

Financial Analysis: Marriott International

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Abstract

Marriott International, Inc. is a global hospitality company founded in 1927. From the years 2016-2019, revenue had been increasing for Marriott. The increase in Marriott's revenue during these years was due to the additions of new properties across the world, including the acquisition of Starwood Hotels & Resorts Worldwide in 2016. From 2019 to 2020, revenue decreased 49.6%. Much of the decrease in revenue is due to the effects of COVID-19. The pandemic has had an unprecedented impact on Marriott, and on the travel and hospitality industries in general. Net income for Marriott declined 121% for 2020. Temporary hotel closures, lower travel and hotel demand, and COVID-19 restrictions were factors in the decline of net income.

Marriott has also increased its debt significantly. From 2019 to 2020, issuance of long-term debt increased 159.4%

and repayment of debt increased 126%. Marriott borrowed the maximum amount of \$4.5 billion under its credit facility during 2020 in an effort to maintain its liquidity. Before 2020, Marriott had repurchased large amounts of Treasury stock. In 2020, Marriott repurchased only 1 million shares of its common stock. Marriott paid a \$0.48-per-share dividend in 2020. Following this, Marriott made the decision to suspend dividend payments and stock repurchases until market conditions improve. Marriott's cash flows have been used to pay off debt, pay dividends, and purchase Treasury stock. The issuance of long-term debt made up 65.1% of inflows for Marriott during 2020. Payments on commercial paper and the credit facility net accounted for 47.4% of outflows, and repayment of long-term debt accounted for 39.1% of outflows.

This report will present a financial statement analysis of Marriott International for the years 2016 through 2020. The report will describe the background of the company and will analyze the income statement, balance sheet, and the statement of cash flows. Additionally, a company SWOT will be presented. The report uses data and information found in Marriott International and Hilton Worldwide annual reports, news articles, related reports, analyst opinions, company websites, and industry ratio reports and websites.

Original data that I calculated to use in the analysis can be found in Appendix A and Appendix B. The Appendices include common sizing, trend percentages, horizontal analysis for both Marriott and Hilton. Ratios for Marriott, Hilton, and the industry are also included.

The report will analyze liquidity, solvency, activity, and profitability ratios for Marriott International in comparison to Hilton Worldwide and the overall hotel (except casino hotels) and motel industry. The dollar amounts included throughout the report are in millions of U.S. dollars.

Marriott Background

Marriott International is a global hospitality company that was founded in Washington, D.C. in 1927. John Willard and Alice Marriott originally started the company as A&W

Root Beer Stand and then changed it to Hot Shoppes Restaurants after food items were added to the menu ("Our Story," n.d.). In 1957, Marriott shifted into the hotel business with the first motor hotel opening in Arlington, Virginia ("Our Story," n.d.). Marriott's headquarters is located in Bethesda, Maryland (MAR 10K 2020, p. 1). Ernst & Young LLP serves as the outside auditor for the company (MAR 10K 2020, p. 40). Marriott is traded on NASDAQ under the ticker symbol "MAR" (MAR 10K 2020, p. 1). The fiscal year for Marriott International is the same as a calendar year; it ends on December 31st of each year (MAR 10K 2020, p. 1).

Marriott International owns 30 brands in its brand portfolio. As described on Marriott's website under brand architecture, brands are categorized under two main categories of Classic and Distinctive, with subcategories of Luxury, Premium, Select, and Longer Stay falling beneath them. Brands that are categorized as Classic Luxury are JW Marriott Hotels, St. Regis Hotels and Resorts, and the Ritz-Carlton. Distinctive Luxury brands include Bulgari Hotels & Resorts, the Ritz-Carlton Reserve, EDITION Hotels, the Luxury Collection, and W Hotels. Classic Premium brands include Marriott Hotels, Delta Hotels, and Sheraton. Distinctive Premium brands consist of Autograph Collection

Hotels, Gaylord Hotels, Le Meridien, Design Hotels, Tribute Portfolio, Renaissance Hotels, and Westin Hotels and Resorts.

Classic Select brands include Courtyard by Marriott, Fairfield by Marriott, Four Points by Sheraton, Protea Hotels, and Springhill Suites by Marriott. The Distinctive Select brands are AC Hotels, Aloft Hotels, and Moxy Hotels. Longer Stay includes Marriott Executive Apartments, which are Classic Premium, Residence Inn by Marriott and TownePlace Suites by Marriott, which are Classic Select, and Element by Westin, which are Distinctive Select (“Marriott International Hotel Brands by Category,” n.d.).

The geographic distribution of Marriott’s properties can be seen in *Figure 1*. Marriott International has 7,642 properties across the globe, with 5,606 of the total locations in the United States and Canada (MAR 10K 2020, p. 8). The remaining properties are located in Asia Pacific, Europe, the Middle East, Africa, the Caribbean, and Latin America. In 2020, Marriott opened 399 new properties (62,776 rooms) while closing 106 properties (20,416 rooms) (MAR 10K 2020, p. 28). As a portion of the new rooms, approximately 45% are located in countries outside of the United States and Canada, and 13% are conversions made from previous competitor brands (MAR 10K 2020, p. 28).

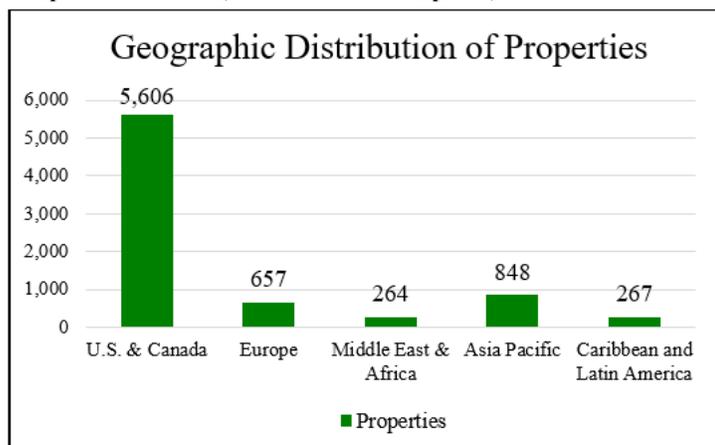


Figure 1 Geographic Distribution of Properties

The main growth strategy for Marriott involves expansion by adding and updating new properties under its brand portfolio. By acquiring Starwood Hotels & Resorts Worldwide in 2016 and releasing a three-year growth plan, including the opening of 1,700 hotels across the world in 2019, Marriott is working to increase its footprint across the world (Kim, 2019). Most recently, Marriott plans to open 100 new properties in the Asia Pacific region during 2021 and to rebrand Sheraton, its most global brand (“Marriott International Continues Asia Pacific,” 2021). The larger global presence for Marriott allows for the company to reach a

larger customer base and to advance its position in the market.

Marriott’s other strategy focuses on creating connections with its customers through its newly updated loyalty program, Marriott Bonvoy. Marriott Bonvoy offers reward points, member rates, and other benefits within its program. Marriott’s loyalty program consists of over 147 million members (AR 2020, p. iii).

Competitor

Hilton Worldwide Holdings is the company that will be used as a comparison to Marriott International. The company was founded in Cisco, Texas in 1919. Hilton is a global hospitality company that operates in the same industry as Marriott. The company is traded on the New York Stock Exchange under the ticker symbol “HLT”, and its fiscal year ends on December 31st of the year, which is the same as Marriott International (HLT 10K 2020, p. 46). Compared to Marriott’s 30 brands and 7,642 properties, Hilton has 18 brands and 6,478 properties (HLT 10K 2020, p. 3).

Industry Outlook

Marriott International operates in the hotel industry. The industry is suffering due to the pandemic. According to the American Hotel and Lodging Association, hotel occupancy rates for 2020 were 44% and are projected to reach 52.5% in 2021 and 61.4% in 2022. By 2022, room revenue is expected to reach \$144 billion. Hotel occupancy and travel was down in 2020 and is currently still lower due to regulations and health concerns involving COVID-19. In 2021, 56% of consumers plan to travel for vacation or leisure, which is approximately the same amount as an average year. Business travel, the largest source of hotel revenue, is projected to be down 85% through April 2021. It is forecasted to start slowly increasing in May of 2021 and not reach pre-pandemic levels until 2023 or 2024. Close to 50% of customers believe that distribution of the vaccine will serve as a main factor of future travel. The widespread distribution of the COVID-19 vaccine will help to increase travel demand, due to consumers feeling more comfortable in public areas (American Hotel & Lodging Association, 2021).

Strengths

Marriott’s strong brand portfolio and global presence are strengths that help to maintain its success. Each of Marriott’s brands is designed to target a specific part of the market and to provide customers with an experience that fits their wants and needs. As a result, customers are very loyal to the company. This is another strength of Marriott that can be seen through the dedication of customers within the Marriott Bonvoy loyalty program. Relating to global presence, as

mentioned in the prior background section, Marriott owns 30 brands and operates 7,642 properties in 133 different countries and territories (MAR 10K 2020, p. 25). These factors combined contribute to Marriott's biggest strength of being a leading hotel chain in the market.

Weaknesses

A weakness that can be seen in Marriott is data protection. A data breach occurred in Marriott's systems in 2020 that affected over 330 million guests (Airoldi, 2020). Marriott failed to protect the personal data of its customers, and this led to damage in its customers' trust. Another weakness is negative media coverage and controversies of Marriott in recent years. Marriott has been questioned for blocking guests from using personal Wi-Fi. The company was also questioned after it was accused of leaving people stranded during Hurricane Irma (Berr, 2017). Another weakness of Marriott is the code of conduct that all of its employees are expected to follow. Employees are required to follow the code at all times, and the strict regulations may turn away potential employees.

Opportunities

An opportunity for Marriott is to expand into emerging economies. There is a demand for higher-end hotels in developing countries. Expansion into these areas could prove to be profitable and advantageous for the company. Shifting demographics is also an opportunity for Marriott. Marriott could adapt itself to be more appealing to younger generations and millennials, since more of these individuals are entering the market. By appealing to younger individuals, Marriott can grow its customer base.

Threats

Currently, the biggest threat to Marriott International is the coronavirus pandemic. As mentioned, COVID-19 has had a significant impact on the travel and hospitality industry, leading to fewer individuals traveling. COVID-19 is still affecting companies, and Marriott is looking for the best way to adapt its business with the pandemic. Another threat comes from competitor hotels in the industry. Hilton Worldwide, alongside many other chains, offers competition to Marriott. Also, online renting platforms and travel services, such as Airbnb and Travelocity.com, have gained popularity. Terrorist attacks also pose a threat, due to hotels being an easy public target.

Income Statement

The income statement for Marriott is made up of seven general accounts that include total revenue, total cost and expenses, interest expense, other, equity in (losses) earnings,

benefit (provision) for income taxes, and net income. The accounts are shown as a percentage of revenue in *Table 1*.

