Marriott Intl. (MAR)

Updated November 18th, 2023 by Felix Martinez

Key Metrics

Current Price:	$206	**5 Year CAGR Estimate:**	4.8%	**Market Cap:**	$59.8 B
Fair Value Price:	$154	**5 Year Growth Estimate:**	10.0%	**Ex-Dividend Date:**	11/21/23
% Fair Value:	133%	**5 Year Valuation Multiple Estimate:**	-5.6%	**Dividend Payment Date:**	12/29/23
Dividend Yield:	0.8%	**5 Year Price Target**	$248	**Years of Dividend Growth:**	1
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 $59.8 billion.

On November 2nd, 2023, the company reported its third quarter Fiscal Year (FY)2023 earning results. In Q3 2023, Marriott demonstrated robust financial performance, reporting operating income of $1,099 million—up from $958 million in Q3 2022. Net income for the same period reached $752 million, a substantial increase from $630 million in the previous year. The reported diluted earnings per share (EPS) for the quarter stood at $2.51, reflecting a notable growth trajectory.

Adjusted figures further underscored Marriott's positive momentum, with Q3 2023 adjusted operating income reaching $959 million and adjusted net income totaling $634 million. Adjusted diluted EPS increased to $2.11. Notably, these adjusted results excluded a $24 million gain from the sale of a hotel in the Caribbean & Latin America (CALA) region, contrasting with adjusted results in Q3 2022 that excluded special tax items and a $2 million gain on an investee's property sale.

Marriott's revenue streams showed significant increases, with base management and franchise fees rising by 11 percent to $1,054 million in Q3 2023. Incentive management fees saw a remarkable 35 percent increase, totaling $143 million, primarily attributed to international market contributions. Other key highlights included a rise in owned, leased, and other revenue, net of direct expenses, and increased interest expenses associated with higher debt balances. Overall, Marriott's Q3 2023 adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) amounted to $1,142 million, reflecting sustained financial strength and growth.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	$2.00	$2.54	$3.15	$3.66	$4.36	$6.21	$6.00	$0.18	$3.19	$6.69	***$8.57***	***$13.80***
DPS	$0.64	$0.77	$0.95	$1.15	$1.29	$1.56	$1.85	$0.48	$0.00	$1.00	***$1.94***	***$2.48***
Shares[1]	305.0	289.9	256.3	383.6	359.1	339.1	324.0	326.0	325.7	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

[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.

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 30% from $0.40 per share to $0.52 per share on May 12, 2023.

Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/E	21.1	25	24	26.3	19.6	24	24	27	52.7	22.3	***24.0***	***18.0***
Avg. Yld.	1.5%	1.2%	1.3%	1.7%	1.3%	1.2%	1.2%	0.4%	0.0%	0.7%	***0.9%***	***1.0%***

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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	32.0%	30.3%	30.2%	31.4%	29.6%	25.1%	30.8%	266%	0.0%	14.9%	***23%***	***18%***

