Marriott Intl. (MAR)

Updated November 24th, 2022 by Felix Martinez

Key Metrics

Current Price:	$161	**5 Year CAGR Estimate:**	3.8%	**Market Cap:**	$51.1 B
Fair Value Price:	$118	**5 Year Growth Estimate:**	10.0%	**Ex-Dividend Date:**	11/22/22
% Fair Value:	137%	**5 Year Valuation Multiple Estimate:**	-6.1%	**Dividend Payment Date:**	12/30/22
Dividend Yield:	1.0%	**5 Year Price Target**	$190	**Years of Dividend Growth:**	0
Dividend Risk Score:	C	**Retirement Suitability Score:**	F	**Rating:**	Hold

Overview & Current Events

From its somewhat inauspicious beginnings as a Washington, D.C. root-beer stand in 1927, Marriott has become an international hospitality juggernaut with over 7,000 properties operating under 30 brands in more than 130 countries and territories. It's the largest hotel chain in the world. As we know today, Marriott Intl was created in 1993 when the former Marriott Corp was split into two publicly traded companies, Marriott Intl. and Host Marriott Corp. (HST) (now known as Host Hotels & Resorts). Marriott Intl. manages and franchises a portfolio of hospital brands that range from the classic splendor of The Ritz-Carlton to the Fairfield Inns you find along the highway. Internationally, Marriott's Starwood subsidiary gives the Company a significant foothold in Europe and elsewhere. Marriott currently boasts a market cap north of $51.1 billion.

On November 3rd, 2022, the Company reported its third quarter and nine months Fiscal Year (FY)2020 earning results. The company reported total revenue of $5.3 billion for the quarter compared to $3.9 billion in revenue for the same period in 2021. This represents an increase of 35% year-over-year (YOY). The increase is due to higher base management fees, which increase 45% YOY, and franchise fees, which saw an increase of 27% YOY. Third quarter reported net income totaled $630 million, compared to reported net income of $220 million in the year-ago quarter, which is an increase of 186%. Third quarter adjusted net income totaled $551 million, compared to third quarter 2021 adjusted net income of $327 million. On a per share basis, the company earned $1.94 per share for the quarter versus $0.67 for 3Q2021, a 190% increase YOY. The company added 77 properties (14,071 rooms) to its worldwide lodging portfolio during the quarter, including nearly 3,900 rooms converted from competitor brands and approximately 8,700 rooms in international markets. Thirty-five properties (7,440 rooms) exited the system during the quarter, including roughly 5,200 rooms in Russia. At quarter end, Marriott's global lodging system totaled nearly 8,200 properties, with over 1,507,000 rooms.

The management team provided an outlook for 2022. They expect revenue for the fourth quarter to be between $1.07 - $1.09 billion and earnings to be between $1.77 - $1.84 per share. For the full year, the management team expects revenue to be between $4.01 - $4.04 billion and earnings to be between $6.51 - $6.58 per share for 2022. We will use $6.56 per share as out valuation and fair price calculation.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	$1.72	$2.00	$2.54	$3.15	$3.66	$4.36	$6.21	$6.00	$0.18	$3.19	***$6.56***	***$10.56***
DPS	$0.49	$0.64	$0.77	$0.95	$1.15	$1.29	$1.56	$1.85	$0.48	$0.00	***$0.90***	***$0.90***
Shares[1]	310.9	305.0	289.9	256.3	383.6	359.1	339.1	324.0	326.0	325.7	***325.7***	***325.7***

Despite Marriott Intl.'s large size, the company continues to grow at a relatively brisk pace. The company expects continued growth in the number of new projects using Marriott's 30 brands. Across the hospitality industry, luxury lodging continues to be a strong trend. The company also expects to grow in the trendy and growing all-inclusive space. Marriott is expanding its all-inclusive portfolio in North and South America and the Caribbean, and Europe and Southeast Asia. However, there's no denying that, despite growth prospects, there's plenty of challenge in the industry. The company recently announced a dividend increase of 33.3% from $0.30 per share to $0.40 per share on November 10, 2022.

[1] Share count is in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	21.5	21.1	25	24	26.3	19.6	24	24	732	52.7	***24.6***	***18.0***
Avg. Yld.	1.3%	1.5%	1.2%	1.3%	1.7%	1.3%	1.2%	1.2%	0.4%	---	***1.0%***	***0.5%***

Looking at Marriott's performance during the last ten years, we notice the P/E has tended to remain solidly in the 21-25 range. However, we'll assign an expected P/E of 18, given the hospitality industry's continuing challenges. When it comes to dividend payouts, Marriott has a history of playing it slow but steady. However, the company did have to cut its dividend during the COVID-19 pandemic. It has since reinstated the dividend, but at a lower rate than before COVID-19.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	28.5%	32.0%	30.3%	30.2%	31.4%	29.6%	25.1%	30.8%	266%	---	***14%***	***9%***

