MARRIOTT INTERNATIONAL INC /MD/
Form 10-K
February 19, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended December 31, 2014

or

o 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	Name of Each Exchange on Which Registered
Class A Common Stock, $0.01 par value	Nasdaq Global Select Market
(276,542,350 shares outstanding as of February 6, 2015)	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 ý No o

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 o No ý

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 ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ý No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The aggregate market value of shares of common stock held by non-affiliates at June 30, 2014, was $14,399,638,158

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement prepared for the 2015 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," or "the Company."

Beginning in 2013, we changed our financial reporting cycle to a calendar year-end reporting cycle and an end-of-month quarterly reporting cycle. Historically, our fiscal year was a 52-53 week fiscal year that ended on the Friday nearest to December 31. Unless otherwise specified, each reference to a particular year means the fiscal year ended on the date and containing the specified number of days that we show in the table under the caption "Fiscal Year" in Footnote No. 1, "Basis of Presentation," to the Notes to our Consolidated Financial Statements.

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 properties, brands or markets in the United States ("U.S.") and Canada as "North America" or "North American," and (v) our properties, brands or markets outside of the United States and Canada as "International." References throughout to numbered "Footnotes" refer to the numbered Notes to our Financial Statements that we include in the Financial Statements section of this report.

PART I

Item 1. Business.

We are a worldwide operator, franchisor, and licensor of hotels 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 also operate, market, and develop residential properties and provide services to home/condominium owner associations.

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 operate, franchise, or license 4,175 properties worldwide, with 714,765 rooms as of year-end 2014 inclusive of 41 home and condominium products (4,203 units) for which we manage the related owners' associations. We believe that our portfolio of brands is the broadest of any lodging company in the world. Our principal brands are listed in the following table:

- The Ritz-Carlton®
- BVLGARI® Hotels & Resorts
- EDITION®
- JW Marriott®
- Autograph Collection® Hotels
- Renaissance® Hotels
- Marriott Hotels®
- Marriott Executive Apartments®
- Marriott Vacation Club®
- Gaylord Hotels®
- AC Hotels by Marriott®
- Courtyard by Marriott® ("Courtyard®")
- Residence Inn by Marriott® ("Residence Inn®")
- SpringHill Suites by Marriott® ("SpringHill Suites®")
- Fairfield Inn & Suites®
- TownePlace Suites by Marriott® ("TownePlace Suites®")
- Protea Hotels®
- Moxy Hotels®

As of year-end 2014, we group operations into three business segments: North American Full-Service, North American Limited-Service, and International, and provide financial information by segment for 2014, 2013, and 2012 in Footnote No. 16, "Business Segments" and Footnote No. 12, "Property and Equipment."

Company-Operated Properties

At year-end 2014, we operated 1,102 properties (291,840 rooms) under long-term management agreements with property owners, 42 properties (9,419 rooms) under long-term lease agreements with property owners (management and lease agreements together, "the Operating Agreements"), and nine properties (2,082 rooms) that we own. The figures for properties we operated under long-term management agreements include 41 home and condominium products (4,203 units) 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

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additional years. Our lease agreements also vary, but may include fixed annual rentals plus additional rentals based on a percentage of annual revenues in excess of 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 and financial returns fail to meet defined levels for a period of time and we have not cured such deficiencies. In certain circumstances, some of our management agreements allow owners to convert company-operated properties to franchised properties under our brands.

For lodging facilities that we operate, we generally are responsible for hiring, training, and supervising the managers and employees who are 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 national 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 other hotel owners and operators and Marriott Vacations Worldwide Corporation ("MVW"), our former timeshare subsidiary that we spun off in 2011, to use many of our lodging brand names and systems. Under our franchising program, we generally receive an initial application fee and continuing royalty fees, which typically range from four to six percent of room revenues for all brands, plus two to three percent of food and beverage revenues for certain full-service hotels. We are a partner in unconsolidated joint ventures that manage hotels. Some of these joint ventures also provide services to franchised hotels. We recognize our share of these joint ventures' net income or loss. Franchisees and joint ventures contribute to our national marketing and advertising programs and pay fees for use of our centralized reservation systems. Under license agreements with us, MVW is both the exclusive developer and operator of timeshare, fractional, and related products under the Marriott brand and the exclusive developer of fractional and related products under The Ritz-Carlton brand. We receive license fees under licensing agreements with MVW consisting of a fixed annual fee, adjusted for inflation, of $50 million plus two percent of the gross sales price paid to MVW for initial developer sales of interests in vacation ownership units and residential real estate units and one percent of the gross sales price paid to MVW for resales of interests in vacation ownership units and residential real estate units, in each case that are identified with or use the Marriott or Ritz-Carlton marks.

At year-end 2014, we had 2,882 franchised properties (388,679 rooms), 82 unconsolidated joint venture properties (9,879 rooms), and 58 licensed timeshare, fractional, and related properties (12,866 units).

Residential

We use or license our trademarks for the sale of residential real estate, typically in conjunction with hotel development and receive branding fees for sales of such branded residential real estate by others. Residences are typically constructed and sold by third-party owners with limited amounts, if any, of our capital at risk. We have used or licensed our The Ritz-Carlton, EDITION, Autograph Collection Hotels, JW Marriott, and Marriott Hotels brand names and trademarks for residential real estate sales. While the worldwide residential market is very large, we believe the luxurious nature of our residential properties, the quality and exclusivity associated with our brands, and the hospitality services that we provide, all serve to make our residential properties distinctive.

Seasonality

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

Relationship with Major Customer

We operate a number of properties under long-term management agreements that are owned or leased by Host Hotels & Resorts, Inc. ("Host"). In addition, Host is a partner in several partnerships that own properties operated by us under long-term management agreements. See Footnote No. 18, "Relationship with Major Customer," 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, caring, service, and value to our customers and the traveling public. Accordingly, we register and protect our intellectual property where we deem appropriate and otherwise protect against its unauthorized use.

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Properties by Brand

At year-end 2014, we operated, franchised, or licensed the following properties by brand:

