

NEW YORK--([BUSINESS WIRE](#))--Fitch Ratings has assigned a 'BBB' rating to Marriott International Inc.'s (Marriott) proposed \$350 million 7-year unsecured note issuance. The Rating Outlook remains Stable. A full list of ratings follows at the end of this release.

The notes will be issued under Marriott's existing indenture dated Nov. 16, 1998 and will be pari passu with all existing debt. The notes will include an obligation to repurchase at 101% upon change of control (transfer of more than 50% of voting stock and rating downgraded below investment grade). Similar to existing bonds, there are no financial covenants.

The proceeds will be used for general corporate purposes, which may include repayment of a portion of its current commercial paper (CP) outstanding. As of June 30, 2013, Marriott had \$1.07 billion of CP outstanding.

As of June 30, 2013, Fitch calculates consolidated lease adjusted leverage at 2.7x. Pro forma for the proposed issuance, excluding the pay down of any CP outstanding, Fitch calculates consolidated lease adjusted leverage at nearly 3.0x. Fitch continues to expect the company to manage its balance sheet within Fitch's leverage target of 3.0x for a 'BBB' Issuer Default Rating (IDR) for Marriott.

The ratings and Outlook reflect positive lodging industry fundamentals, Marriott's continued focus on a capital-efficient, asset-light business model, and continued macroeconomic uncertainty. Lodging fundamentals continue on a positive trajectory, despite the global macroeconomic risk environment. Industry-wide U.S. revenue per available room (RevPAR) is up 5.8% to date through August, which is in line with Fitch's current 2013 forecast and above our initial outlook of 4.5%.

Marriott's liquidity position is supported by its revolving facility availability of \$678 million (total capacity of \$1.75 billion (as of June 30, 2013) less \$1.071 billion of CP outstanding) and second quarter 2013 cash balance of \$108 million. Fitch expects the company to generate free cash flow comfortably north of \$300 million in 2013, despite the potential for increased investment spending, providing some financial flexibility for continued share repurchase activity.

Marriott's 'F2' Short-term Issuer Default Rating (IDR) and CP ratings reflect the company's 'BBB' Long-term IDR, strong cash flow generation and liquidity profile. Further, the Short-term and Long-term IDRs are supported by the company's capital recycling business model, which provides solid financial flexibility with respect to discretionary capital outlays.

SENSITIVITY/RATING DRIVERS

--If Marriott explicitly guides to a more conservative policy with a stated leverage target below 3.0x then a positive rating action would be considered. At this point, Fitch believes it is unlikely given the potential growth opportunities in the lodging industry over the next few years and the company's historical financial policies.

--Fitch expects management to support its balance sheet at a level commensurate with a 'BBB' rating. If management changed its financial policy and chose to manage leverage at a level higher than 3.0x then a negative rating action would be considered.

--In the event of a significant downturn, the company could maintain its current rating if it pulled back on investment spending and share repurchases and reduced its CP balance. A negative rating action would be considered if the company chose not to adjust its capital allocation in a downturn scenario.

--Marriott's 'F2' short-term rating is supported by its back-up liquidity coverage from its RCF and sufficient internally generated sources of liquidity to amply cover near-term debt service. If these liquidity measures deteriorate over time, there could be pressure on the 'F2' rating.

Fitch currently rates Marriott as follows:

--Long-term IDR 'BBB';

--Short-term IDR 'F2';

--Commercial paper 'F2';

--\$2.0 billion senior unsecured credit facility 'BBB';

--\$2.2 billion (including proposed issuance) senior unsecured notes 'BBB'.

Additional information is available at 'www.fitchratings.com'.

Applicable Criteria and Related Research:

--'Fitch Affirms Marriott's IDR at 'BBB'; Outlook Stable' (Jan. 13, 2013)

--'2013 Outlook: Cross-Sector Lodging & Timeshare - The Penthouse View' (Dec. 18, 2012);

--'Corporate Rating Methodology: Including Short-Term Ratings and Parent and Subsidiary Linkage' (Aug. 5, 2013);

--'Inn the Footnotes: Comparison of Adjusted Credit Metrics and Contingency Risk for U.S. Lodging C-Corps' (Jan. 7, 2011).

Applicable Criteria and Related Research:

2013 Outlook: Cross-Sector Lodging & Timeshare - The Penthouse View

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=696690

Corporate Rating Methodology: Including Short-Term Ratings and Parent and Subsidiary Linkage

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=715139

Inn the Footnotes: Comparison of Adjusted Credit Metrics and Contingency Risk for U.S. Lodging C-Corps

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=588285

Additional Disclosure

Solicitation Status

http://www.fitchratings.com/gws/en/disclosure/solicitation?pr_id=803043

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