

Marriott International operates and franchises several brands of hotels, resorts and timeshare facilities across 138 countries and territories. With a market cap of \$66.8 billion, MAR stock is generally classified as large-cap growth.

Analyst's Notes

Analysis by John Staszak, CFA, February 13, 2024

ARGUS RATING: **BUY**

- Maintaining BUY; cautious guidance likely to be exceeded
- We are raising our target price to \$270. We believe that Marriott's profitable fee-based business, strong liquidity, and emphasis on corporate travel position it well for earnings growth in 2024.
- The company's global operating model, in which it is able to expand room capacity anywhere in the world, is also a strong positive.
- On February 13, 2024, the company updated full-year guidance. It expects RevPAR growth of 3%-5% and adjusted EPS of \$9.15-\$9.52. Despite rising expenses and higher borrowing costs, we think that these growth targets are cautious and likely to be surpassed.
- We are raising our 2024 EPS estimate to \$9.72 from \$9.61 and setting a 2025 estimate of \$10.90. Both estimates are above consensus.

INVESTMENT THESIS

We are maintaining our BUY rating on Marriott International Inc. (NYSE: MAR) and raising our target price to \$270 from \$261. We believe that Marriott's profitable fee-based business, strong liquidity, and emphasis on corporate travel position it well for earnings growth in 2024. The company's global operating model, in which it is able to expand room capacity anywhere in the world, is also a strong positive.

RECENT DEVELOPMENTS

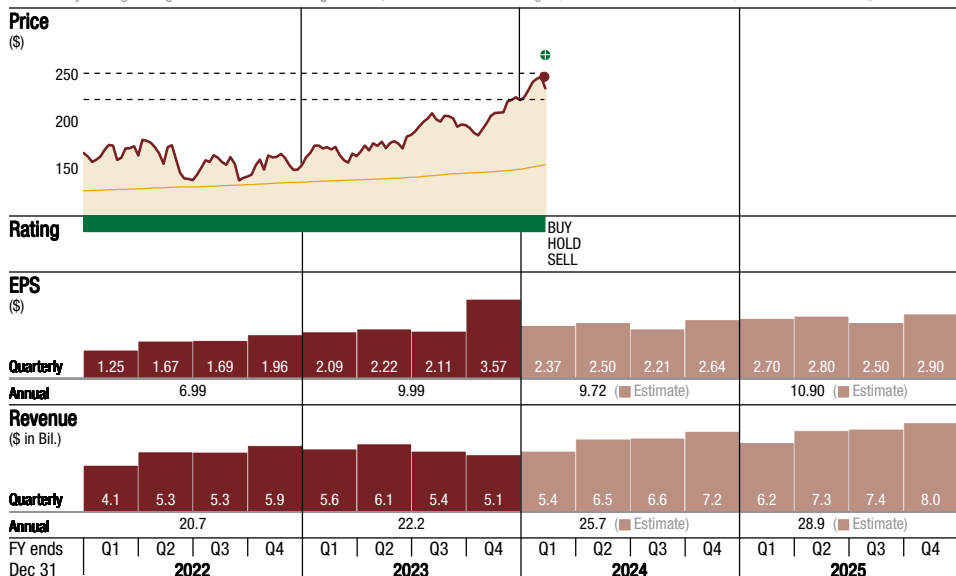
RECENT DEVELOPMENTS

Since our upgrade to BUY on November 18, 2020, the shares have gained 94%, including the dividend. Based on Marriott's strong loyalty program and prospects for robust fee growth, we think the shares can move higher.

On February 13, 2024, Marriott reported adjusted 4Q23 EPS of \$3.57, up from \$1.96 in 4Q22 and above the consensus estimate of \$2.12. Management's guidance had called for fourth-quarter earnings of \$2.04-\$2.13. The results reflected strong growth in incentive management fees and 15% higher owned, leased and other revenue, net of direct expenses. Revenue rose 3% from the prior year to \$6.1 billion, driven by low-teens growth in base management fees and 7% higher franchise fees. The consensus estimate had called for

Market Data Pricing reflects previous trading week's closing price.

— 200-Day Moving Average — Target Price: \$270.00 — 52 Week High: \$250.75 — 52 Week Low: \$223.07 — Closed at \$247.02 on 2/9



Argus Recommendations

Twelve Month Rating	SELL	HOLD	BUY
Five Year Rating	SELL	HOLD	BUY
Sector Rating	Under Weight	Market Weight	Over Weight

Argus assigns a 12-month BUY, HOLD, or SELL rating to each stock under coverage.

- BUY-rated stocks are expected to outperform the market (the benchmark S&P 500 Index) on a risk-adjusted basis over the next year.
- HOLD-rated stocks are expected to perform in line with the market.
- SELL-rated stocks are expected to underperform the market on a risk-adjusted basis.

The distribution of ratings across Argus' entire company universe is: 71% Buy, 29% Hold, 0% Sell.