Marriott International	2018	2019	2020
Revenue	100%	100%	100%
Total Costs and Expenses	88.6%	91.4%	99.2%
Operating Income	11.4%	8.6%	0.8%
Interest Expense	-1.6%	-1.9%	-4.2%
Other	1.0%	0.8%	0.4%
Equity in (losses) Earnings	0.5%	0.1%	-1.3%
Benefit (provision) for Income Taxes	-2.1%	-1.6%	1.9%
Net (loss) Income	9.2%	6.1%	-2.5%

Table 1 Common Size Income Statement

Revenue

Marriott's revenue consists of fee revenue, owned, leased, and other revenue, and cost reimbursement revenue. Fee revenue is made of franchise fees, business management fees, and incentive management fees. Marriott's revenue comes from U.S. and international transactions. The largest percentage of revenue, 74.8%, came from the United States and Canada (MAR 10K 2020, p. 74). The smallest portion of revenue, 5.8%, came from operations in Asia Pacific (MAR 10K 2020, p. 74). The percentage of total revenue for each business segment is shown in *Figure 2*.

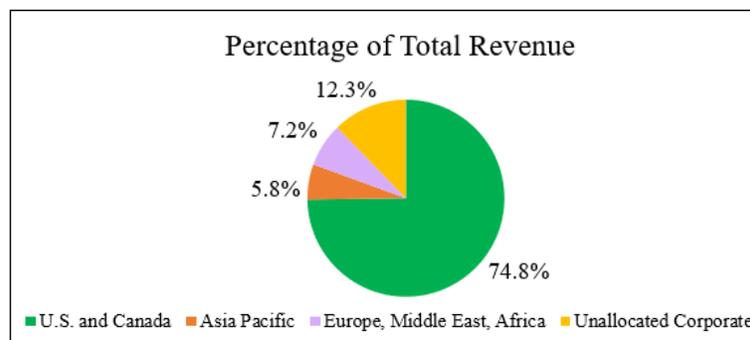


Figure 2 Percentages of Total Revenue

Marriott's total revenue from 2016 to 2020 is shown in *Figure 3*. From 2016 to 2019, Marriott's revenue increased (*Figure 3*). The majority of the increase in revenue from 2016 to 2017 was due to a 39% increase in fee revenues. There was a \$4,219 million increase in cost reimbursements revenue that consisted of reimbursements related to Legacy-Starwood, activity with the loyalty program, and systemwide growth (AR 2017, p. 32). The cost reimbursements revenue offset reimbursed costs in 2020. Revenue for Marriott decreased 49.6% from 2019 to 2020. The significant decline in revenue for 2020 was a result of several factors related to COVID-19. These factors resulted in all revenue accounts having a much lower balance for 2020, compared to prior years.

Marriott temporarily closed 27% of its owned and leased hotels in 2020 due to a large drop in demand at its

hotels across all locations (MAR 10K 2020, p. 4). Efforts to contain and slow the spread of the virus led to a decrease in travel and cancellations for booked rooms at Marriott by large groups and other types of travelers. In April 2020, revenue per available room decreased worldwide by 90% year-over-year from April 2019 (MAR 10K 2020, p. 4). As a result, Marriott hotel occupancy and revenue per available room declined steeply, resulting in much lower revenue for Marriott in 2020.

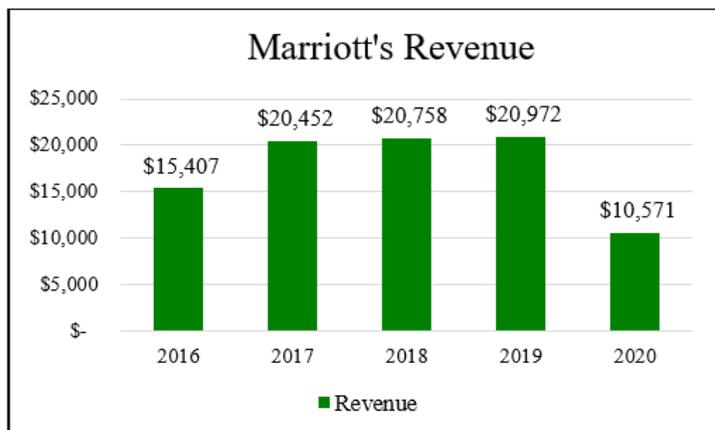


Figure 3 Revenue

Total Cost and Expenses

The total cost and expenses for Marriott are shown in Figure 4. Total cost and expenses for Marriott consist of owned, leased, and other-direct, depreciation, amortization, general and administrative, restructuring and merger-related charges, reimbursed expenses, and other. As shown previously in Table 1, the common sizing for Marriott's income statement, total cost and expenses have increased as a percentage of revenue from 91.4% in 2019 to 99.2% in 2020. The increase was caused by a larger decline in revenue rather than by the decline in total cost and expenses for 2020.

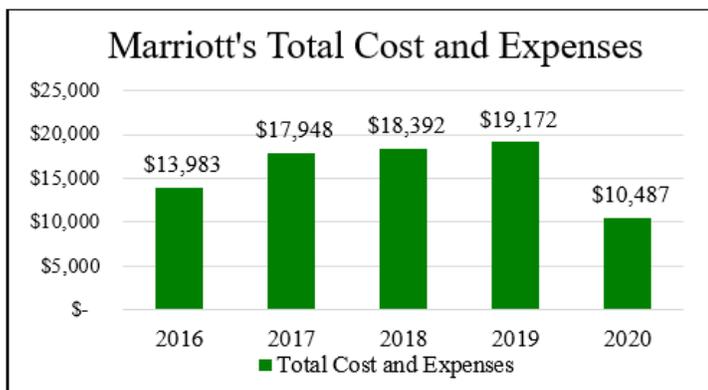


Figure 4 Total Cost and Expenses

Marriott's total cost and expenses decreased 45.3% from 2019 to 2020. Owned, leased, and other-direct, general,

administrative, and other, and reimbursed expenses were the causes of the decrease in Marriott's total cost and expenses for 2020 (MAR 10K 2020, p. 30). The 18.8% decrease in general, administrative, and other expenses from 2019 to 2020 was a result of decisions made by Marriott to reduce spending in this area in response to the pandemic (MAR 10K 2020, p. 30). Marriott also made the choice to cut spending on reimbursed expenses, which explains the 48.7% decline in this account from \$16,439 million in 2019 to \$8,435 million in 2020. A portion of reimbursed expenses is made up of advertising costs, which were \$276 million in 2020, compared to \$851 million in 2019 (MAR 10K 2020, p. 54). Overall, reimbursed expenses in 2020 were offset by cost reimbursement revenue of \$8,452 million.

Operating Income

Marriott's operating income for years 2016 through 2020 is shown in Figure 5. Marriott's operating income declined from 2017 to 2020. The increase in operating income from 2016 to 2017 occurred from revenue increasing at a higher rate than the total cost and expenses. The revenue increase in 2017 was mainly attributable to a 39% increase in total fee revenue along with increases in all other revenue accounts (AR 2017 p. 31). The sharp decrease of 95.3% in Marriott's operating income from 2019 to 2020 is primarily due to the negative impact of COVID-19 on the company's revenue (MAR 10K 2020, p. 29). This resulted in revenue decreasing a larger amount than the decrease in total cost and expenses in 2020.

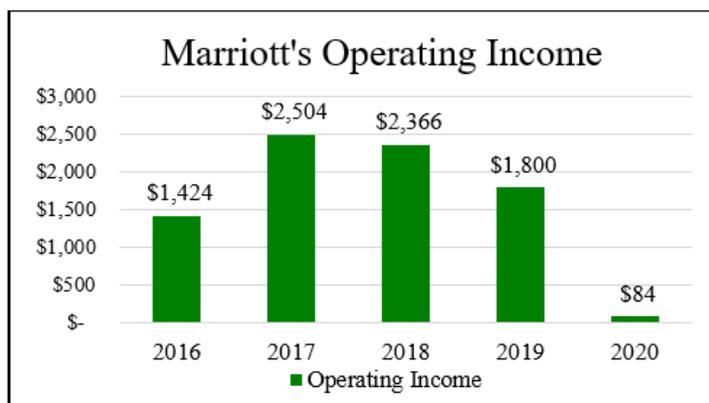


Figure 5 Operating Income

Operating Profit Margin

For Marriott's operating income, Figure 6 provides a trend in revenue compared to operating income from 2016 to 2020. The base year for the data is 2016. As shown in Figure 6, operating income decreased 120%, while revenue decreased 67% from 2019 to 2020. As a result of operating income declining at a faster rate than revenue in 2020, the

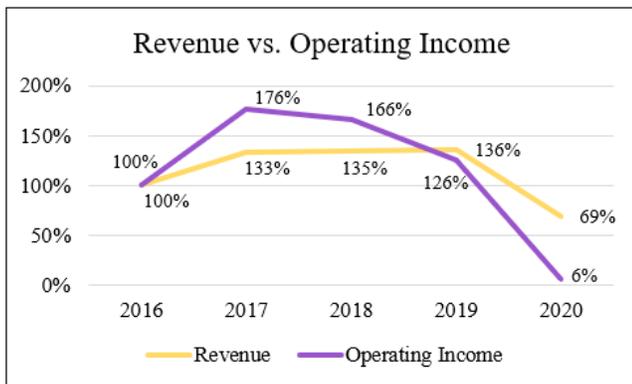


Figure 6 Revenue vs. Operating Income Trend Lines

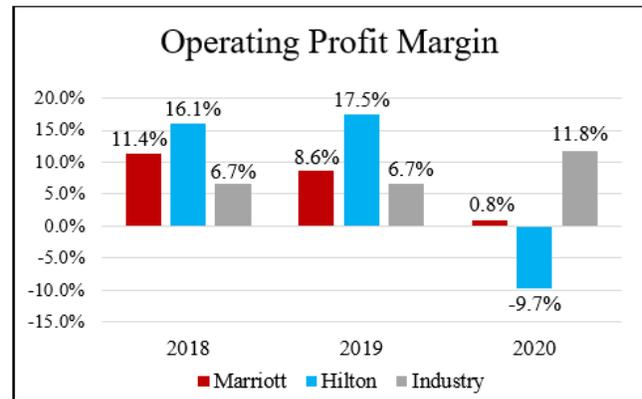


Figure 7 Operating Profit Margin

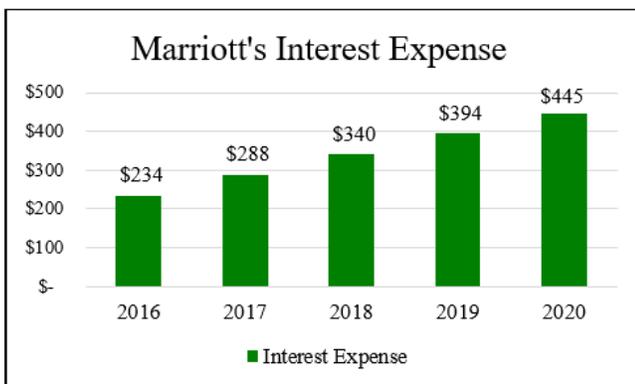


Figure 8 Interest Expense

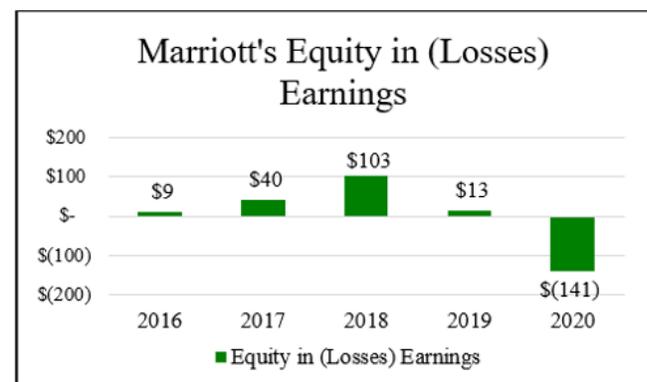


Figure 9 Equity in (Losses) Earnings

operating profit margin decreased, which can be seen in Figure 7.