	Company-Operated		Franchised / Licensed		Other [3]	
Brand	Properties	Rooms	Properties	Rooms	Properties	Rooms
U.S. Locations						
Marriott Hotels	128	68,140	186	56,546	—	—
Marriott Conference Centers	10	2,915	—	—	—	—
JW Marriott	15	9,735	8	3,239	—	—
Renaissance Hotels	33	14,881	43	12,358	—	—
Renaissance ClubSport	—	—	2	349	—	—
Gaylord Hotels	5	8,098	—	—	—	—
Autograph Collection Hotels	1	181	43	9,901	—	—
The Ritz-Carlton	39	11,424	—	—	—	—
The Ritz-Carlton Residences [1]	30	3,598	—	—	—	—
EDITION	1	295	—	—	—	—
EDITION Residences [1]	1	25	—	—	—	—
AC Hotels by Marriott	—	—	—	—	1	220
Courtyard	274	43,138	587	77,756	—	—
Fairfield Inn & Suites	4	1,200	700	63,162	—	—
SpringHill Suites	28	4,450	286	32,518	—	—
Residence Inn	106	15,828	542	62,690	—	—
TownePlace Suites	15	1,743	225	22,230	—	—
Timeshare [2]	—	—	45	10,605	—	—
Total U.S. Locations	690	185,651	2,667	351,354	1	220
Non-U.S. Locations						
Marriott Hotels	144	42,452	41	12,083	—	—
JW Marriott	42	15,877	4	1,016	—	—
Renaissance Hotels	53	17,437	28	7,931	—	—
Autograph Collection Hotels	3	584	23	6,496	5	348
Moxy Hotels	—	—	1	162	—	—
Protea Hotels	53	6,141	59	3,966	—	—
The Ritz-Carlton	48	14,090	—	—	—	—
The Ritz-Carlton Residences [1]	9	575	1	55	—	—
The Ritz-Carlton Serviced Apartments	4	579	—	—	—	—
EDITION	1	173	1	78	—	—
Bulgari Hotels & Resorts	2	117	1	85	—	—
Bulgari Residences [1]	1	5	—	—	—	—
Marriott Executive Apartments	27	4,261	—	—	—	—
AC Hotels by Marriott	—	—	—	—	76	9,311
Courtyard	66	14,153	61	10,753	—	—
Fairfield Inn & Suites	2	276	15	1,813	—	—
SpringHill Suites	—	—	2	299	—	—
Residence Inn	8	970	19	2,675	—	—
TownePlace Suites	—	—	4	518	—	—
Timeshare [2]	—	—	13	2,261	—	—
Total Non-U.S. Locations	463	117,690	273	50,191	81	9,659
Total	1,153	303,341	2,940	401,545	82	9,879

(1) Represents projects where we manage the related owners’ association. We include residential products once they possess a certificate of occupancy.

(2) Timeshare properties licensed by MVW under the Marriott Vacation Club, The Ritz-Carlton Destination Club, The Ritz-Carlton Residences, and Grand Residences by Marriott brand names. Includes products that are in active sales as well as those that are sold out. MVW reports its property and room counts on a fiscal year basis for the MVW fiscal year ended January 2, 2015.

(3) Results for these properties are presented in the “Equity in earnings (losses)” caption of our Income Statements.

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Properties by Country

At year-end 2014, we operated, franchised or licensed properties in the following 79 countries and territories:

Country	Properties	Rooms
Americas		
Aruba	5	1,955
Bahamas	1	3,412
Barbados	1	118
Brazil	6	1,405
British Virgin Islands	1	58
Canada	86	16,741
Cayman Islands	5	772
Chile	3	666
Colombia	4	738
Costa Rica	7	1,222
Curaçao	2	484
Dominican Republic	3	595
Ecuador	2	401
El Salvador	1	133
Honduras	1	153
Mexico	25	5,984
Panama	5	1,001
Peru	2	453
Puerto Rico	9	2,226
Saint Kitts and Nevis	2	479
Suriname	1	140
Trinidad and Tobago	1	119
United States	3,358	537,225
U.S. Virgin Islands	5	1,095
Venezuela	3	688
Total Americas	3,539	578,263
United Kingdom and Ireland		
Ireland	2	460
United Kingdom (England, Scotland, and Wales)	64	12,203
Total United Kingdom and Ireland	66	12,663
Middle East and Africa		
Algeria	1	204
Bahrain	3	537
Egypt	6	3,062
Jordan	3	644
Kuwait	3	720
Malawi	1	117
Namibia	10	373
Nigeria	11	760
Oman	2	495
Pakistan	2	508
Qatar	4	1,487
Saudi Arabia	8	1,878
South Africa	76	8,029
Tanzania	5	153

Uganda	2	143
United Arab Emirates	13	4,534

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Zambia	7	532
Total Middle East and Africa	157	24,176
Asia		
China	76	28,256
India	26	6,250
Indonesia	13	2,869
Japan	15	4,328
Malaysia	7	3,070
Philippines	2	657
Singapore	3	1,059
South Korea	7	2,203
Thailand	19	3,946
Vietnam	2	786
Total Asia	170	53,424
Australia	6	1,716
Continental Europe		
Armenia	2	359
Austria	7	1,808
Azerbaijan	3	574
Belarus	1	267
Belgium	5	881
Bosnia and Herzegovina	1	75
Czech Republic	6	1,088
Denmark	2	1,214
France	24	4,658
Georgia	2	245
Germany	29	6,717
Hungary	4	891
Israel	3	539
Italy	22	3,563
Kazakhstan	6	905
Netherlands	4	1,120
Poland	2	759
Portugal	5	1,150
Romania	1	401
Russia	15	3,616
Spain	74	9,391
Sweden	2	406
Switzerland	5	979
Turkey	12	2,917
Total Continental Europe	237	44,523
Total	4,175	714,765

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Our Brand Portfolio

The Ritz-Carlton's vision is to inspire life's most meaningful journeys. Established in 1983 with the purchase of The Ritz-Carlton, Boston and the rights to the name, the brand has grown to over 85 hotels and 40 residences worldwide. The Ritz-Carlton enjoys a global reputation for setting the gold standard (the values and philosophies by which the brand operates) with award-winning luxury hotels, residences, golf communities, elegant spas, innovative retail outlets and acclaimed restaurants. At year-end 2014, there were 87 The Ritz-Carlton hotel properties (25,514 rooms), 40 home and condominium projects (4,228 units) for which we manage the related owners' associations, and 4 serviced apartments (579 units) operating in 29 countries and territories.

The Ritz-Carlton Geographic Distribution at Year-End 2014 [1]	Properties	
United States (18 states and the District of Columbia)	69	(15,022 rooms)
Non-U.S. (28 countries and territories)		
Americas	15	
Continental Europe	12	
Asia	26	
Middle East and Africa	9	
Total Non-U.S.	62	(15,299 rooms)

[1] Includes 40 home and condominium projects (4,228 units) and 4 serviced apartments (579 units).

Bulgari Hotels & Resorts. Bulgari Hotels & Resorts is the product of a joint venture between us and Italian jeweler and luxury goods designer Bulgari SpA. The Bulgari Hotels & Resorts brand offers distinctive luxury hotel properties located in gateway cities and exclusive resorts around the world. These innovative hotels combine Bulgari style with incredible service in an informal yet impeccable setting. At year-end 2014, there were three Bulgari hotel properties in Milan, Italy, Bali, and London, England. We also operate two restaurants, co-located with two Bulgari retail stores, in Tokyo and Osaka, Japan. The hotels are designed by renowned Italian firm Antonio Citterio Patricia Viel and partners. We operate all of the Bulgari Hotels & Resorts brand properties and restaurants other than the hotel in London, which is franchised. Other projects are currently in various stages of development in Europe, Asia, the Middle East, and North America.

