hotels.

Moxy Hotels made a splash upon its first opening in Milan, Italy last summer. The global pipeline for this brand is building rapidly, with openings planned in such prime U.S. markets as New York (Chelsea, Midtown, and Lower Manhattan), San Francisco,



Seattle, New Orleans, and Chicago. Moxy will also soon bring its edgy brand of hospitality to Munich, Berlin, London, Oslo and Copenhagen.

In the Asia Pacific region, Marriott is represented by nearly 175 hotels with 55,000 rooms across nine brands and is growing fast. As of year-end 2014, our Asia Pacific development pipeline totaled 245 hotels with over 65,000 rooms, with many projects opening in the near term. In fact, by 2019, we expect our portfolio in the region will double, with more than 340 hotels in 19 countries. Today, Greater China is second only to the U.S. in terms of open hotels and development pipeline.

Including our 2014 acquisition of Protea, we have 24,000 rooms open in the Middle East and Africa region and another 15,000 rooms in our development pipeline. We expect to enter new markets in 2015, such as Algeria, Rwanda, Ghana, and Ethiopia.

Our success in new hotel development is due to our preferred brands and significant competitive advantages. Our brands deliver significant RevPAR premiums over their competitors, which, in turn, drives growing market share. As of year-end 2014, our brands represented 3.6 percent of international branded rooms worldwide but 15 percent of such rooms under construction.

#### **INNOVATIONS TO DELIGHT GUESTS**

Technology is one of our strengths, especially when combined with our growing global distribution. Technology powers Marriott Rewards®, our award-winning guest loyalty program with nearly 50 million members. Rewards members booked nearly 100 million room nights in 2014 generating over 50 percent of total room nights. During the year, we launched innovative new features to Rewards members including PlusPoints, FlashPerks and My Dashboard.

Marriott.com is our powerful revenue engine and one of the world's top consumer eCommerce websites, with over \$10 billion in gross room bookings in 2014. Our Marriott mobile app has increased in popularity with the successful launch of our mobile check-in and checkout programs, and as of year-end 2014, has been downloaded 4.5 million times.

#### **OUR CULTURE IS THE FOUNDATION OF OUR FUTURE**

Our culture of service is the consistent thread that connects us to the communities where we live and work as we grow around the world. In 2014, we expanded our job training programs for youth to respond to high rates of youth unemployment on every continent. Courtyard by Marriott® began a high school mentoring program with the National Academy Foundation as part of a Clinton Global Initiative commitment. The Ritz-Carlton's Succeed Through Service youth mentoring program was recognized by the Corporation for National and Community Service (CNCS) and MENTOR as the Most Robust and Comprehensive National Youth Mentoring Program. The Bridges from School to Work® Program, part of the Marriott Foundation for People with Disabilities, celebrated its 25th anniversary by announcing it had helped prepare more than 20,000 youth with disabilities to find employment across several industries.

Our team has been working with Congress and the White House to promote travel and tourism, our country's No. 1 service export. We succeeded in our efforts to extend the China visa to 10 years, expand visa waiver to Chile, and speed up the entry process at our airports for the roughly 70 million foreign visitors who visit annually. With a 5 percent increase in foreign travel to the U.S. in 2014, these efforts helped create 129,000 new tourism-related jobs, creating a world of opportunity.

With the right policies, we can protect national security and welcome trusted travelers. As a member of the President's Export Council, I traveled with U.S. Commerce Secretary Penny Pritzker this year to Poland, and renewed our commitment to advocate for Poland's admission to the Visa Waiver Program after seeing firsthand that country's close ties to the U.S. We were also thrilled to see Brand USA reauthorized by Congress for an additional five years.

#### **WHAT COMES NEXT**

Going forward, how do we solidify our vision of being the World's Favorite Travel Company? We start by investing in our associates. Our core value of putting people first has been at the heart of how

we conduct our business for decades. In 2014, with rapid unit growth, Marriott created 59,000 new jobs at managed properties and offices worldwide. We aim to empower our talented associates around the world through wellness programs and providing education and training enabling them to succeed. We want to provide every associate with the tools and opportunities they need to achieve their goals. By engaging our own talent, we are strengthening our customer-centric culture.

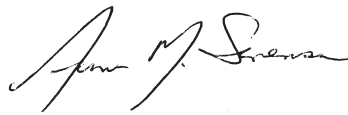
Constant innovation is also key to our success. In 2014, we created our first-in-the-industry Content Studio. Partnerships with Snapchat, YouTube stars and Medium.com are bringing our brands to life and helping us connect with the plugged-in customer to share the unique adventures our vibrant Marriott portfolio has to offer. Marketing in creative ways to the next generation customer will be a big focus in 2015.

In December we launched CANVAS, inviting entrepreneurs, chefs and bartenders from around the globe to pitch a food or drink concept for a group of Marriott hotels. Our goal for CANVAS is to position Marriott as a

platform for launching locally relevant, incredibly appealing and distinctive food and beverage experiences.

On the horizon we expect our agreement to acquire Canada's Delta Hotels and Resorts® brand will generate meaningful growth opportunities for that brand around the world. We look forward to accelerating hotel openings over the next several years, and we are always looking to our associates and guests to discover the next big trend in travel.

We thank our shareholders for joining us on this journey and we are ready for what's next. Here's to unforgettable travel experiences.

A handwritten signature in black ink, reading "Arne M. Sorenson". The signature is fluid and cursive, with the first name "Arne" being more prominent and the last name "Sorenson" written in a slightly more formal but still cursive style.

Arne M. Sorenson  
*President and CEO*

March 14, 2014

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