The operating profit margin for Marriott decreased to 8.6% in year 2019 and to 0.8% in 2020 (Figure 7). From 2018 to 2019, operating profit decreased 40%, while revenue increased by 1%. From 2019 to 2020, operating profit decreased at a faster rate of 120%, compared to the decrease in revenue of 67%. These trends can be seen in Figure 6. Marriott's operating profit margin for years 2018, 2019, and 2020 is shown in Figure 7.

Interest Expense

The increase in Marriott's interest expense from 2016 to 2020 is shown in Figure 8. Interest expense for Marriott increased 12.9% from 2019 to 2020, due to higher interest as a result of senior note issuances (MAR 10K 2020, p. 31). Higher interest rates on commercial paper and on senior note issuances contributed to the increase in interest expense over the five-year period.

Equity in (Losses) Earnings

Marriott's equity in (losses) earnings is shown in Figure 9. Equity in (losses) earnings increased from 2016 to 2018 and then declined in years 2019 and 2020. The \$63-million increase from 2017 to 2018 was primarily attributed

to Marriott's share of the gain related to its equity method investees selling off two of their properties (AR 2018, p. 32). The decline from 2018 to 2019 was related to the sale of properties. Also, lower earnings from the disposition of investments and from the AC Hotel by Marriott transaction were a factor (AR 2019, p. 33). The 1184.6% decrease in equity in (losses) earnings for Marriott from 2019 to 2020 occurred from impairment charges and the recording of losses by investees (MAR 10K 2020 p. 31). The impairment charges were to reduce the carrying value of specific investments. This was primarily a result of COVID-19.

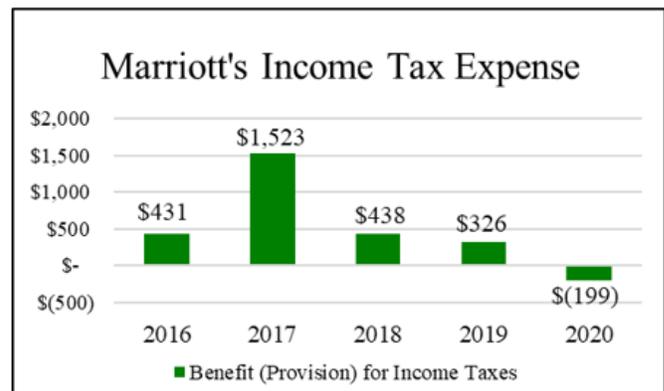


Figure 10 Benefit (Provision) for Income Taxes

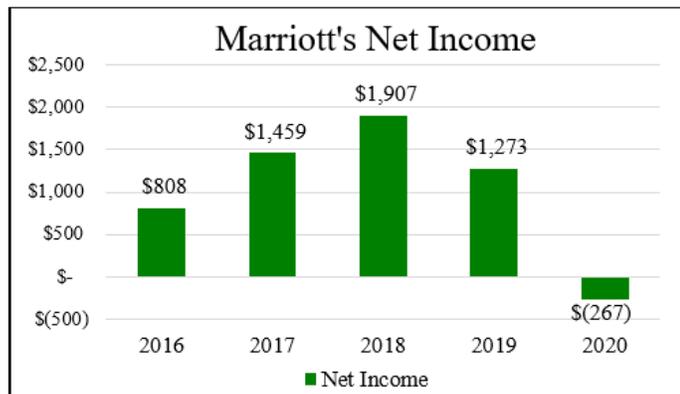


Figure 11 Net Income

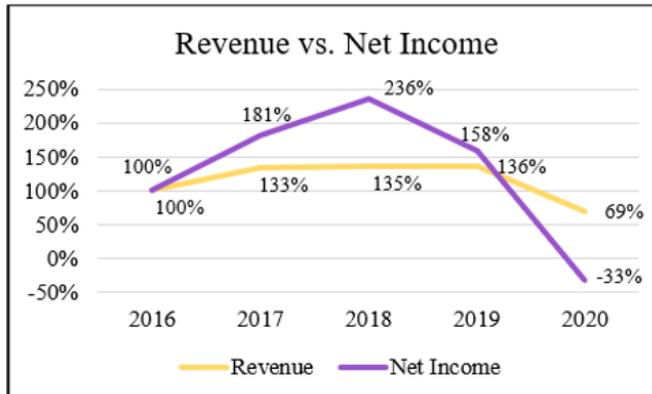


Figure 12 Revenue vs. Net Income Trend Lines

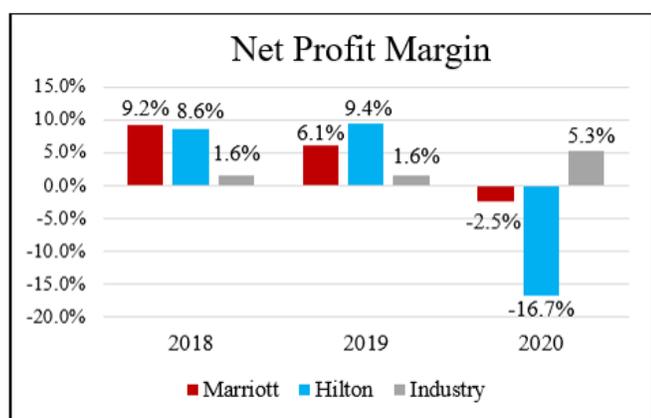


Figure 13 Net Profit Margin

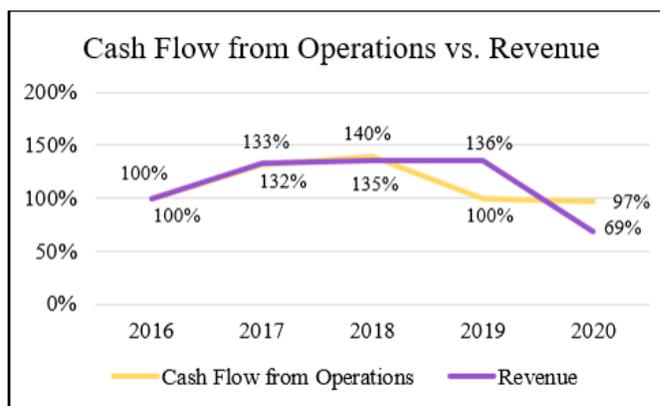


Figure 14 Cash Flow from Operations vs. Revenue Trend Lines

Benefit (Provision) for Income Taxes

From 2016 to 2017, the provision for income taxes increased 253.4% (Figure 10). Approximately half of the \$1,092-million increase was due to the 2017 Tax Act. Additional large contributors were the inclusion of Legacy-Starwood operations for \$275 million and gain on sale of Avendra at \$259 million (AR 2017, p. 34). Marriott's provision for income taxes decreased 161% from 2019 to 2020. For 2020, Marriott had a tax benefit of \$199 million rather than a tax expense, compared to the previous 4 years. The benefit for 2020 is due to many different factors. The main factor was the decrease in operating income that accounted for \$336 million. Audit closures allowing for the release of tax reserves, tax benefits related to the Sheraton Grand Chicago, and tax benefits for impairment charges were also factors (MAR 10K 2020, p. 31).

Net Income

Marriott's net income and its changes are shown in Figure 11. Net income for Marriott increased from 2016 to 2017 as a result of an increase in revenue that was greater than the increase of total cost and expenses. In addition, gains and other interest income increased by \$683 million in 2017.

From 2017 to 2018, the increase in net income was due to a decrease of \$1,085 million in income taxes. This was mostly an effect of the 2017 Tax Act that involved a one-time tax expense in 2017 for Marriott and lowered the United States federal corporate tax rate from 35% to 21% (AR 2018, p. 69). The gain on the Avendra sale from 2017 also was a factor.

The 2018 to 2019 net income decrease resulted from an increase in total cost and expenses, specifically in depreciation, amortization, and other. This was due to impairment of certain Marriott assets. Equity in earnings also decreased. This decrease was discussed in the prior equity in (losses) earnings section. Marriott's net income decreased 121% from 2019 to 2020. The significant decrease was due to a 49.6% decrease in revenue and a decrease of 95.3% in operating income. These changes primarily resulted from the negative effects of COVID-19.

Net Profit Margin

The decrease in Marriott's net profit margin from 2018 to 2019 (Figure 13) was due to the decrease in net income of 78% being greater than the increase of 1% in revenue. Marriott's revenue decreased 67%, and net income decreased 191% from 2019 to 2020. Net profit margin in 2020 declined

as a result of net income decreasing at a faster rate than revenue. The trends of revenue and net income from base year 2016 can be seen in *Figure 12*. The decrease in Marriott's net profit margin from 2018 to 2020 is shown in *Figure 13*.

Cash Flow Margin

Marriott's cash flow margin decreased from 2018 to 2019 and increased from 2019 to 2020 (*Figure 15*). The decrease in the cash flow margin from 2018 to 2019 was due to cash flow from operations decreasing 40%, and revenue increasing only 1%. The 2019 to 2020 increase in Marriott's cash flow margin was caused by cash flow from operations decreasing only 3%, while revenue decreased 67%. *Figure 14* compares the trend lines percentages for cash flow from operations and revenue. *Figure 15* shows the changes in cash flow margin from 2018 to 2020.