EDITION. In collaboration with hotel innovator Ian Schrager, EDITION combines the personal, individualized, and unique hotel experience that Ian Schrager is known for, with the global reach, operational expertise, and scale of Marriott. EDITION showcases the finest dining and entertainment offerings for guests and locals in the know. At year-end 2014, the brand operated EDITION hotels in Istanbul, central London, and Miami Beach. Scheduled EDITION hotel openings over the next few years include New York (Madison Square Park) (2015), Gurgaon, India (2016), Sanya, China (2016), Bangkok, Thailand (2016), Shanghai, China (2016), Abu Dhabi, U.A.E. (2017), Wuhan, China (2017), New York (Times Square) (2017), and West Hollywood (2018).

The EDITION hotel in New York (Madison Square Park) is currently under construction and owned by Marriott. In January of 2014, we sold The London EDITION to a third party and simultaneously entered into agreements to sell The Miami Beach and The New York (Madison Square Park) EDITION hotels to the same party once construction was complete. Under those agreements we sold The Miami Beach EDITION during the first quarter of 2015, and expect to sell The New York (Madison Square Park) EDITION in the first half of 2015. We will retain long-term management agreements for each of these three EDITION hotels. See Footnote No. 3, “Acquisitions and Dispositions” for additional information on this transaction.

JW Marriott is a global luxury brand made up of a collection of beautiful properties and resorts that cater to accomplished, discerning travelers seeking an elegant environment with discreet personal service. JW Marriott's elegant yet approachable positioning provides a differentiated offering in the luxury hotel market, bridging the gap between full service hotel brands and the super luxury brands at the top of the tier. At year-end 2014, there were 69 properties (29,867 rooms) primarily located in gateway cities and upscale locations throughout the world. JW Marriott offers anticipatory service and exceptional amenities, many with world-class golf and spa facilities. Facilities and amenities at JW Marriott properties normally include larger guest rooms, high-end décor and furnishings, upgraded in-room amenities, upgraded executive lounges, business centers and fitness centers, and 24-hour room service. Marriott Hotels is our global flagship premium brand, primarily serving business and leisure upper-upscale travelers and meeting groups. Marriott Hotels properties are "Advancing the Art of Hosting" to deliver premium choices, sophisticated style, and well-crafted details. Properties are located in downtown, urban, and suburban areas, near airports, and at resort locations. Typically, properties offer well-appointed guest rooms, convention and banquet facilities, destination-driven restaurants and lounges, room service, concierge lounges, fitness centers, swimming pools, and wireless Internet access. Seventeen properties

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have over 1,000 rooms. Many resort properties have additional recreational facilities, such as tennis courts, golf courses, additional restaurants and lounges, and spa facilities. At year-end 2014, there were 499 Marriott Hotels properties (179,221 rooms), excluding JW Marriott and Marriott Conference Centers.

At year-end 2014, there were 10 Marriott Conference Centers (2,915 rooms) throughout the United States. Some of the centers are used exclusively by employees of sponsoring organizations, while others are marketed to outside meeting groups and individuals. In addition to the features found in a typical Marriott Hotels property, conference centers include expanded meeting room space, banquet and dining facilities, and recreational facilities.

JW Marriott, Marriott Hotels, and Marriott Conference Centers Geographic Distribution at Year-End 2014	Properties	
United States (43 states and the District of Columbia)	347	(140,575 rooms)
Non-U.S. (58 countries and territories)		
Americas	52	
Continental Europe	44	
United Kingdom and Ireland	51	
Asia	60	
Middle East and Africa	20	
Australia	4	
Total Non-U.S.	231	(71,428 rooms)

Autograph Collection Hotels celebrate individuality by curating one-of-a kind travel experiences found in the world's most desirable destinations. Each hotel is hand selected for its distinction as an iconic landmark, remarkable design, or for its best-in-class resort amenities. Autograph Collection is designed to attract guests who prefer original, locally authentic, and unique hotel experiences that other conventional brands do not offer. The Collection provides owners of high-quality independent hotels with access to our leading reservations and marketing platforms including Marriott Rewards®, our award-winning loyalty program. At year-end 2014, there were 75 Autograph Collection properties (17,510 rooms) operating in 21 countries and territories.

Autograph Collection Hotels Geographic Distribution at Year-End 2014	Properties	
United States (22 states)	44	(10,082 rooms)
Non-U.S. (20 countries and territories)		
Americas	6	
Continental Europe	18	
United Kingdom and Ireland	4	
Asia	2	
Australia	1	
Total Non-U.S.	31	(7,428 rooms)

Renaissance Hotels is a global, full-service brand that targets lifestyle-oriented business travelers. Each Renaissance hotel offers its own personality, local flavor, and distinctive style. Innovations include the Navigator program, which helps guests discover authentic establishments in the locale, and RLife® LIVE, which helps guests discover emerging talent in music, films, arts, and more in the comfort of the hotel lobby bars and lounges.

Renaissance Hotels' diverse portfolio includes historic icons, modern boutiques, exotic resorts, and convention hotels. Most properties feature modern chic design, lively bars and lounges, and creative meeting and banquet facilities. At year-end 2014, there were 159 Renaissance Hotels properties (52,956 rooms), including two Renaissance ClubSport properties (349 rooms).

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Renaissance Hotels Geographic Distribution at Year-End 2014	Properties	
United States (29 states and the District of Columbia)	78	(27,588 rooms)
Non-U.S. (34 countries and territories)		
Americas	11	
Continental Europe	33	
United Kingdom and Ireland	4	
Asia	30	
Middle East and Africa	3	
Total Non-U.S.	81	(25,368 rooms)

Marriott Executive Apartments provides luxury serviced apartments with five-star amenities and services for business executives and those on leisure who require accommodations outside their home country, usually for 30 or more days. These apartments are designed with upscale finishes and a wide variety of amenities including on-site gyms and other recreational facilities, a 24-hour front desk, weekly housekeeping services, laundry facilities within the apartment, and often on-site restaurants. At year-end 2014, 25 Marriott Executive Apartments and two other Serviced Apartments properties (4,261 rooms total) were located in 15 countries and territories. All Marriott Executive Apartments are located outside the United States.

Gaylord Hotels. With its world-class group and convention-oriented hotels, Gaylord Hotels is a leader in the group and meetings business and complements our existing network of large convention hotels. Gaylord Hotels properties, which are located near Washington, D.C., Nashville, Tennessee, Orlando, Florida, and Dallas, Texas, are designed to celebrate the heritage of their destinations. Properties typically have between approximately 1,400 rooms and 2,900 rooms, 400,000 to 600,000 square feet meeting and convention space, and 4 to 15 restaurants, eateries and bars, and retail outlets serving groups and leisure travelers. Fueled by the brand’s hallmark “Everything in one place” concept, each Gaylord Hotels resort blends magnificent settings, luxurious rooms, and world-class dining and entertainment offerings. At year-end 2014, there were five Gaylord Hotels properties (8,098 rooms, including the 303-room Inn at Opryland) operating in the United States.

