

## Marriott International Inc.

# Q4 Review: Beat but outlook below investor expectations

Reiterate Rating: BUY | PO: 275.00 USD | Price: 234.94 USD

## Q4 beat but outlook below investor expectations

Marriott reported 4Q23 EBITDA of \$1,197M, ahead of our \$1,140M and above guide (\$1,115-1,150M), largely due to one-time items (incl. a \$63M termination fee) and incentive fees. MAR's 2024 RevPAR, unit growth and EBITDA outlooks were in-line, but EPS was below on GAAP non-cash tax items which we think will be ongoing in '25/'26.

**Bottom line:** Expectations were high given [recent strength \(see report\)](#), and Marriott's stock fell -5.6%, trailing HLT -1.8% and the S&P -1.4% due to 1) 2024 outlook "only" in-line with expectations and headline EPS below (vs. [Hilton's raised outlook \(see report\)](#), 2) organic '24 RevPAR and room growth targets below the Analyst Day outline and 3) concerns on Q1 (see below). However, all KPIs are in-line and MAR should still compound EPS at a +9-10% CAGR from '19-'24 [ahead of consumer peers and the S&P \(see report\)](#). We tweak our estimates less than -1% on EBITDA and reiterate Buy and \$275 PO.

## Q1 seasonally normal but below the Street; 4Q23 review

Marriott's Q1 RevPAR guidance of +4-5% is above our/the Street's prior estimates (+3.5% and +3.7% Y/Y). Marriott's Q1 Adj. EBITDA outlook of \$1,120-1,150M is below the Street's \$1,187M but is in-line with the seasonality patterns we've seen from the company in 2017-2019, which we think is partly due to the timing and Street modeling the [MGM contribution \(see report\)](#) and also some 1x integration costs for MGM.

RevPAR was +7.2% in Q4, in-line with [our tracker's +7.2% \(see report\)](#). By region, Marriott cited international strength: China +87%, APAC +11% and Europe +9%. By segment, MAR called out resilient leisure demand, strength in group (pacing up +13% for 2024), but large corporates continue to lag pre-pandemic levels.

## 2024 rooms +5.5-6.0% with MGM; capital returns of \$4.2B

Marriott's 2024 net unit growth (NUG) outlook of +5.5-6.0% consisting of +3.2-3.7% core NUG + 2.3% MGM rooms (37K) that enter the system in Q1. Ex-MGM, rooms in construction were -3.0% Q/Q, but the pipeline was +3.1% to 536k rooms from 520k rooms in Q3. Marriott's 2024 capital return of \$4.2B includes ~\$3.6B of buybacks and is in spite of a year where investment spending is elevated: the company guided \$1.0-1.2B of investment spending including the \$500M Sheraton Grand Chicago but expected in 4Q24. Excluding the Sheraton Grand, spending is in-line with 2017-2019 levels.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	6.69	9.99	9.30	10.32	11.51
GAAP EPS	7.24	10.18	9.30	10.32	11.51
EPS Change (YoY)	97.3%	49.3%	-6.9%	11.0%	11.5%
Consensus EPS (Bloomberg)			9.68	10.80	11.82
DPS	0.90	1.96	2.16	2.35	2.58
Valuation (Dec)					
P/E	35.1x	23.5x	25.3x	22.8x	20.4x
GAAP P/E	32.5x	23.1x	25.3x	22.8x	20.4x
Dividend Yield	0.4%	0.8%	0.9%	1.0%	1.1%
EV / EBITDA*	23.1x	19.1x	18.0x	17.0x	15.9x
Free Cash Flow Yield*	3.0%	4.0%	4.0%	4.2%	4.5%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 5.