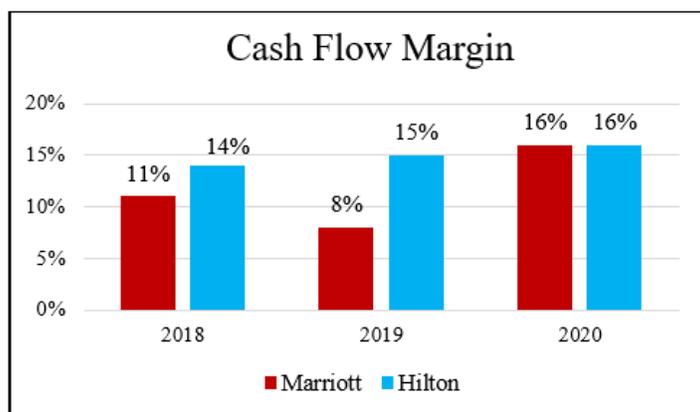


Figure 15 Cash Flow Margin

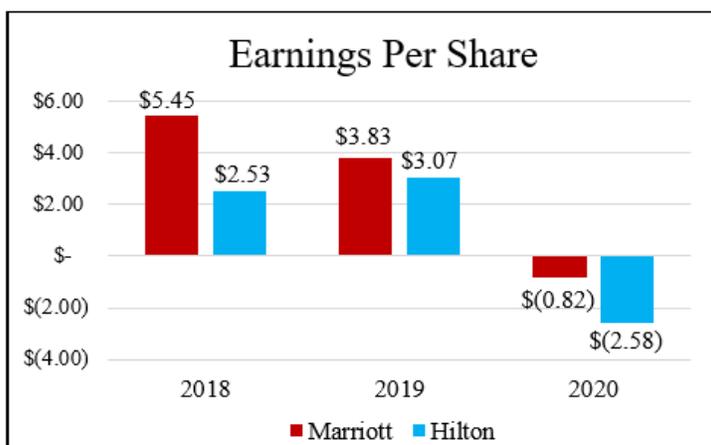


Figure 16 Earnings per Share

Earnings per Share

Marriott's earnings per share for years 2018, 2019, and 2020 are shown in *Figure 16*. From 2018 to 2019, Marriott's

earnings per share decreased from \$5.45 to \$3.83. The decline occurred due to net income decreasing 33.2%, while the average common shares outstanding decreased only 5%. Marriott repurchased 1 million shares of common stock during 2019. This was offset by stock-based compensation plans of 1.4 million shares (AR 2019, p. 54).

Earnings per share decreased from \$3.83 in 2019 to (\$0.82) in 2020. This was a result of net income decreasing 121% and the average common shares outstanding declining by 2.7%. Marriott repurchased 17.3 million shares of stock in 2020 that contributed to the reduction in common shares outstanding (MAR 10K 2020, p. 50).

Summary of Income Statement

Marriott International, along with the travel and hospitality industries as a whole, was significantly impacted by COVID-19. The negative effects can be seen in revenue, which decreased 49.6%, and in net income, which decreased 121%, from 2019 to 2020. Total costs and expenses decreased 45.3%. Operating profit margin, net profit margin, and earnings per share all declined from 2018 to 2020. Due to COVID-19, the decline was more severe from 2019 to 2020; however, Marriott was able to outperform Hilton in these areas during 2020. The cash flow margin for Marriott increased 8% in 2020. As previously discussed, temporary hotel closures, lower demand, travel restrictions, decreased occupancy, and many other factors all contributed to the decrease in the 2020 performance of Marriott in many areas.

Balance Sheet

In this section, Marriott's balance sheet—including assets, liabilities, and stockholders' equity—will be analyzed. Ratios involving the balance sheet for Marriott will be compared to Hilton and the industry. Goodwill and intangible assets, net alone make up 73.5% of total assets. The following two largest asset accounts include accounts and notes receivable, net and property and equipment, net, which make up 13.3% combined. Assets held for sale and other current assets make up the smallest amount of total assets. The

Marriott International	2016	2017	2018	2019	2020
Cash and Equivalents	3.6%	1.6%	1.3%	0.9%	3.6%
Accounts and Notes Receivable, Net	7.0%	8.3%	9.0%	9.6%	7.2%
Assets Held for Sale	2.4%	0.6%	0.0%	1.0%	0.0%
Other Current Assets	1.0%	1.0%	1.1%	1.0%	0.7%
Property and Equipment, Net	9.7%	7.5%	8.3%	7.6%	6.1%
Goodwill and Intangible Assets, net	69.9%	74.4%	73.5%	70.6%	73.5%
Operating Lease Assets	0.0%	0.0%	0.0%	3.5%	3.0%
Other Noncurrent Assets	6.5%	6.6%	6.8%	5.8%	5.8%
Total Assets	100.0%	100.0%	100.0%	100.0%	100.0%

Table 2 Common Size Balance Sheet: Assets

common size of assets on the balance sheet, including years 2016 through 2020, for Marriott can be seen in *Table 2*.

Current Assets

As seen in *Figure 17*, the largest percentage of current assets consists of accounts and notes receivable, net making up 62.6%. Cash and equivalents made up 31%, and other made up 6.1% of total current assets. The smallest percentage of current assets consists of assets held for sale. Although the smallest percent, assets held for sale will be discussed later, due to the fluctuations in the account from 2016 through 2020.

Accounts and Notes Receivable, Net

Marriott's accounts and notes receivable, net for years 2016 through 2020 are shown in *Figure 18*. Marriott's accounts and notes receivable, net increased from 2016 to 2019. This was due to increased management and franchise agreements that led to an increase in amounts due from hotel owners. Accounts and notes receivable, net declined 26.2% from 2019 to 2020 as a result of lower fee and cost reimbursement revenues and a larger allowance for credit losses.

In 2020, Marriott adopted ASU 2016-13, which deals with financial instrument credit losses (MAR 10K 2020, p.

59). With the adoption, the allowance for credit losses increased \$19 million on the December 31, 2019 balance sheet. Allowance for credit losses increased again from \$82 million in 2019 to \$207 million in 2020. The allowance for credit losses is an estimate of the amount of credit accounts that Marriott believes it will be unable to collect. As a result, the allowance for credit losses reduces accounts and notes receivable, net to represent the amounts that Marriott actually expects to receive.

Accounts Receivable Turnover and Average Collection Period

Marriott's decline in accounts receivable turnover is shown in *Figure 19*. The accounts receivable turnover has declined for Marriott each year since 2018. Marriott's accounts receivable turnover decreased from 9.73 times in 2018 to 8.76 times in 2019. This resulted from revenue increasing 1%, while accounts and notes receivable, net increased 12.3% from 2018 to 2019. The decrease in the 2020 accounts receivable turnover was due to revenue declining at a greater rate of 49.6% than accounts and notes receivable, net, which declined 26.2% from 2019 to 2020. For 2020, COVID-19 and its impacts were the primary factors in the decline in revenue and accounts and notes receivable, net. As

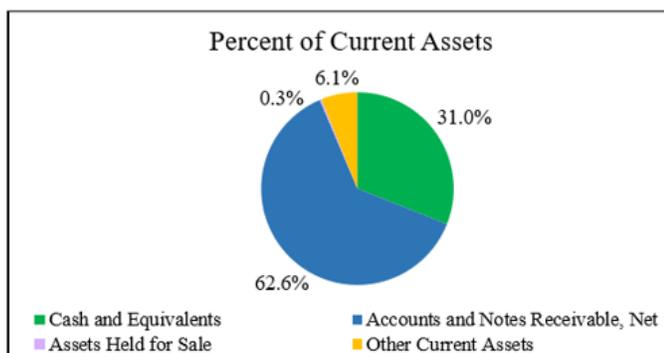


Figure 17 Percent of Current Assets

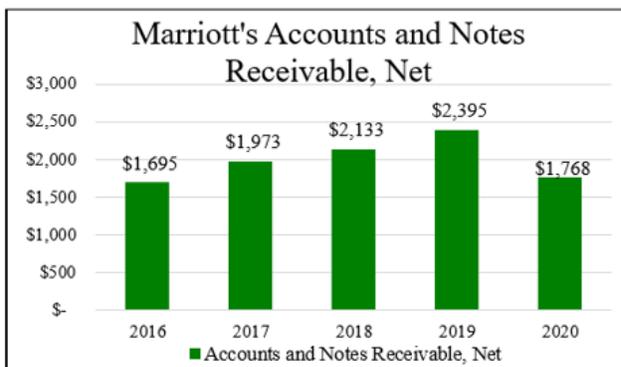


Figure 18 Accounts and Notes Receivable, Net

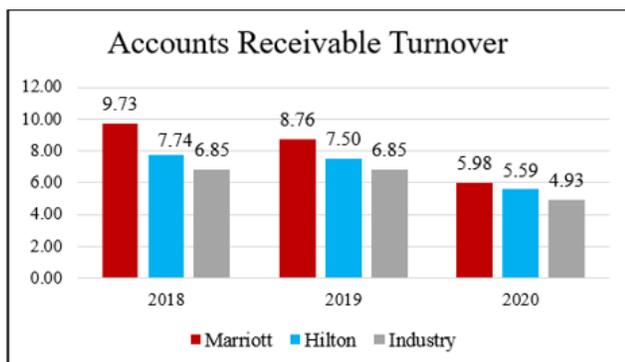


Figure 19 Accounts Receivable Turnover

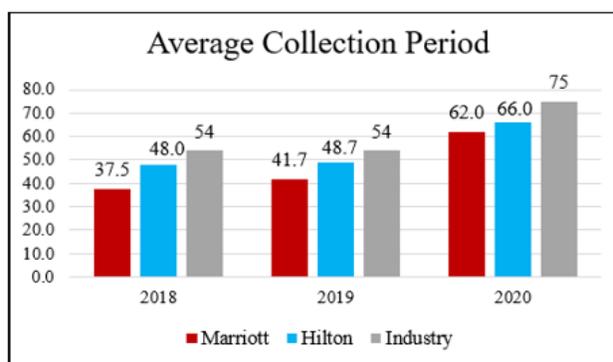


Figure 20 Average Collection Period

compared to Hilton and the industry, Marriott is more effective in collecting its receivables.

The average collection period is shown in *Figure 20*. The average collection period is the reciprocal for accounts receivable turnover. The average collection period increased from 38 days in 2018 to 42 days in 2019. It then increased to 62 days in 2020 (*Figure 20*). Over the three years, Marriott converted its receivables to cash faster than Hilton and the industry.

Assets Held for Sale

Marriott's assets held for sale have fluctuated year to year. *Figure 21* includes the changes in Marriott's assets held for sale from 2016 to 2020. In 2016, the \$588 million assets held for sale included two hotels related to the Starwood merger and Miami Beach EDITION residences (AR 2017, p. 62). Assets held for sale decreased 74.7% from 2016 to 2017 as a result of the sale of the Westin Maui, the Sheraton Centre Toronto Hotel, and the Charlotte Marriott City Center. After these sales, assets held for sale consisted of two Buenos Aires properties and the remainder of the Miami Beach EDITION residences (AR 2017, p. 61). From 2017 to 2018, the 94.6% decrease was due to the sale of six properties, including two North American full-service, two Asia Pacific, and two Caribbean and Latin America properties (AR 2019, p. 64).