AC Hotels by Marriott. We are a partner in joint ventures that created the “AC Hotels by Marriott” co-brand in 2011. AC Hotels by Marriott is designed to attract the upper-moderate, design-conscious guest looking for a cosmopolitan hotel in a great city location, and features stylish, sleek designs with limited food and beverage offerings. AC Hotels by Marriott hotels are typically located in destination, downtown, and lifestyle centers. AC Hotels by Marriott features the “AC Lounge” offering cocktails, appetizers and sharable plates where guests can relax and unwind, and fitness centers with state-of-the-art exercise equipment. Small meeting rooms can be found in most hotels for private board meetings or intimate social gatherings. Based on location, other hotel amenities include a mini-bar, 24-hour room service, laundry service, exclusive bathroom amenities, writing desk, and free wireless high-speed Internet access (Wi-Fi). At year-end 2014, there were 77 AC Hotels by Marriott properties (9,531 rooms) in Spain, Italy, France, and Portugal. In November 2014, AC Hotels by Marriott opened its first hotel in the U.S., with the opening of the AC Hotel New Orleans Bourbon. The brand has a very strong pipeline for growth in the Americas with future openings scheduled for locations including Chicago, Miami, Kansas City, and Washington D.C.

Courtyard is our hotel product designed for the upper-moderate price tier, and is focused primarily on transient business travel. Hotels feature functionally designed guest rooms and meeting rooms, and typically offer free Wi-Fi, a swimming pool, an exercise room, and The Market (a self-serve food store open 24 hours a day). At year-end 2014, over 90 percent of our North American Courtyard hotels completed the Courtyard Refreshing Business lobby design. The multifunctional lobby space enables guests to work, relax, eat, drink, and socialize at their own pace. At year-end 2014, there were 988 Courtyard properties (145,800 rooms) operating in 38 countries and territories.

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Courtyard Geographic Distribution at Year-End 2014	Properties	
United States (50 states and the District of Columbia)	861	(120,894 rooms)
Non-U.S. (37 countries and territories)		
Americas	47	
Continental Europe	41	
United Kingdom and Ireland	2	
Asia	31	
Middle East and Africa	5	
Australia	1	
Total Non-U.S.	127	(24,906 rooms)

Residence Inn is the leading upscale extended-stay hotel brand designed for frequent and extended stay business and leisure travelers staying five or more nights. Residence Inn provides upscale design and style with spacious suites that feature separate living, sleeping, and working areas, as well as kitchens with full-size appliances. Guests can maintain their own pace and routines through free Wi-Fi, on-site exercise options, and comfortable places to work and relax. Additional amenities include free hot breakfast and evening social events, free grocery shopping services, 24-hour friendly and knowledgeable staffing, and laundry facilities. At year-end 2014, there were 675 Residence Inn properties (82,163 rooms) operating in 9 countries and territories.

Residence Inn Geographic Distribution at Year-End 2014	Properties	
United States (48 states and the District of Columbia)	648	(78,518 rooms)
Non-U.S. (8 countries and territories)		
Americas	21	
Continental Europe	2	
United Kingdom and Ireland	1	
Middle East and Africa	3	
Total Non-U.S.	27	(3,645 rooms)

SpringHill Suites is our all-suite brand in the upper-moderate price tier primarily targeting business travelers. These properties typically have suites with approximately 25 percent more space than a traditional hotel guest room with separate areas for sleeping, working, and relaxing. The brand offers a broad range of amenities, including free Wi-Fi, The Market (a self-serve food/beverage store open 24 hours a day), complimentary hot breakfast buffet, lobby computer and on-site business services (copying, faxing, and printing), exercise facilities, and a swimming pool. At year-end 2014, there were 314 properties (36,968 rooms) operating in the United States and two properties (299 rooms) in Canada.

Fairfield Inn & Suites (which includes Fairfield Inn, Fairfield Inn & Suites and Fairfield by Marriott^{SM}) is an established leader in the moderate-price tier and is targeted primarily at value-conscious business travelers looking to maintain their balance and momentum while traveling. Fairfield Inn & Suites typically offer a wide range of amenities, including free Wi-Fi, a business center/lobby computer with Internet access and print capability, free hot breakfast, The Market (a self-serve food store open 24 hours a day), exercise facilities, a swimming pool, and guest laundry. Additionally, suite rooms (approximately 25 percent of the rooms at a typical Fairfield Inn & Suites) provide guests with separate areas for sleeping, working, and relaxing. At year-end 2014, there were 553 Fairfield Inn & Suites properties and 168 Fairfield Inn properties (66,451 rooms combined total) operating in the United States, Canada, Mexico and India.

Fairfield Inn & Suites Geographic Distribution at Year-End 2014	Properties	
United States (48 states and the District of Columbia)	704	(64,362 rooms)
Non-U.S. Americas (3 countries and territories)		
Americas	16	
Asia	1	

Total Non-U.S.	17	(2,089 rooms)

TownePlace Suites is our moderately priced extended-stay hotel brand designed to appeal to business and leisure travelers who stay for five nights or more. Each suite provides functional spaces for living and working, including a full kitchen

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and a home office. Each hotel specializes in delivering service that helps guests make the best of long trips by helping them stay productive and upbeat. Additional amenities include daily housekeeping services, breakfast, exercise facilities, a pool, 24-hour In A Pinch (food and beverage) Market, laundry facilities, and free Wi-Fi. At year-end 2014, there were 240 properties (23,973 rooms) operating in the United States and four properties (518 rooms) operating in Canada.

Protea Hotels is the leading hospitality brand in Africa and boasts the highest hospitality brand awareness in the continent. With 112 properties (10,107 rooms) in South Africa and six other Sub-Saharan African countries at year-end 2014, Protea Hotels has the largest strategic footprint throughout the continent and is highly committed to delivering every guest with a personalized service experience. Competing in the moderate and upper moderate tier categories, Protea Hotels is ideal for both business and leisure travelers by offering properties in major and secondary business centers and leisure destinations. Protea Hotels offers updated facilities, a unique service culture and consistent amenities such as full service restaurants, meeting spaces, free Wi-Fi, and well-appointed rooms to ensure a comfortable, relaxed, and successful stay.

Moxy Hotels. In 2013, we announced a collaboration with Vastint, a holding company within the Inter IKEA Group, to develop our newest brand, Moxy Hotels. Moxy is a design-led, lifestyle budget hotel developed around the needs of Generation X and Y travelers. The brand offers a vibrant, communal, and stylish public space and a fun, energetic, and edgy personality. The brand opened its first hotel in Milan Malpensa in September of 2014.