Key Statistics

Key Statistics pricing data reflects previous trading day's closing price. Other applicable data are trailing 12-months unless otherwise specified

Market Overview

Price	\$234.94
Target Price	\$270.00
52 Week Price Range	\$153.56 to \$250.75
Shares Outstanding	289.49 Million
Dividend	\$2.08

Sector Overview

Sector	Consumer Discretionary
Sector Rating	OVER WEIGHT
Total % of S&P 500 Market Cap.	10.00%

Financial Strength

Financial Strength Rating	MEDIUM
Debt/Capital Ratio	--
Return on Equity	--
Net Margin	13.0%
Payout Ratio	0.26
Current Ratio	--
Revenue	\$23.71 Billion
After-Tax Income	\$3.08 Billion

Valuation

Current FY P/E	24.17
Prior FY P/E	23.52
Price/Sales	2.87
Price/Book	--
Book Value/Share	--
Market Capitalization	\$68.01 Billion

Forecasted Growth

1 Year EPS Growth Forecast	-2.70%
5 Year EPS Growth Forecast	12.00%
1 Year Dividend Growth Forecast	27.55%

Risk

Beta	1.02
Institutional Ownership	59.64%

Analyst's Notes ...Continued

revenue of \$6.2 billion. Cost reimbursement revenue increased to \$4.42 billion from \$3.93 billion and came in below the consensus estimate of \$4.65 billion. Reflecting strong leisure travel demand in international markets, fourth-quarter adjusted EBITDA rose to \$1.20 billion from \$1.09 billion a year earlier, above the consensus estimate of \$1.14 billion. Management's guidance had called for EBITDA of \$1.115-\$1.150 billion.

International RevPAR rose 17% year-over-year reflecting recovery in all regions. The Middle East/Africa segment reported a 4% increase in RevPAR, while European RevPAR increased 9.5%. Both regions benefited from a strong dollar, which led more Americans to travel overseas. RevPAR in the U.S. and Canada rose 3.3%. Worldwide comparable RevPAR rose 7.2%, in the upper portion of management's guidance range of 6%-7.5%. The consensus estimate had called for worldwide comparable RevPAR growth of 7.1%.

Reflecting the repurchase of 21.5 million shares in 2023, the share count fell to 296 million at the end of 4Q23 from 318 million a year earlier. In 2023, the company returned \$4.5 billion to shareholders in the form of share buybacks and dividend payments.

In 2023, revenue rose to \$23.7 billion from \$20.8 billion. Adjusted EPS came to \$9.99, up from \$6.69 in 2022.

EARNINGS & GROWTH ANALYSIS

In North America, demand was solid in 4Q23. Leisure demand was the strongest segment, although corporate demand also picked.

Marriott issued first-quarter guidance for RevPAR growth of 4%-5%. In 1Q24, driven by increased credit card fees, and higher base management and incentive management fees, MAR expects EBITDA of \$1.12-\$1.15 billion.

In 2024, the company expects RevPAR growth of 4%-5% and adjusted EPS of \$9.15-\$9.52. Despite rising expenses and higher borrowing costs, we think that these growth targets are cautious and likely to be surpassed.

We are raising our 2024 EPS estimate to \$9.72 from \$9.61 and setting a 2025 estimate of \$10.90. Both estimates are above consensus. Our long-term earnings growth rate forecast is 12%.

FINANCIAL STRENGTH & DIVIDEND

Our financial strength rating on Marriott International is Medium, the midpoint on our five-point scale. Standard & Poor's rates the company's debt as investment grade with a rating of BBB.

At the end of 4Q23, the company's total debt was \$11.9 billion, and cash and cash equivalents totaled \$300 million.

Marriott's adjusted EBITDA margin rose to 19.6% in 4Q23 from 18.4% in 4Q22.

The company pays a quarterly cash dividend. In May 2023, Marriott raised its quarterly dividend to \$0.52 per share from \$0.40. Our dividend estimates are \$2.50 for 2024 and \$2.64 for 2025.

RISKS

The company is at risk from weak economic conditions, rising

Growth & Valuation Analysis

GROWTH ANALYSIS

(\$ in Millions, except per share data)

	2018	2019	2020	2021	2022
Revenue	20,758	20,972	10,571	13,857	20,773
COGS	17,084	17,755	9,112	11,056	16,215
Gross Profit	3,674	3,217	1,459	2,801	4,558
SG&A	927	938	762	823	891
R&D	—	—	—	—	—
Operating Income	2,521	1,938	351	1,758	3,474
Interest Expense	318	368	418	392	377
Pretax Income	2,345	1,599	-466	1,180	3,114
Income Taxes	438	326	-199	81	756
Tax Rate (%)	19	20	—	7	24
Net Income	1,907	1,273	-267	1,099	2,358
Diluted Shares Outstanding	354	336	326	329	326
EPS	5.38	3.80	-0.82	3.34	7.24
Dividend	1.56	1.85	0.48	—	1.00

GROWTH RATES (%)