The \$255 million assets held for sale in 2019 were related to the Sheraton Phoenix. In 2020, Marriott sold the Sheraton Phoenix (AR 2019, p. 64).

Property and Equipment, Net

Property and equipment, net made up 6.1% of total assets for Marriott in 2020. Marriott's property and equipment are lower than one would expect because Marriott owns only 28.1% of properties of its total properties. The remaining 71.9% of Marriott's total properties are franchised and licensed (MAR 10K 2020, p. 5). The allocation of Marriott's properties is shown in *Figure 22*.

The changes in Marriott's property and equipment, net are shown in *Figure 23*. Marriott's property and equipment consist of land, building and leasehold improvements, furniture and equipment, and construction in progress. Marriott's property and equipment, net decreased 23.3% from 2016 to 2017. The main causes of this were a decrease in building and leasehold improvements and an increase in accumulated depreciation. From 2017 to 2018, the 9.1% increase in property and equipment was due to increased furniture and equipment as well as building and leasehold improvements. Property and equipment decreased 2.7% from 2018 to 2019. From 2019 to 2020, it decreased 20.5%, primarily due to a 47.8% decrease in furniture and equipment



Figure 21 Assets Held for Sale

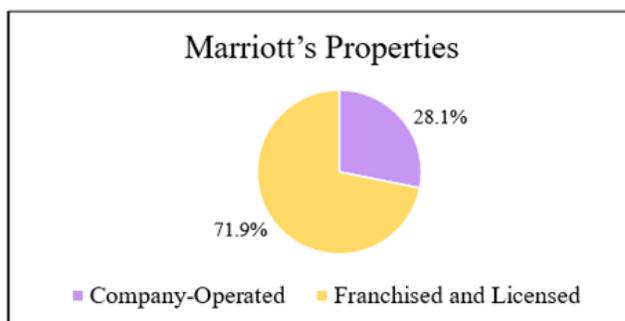


Figure 22 Marriott's Properties

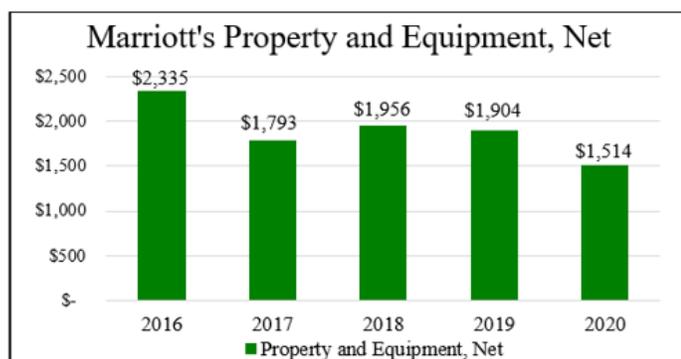


Figure 23 Property and Equipment, Net

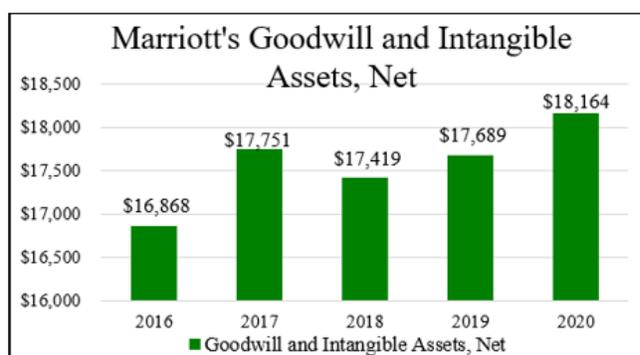


Figure 24 Goodwill and Intangible Assets, Net

and an 85.2% decrease in construction in progress, due to COVID-19 factors. COVID-19 factors included difficulty obtaining financing, shortage of workers and supplies, and government restrictions (MAR 10K 2020, p. 12).

Goodwill and Intangible Assets, Net

Marriott's goodwill and intangible assets, net are shown in *Figure 24*. Goodwill and intangible assets, net were responsible for 73.5% of Marriott's total assets in 2020 (*Table 2*). Marriott's goodwill is calculated as the amount by which the purchase price of an acquired entity is greater than the net fair value given to the acquired assets and related liabilities (MAR 10K 2020, p.58). Intangible assets, specifically those related to Marriott's brands, are important in Marriott's operations, sales, and competitiveness in its industry. Marriott prides itself on its brand portfolio and related intellectual property that allow the company to be a leader in the field.

From 2016 to 2017, goodwill increased 21.2%, due to the acquisition of Starwood Hotels & Resorts Worldwide (AR 2017, p.77). This reflected the value that Marriott expected from new growth opportunities involved with the acquisition. Foreign currency translations also contributed to the increase. Marriott's goodwill decreased 1.8% from 2017 to 2018, due to foreign currency translations. From 2018 to 2019, goodwill increased 0.1% from foreign currency translations. Goodwill increased 1.4% from 2019 to 2020, also due to foreign currency translations.

Intangible assets declined 7.8% from 2016 to 2017, primarily from a decrease in indefinite-lived intangible brand assets, as well as an increase in accumulated amortization. From 2017 to 2018, intangible assets decreased 1.9% as a result of a decrease in contracts acquired in business combinations and in indefinite-lived intangible brand assets. Accumulated amortization also increased by \$175 million. Intangible assets increased 3.1% from 2018 to 2019, due to an increase in costs related to gaining contracts, acquired contracts from business combinations, and indefinite-lived intangible brand assets. From 2019 to 2020, intangible assets increased 4%, due to increases in costs related to gaining contracts, acquired contracts from business combinations, and indefinite-lived intangible brand assets, partially offset by increased accumulated amortization.

Operating Lease Assets

Marriott's operating lease assets and changes can be seen in *Figure 25*. The increase in operating lease assets from \$0 in 2018 to \$888 million in 2019 was a result of a new accounting standard on leases that Marriott adopted. ASU 2016-02 requires a lessee to recognize a lease liability and right-of-use asset on its balance sheet (AR 2018, p. 58). It also distinguishes leases as being operating leases or finance leases and describes how each must be measured and

recorded. The 15.3% decrease in operating lease assets from 2019 to 2020 primarily resulted from impairment charges. Marriott determined that the carrying amount of the assets may not be recoverable due to market performance and the future projection of cash flows.



Figure 25 Operating Lease Assets

Total Asset Turnover

Marriott's total asset turnover declined from 2018 to 2020. Total asset turnover decreased 48.8% from 2019 to 2020. Total asset turnover for 2018 through 2020 is displayed in *Figure 26*. The decrease was primarily driven by a 49.6% decrease in revenue as compared to a smaller 1.4% decrease in total assets. As discussed previously, COVID-19 caused a significant decline in Marriott's revenue for 2020. Net fee revenues declined 59%, from \$3,761 million in 2019 to \$1,551 million in 2020. This was a product of lower base management fees and franchise fees that resulted from a decrease in revenue per available room (MAR 10K 2020, p. 29).

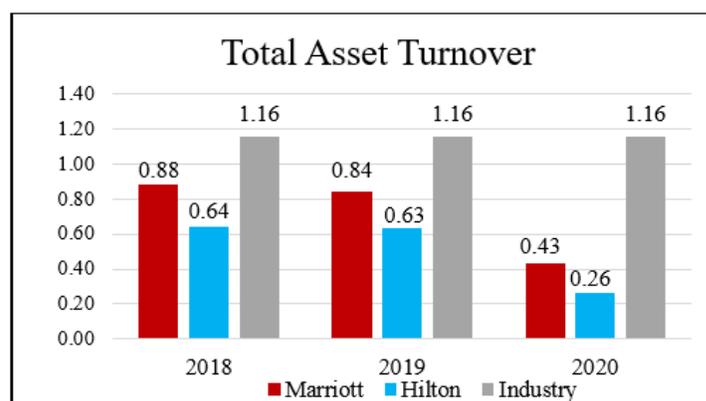


Figure 26 Total Asset Turnover

Owned, leased, and other revenue, net decreased 137%, due to lower demand and the temporary closure of 27% of Marriott's leased and owned hotels (MAR 10K 2020 p. 30). Lower loyalty program expenses and redemptions contributed to cost reimbursements, net increasing 102% from

2019 to 2020 (MAR 10K 2020, p. 30). Hilton's total asset turnover also declined for the three-year period. COVID-19 factors were also the main cause of the decline in Hilton's total asset turnover from 2019 to 2020.

The remainder of Marriott's balance sheet will be analyzed next, starting with liabilities. The common sizing for liabilities can be seen in *Table 3*. Current liabilities for Marriott will not be discussed, since each is immaterial for this analysis. For Marriott, long-term debt makes up the largest liability account as a percentage of total assets. Operating lease liabilities shifted from 0% to 3.5% as a percentage of total assets from 2018 to 2019. The increase was a result of the previously discussed accounting standard, ASU 2016-02, adopted by Marriott.

Marriott International	2016	2017	2018	2019	2020
Current Portion of Long-Term Debt	1.3%	1.7%	3.5%	3.9%	4.7%
Accounts Payable	2.8%	3.3%	3.2%	2.9%	2.1%
Accrued Payroll and Benefits	4.9%	5.1%	5.7%	5.3%	3.4%
Accrued Expenses and Other	4.6%	5.4%	4.1%	5.5%	5.9%
Other Current Liabilities	7.7%	8.9%	10.7%	9.0%	7.2%
Long-Term Debt	34.0%	32.9%	35.9%	39.8%	37.3%
Deferred Tax Liabilities	4.2%	2.5%	2.0%	1.2%	0.3%
Operating Lease Liabilities	0.0%	0.0%	0.0%	3.5%	3.5%
Other Noncurrent Liabilities	7.2%	10.9%	10.0%	8.9%	9.6%
Total Liabilities	66.7%	70.7%	75.2%	80.0%	73.8%

Table 3 Common Size Balance Sheet: Liabilities

Current Ratio

Marriott's current ratio has remained mostly consistent for 2018 through 2020, increasing by only a small amount each year (*Figure 27*). For the past 3 years, Hilton's and the industry's current ratios have been higher than Marriott's current ratio. The increase in Marriott's current ratio from 2018 to 2019 was due a 15.6% increase in current assets and only a 3.7% increase in current liabilities. Current assets were higher, due to an increase in accounts receivable and assets held for sale. Current liabilities increased, mainly due to higher accrued expenses and other.

From 2019 to 2020, the current ratio increased 4.3%. This was a result of a 9.7% decrease in current assets, while current liabilities decreased 13.9%. The decrease in Marriott's current assets was mains. The current liabilities decreased from a decline in accrued payroll and benefits in addition to accounts payable.

Hilton's current ratio more than doubled from 2019 to 2020. This resulted from a 100.8% increase in current assets, mainly due to a \$2,680 million increase in cash, and from a 15.3% decrease in current liabilities as a result of lower accounts payable. The current ratios for Marriott, Hilton, and the industry and their changes for 2018 through 2020 can be seen in *Figure 27*.