Licensed Brands

On November 21, 2011, we spun off our timeshare operations and timeshare development business through a special tax-free dividend to our shareholders of all of the issued and outstanding common stock of our then wholly owned subsidiary MVW. Before the spin-off, we developed, operated, marketed, and sold timeshare interval, fractional ownership, and residential properties as part of our former Timeshare segment under the brand names discussed below, and in conjunction with the spin-off, we entered into licensing agreements with MVW for those brands. Under those licensing agreements, MVW is the exclusive worldwide developer, marketer, seller, and manager of vacation ownership and related products under the Marriott Vacation Club and Grand Residences by Marriott brands. MVW is also the exclusive global developer, marketer, and seller of vacation ownership and related products under The Ritz-Carlton Destination Club brand. Ritz-Carlton generally provides on-site management for Ritz-Carlton branded properties. We receive license fees under the licensing agreements with MVW for the following brands:

Marriott Vacation Club is MVW’s signature offering in the upscale tier of the vacation ownership industry. Marriott Vacation Club resorts typically combine spacious accommodations with one-, two-, and three-bedroom options, living and dining areas, and in-unit kitchens and laundry facilities, with resort amenities.

Grand Residences by Marriott is an upscale tier vacation ownership and whole ownership residence brand. MVW's vacation ownership products under this brand include multi-week ownership interests. The ownership structure and physical products for these locations are similar to those MVW offers to Marriott Vacation Club owners, although the time period for each Grand Residences by Marriott ownership interest ranges between three and 13 weeks. MVW also offers whole ownership residential products under this brand.

The Ritz-Carlton Destination Club is MVW's vacation ownership offering in the luxury tier of the industry. The Ritz-Carlton Destination Club provides luxurious vacation experiences commensurate with The Ritz-Carlton brand. The Ritz-Carlton Destination Club resorts typically feature luxurious two-, three- and four-bedroom units, and luxury resort amenities. We deliver on-site services, which usually include daily housekeeping service, valet, in-residence dining, and access to fitness facilities as well as spa and sports facilities as appropriate for each destination, through our Ritz-Carlton subsidiary. MVW also has the non-exclusive right to develop, market and sell whole ownership residential products under The Ritz-Carlton Residences brand. The Ritz-Carlton Residences provide whole-ownership, luxury living in many of the world's most vibrant cities and stunning resort destinations, including co-locations with certain The Ritz-Carlton Destination Club resorts. Residents can avail themselves of the services and facilities on an a la carte basis that are associated with the co-located The Ritz-Carlton Destination Club resort.

MVW offers Marriott Rewards® Points and The Ritz-Carlton Rewards® Points to its owners or potential owners as sales, tour, and financing incentives, in exchange for vacation ownership usage rights, for customer referrals, and to resolve customer service issues. MVW buys these points from our Marriott Rewards and Ritz-Carlton Rewards programs.

At year-end 2014, MVW operated 58 properties, primarily in the United States, but also in other countries and territories. Many of MVW's resorts are located adjacent to hotels we operate, such as Marriott Hotels and The Ritz-Carlton, and owners have access to certain hotel facilities during their vacation.

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Other Activities

Credit Card Programs. At year-end 2014, we had six credit card programs in the United States, Canada, and the United Kingdom, which include both Marriott Rewards and The Ritz-Carlton Rewards credit cards. We earn licensing fees based on card usage, and the cards are designed to encourage loyalty to our brands.

Sales and Marketing, Loyalty Programs, and Reservation Systems. We focus on increasing value for the consumer and "selling the way the customer wants to buy." Our Look No Further® Best Rate Guarantee gives customers access to the same rates whether they book through our telephone reservation system, our website, or any other Marriott reservation channel. Marriott's Look No Further Guarantee ensures best rate integrity, strengthening consumer confidence in our brand. Our strong Marriott Rewards and The Ritz-Carlton Rewards guest recognition programs and our information-rich and easy-to-use Marriott.com website and mobile app are also integral to our success.

With over 50 million visitors each month, Marriott.com remains one of the largest online retail sites in the world, and continues to experience unprecedented growth. In 2014, we successfully expanded the deployment of Mobile Check-In and Check-Out to our portfolio of over 4,000 hotels globally. Design and usability improvements to Marriott.com made it easier for our guests to discover our properties on every device available. We continue to explore and implement more personalized elements to enhance the experience for our online guests.

At year-end 2014, we operated 15 systemwide hotel reservation centers, six in the United States and Canada and nine in other countries and territories, which handle reservation requests for our lodging brands worldwide, including franchised properties. We own one of the U.S. facilities and either lease the others or share space with an existing Marriott property. While pricing is set by our hotels, our reservation system manages and controls inventory and allows us to utilize third party agents where cost effective. With 4,175 properties in our system, 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 organization is 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 the customer, reducing duplication of sales efforts by individual hotels and allowing us to cover a larger number of accounts. We also utilize innovative sophisticated revenue management systems, many of which are proprietary, which we believe provide a competitive advantage in pricing decisions, increase efficiency in analysis and decision making, and produce increased property-level revenue for the hotels in our system. Most of the hotels in our system 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.

Our customer loyalty programs, Marriott Rewards and The Ritz-Carlton Rewards, have over 49 million members and 15 participating brands. MVW and other program partners also participate in our rewards programs. The rewards programs yield repeat guest business by rewarding frequent stays with points toward free hotel stays and other rewards, or airline miles with any of 39 participating airline programs. We believe that our rewards programs generate substantial repeat business that might otherwise go to competing hotels. In 2014, rewards program members purchased over 50 percent of our room nights. We continue to enhance our rewards program offerings and strategically market to this large and growing customer base. Our loyal rewards member base provides a low cost and high impact vehicle for our revenue generation efforts. See the "Rewards Programs" caption in Footnote No. 2, "Summary of Significant Accounting Policies" for more information.

As we further discuss in Part I, Item 1A "Risk Factors" later in this report, we utilize sophisticated technology and systems in our reservation, revenue management, and property management systems, in our Marriott Rewards and The Ritz-Carlton Rewards programs, and in other aspects of our business. We also make certain technologies available to our guests. Keeping pace with developments in technology is important for our operations and our competitive position. Furthermore, the integrity and protection of customer, employee, and company data is critical to us as we use such data for business decisions and to maintain operational efficiency.

Environmental Responsibility and "Green" Hotels. Our sustainability strategy supports business growth and reaches beyond our hotels to preserve and protect our planet's natural resources. Marriott's environmental goals are to: (1) further reduce energy and water consumption by 20 percent by 2020; (2) empower our hotel development partners to build green hotels; (3) green our multi-billion dollar supply chain; (4) educate and inspire associates and guests to conserve and preserve; and (5) address environmental challenges through innovative conservation initiatives including rainforest protection and water conservation.

We recognize our responsibility to reduce consumption of water, waste and energy in our hotels and corporate offices and are focused on integrating greater environmental sustainability throughout our business. We were the first major hotel chain to calculate our carbon footprint and launch a plan to improve energy efficiency, conserve water and support projects that reduce deforestation. We use Energy and Environmental Action (EEAP) plans, our best-practice auditing tool, to help our properties achieve energy and water reduction goals. Working in partnership with the U.S. Green Building Council (USGBC) for Leadership in Energy and Environmental Design (LEED®) and the Green Building Certification Institute (GBCI), Marriott is empowering our hotel development partners to build green hotels. In 2011, we developed the first LEED Volume Program (LVP) to provide a streamlined path to certification for the hospitality industry through a green hotel prototype. The LEED Volume Program that Marriott offers can save our owners 25 percent in energy and water consumption for the life of their buildings and should recover their initial investment in two to six years. Marriott has more than 110 LEED-certified buildings, with more in the development pipeline.