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Timestamp: 14 February 2024 05:00AM EST

14 February 2024

### Equity

#### Key Changes

(US\$)	Previous	Current
2024E Rev (m)	6,596.2	6,602.3
2025E Rev (m)	6,961.2	6,942.0
2026E Rev (m)	7,373.7	7,340.1
2024E EPS	9.67	9.30
2025E EPS	10.72	10.32
2026E EPS	11.95	11.51
2024E DPS	2.24	2.16

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### Stock Data

Price	234.94 USD
Price Objective	275.00 USD
Date Established	9-Feb-2024
Investment Opinion	B-1-7
52-Week Range	153.56 USD - 250.75 USD
Mrkt Val (mn) / Shares Out (mn)	68,012 USD / 289.5
Free Float	75.5%
Average Daily Value (mn)	315.34 USD
BofA Ticker / Exchange	MAR / NAS
Bloomberg / Reuters	MAR US / MAR.OQ
ROE (2024E)	NA
Net Dbt to Eqty (Dec-2023A)	NA
ESGMeter <sup>TM</sup>	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

# iQprofile<sup>SM</sup> Marriott International Inc.

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	13.1%	19.2%	17.2%	18.1%	19.0%
Return on Equity	219.9%	NM	NM	NM	NM
Operating Margin	59.9%	62.7%	63.7%	64.9%	66.1%
Free Cash Flow	2,031	2,718	2,739	2,855	3,046

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.1x	1.0x	1.2x	1.1x	1.1x
Asset Replacement Ratio	1.2x	1.6x	1.0x	1.0x	1.0x
Tax Rate	23.2%	11.6%	25.0%	25.0%	25.0%
Net Debt-to-Equity Ratio	NM	NM	NM	NM	NM
Interest Cover	8.0x	7.0x	6.2x	5.9x	5.7x

## Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	5,361	6,300	6,602	6,942	7,340
% Change	57.0%	17.5%	4.8%	5.1%	5.7%
Gross Profit	NA	NA	NA	NA	NA
% Change	NA	NA	NA	NA	NA
EBITDA	3,853	4,656	4,941	5,233	5,584
% Change	69.1%	20.8%	6.1%	5.9%	6.7%
Net Interest & Other Income	(376)	(525)	(653)	(738)	(817)
<b>Net Income (Adjusted)</b>	<b>2,179</b>	<b>3,027</b>	<b>2,668</b>	<b>2,826</b>	<b>3,024</b>
<b>% Change</b>	<b>95.6%</b>	<b>38.9%</b>	<b>-11.9%</b>	<b>5.9%</b>	<b>7.0%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	2,179	3,027	2,668	2,826	3,024
Depreciation & Amortization	282	277	360	360	360
Change in Working Capital	(542)	69	0	0	0
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	444	(203)	56	15	8
Capital Expenditure	(332)	(452)	(345)	(345)	(346)
<b>Free Cash Flow</b>	<b>2,031</b>	<b>2,718</b>	<b>2,739</b>	<b>2,855</b>	<b>3,046</b>
<b>% Change</b>	<b>104.3%</b>	<b>33.8%</b>	<b>0.8%</b>	<b>4.3%</b>	<b>6.7%</b>
Share / Issue Repurchase	(2,566)	(3,953)	(3,600)	(3,600)	(3,200)
Cost of Dividends Paid	(321)	(587)	(616)	(640)	(675)
Change in Debt	(3)	1,780	1,775	1,600	1,600

## Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	525	366	81	213	900
Trade Receivables	2,806	2,973	2,913	2,859	2,804
Other Current Assets	NA	NA	NA	NA	NA
Property, Plant & Equipment	1,585	1,581	2,066	2,051	2,038
Other Non-Current Assets	19,899	20,754	20,901	21,079	21,263
<b>Total Assets</b>	<b>24,815</b>	<b>25,674</b>	<b>25,961</b>	<b>26,202</b>	<b>27,005</b>
Short-Term Debt	684	553	553	553	553
Other Current Liabilities	6,655	7,209	7,269	7,323	7,378
Long-Term Debt	9,380	11,320	13,095	14,695	16,295
Other Non-Current Liabilities	7,528	7,274	7,274	7,274	7,274
<b>Total Liabilities</b>	<b>24,247</b>	<b>26,356</b>	<b>28,191</b>	<b>29,845</b>	<b>31,500</b>
<b>Total Equity</b>	<b>568</b>	<b>(682)</b>	<b>(2,230)</b>	<b>(3,644)</b>	<b>(4,495)</b>
<b>Total Equity &amp; Liabilities</b>	<b>24,815</b>	<b>25,674</b>	<b>25,961</b>	<b>26,202</b>	<b>27,005</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 5.