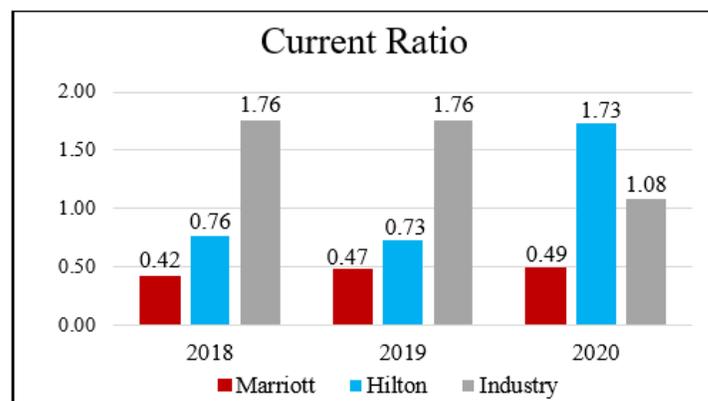


Figure 27 Current Ratio

Long-Term Debt

The different components that contribute to Marriott's long-term debt are senior notes, commercial paper, credit facility, and finance lease obligations (MAR 10K 2020, p. 69). The current portion is subtracted from these accounts to find the balance for long-term debt each year. The changes in Marriott's long-term debt are shown in *Figure 28*. The increase in long-term debt from 2018 to 2019 resulted from a 42.4% increase in commercial paper, along with the issuance of additional senior notes. Marriott's long-term debt decreased 7.6% from 2019 to 2020. This was largely a result of the \$3,197-million-dollar carrying value of commercial paper in 2019, compared to Marriott not issuing commercial paper during 2020 (MAR 10K 2020, p. 69). The decrease was partially offset by issuance of additional senior notes, including Series EE, FF, and GG (MAR 10K 2020, p. 69).

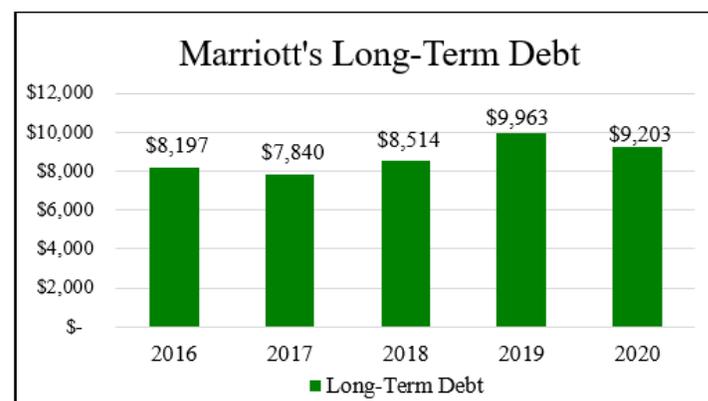


Figure 28 Long-Term Debt

From 2018 to 2019, long-term debt, net of issuance and repayments decreased 55% as a result of a 15.1% decrease in debt issuances and a 110.3% increase in debt repayments. The decrease in debt issuances was due to Marriott issuing fewer notes in 2019. Issuances of notes totaled \$1,650 million in 2018, compared to \$1,400 million in 2019 (AR 2019, p. 73). Debt repayments in 2019 included

senior notes, totaling \$781 million (AR 2019, p. 43). The remainder of repayments was related to other types of long-term debt. Long-term debt, net of issuances and repayments increased 197.9% from 2019 to 2020. The increase in inflows was due to the \$1.6 billion issuance of Series EE notes, \$1 billion Series FF notes, and \$1 billion GG notes (MAR 10K 2020, p. 70). Marriott redeemed the Series M note for \$350 million and retired Series Q notes, Series L notes, and Series D notes for a total of \$853 million. *Table 4* shows long-term debt issuance vs. repayment for years 2018 through 2020.

	2018	2019	2020
Issuance of Long-Term Debt	1,646	1,397	3,561
Repayment of Long-Term Debt	(397)	(835)	(1,887)
Total	1,249	562	1,674

Table 4 Issuance/Repayment of Long-Term Debt

Stockholders' Equity (Deficit)

The final portion of the balance sheet, stockholders' equity, will now be analyzed. Marriott has not issued any additional Class A common stock from 2016 to 2020. Additional paid-in-capital's percentage has held constant, with small fluctuations in its account due to share-based compensation plans. The common sizing of stockholders' equity can be seen in *Table 5*.

Marriott International	2016	2017	2018	2019	2020
Class A Common Stock	0.02%	0.02%	0.02%	0.02%	0.02%
Additional Paid-In-Capital	24.1%	24.2%	24.5%	23.2%	23.7%
Retained Earnings	26.9%	30.4%	37.9%	38.5%	37.3%
Treasury Stock, At Cost	-26.8%	-39.5%	-51.4%	-57.4%	-58.7%
Accumulated Other Comprehensive Loss	-2.1%	-0.1%	-1.7%	-1.4%	-0.5%
Stockholder's Equity (Deficit)	22.2%	15.0%	9.4%	2.8%	1.7%

Table 5 Common Size Balance Sheet: Stockholders' Equity

Retained Earnings

Retained earnings make up the largest percentage of total assets out of stockholders' equity (*Table 5*). Marriott's retained earnings increased from 2016 through 2019 and then decreased from 2019 to 2020. Marriott's retained earnings are shown in *Figure 29*. From 2017 to 2018, the 24% increase in retained earnings was a result of higher net income and the adoption of ASU 2016-01 and ASU 2016-16. Retained earnings increased at a slower rate of 7.4% from 2018 to 2019. Retained earnings decreased from \$9,644 in 2019 to \$9,206 in 2020. The 121% decrease in net income was the primary cause of the decline in retained earnings. Lower dividends paid out partially offset the decrease in retained earnings. Marriott paid dividends of \$156 million in 2020, compared to \$612 million in 2019.



Figure 29 Retained Earnings

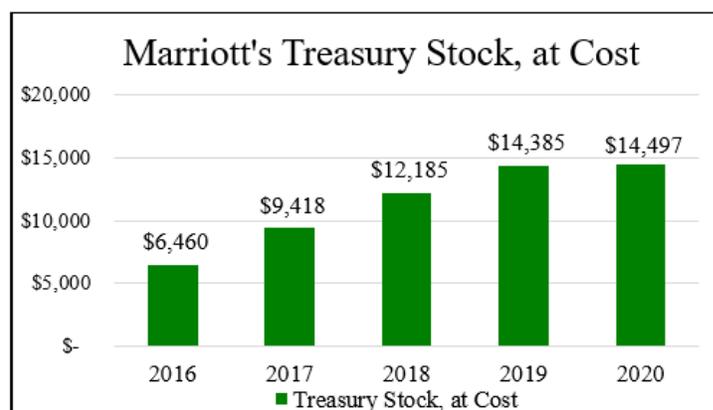


Figure 30 Treasury Stock, at Cost

Treasury Stock, at Cost

Over the five-year time frame, Marriott's Treasury stock has grown from 26.8% as a percentage of total assets in 2016 to 58.7% in 2020. Marriott purchases Treasury stock under an ongoing share repurchase program in order to return value to shareholders. Treasury stock increased 45.8% from 2016 to 2017, due to Marriott repurchasing 29.2 million shares of common stock for \$3,025 million in 2017 (MAR AR 2019, p. 59). From 2017 to 2018, Treasury stock increased 29.4%, resulting from Marriott's repurchase of 21.5 million shares of common stock at a total of \$2,809 million (MAR AR 2019, p. 59). The 18.1% increase of Treasury stock from 2018 to 2019 was caused by the repurchase of 17.3 million shares of common stock for \$2,260 million (MAR AR 2019, p. 59). From 2019 to 2020, Treasury stock increased 7.8%, due to Marriott repurchasing 1 million shares for \$150 million (MAR 10K 2020, p. 50). The increase in Treasury stock each year was partially offset by stock

issuances for share-based compensation plans. *Figure 30* shows Marriott's Treasury stock and its changes.

Statement of Cash Flows

As shown in *Table 6*, Marriott's cash flows for 2018 through 2020 have a plus (operating activities), minus (investing activities), minus (financing activities) pattern. The pattern yields a general explanation that Marriott uses cash provided by operating activities to make debt payments, to pay dividends, and to purchase fixed assets and treasury stock. Cash provided by operating activities and cash used in financing activities have decreased over the three-year time frame. Cash used in investing activities increased from 2018 to 2019 and decreased from 2019 to 2020.

	2018	2019	2020
Operating Activities	2,357	1,685	1,639
Investing Activities	(52)	(284)	35
Financing Activities	(2,374)	(1,508)	(1,033)

Table 6 Cash Flows

Inflows

The two largest account percentages of Marriott's inflows are the issuance of long-term debt and net cash provided by operating activities. Marriott's accounts and their percent of total inflows can be seen in *Table 7*. These accounts made up 95.1% of inflows in 2020. Dispositions decreased as a percentage of inflows in 2020 as a result of Marriott selling only one U.S. & Canadian property, as compared to the sale of two properties in 2019 and the sale of six properties in 2018.

	2018	2019	2020
Issuance of Long-Term Debt	36.3%	31.1%	65.1%
Net Cash Provided by Operating Activities	52.0%	37.6%	30.0%
Dispositions	10.6%	8.8%	4.8%
Other	1.2%	1.3%	0.1%
Commercial Paper/Credit Facility, Net	0.0%	21.2%	0.0%
Total Inflows	100%	100%	100%

Table 7 Inflows

Net Cash Provided by Operating Activities

Net cash provided by operating activities was the second largest cash inflow for Marriott in 2020. It has decreased over the previous three years from 52% of inflows in 2018 to 30% of inflows in 2020. From 2018 to 2019, net

cash provided by operating activities decreased 28.5%. The main contributors to the decrease were lower net income, which declined from \$1,907 million in 2018 to \$1,273 million in 2019, and working capital changes (AR 2019, p. 42). From 2019 to 2020, net cash provided by operating activities decreased 2.7%. This was primarily due to the net loss that was recorded in 2020 as a result of COVID-19, partially offset by lower cash used for income taxes, cash inflows from Marriott's loyalty program, and a working capital changes related cash benefit (MAR 10K 2020, p. 35).

Outflows

Marriott's accounts and their related percentages of total outflows are shown in *Table 8*. Marriott's commercial paper / credit facility net and repayment of long-term debt account for 86.5% of total outflows in 2020. Dividends paid decreased 10.1%, and purchase of Treasury stock declined 46.1% as a percentage of total outflows from 2019 to 2020. The smallest percentage of total outflows in 2020 was from capital and technology expenditures. The decrease in capital and technology expenditures from 14.2% in 2019 to 2.8% in 2020 was the result of lower spending on company-operated properties and additional systems across the world. The 2019 acquisition of Elegant also was a contributor to the decrease in capital and technology expenditures (MAR 10K 2020, p. 35).