Global Design Division. Our Global Design (formerly known as Architecture and Construction) division provides design, development, construction, 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. Similar to third-party contractors, Global Design provides these services on a fee basis to owners and franchisees of Marriott-branded properties.

Marriott Golf. At year-end 2014, Marriott Golf managed 33 golf course facilities as part of our management of hotels and for other golf course owners. In addition, we provide similar services to four facilities operated by others.

Competition

We encounter strong competition both as a lodging operator and as a franchisor. There are approximately 875 lodging management companies in the United States, including approximately 10 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 and also franchise their brands. Our 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.

During the last recession demand for hotel rooms declined significantly, particularly in 2009, and we took steps to reduce operating costs and improve efficiency. Due to the competitive nature of our industry, we focused these efforts on areas that had limited or no impact on the guest experience. While demand trends globally improved from 2010 through 2014, cost reductions could again become necessary if demand trends reverse. We would expect to implement any such efforts in a manner designed to maintain customer loyalty, owner preference, and associate satisfaction, in order to help maintain or increase our market share.

Affiliation with a national or regional brand is prevalent in the U.S. lodging industry, and we believe that our brand recognition gives us a competitive advantage in attracting and retaining guests, owners and franchisees. In 2014, approximately 69 percent of U.S. hotel rooms were brand-affiliated. Most of the branded properties are franchises, under which the operator pays the franchisor a fee for use of its hotel name and reservation system. The franchising business is concentrated, with the six largest franchisors operating multiple brands accounting for a significant proportion of all U.S. rooms.

Outside the United States, 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 overseas markets as local economies grow, trade barriers decline, international travel accelerates, and hotel owners seek the economies of centralized reservation systems and marketing programs.

Based on lodging industry data, we have more than a 10 percent share of the U.S. hotel market (based on number of rooms) and we estimate less than a two percent share of the lodging market outside the United States. 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 customer preference. We believe that the location and quality of our lodging facilities, our marketing programs, our reservation systems, and our emphasis on guest service and guest and associate satisfaction contribute to customer preference across all of 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 renovation of buildings and replacement of furnishings. 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 2014, we had approximately 123,500 employees, approximately 11,000 of whom were represented by labor unions. We believe relations with our employees are positive.

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Environmental Compliance

The properties we operate or develop are subject to national, state, 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 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 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 headings "Business and Overview," "Liquidity and Capital Resources," and other statements throughout this 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 U.S. Securities and Exchange Commission (the "SEC"). We therefore caution you not to rely unduly on any forward-looking statement. The forward-looking statements in this report speak only as of the date of this report, and we undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future developments, or otherwise.

Risks and Uncertainties

We are subject to various risks that could have a negative effect on us or on our financial condition. You should understand that these risks could cause results to differ materially from those we express in forward-looking statements contained in this report or in other Company communications. 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 with other hotel properties for customers. We operate in markets that contain many competitors. Each of our hotel brands competes with major hotel chains in national and international venues and with independent companies in regional markets. Our ability to remain competitive and to 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 programs 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 uncertainty could continue to impact our financial results and growth. Weak economic conditions in Europe and other parts of the world, the strength or continuation of recovery in countries that have experienced improved economic conditions, changes in oil prices and currency values, potential disruptions in the U.S. economy as a result of governmental action or inaction on the federal deficit, budget, and related issues, including for example the 2013 U.S. federal government shutdown, political instability in some areas, and the uncertainty over how long any of these conditions will continue, could continue to have a negative impact on the lodging industry. U.S. government travel is also a significant part of our business, and this aspect of our business may continue to suffer due to U.S. federal spending cuts and any further limitations that may result from congressional action or inaction. As a result of such current economic conditions and uncertainty, we continue to experience weakened demand for our hotel rooms in some markets. Recent improvements in demand trends in other markets may not continue, and our future financial results and growth could be further harmed or constrained if the recovery stalls or conditions worsen.

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, or 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. In addition, some courts have applied principles of agency law and related fiduciary standards to managers of third-party hotel properties, including us (or have interpreted hotel management agreements as "personal services contracts"). This means, among other things, that 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. If such terminations occur, 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 agreement. A significant loss of agreements due to premature terminations could hurt our financial performance or our ability to grow our business.

Our lodging operations are subject to global, regional, and national conditions. Because we conduct our business on a global platform, changes in global and regional economies impact our activities. In recent years, decreases in travel resulting from weak economic conditions and the heightened travel security measures that have resulted from the threat of further terrorism have hurt our business. Our future performance could be similarly affected by the economic environment in each of our operating regions, the resulting unknown pace of business travel, and any future incidents in those regions.

The growing significance of our operations outside of the United States 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. We currently operate or franchise hotels and resorts in 79 countries, and our operations outside the United States represented approximately 18 percent of our revenues in 2014. We expect that our international revenues will continue to grow. As a result, we are increasingly exposed to the challenges and risks of doing business outside the United States, many of which are outside of our control, and which could reduce our revenues or profits, increase our costs, result in significant liabilities or sanctions, otherwise disrupt our business, or 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, currency regulations, and other laws affecting dealings with certain nations; (3) limitations on our ability to repatriate non-U.S. earnings in a tax effective manner; (4) the difficulties involved in managing an organization doing business in many different countries; (5) uncertainties as to the enforceability of contract and intellectual property rights under local laws; (6) rapid changes in government policy, political or civil unrest in the Middle East and elsewhere, acts of terrorism, or the threat of international boycotts or U.S. anti-boycott legislation; and (7) 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 UK Bribery Act. Anti-corruption laws and regulations generally prohibit companies and their intermediaries from making improper payments to government officials or other persons in order to receive or retain business. 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 Office of Foreign Assets Control and the U.S. Department of Commerce. Our compliance programs and internal controls also may not prevent conduct that is prohibited under these rules. The United States 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 our business or damage our reputation. In addition, an imposition of further restrictions in these areas could increase our cost of operations, reduce our profits or cause us to forgo development opportunities 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 United States. 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 business outside of the U.S. are generally reported in local currency, which we then translate to U.S. dollars for inclusion in our consolidated 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. Our efforts to mitigate some of our foreign

currency exposure by entering 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 may not be successful. In this regard, these hedging agreements 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 recently launched, newly acquired, or recently announced brands, such as EDITION, AC Hotels by Marriott in the Americas, Protea Hotels, Moxy

Hotels, and, upon completion of the acquisition, Delta Hotels and Resorts, or any other new programs or products we may launch in the future will be accepted by hotel owners, potential franchisees, or the traveling public or other customers. 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 the brands or any new programs or products will be successful. In addition, some of our new brands involve or may involve cooperation and/or consultation with one or more third parties, including some shared control over product design and development, sales and marketing, and brand standards. Disagreements with these third parties could slow the development of these new brands and/or impair our ability to take actions we believe to be advisable for the success and profitability of such brands.

