Marriott Intl. (MAR)

Updated August 13th, 2024 by Felix Martinez

Key Metrics

Current Price:	$215	**5 Year CAGR Estimate:**	5.8%	**Market Cap:**	$60.4 B
Fair Value Price:	$168	**5 Year Growth Estimate:**	10.0%	**Ex-Dividend Date:**	08/16/24
% Fair Value:	128%	**5 Year Valuation Multiple Estimate:**	-4.8%	**Dividend Payment Date:**	09/30/24
Dividend Yield:	1.2%	**5 Year Price Target**	$271	**Years of Dividend Growth:**	2
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 $60.4 billion.

On July 31th, 2024, the company reported its second quarter Fiscal Year (FY)2024 earning results. The company Worldwide RevPAR increased by 4.9%, with a notable 7.4% growth in international markets and 3.9% in the U.S. and Canada. The company's reported diluted EPS rose to $2.69 from $2.38 in the same quarter of the previous year, while adjusted diluted EPS increased to $2.50 from $2.26. Additionally, Marriott's net income reached $772 million, a slight increase from $726 million in the second quarter of 2023.

Marriott continued to expand its global footprint, adding approximately 15,500 net rooms during the quarter. The company's development pipeline remains robust, with nearly 3,500 properties and over 559,000 rooms in progress, including over 209,000 rooms under construction. Notably, 75% of the new rooms signed in the quarter were in international markets, reflecting strong owner preference for Marriott's brands. The company also repurchased 4.1 million shares for $1.0 billion, contributing to a total return of $2.8 billion to shareholders through July 29, 2024.

Looking ahead, Marriott expects continued growth in RevPAR and net rooms for the full year 2024, despite some challenges in Greater China and softer conditions in the U.S. & Canada. The company forecasts gross fee revenues between $5.13 billion and $5.18 billion and plans to return approximately $4.3 billion to shareholders through dividends and share repurchases by the end of the year. Marriott's strategic focus on expanding its global portfolio and enhancing its loyalty program, Marriott Bonvoy, remains a key driver of its competitive advantage in the hospitality industry.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	$2.54	$3.15	$3.66	$4.36	$6.21	$6.00	$0.18	$3.19	$6.69	$9.99	***$9.35***	***$15.06***
DPS	$0.77	$0.95	$1.15	$1.29	$1.56	$1.85	$0.48	$0.00	$1.00	$1.96	***$2.41***	***$3.08***
Shares[1]	289.9	256.3	383.6	359.1	339.1	324.0	326.0	325.7	325.7	294.0	***294.0***	***294.0***

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.

[1] Share count is in millions.

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The company recently announced a dividend increase of 21.2% from $0.52 per share to $0.63 per share on May 10, 2024.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	25	24	26.3	19.6	24	24	27	52.7	22.3	22.6	***23.0***	***18.0***
Avg. Yld.	1.2%	1.3%	1.7%	1.3%	1.2%	1.2%	0.4%	0.0%	0.7%	0.9%	***1.2%***	***1.1%***

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, and it is now higher than what it was before COVID-19.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	30.3%	30.2%	31.4%	29.6%	25.1%	30.8%	266%	0.0%	14.9%	19.6%	***26%***	***20%***