	2018	2019	2020
Commercial Paper / Credit Facility Net	2.8%	0.0%	47.4%
Repayment of Long-Term Debt	8.6%	18.2%	39.1%
Dividends Paid	11.8%	13.3%	3.2%
Purchase of Treasury Stock	61.9%	49.2%	3.1%
Capital and Technology Expenditures	12.1%	14.2%	2.8%
Other	2.8%	5.1%	4.3%
Total Outflows	100%	100%	100%

Table 8 Outflows

Commercial Paper/ Credit Facility, Net

For 2019, commercial paper / credit facility, net outflows were \$129 million. In 2019, inflows from commercial paper / credit facility, net were \$951 million, mainly due to higher outstanding commercial paper borrowings (AR 2019, p. 38). Repayments on commercial paper / credit facility made up the largest outflow for Marriott in 2020, totaling to \$2.29 billion in 2020. Marriott's credit facility allows the company to borrow up to \$4.5 billion for corporate needs (MAR 10K 2020, p. 33). Marriott borrowed \$4.5 billion and repaid \$3.6 billion under the credit facility,

leaving \$0.9 billion in total outstanding borrowings (MAR 10K 2020, p. 33).

Marriott's commercial paper outstanding balance was \$3,197 million at year-end 2019. In 2020, Marriott did not issue any commercial paper as a result of COVID-19's impact on its credit rating (MAR 10K 2020, p. 34). This resulted in the change in commercial paper / credit facility, net between 2019 and 2020. Due to not issuing commercial paper, Marriott had to depend more heavily on credit facility borrowings and senior note issuances (MAR 10K 2020, p. 34). Marriott's inflows and outflows related to its commercial paper / credit facility, net can be seen in *Table 9*.

	2018	2019	2020
Commercial Paper / Credit Facility, Net	\$(129)	\$951	\$(2,290)

Table 9 Commercial Paper / Credit Facility, Net

Debt Ratio

The debt ratio for Marriott increased from 75.2% in 2018 to 80% in 2019. The debt ratio for Marriott is shown in *Figure 31*. This was a result of total liabilities increasing 12.6% as total assets increased 5.7%. Total liabilities increased primarily due to increases in long-term debt, operating lease liabilities, and accrued expenses and other. Total assets increased mainly due to increased assets held for sale, intangible assets, and operating lease assets.

The decrease in debt ratio from 80% in 2019 to 73.8% from 2019 to 2020 was due to total liabilities declining 9.1% and total assets declining 1.4%. Total liabilities were lower because of decreases in accrued payroll and benefits, long-term debt, and deferred tax liabilities.

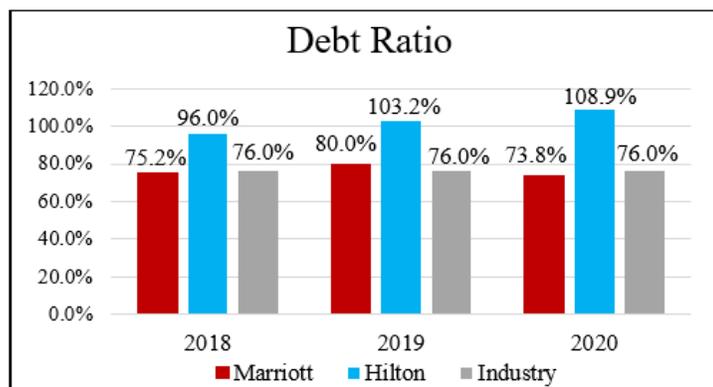


Figure 31 Debt Ratio

Times Interest Earned

Marriott's times interest earned decreased from 6.96 in 2018 to 4.57 in 2019, then to 0.97 in 2020. Times interest earned for both companies can be seen in *Figure 32*. From 2018 to 2019, the decrease in times interest earned was a

result of a 24% decrease in operating profit and a 15.9% increase in interest expense. The decrease in operating profit resulted from higher total costs and expenses, and the increase in interest expense resulted from higher interest on senior note issuances.

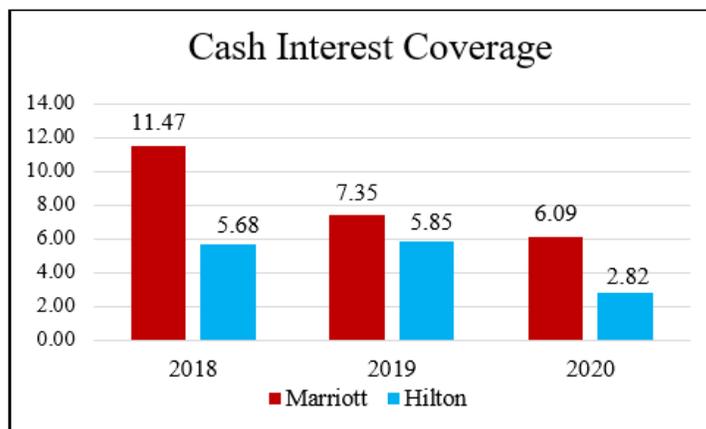


Figure 33 Cash Interest Coverage

The times interest earned decrease from 2019 to 2020 was due to a 95.3% decrease in operating profit and a 12.9% increase in interest expense. Operating income mainly declined due to COVID-19's impact on revenue. Interest expense increased due to higher interest rates on senior note issuances. Marriott's times interest earned was higher than Hilton's times interest earned ratio for all three years. This shows that Marriott, as compared to Hilton, has more ability to cover its annual interest expenses with operating income.

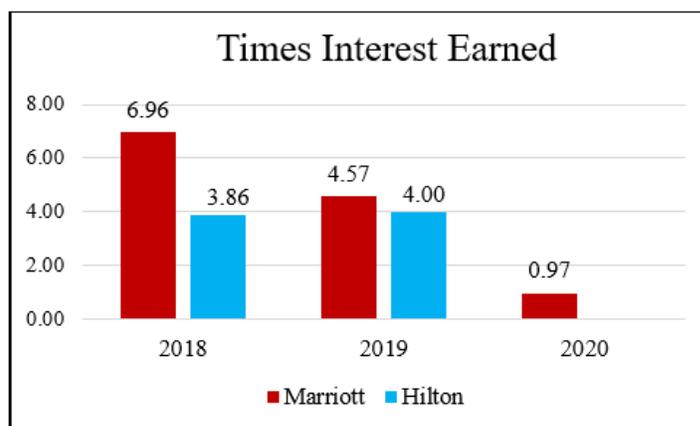


Figure 32 Times Interest Earned

Cash Interest Coverage

Cash interest coverage for Marriott decreased from 2018 to 2020 (*Figure 33*). The decrease from 11.47 in 2018 to 7.35 in 2019 was a result of cash flow from operations decreasing 28.5% and interest paid increasing 20%. Cash interest coverage decreased from 7.35 in 2019 to 6.09 in

2020, due to taxes paid decreasing 47%, while interest paid increased 8.3%. The decrease in taxes was due to lower net income for 2020. The tax benefit in 2020 also contributed to the decline in taxes paid. For all three years, cash interest coverage was higher for Marriott than for Hilton. This shows that compared to Hilton, Marriott can make more payments on its interest with its cash flow from operations before interest and taxes. The cash interest coverage for Marriott and Hilton for 2018 through 2020 is exhibited in *Figure 33*.

Dividends Paid

The payment of dividends is one of Marriott's larger cash outflows (*Table 7*). Dividends paid decreased 74.5% from \$612 million in 2019 to \$156 million in 2020. In 2019, Marriott paid cash dividends totaling \$1.85 per share for the year. Marriott only paid a \$0.48-per-share dividend in 2020 and decided to suspend further dividend payments until business conditions improved (MAR 10K 2020 p.35). Under its credit facility, Marriott is not allowed to pay out further dividends until the end of the covenant waiver period (MAR 10K 2020, p.35).

Dividend Payout

Marriott's dividend payout increased 19.7% from 2018 to 2019. Dividend payout for Marriott and Hilton is shown in *Figure 34*. The increase in dividend payout for 2019 was due to an increase of dividends paid per share from \$1.56 in 2018 to \$1.85 in 2019. Also, earnings per share declined 29.7%. Dividend payout for Marriott was not calculated for 2020 because the company had a net loss. Earnings per share decreased to -\$0.82 in 2020. Marriott outperformed Hilton in dividend payout for 2018 and 2019. Hilton's dividend payout decreased over the time span and was not calculated for 2020, due to it also having a net loss. Like Marriott, Hilton decided to suspend further dividend payments due to the impacts of COVID-19 (HLT 10K 2020, p. 41).

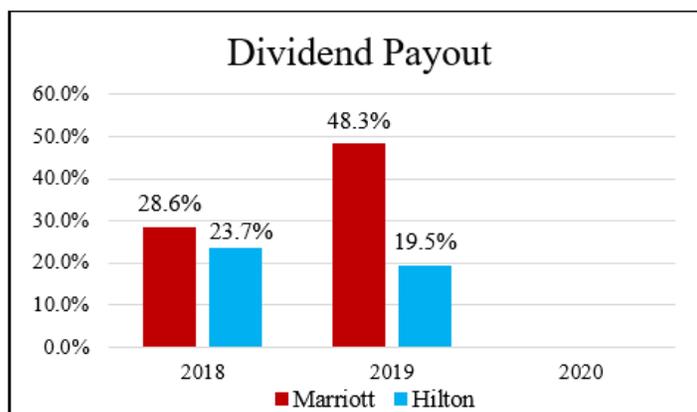


Figure 34 Dividend Payout

Dividend Yield

Dividend yield for Marriott has decreased from 2018 through 2020 (*Figure 35*). The 2018 to 2019 decline was due to an increase in market price. Marriott's dividend yield declined to .36% in 2020. This was primarily due to the decline in dividends paid per share. Hilton's dividend yield declined from 2018 to 2020, due to the same factors that contributed to Marriott's decline for the three years. Marriott outperformed Hilton in all three years, as seen in *Figure 35*.

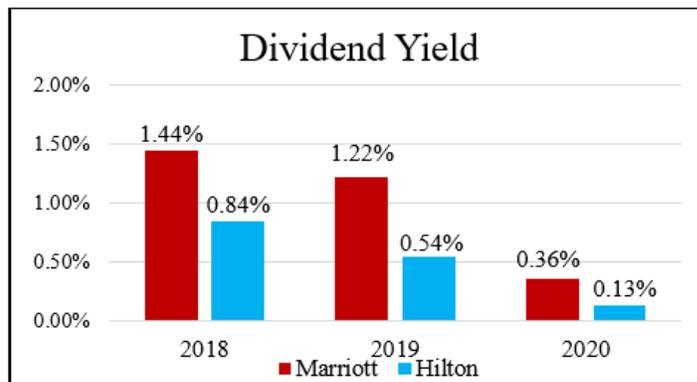


Figure 35 Dividend Yield

Cash Return on Assets

Marriott's cash return on assets decreased from 9.9% in 2018 to 6.7% in 2019, and to 6.6% in 2020 (*Figure 36*). The decrease from 2018 to 2019 was due to cash flow from operations declining 28.5% and total assets increasing 5.7%. The decline in cash flow from operations from 2018 to 2019 resulted primarily from lower net income and changes in working capital (AR 2019, p.42).