Risks relating to natural or man-made disasters, contagious disease, terrorist activity, and war could reduce the demand for lodging, which may adversely affect our revenues. So called “Acts of God,” such as hurricanes, earthquakes, tsunamis, and other natural disasters, such as Hurricane Sandy in the Northeastern United States, the earthquake and tsunami in Japan, and man-made disasters in recent years and the potential spread of contagious diseases such as Ebola in locations where we own, manage, or franchise significant properties and areas of the world from which we draw a large number of customers, could cause a decline in business or leisure travel and reduce demand for lodging. Actual or threatened war, terrorist activity, political unrest, or civil strife, such as recent events in Ukraine and Russia, the Middle East, and other geopolitical uncertainty could have a similar effect. Any one or more of these events may reduce the overall demand for hotel rooms and corporate apartments or limit the prices that we can obtain for them, both of which could adversely affect our profits.

Disagreements with owners of hotels that we manage or franchise may result in litigation or may 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 or service initiatives and the timing and amount of capital investments. Such disagreements may be more likely when hotel returns are weaker. We seek to resolve any disagreements in order to develop and maintain positive relations with current and potential hotel owners and joint venture partners, but we are not always able to do so. Failure to resolve such disagreements has resulted in litigation, and could do so in the future. If any such litigation results in a significant 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 brands, and any deterioration in the quality or reputation of these brands could have an adverse impact on our market share, reputation, business, financial condition, or results of operations. Events 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. If the reputation or perceived quality of our brands declines, our market share, reputation, business, financial condition, or results of operations could be affected.

Actions by our franchisees and licensees could adversely affect our image and reputation. We franchise and license many of our brand names and trademarks to third parties in connection with lodging, timeshare, residential services, and our credit card programs. Under the terms of their agreements with us, our franchisees and licensees interact directly with customers and other third parties under our brand and trade names. If these franchisees or licensees fail to maintain or act in accordance with applicable brand standards; experience operational problems, including any data breach involving customer information; or project a brand image inconsistent with ours, our image and reputation could suffer. Although our franchise and license agreements provide us with recourse and remedies in the event of a breach by the franchisee or licensee, including termination of the agreements under certain circumstances, pursuing any such recourse, remedy, or termination could be expensive and time consuming. In addition, we cannot assure you that a court would ultimately enforce our contractual termination rights in every instance.

Damage to, or losses involving, properties that we own, manage, or franchise may not be covered by insurance. We have comprehensive property and liability insurance policies for our managed, leased, and owned properties with coverage features and insured limits that we believe are customary, and require our franchisees to maintain similar levels of insurance. Market forces beyond our control may nonetheless limit the scope of the insurance coverage we 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, or terrorist acts, or liabilities that result from breaches in the security of our information systems, may be uninsurable or too expensive to justify obtaining insurance. As a result, we and our franchisees may not be successful in obtaining insurance without increases in cost or decreases in coverage levels. In addition, in the event of a substantial loss, the insurance coverage we 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, we could lose some or all of any capital that we have invested in a property, as well as the anticipated future revenue from the property, and we could remain obligated for guarantees, debt, or other financial obligations for the property.

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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. In order to fund new hotel investments, as well as refurbish and improve existing hotels, both we and current and potential hotel owners must periodically spend money. 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 can exert little control. The difficulty of 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 development of additional lodging facilities entails entering into and maintaining various arrangements with property owners. The terms of our management agreements, franchise agreements, and leases 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, changes in growth in demand compared to projected supply, territorial restrictions in our management and franchise agreements, costs of construction, and anticipated room rate structure.

Our development activities expose us to project cost, completion, and resale risks. We develop new 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 the 2014 first half in connection with our development and construction of three EDITION hotels, our ongoing involvement in the development of properties presents a number of risks, including that (1) continued 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 could become less attractive due to decreases in demand for hotel and residential 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 selling pace we anticipate, potentially requiring additional changes in our pricing strategy that could result in further charges; (3) construction delays, cost overruns, 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.

Development activities that involve our co-investment with third parties may result in disputes that could increase project costs, impair project operations, or increase project completion risks. Partnerships, joint ventures, and other business structures involving our co-investment with third parties generally include some form of shared control over the 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, or could have or develop business interests, policies, or objectives that are inconsistent with ours. Although we actively seek to minimize such risks before investing in partnerships, joint ventures, or similar structures, actions by another investor may present additional risks of project delay, increased project costs, or operational difficulties following project completion. Such disputes may also be more likely in difficult business environments.

Risks associated with development and sale of residential properties associated with our lodging properties or brands may reduce our profits. In certain hotel and timeshare projects we participate, directly or through noncontrolling interests and/or licensing agreements, in the development and sale of residential properties associated with our brands, including residences and condominiums under our The Ritz-Carlton, EDITION, JW Marriott, Autograph Collection, and Marriott 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 the following: (1) weakness in residential real estate and demand generally may reduce our profits and could make it more difficult to convince future hotel development partners of the value added by our brands; (2) increases in interest rates, reductions in mortgage availability, 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, and the costs of resolving such claims may be significant.

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Some hotel openings in our existing 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 signed contracts. The eventual opening of such pipeline hotels and, in particular, the hotels approved for development 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. Accordingly, we cannot assure you that our development pipeline, and in particular hotels not yet under contract, will result in new hotels that enter our system, or that those hotels will open when we anticipate.

If we incur losses on loans or loan guarantees that we have made to third parties, our profits could decline. At times, we make loans for hotel development or renovation expenditures in connection with entering into or amending management or franchise agreements. From time to time we also provide third-party lenders 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.

Planned transactions that we announce may be delayed, not occur at all, or involve unanticipated costs. From time to time we announce transactions that we expect will close at a future date, such as the disposition of The New York (Madison Square Park) EDITION hotel upon completion of construction or the acquisition of Delta Hotels. If the conditions to consummating these transactions are neither satisfied nor waived by the time we expect, the closings could be delayed or not occur at all. In addition, the EDITION contract is for a fixed purchase price based upon the estimated total development costs for the hotel and we will not recover any development costs in excess of the agreed purchase price, so we will bear those development costs to the extent that they are higher than we anticipated when we agreed to the transaction.

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, and property management systems, our Marriott Rewards and The Ritz-Carlton Rewards programs, and technologies we make available to our guests. These technologies and systems must be refined, updated, and/or replaced with more advanced systems on a regular basis, and if we cannot do so as quickly as our competitors or within budgeted costs and time frames, our business could suffer. 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 Marriott's Look No Further® Best Rate Guarantee has helped prevent customer preference shift to the 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 customers, 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 customers toward their websites (a practice that has been challenged by various trademark owners in federal court). Although Marriott has successfully limited these practices through contracts with key online intermediaries, the number of intermediaries and related companies that drive traffic to intermediaries' websites is too large to permit us to eliminate this risk entirely. In addition, recent regulatory investigations outside of the U.S. challenge the legality under antitrust law of contract provisions that support programs such as Marriott's Look No Further® Best Rate Guarantee, and we cannot assure you that the courts will ultimately uphold such provisions. Our business and profitability could be harmed if online intermediaries succeed in significantly shifting loyalties from our lodging brands to their travel services, diverting bookings away from Marriott.com, or through their fees increasing the overall cost of Internet bookings for our hotels.