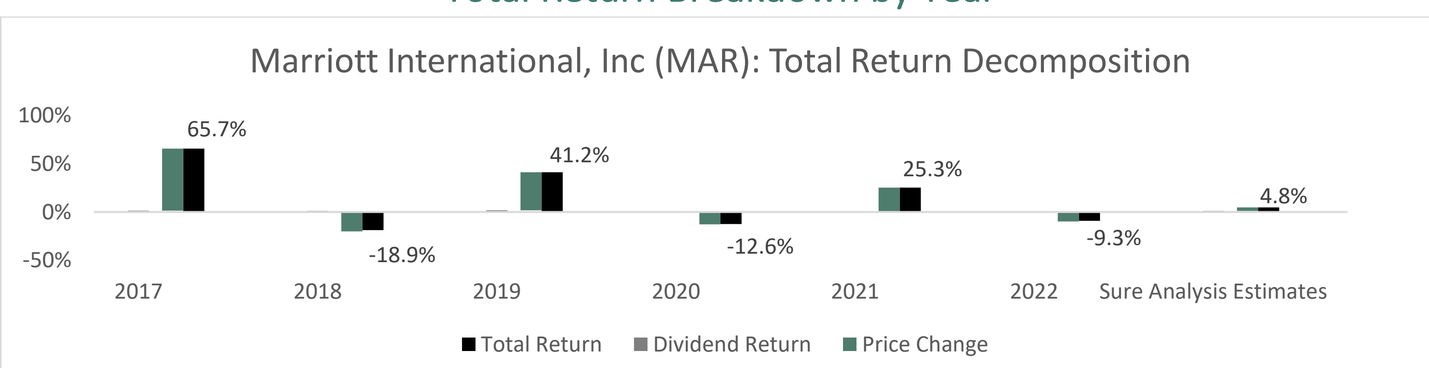
Although Marriott Intl. trades in excitement – luxury getaways, exotic destinations, and even room amenities that might trick you out of believing you're on business travel – the Company's stock performance has been anything but thrilling. The company's best advantage is its sheer size. At this point, 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 18.3 at the end of FY2022, which is very concerning. However, the company is able to cover its interest with a coverage of 8.0x.

Final Thoughts & Recommendation

Marriott Intl. is facing challenges, including the continued growth of alternative stay platforms such as Airbnb. With modest expected annualized total returns of 4.8% 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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	12784	13796	14486	15407	20452	20758	20972	10571	13857	2765
Gross Profit	1764	1966	2123	2672	3813	3674	3217	1459	2801	1899
Gross Margin	13.8%	14.3%	14.7%	17.3%	18.6%	17.7%	15.3%	13.8%	20.2%	68.7%
SG&A Exp.	649	659	634	743	921	927	938	762	823	91
D&A Exp.	127	148	139	159	279	284	403	478	295	456
Operating Profit	988	1159	1350	1810	2663	2521	1938	351	1758	500
Operating Margin	7.7%	8.4%	9.3%	11.7%	13.0%	12.1%	9.2%	3.3%	12.7%	18.1%
Net Profit	626	753	859	808	1459	1907	1273	-267	1099	-212
Net Margin	4.9%	5.5%	5.9%	5.2%	7.1%	9.2%	6.1%	-2.5%	7.9%	-7.7%
Free Cash Flow	844	813	1210	1420	1987	1801	1032	1504	994	-470
Income Tax	271	335	396	431	1523	438	326	-199	81	-62

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	6794	6833	6082	24140	23846	23696	25051	24701	25553	17628
Cash & Equivalents	126	104	96	858	383	316	225	877	1393	58
Acc. Receivable	1081	1100	1103	1695	1973	2133	2395	1768	1982	404
Goodwill & Int. Ass.	2005	2245	2394	16868	17751	17419	17689	18164	17999	1417
Total Liabilities	8209	9033	9672	18783	20264	21471	24348	24271	24139	10472
Accounts Payable	557	605	593	687	783	767	720	527	726	186
Long-Term Debt	3153	3771	4107	8506	8238	9347	10940	10376	10138	7512
Total Equity	-1415	-2200	-3590	5357	3582	2225	703	430	1414	5035
D/E Ratio	-2.23	-1.71	-1.14	1.59	2.30	4.20	15.56	24.13	7.17	1.44

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	9.5%	11.1%	13.3%	5.3%	6.1%	8.0%	5.2%	-1.1%	4.4%	-1.2%
Return on Equity				91.5%	32.6%	65.7%	87.0%	-47.1%	119.2%	-4.0%
ROIC	37.0%	45.5%	82.3%	11.2%	11.4%	16.3%	11.0%	-2.4%	9.8%	-1.5%
Shares Out.	305.0	289.9	256.3	383.6	359.1	339.1	324.0	326.0	329.3	677.86
Revenue/Share	40.84	46.48	53.10	52.96	53.84	58.61	62.51	32.45	42.08	4.08
FCF/Share	2.70	2.74	4.44	4.88	5.23	5.08	3.08	4.62	3.02	-0.69

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