Hilton's cash return on assets decreased from 2019 to 2020 as a result of a 48.8% decrease in cash flow from operations and a 12% increase in total assets. For 2020, Marriott had more cash-generating abilities with its assets than Hilton had. The changes in Marriott's and Hilton's cash return on assets for 2018 through 2020 are shown in *Figure 36*.

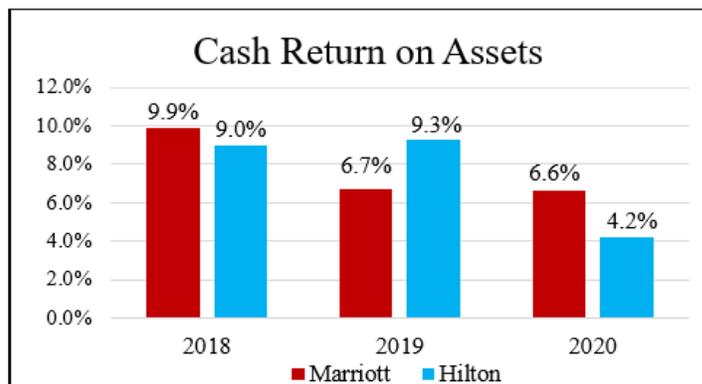


Figure 36 Cash Return on Assets

Cash Flow Liquidity

Marriott's cash flow liquidity decreased from 0.42 in 2018 to 0.29 in 2019. The cash flow liquidity for Marriott can be seen in *Figure 37*. Cash decreased 28.8%, and cash flow from operations decreased 28.5%, while current liabilities increased 3.7% from 2018 to 2019. Cash flow liquidity for Marriott then increased to 0.44 in 2020. This was caused by an increase of 289.8% in cash and a decrease of 13.9% in current liabilities from 2019 to 2020. Hilton's cash flow liquidity ratio is higher than Marriott's for 2018 through 2020. This shows that compared to Hilton, Marriott has less ability to pay off current liabilities with its most liquid assets.

Hilton's cash flow liquidity increased from 0.67 in 2019 to 1.61 in 2020 (*Figure 37*). Hilton's cash was the main driver, due to it increasing 498% from 2019 to 2020. The increase in cash was mainly due to a 108.6% increase in borrowings, 564.8% increase in accounts receivable, 419.6% decrease in repurchases of common stock, and a 518.2% decrease in accounts payable (HLT 10K 2020 p. 81).

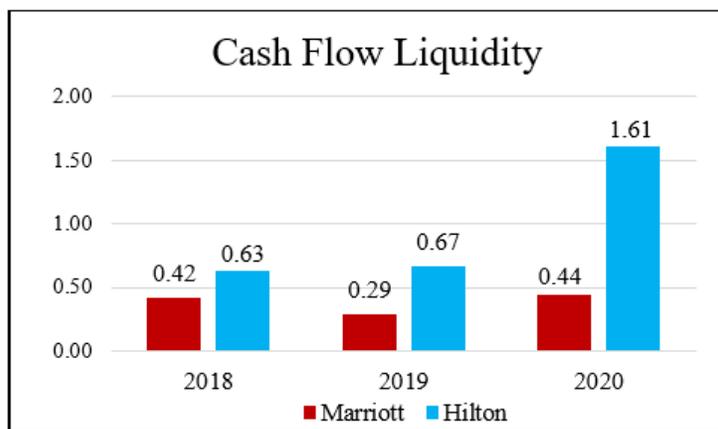


Figure 37 Cash Flow Liquidity

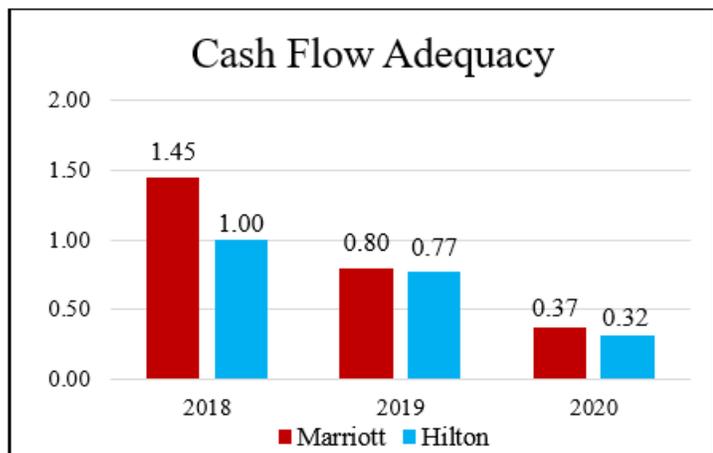


Figure 38 Cash Flow Adequacy

Cash Flow Adequacy

The cash flow adequacy ratio for Marriott decreased from 1.45 in 2018 to 0.8 in 2019, and then to 0.37 in 2020. The decreases in cash flow adequacy for Marriott are shown in *Figure 38*. From 2018 to 2019, cash flow adequacy declined due to cash flow from operations decreasing at 28.5%, while debt repayments increased at a greater rate of 58.7%. Both capital expenditures and dividends paid also increased in 2019. The decrease in cash flow from operations resulted primarily from lower net income and an increase in depreciation and other costs and expenses. Cash flow adequacy decreased from 2019 to 2020, due to debt repayments increasing 400.2%. Repayments included \$1,203 million for senior notes, and the remainder was related to other debt instruments. Marriott was able to cover annual commitments greater than Hilton for all three years. This was primarily due to Hilton having lower cash flow from operations as compared to Marriott.

Stock Performance

Using *Yahoo Finance*, stock performance for Marriott will be compared to Hilton for the previous five years. Marriott is traded on NASDAQ, and Hilton is traded on the NYSE. The stock performance for both companies is displayed in *Figure 39*.

Price to Earnings

The price to earnings for Marriott increased from 19.92 in 2018 to 39.54 in 2019 (*Figure 40*). The increase resulted from Marriott's market price increasing 39.5%, from \$108.56 in 2018 to \$151.43 in 2019. In addition, earnings per share decreased 29.7% in the same period. Hilton's price to earnings increased 27.3% from 2018 to 2019, resulting from an increase in market price. Marriott's and Hilton's price to earnings for 2020 were not graphed, due to the calculations being negative as a result of negative net income. Marriott's market price was higher than Hilton's for all three years. The

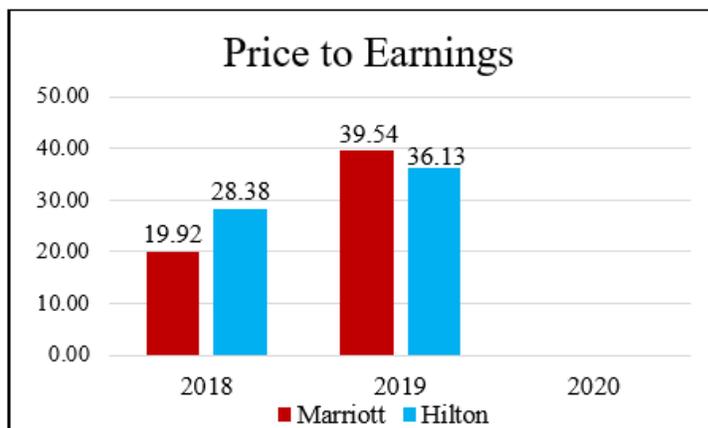


Figure 40 Price to Earnings



Figure 39 Marriott vs. Hilton Stock Performance

changes in the price to earnings ratio for Marriott and Hilton are shown in Figure 40.

Analyst Opinions

According to *Yahoo Finance*, the recommendation trends for Marriott International consist of 1 Underperform, 11 Holds, 8 Buys, and 5 Strong Buys. Overall, Marriott’s recommendation rating for April 2020 falls between a Hold and a Buy (“Marriott International (MAR)”, 2021). Analysts’ average estimate for earnings per share in 2021 is \$1.95 and for 2022, \$4.57 (Marriott International (MAR)”, 2021). The changes over time in analyst opinions for Marriott are displayed in Figure 41.

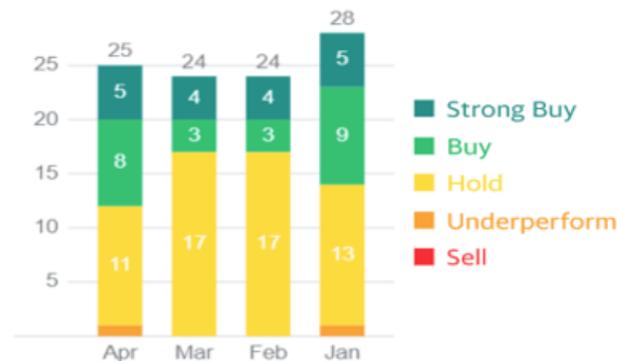


Figure 41 Analyst Opinions for Marriott

Recent Developments

On February 23, 2021, Marriott’s Board of Directors announced the appointment of Anthony Capuano as the new CEO of the company and Stephanie Linnartz as the new

President of the company (Kim, 2021). Capuano and Linnartz were appointed following the unexpected death of CEO and President Arne Sorenson on February 15, 2021 (Kim, 2021).

Conclusion

Marriott International was greatly impacted by the outbreak of the COVID-19 virus and is still suffering from its ongoing effects. Revenue was negatively affected by COVID-19 factors, including temporary hotel closures, lower hotel demand, and lower travel. From 2019 to 2020, revenue decreased 49.6%. As a result, Marriott recorded a net loss of \$267 million for 2020, compared to net income in the previous four years. Operating profit margin and net profit margin for Marriott, as well as for Hilton, declined for 2020.

Compared to prior years, Marriott has increased its debt significantly. Under the credit facility, Marriott borrowed the maximum amount of \$4.5 billion allowed for corporate needs. In 2020, the company issued \$3.6 billion in senior notes, but did not issue commercial paper, as a result of downgraded credit ratings. Marriott repaid \$1,887 million of long-term debt, including \$1,203 for senior notes.

Net cash provided by operating activities decreased 2.7% from 2019 to 2020. Marriott uses cash to pay off debt, pay dividends, and purchase treasury stock. In 2020, Marriott decided to suspend dividend payments and stock repurchases until business conditions improved. Earnings per share declined 121.4% as a result of the net loss recorded for 2020.

**Appendix available upon request by contacting the Faculty Mentor*

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