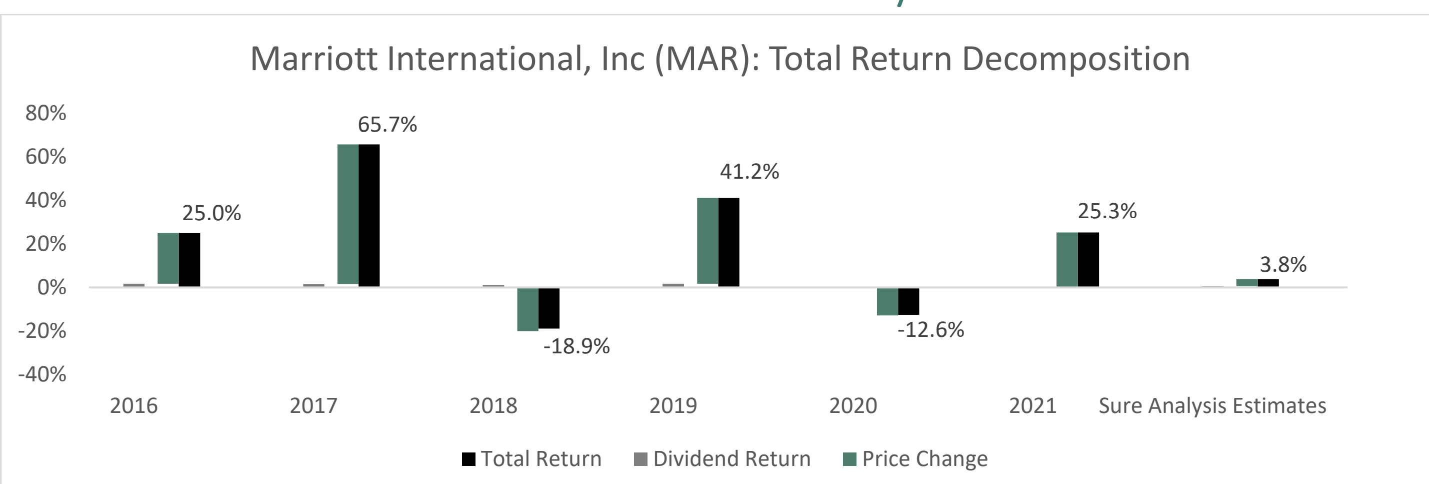
Although Marriott Intl. trades in excitement – luxury getaways, exotic destinations, and even room amenities that might trick you out of believing you're on business travel – the Company's stock performance has been anything but thrilling. The company's best advantage is its sheer size. At this point, if you're staying at a chain hotel anywhere in the world, there's a decent chance Marriott owns the brand.

During the first decade of the 21st century – which saw one of the most significant historical slumps in travel – Marriott remained profitable. The company used that time to develop new luxury brands and programs and found ways to trim the fat. The lowest EPS that the company clocked was in 2009, at $0.94. Thanks to the coronavirus, we're about to see another considerable drop-off in tourism. Unfortunately, there's no way to tell how long or how serious this event will be. We'll have to wait to see how the panic pans out. The company's balance sheet is not stable. The current ratio is only 0.5, and the debt-to-equity ratio is 9.8 at the end of FY2022, which is very concerning. However, the company is able to cover its interest with a coverage of 8.2x.

Final Thoughts & Recommendation

Marriott Intl. is facing challenges, including the continued growth of alternative stay platforms such as Airbnb. With weak expected annualized total returns of 3.8% for the next five years, we rate Marriott Intl. as a hold at current prices.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	11814	12784	13796	14486	15407	20452	20758	20972	10571	13857
Gross Profit	1624	1764	1966	2123	2672	3813	3674	3217	1459	2801
Gross Margin	13.7%	13.8%	14.3%	14.7%	17.3%	18.6%	17.7%	15.3%	13.8%	20.2%
SG&A Exp.	582	649	659	634	743	921	927	938	762	823
D&A Exp.	102	127	148	139	159	279	284	403	478	295
Operating Profit	940	988	1159	1350	1810	2663	2521	1938	351	1758
Operating Margin	8.0%	7.7%	8.4%	9.3%	11.7%	13.0%	12.1%	9.2%	3.3%	12.7%
Net Profit	571	626	753	859	808	1459	1907	1273	-267	1099
Net Margin	4.8%	4.9%	5.5%	5.9%	5.2%	7.1%	9.2%	6.1%	-2.5%	7.9%
Free Cash Flow	552	844	813	1210	1420	1987	1801	1032	1504	994
Income Tax	278	271	335	396	431	1523	438	326	-199	81

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	6342	6794	6833	6082	24140	23846	23696	25051	24701	25553
Cash & Equivalents	88	126	104	96	858	383	316	225	877	1393
Acc. Receivable	1028	1081	1100	1103	1695	1973	2133	2395	1768	1982
Goodwill & Int. Ass.	1989	2005	2245	2394	16868	17751	17419	17689	18164	17999
Total Liabilities	7627	8209	9033	9672	18783	20264	21471	24348	24271	24139
Accounts Payable	569	557	605	593	687	783	767	720	527	726
Long-Term Debt	2935	3153	3771	4107	8506	8238	9347	10940	10376	10138
Total Equity	-1285	-1415	-2200	-3590	5357	3582	2225	703	430	1414
D/E Ratio	-2.28	-2.23	-1.71	-1.14	1.59	2.30	4.20	15.56	24.13	7.17

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	9.3%	9.5%	11.1%	13.3%	5.3%	6.1%	8.0%	5.2%	-1.1%	4.4%
Return on Equity					91.5%	32.6%	65.7%	87.0%	-47.1%	119.2%
ROIC	37.6%	37.0%	45.5%	82.3%	11.2%	11.4%	16.3%	11.0%	-2.4%	9.8%
Shares Out.	310.9	305.0	289.9	256.3	383.6	359.1	339.1	324.0	326.0	329.3
Revenue/Share	35.49	40.84	46.48	53.10	52.96	53.84	58.61	62.51	32.45	42.08
FCF/Share	1.66	2.70	2.74	4.44	4.88	5.23	5.08	3.08	4.62	3.02

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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