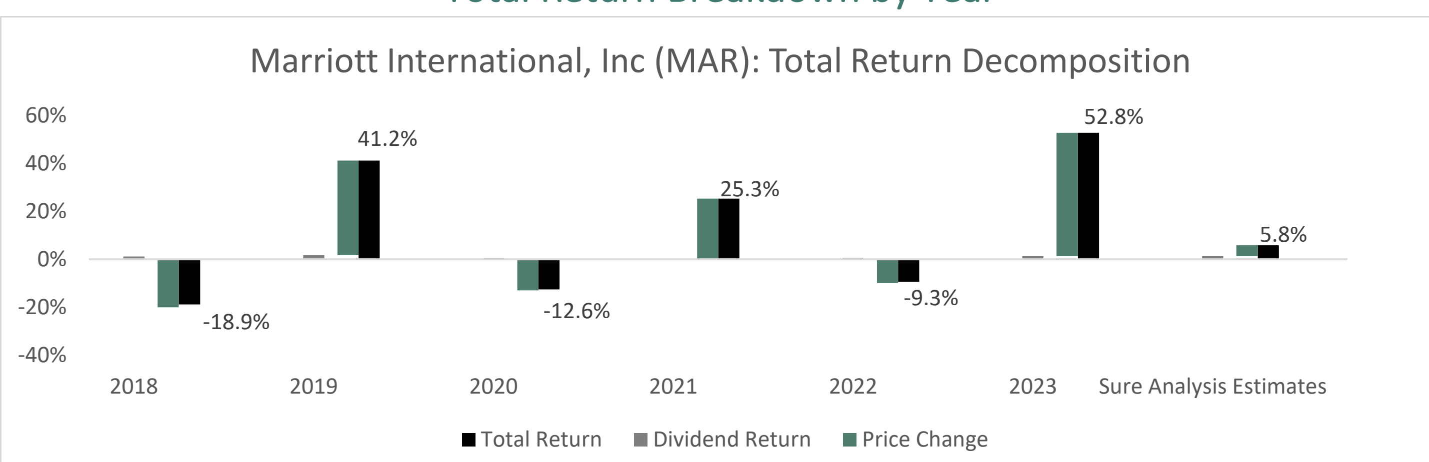
Although Marriott Intl. trades in excitement – luxury getaways, exotic destinations, and even room amenities that might trick you out of believing you're on business travel – the Company's stock performance has been anything but thrilling. The company's best advantage is its sheer size. At this point, if you're staying at a chain hotel anwhere 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 6.3x.

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 5.8% for the next five years, we rate Marriott Intl. as a Hold.

Total Return Breakdown by Year



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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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	13796	14486	15407	20452	20758	20972	10571	13857	27650	23710
Gross Profit	1966	2123	2672	3813	3674	3217	1459	2801	1899	5124
Gross Margin	14.3%	14.7%	17.3%	18.6%	17.7%	15.3%	13.8%	20.2%	6.9%	21.6%
SG&A Exp.	659	634	743	921	927	938	762	823	91	1011
D&A Exp.	148	139	159	279	284	403	478	295	456	277
Operating Profit	1159	1350	1810	2663	2521	1938	351	1758	500	3924
Operating Margin	8.4%	9.3%	11.7%	13.0%	12.1%	9.2%	3.3%	12.7%	18.1%	16.5%
Net Profit	753	859	808	1459	1907	1273	-267	1099	-212	3083
Net Margin	5.5%	5.9%	5.2%	7.1%	9.2%	6.1%	-2.5%	7.9%	-7.7%	13.0%
Free Cash Flow	813	1210	1420	1987	1801	1032	1504	994	-470	2718
Income Tax	335	396	431	1523	438	326	-199	81	-62	295

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	6833	6082	24140	23846	23696	25051	24701	25553	17628	25670
Cash & Equivalents	104	96	858	383	316	225	877	1393	58	338
Acc. Receivable	1100	1103	1695	1973	2133	2395	1768	1982	404	2712
Goodwill & Int. Ass.	2245	2394	16868	17751	17419	17689	18164	17999	1417	18080
Total Liabilities	9033	9672	18783	20264	21471	24348	24271	24139	10472	26360
Accounts Payable	605	593	687	783	767	720	527	726	186	738
Long-Term Debt	3771	4107	8506	8238	9347	10940	10376	10138	7512	11870
Total Equity	-2200	-3590	5357	3582	2225	703	430	1414	5035	-682
D/E Ratio	-1.71	-1.14	1.59	2.30	4.20	15.56	24.13	7.17	1.44	-17.41

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	11.1%	13.3%	5.3%	6.1%	8.0%	5.2%	-1.1%	4.4%	-1.2%	12.2%
Return on Equity			91.5%	32.6%	65.7%	87.0%	-47.1%	119.2%	-4.0%	
ROIC	45.5%	82.3%	11.2%	11.4%	16.3%	11.0%	-2.4%	9.8%	-1.5%	28.3%
Shares Out.	289.9	256.3	383.6	359.1	339.1	324.0	326.0	329.3	677.9	302.9
Revenue/Share	46.48	53.10	52.96	53.84	58.61	62.51	32.45	42.08	4.08	78.29
FCF/Share	2.74	4.44	4.88	5.23	5.08	3.08	4.62	3.02	-0.69	8.97

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