## Company Sector

Lodging

## Company Description

Marriott International is a global lodging company with over 6,200 properties and 1.2 million rooms in its system. The company has 30 brands in the limited service (Courtyard, Residence Inn, TownePlace Suites, Fairfield Inn, SpringHill Suites) and full service (Marriott, JW Marriott, Ritz-Carlton, Renaissance, Bulgari, W Hotels, St. Regis) segments.

## Investment Rationale

As a manager and franchiser of hotels, Marriott's fee revenues are less levered to changes in the economic environment. Marriott's business model is characterized by low capital requirements, high margins, and above-peer-average returns on invested capital. In addition to steady fee revenues, Marriott also benefits from good growth in its brands outside of North America and a healthy balance sheet.

## Stock Data

Average Daily Volume 1,378,949

## Quarterly Earnings Estimates

	2023	2024
Q1	2.08A	2.14E
Q2	2.26A	2.54E
Q3	2.11A	2.30E
Q4	3.57A	2.32E

**Exhibit 1: Marriott International (MAR) earnings variance**

Marriott's Q4 results were ahead of expectations

	4Q22A	BofA Estimate	4Q23A	Estimate Variance	
				\$ Var.	% Var.
<b>REVENUE</b>					
Base Management Fees	\$287	\$313	\$321	\$8	2.5%
Incentive Management Fees	186	178	218	40	22.3%
Franchise Fees	658	714	705	(9)	-1.3%
Owned/Leased Property	396	337	455	118	35.2%
Contract Investment Amortization	(24)	(24)	(22)	2	-8.3%
<b>Total Revenue</b>	<b>1,503</b>	<b>1,518</b>	<b>1,677</b>	<b>159</b>	<b>10.5%</b>
% Change	40.2%	1.0%	11.6%	N/M	1059 bpt
<b>EBITDA</b>					
Management/Franchise (Before G&A)	1,107	1,181	1,222	41	3.4%
Owned/Leased Property	101	82	151	69	84.2%
Corporate G&A Expense	(236)	(255)	(330)	(75)	29.4%
Pro Rata Share of JV EBITDA	5	7	7	0	1.4%
EBITDA	977	1,015	1,050	35	3.4%
% Owned/Leased Margins	65.0%	66.9%	62.6%	N/A	-427 bpt
% Total Margin	25.5%	24.4%	33.2%	N/A	883 bpt
<b>Reported Adjusted EBITDA</b>	<b>\$1,090</b>	<b>\$1,140</b>	<b>\$1,197</b>	<b>\$57</b>	<b>5.0%</b>
% Margin	72.5%	75.1%	71.4%	N/A	-370 bpt

Source: BofA Global Research estimates, company report

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## Price objective basis & risk

### Marriott International Inc. (MAR)

Our \$275 PO is based on approx. 17x our 2025E EBITDA estimate, a premium to historical multiples for this type of hotel business but in-line with the group given the reduced volatility of the company's fee stream over time.

Downside risks to our PO are 1) greater-than-expected economic weakness, which may lead to declines in travel demand, 2) the potential for terrorism, which may make individuals more reluctant to travel, 3) greater-than-expected delays in new hotel development, which may slow growth in Marriott's system, and 4) worse-than-expected business/consumer spending, which may lead to declines in overall travel demand.