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Failure to maintain the integrity of and protect internal or customer data could result in faulty business decisions, operational inefficiencies, damage to our reputation and/or subject us to costs, fines, or lawsuits. Our businesses require collection and retention of large volumes of internal and customer data, including credit card numbers and other personally identifiable information of our customers in various information systems that we maintain and in those maintained by third parties with whom we contract to provide services, including in areas such as human resources outsourcing, website hosting, and various forms of electronic communications. We and third parties who provide services to us also maintain personally identifiable information about our employees. The integrity and protection of that customer, employee, and company data is critical to us. If that data is inaccurate or incomplete, we could make faulty decisions. Our customers and employees also have a high expectation that we and our service providers will adequately protect their personal information. The information, security, and privacy requirements imposed by governmental regulation and the requirements of the payment card industry are also increasingly demanding, in both the United States and other jurisdictions where we operate. Our systems or our franchisees' systems may not be able to satisfy these changing requirements and employee and customer expectations, or may require significant additional investments or time in order to do so. Efforts to hack or breach security measures, failures of systems or software to operate as designed or intended, viruses, operator error, or inadvertent releases of data may materially impact our and our service providers' information systems and records. Our reliance on computer, Internet-based and mobile systems and communications and the frequency and sophistication of efforts by hackers to gain unauthorized access to such systems have increased significantly in recent years. A significant theft, loss, or fraudulent use of customer, employee, or company data could adversely impact our reputation and could result in remedial and other expenses, fines, or litigation. Breaches in the security of our information systems or those of our franchisees or service providers or other disruptions in data services could lead to an interruption in the operation of our systems, resulting in operational inefficiencies and a loss of profits.

Changes in privacy law could adversely affect our ability to market our products effectively. 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, or new federal laws on marketing and solicitation or international data protection 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 customers from travel service providers or other companies with whom we have substantial relationships and market to some individuals on these lists directly or by including our marketing message in the other company’s marketing materials. If access to these lists was prohibited or otherwise restricted, our ability to develop new customers and introduce them to our products could be impaired.

Any disruption in the functioning of our reservation system could adversely affect our performance and results. We manage a global reservation system that communicates reservations to our branded hotels that individuals make directly with us online, through our mobile app, or through our telephone call centers, or through intermediaries like travel agents, Internet travel web sites and other distribution channels. The cost, speed, accuracy and efficiency of our reservation system 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 system.

Other Risks

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, and the environment. Changes to these laws, regulations, or policies, including those associated with health care, tax or financial reforms, 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, including modifications that could reduce the profits that we can effectively realize from our non-U.S. operations, or that could require costly changes to those operations, or the way in which they are structured. For example, most U.S. company effective tax rates reflect the fact that income earned and reinvested outside the United States is generally taxed at local rates, which are often much lower than U.S. tax rates. If changes in tax laws, regulations, or interpretations significantly increase the tax rates on non-U.S. income, our effective tax rate could increase and our profits could be reduced. If such increases resulted from our status as a U.S. company, those changes could place us at a disadvantage to our non-U.S. competitors if those competitors remain subject to lower local tax rates.

If we cannot attract and retain talented associates, 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

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businesses. Any shortage of skilled labor could also require higher wages that would increase our labor costs, which could reduce our profits.

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 stockholder 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 stockholder 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 stockholder approval, implement other anti-takeover defenses, such as a stockholder 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 by Segment" caption in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations." We believe our 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 and reservation centers are located in leased facilities. We also lease space in a number of buildings with combined space of approximately 1.1 million square feet in Maryland where our corporate and The Ritz-Carlton headquarters are located.

Item 3. Legal Proceedings.

See the information under "Legal Proceedings" in Footnote No. 7, "Commitments and Contingencies" 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 proceedings, individually and in the 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.

Executive Officers of the Registrant

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

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information and Dividends

The table below presents the price range of our Class A Common Stock (our "common stock") and the per share cash dividends we declared for each fiscal quarter during the last two years.

		Stock Price High	Low	Dividends Declared per Share
2014	First Quarter	$56.20	$47.21	$0.1700
	Second Quarter	64.31	55.00	0.2000
	Third Quarter	73.28	63.37	0.2000
	Fourth Quarter	79.25	59.61	0.2000

		Stock Price High	Low	Dividends Declared per Share
2013	First Quarter	$42.27	$36.24	$0.1300
	Second Quarter	44.45	38.17	0.1700
	Third Quarter	43.99	39.58	0.1700
	Fourth Quarter	49.84	41.26	0.1700

At February 6, 2015, 276,542,350 shares of our common stock were outstanding and were held by 34,458 shareholders of record. Since October 21, 2013, our common stock has traded on the NASDAQ Global Select Market ("NASDAQ") and the Chicago Stock Exchange. Before October 21, 2013, our common stock traded on the New York Stock Exchange and the Chicago Stock Exchange. The fiscal year-end closing price for our stock was $78.03 on December 31, 2014, and $49.35 on December 31, 2013. All prices are reported on the consolidated transaction reporting system.

Fourth Quarter 2014 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, 2014-October 31, 2014	3.9	65.23	3.9	18.9
November 1, 2014-November 30, 2014	2.0	76.13	2.0	16.9
December 1, 2014-December 31, 2014	1.8	77.56	1.8	15.1

(1) On February 14, 2014, we announced that our Board of Directors had increased the authorization to repurchase our common stock by 25 million shares as part of an ongoing share repurchase program. At year-end 2014, 15.1 million shares remained available for repurchase under previous authorizations. In addition, on February 12, 2015, we announced that our Board of Directors further increased our common stock repurchase authorization by 25 million shares. We repurchase shares in the open market and in privately negotiated transactions.

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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, restructuring costs and other charges we incurred in 2008 and 2009, timeshare strategy-impairment charges we incurred in 2009 and 2011, and our 2011 spin-off of our former timeshare operations and timeshare development business. For periods before the 2011 spin-off, we continue to include our former Timeshare segment in our historical financial results as a component of continuing operations because of our significant continuing involvement in MVW's future operations.

	Fiscal Year [1]									
($ in millions, except per share data)	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Income Statement Data:										
Revenues [2]	$13,796	$12,784	$11,814	$12,317	$11,691	$10,908	$12,879	$12,990	$11,995	$11,
Operating income (loss) [2]	$1,159	$988	$940	$526	$695	$(152)	$765	$1,183	$1,089	$67
Income (loss) from continuing operations attributable to Marriott	$753	$626	$571	$198	$458	$(346)	$359			