## Analyst Certification

I, Shaun C. Kelley, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### US - Gaming, Lodging and Leisure Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Boyd Gaming Corp	BYD	BYD US	Shaun C. Kelley
	Choice Hotels International	CHH	CHH US	Dany Asad
	DraftKings, Inc.	DKNG	DKNG US	Shaun C. Kelley
	Hilton Worldwide	HLT	HLT US	Shaun C. Kelley
	Host Hotels & Resorts Inc.	HST	HST US	Shaun C. Kelley
	Hyatt Hotels	H	H US	Shaun C. Kelley
	Marriott International Inc.	MAR	MAR US	Shaun C. Kelley
	Penn Entertainment	PENN	PENN US	Shaun C. Kelley
	Ryman Hospitality Properties	RHP	RHP US	Shaun C. Kelley
	Soho House & Co Inc	SHCO	SHCO US	Shaun C. Kelley
	Vail Resorts, Inc	MTN	MTN US	Shaun C. Kelley
	VICI Properties	VICI	VICI US	Shaun C. Kelley
	Wyndham Hotels & Resorts, Inc.	WH	WH US	Dany Asad
<b>NEUTRAL</b>				
	Apple Hospitality REIT Inc.	APLE	APLE US	Dany Asad
	Caesars Entertainment Inc	CZR	CZR US	Shaun C. Kelley
	Churchill Downs Incorporated	CHDN	CHDN US	Shaun C. Kelley
	Hilton Grand Vacations Inc	HGV	HGV US	Dany Asad
	Las Vegas Sands	LVS	LVS US	Shaun C. Kelley
	MGM Resorts International	MGM	MGM US	Shaun C. Kelley
	Park Hotels & Resorts Inc.	PK	PK US	Dany Asad
	Wynn Resorts Ltd	WYNN	WYNN US	Shaun C. Kelley
<b>UNDERPERFORM</b>				
	DiamondRock Hospitality	DRH	DRH US	Dany Asad
	Gaming & Leisure Properties, Inc.	GLPI	GLPI US	Shaun C. Kelley
	Marriott Vacations Worldwide	VAC	VAC US	Shaun C. Kelley
	Pebblebrook Hotel Trust	PEB	PEB US	Shaun C. Kelley
	Playa Hotels & Resorts	PLYA	PLYA US	Shaun C. Kelley
	Red Rock Resorts, Inc.	RRR	RRR US	Shaun C. Kelley
	RLJ Lodging Trust	RLJ	RLJ US	Dany Asad
	Sportradar Holding AG	SRAD	SRAD US	Shaun C. Kelley
	Summit Hotel Properties	INN	INN US	Dany Asad
	Sunstone Hotel Investors	SHO	SHO US	Dany Asad
	Travel + Leisure Co	TNL	TNL US	Dany Asad

## iQmethod<sup>SM</sup> Measures Definitions

### Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

### Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

### Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

### Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

### Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash &amp; Equivalents

EBIT

### Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

### Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

### Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

### Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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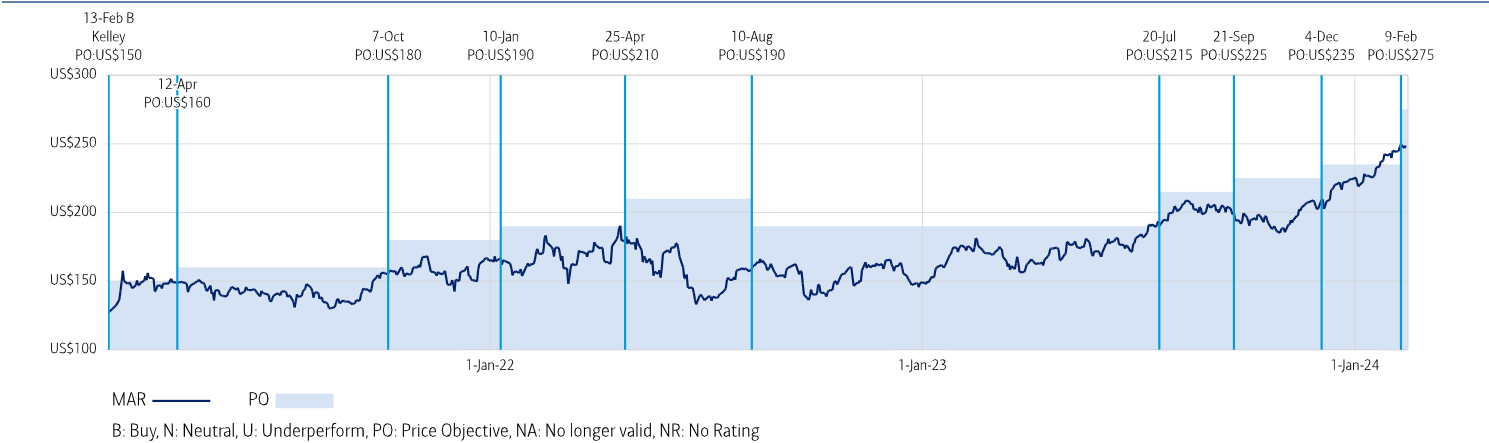
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Marriott Intl. (MAR) Price Chart



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Equity Investment Rating Distribution: Leisure - Hotel/Lodging Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	16	61.54%	Buy	12	75.00%
Hold	3	11.54%	Hold	2	66.67%
Sell	7	26.92%	Sell	5	71.43%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup> Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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