Revenue	4.4	3.0	-60.6	61.2	56.8
Operating Income	-5.3	-23.1	-81.9	400.9	97.6
Net Income	30.7	-33.2	—	—	114.6
EPS	40.1	-29.4	—	—	116.8
Dividend	20.9	18.6	-74.1	—	—
Sustainable Growth Rate	29.1	44.9	-26.8	81.4	197.5

VALUATION ANALYSIS

Price: High	—	\$153.39	\$152.60	\$171.68	\$195.90
Price: Low	—	\$101.57	\$46.56	\$115.50	\$131.01
Price/Sales: High-Low	— - —	2.5 - 1.6	4.7 - 1.4	4.1 - 2.7	3.1 - 2.1
P/E: High-Low	— - —	40.4 - 26.7	— - —	51.4 - 34.6	27.1 - 18.1
Price/Cash Flow: High-Low	— - —	32.2 - 21.3	23.6 - 7.2	74.1 - 49.8	27.4 - 18.3

Financial & Risk Analysis

FINANCIAL STRENGTH

	2020	2021	2022
Cash (\$ in Millions)	877	1,393	507
Working Capital (\$ in Millions)	-2,927	-2,781	-4,026
Current Ratio	0.49	0.57	0.45
LT Debt/Equity Ratio (%)	2,331.6	737.7	1,833.5
Total Debt/Equity Ratio (%)	2,604.4	794.6	1,953.9

RATIOS (%)

Gross Profit Margin	13.8	20.2	21.9
Operating Margin	3.3	12.7	16.7
Net Margin	-2.5	7.9	11.4
Return On Assets	-1.1	4.4	9.4
Return On Equity	-47.1	119.2	237.9

RISK ANALYSIS

Cash Cycle (days)	—	—	—
Cash Flow/Cap Ex	12.1	6.4	7.1
Oper. Income/Int. Exp. (ratio)	0.0	3.8	8.7
Payout Ratio	45.9	181.1	—

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Analyst's Notes ...Continued

operating expenses, and the threat of terrorism, which could hurt both business and leisure travel.

COMPANY DESCRIPTION

Marriott International operates and franchises several brands of hotels, resorts and timeshare facilities across 138 countries and territories. With a market cap of \$66.8 billion, MAR stock is generally classified as large-cap growth.

VALUATION

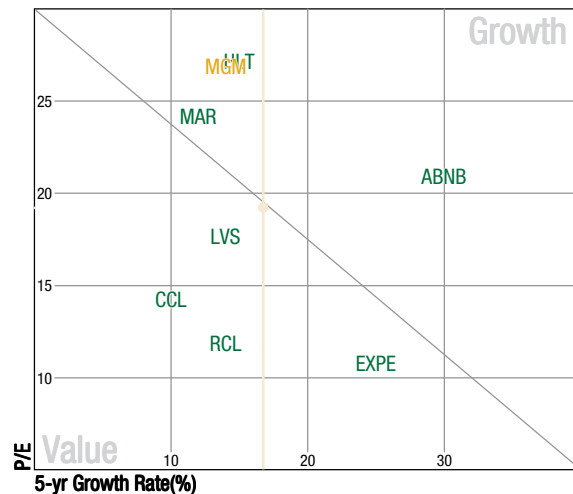
The shares fell on February 13 after the company issued what appears to be cautious guidance that is likely to be surpassed. MAR shares are trading at 24.0-times our revised EPS estimate for 2024, below the peer average of 31. We believe that the stock remains attractive based on the company's growing businesses. Reflecting the impact of an additional 50 hotels in China and the company's push into the midscale lodging market, we are raising our price target to \$270 from \$261.

On February 13, BUY-rated MAR closed at \$234.94, down \$13.90.

Peer & Industry Analysis

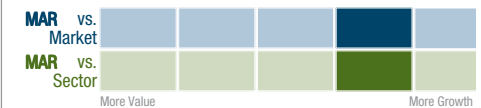
The graphics in this section are designed to allow investors to compare MAR versus its industry peers, the broader sector, and the market as a whole, as defined by the Argus Universe of Coverage.

- The scatterplot shows how MAR stacks up versus its peers on two key characteristics: long-term growth and value. In general, companies in the lower left-hand corner are more value-oriented, while those in the upper right-hand corner are more growth-oriented.
- The table builds on the scatterplot by displaying more financial information.
- The bar charts on the right take the analysis two steps further, by broadening the comparison groups into the sector level and the market as a whole. This tool is designed to help investors understand how MAR might fit into or modify a diversified portfolio.

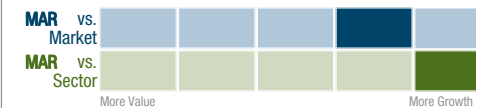


Ticker	Company	Market Cap (\$ in Millions)	5-yr Growth Rate (%)	Current FY P/E	Net Margin (%)	1-yr EPS Growth (%)	Argus Rating
MAR	Marriott International, Inc.	68,012	12.0	24.2	13.0	12.1	BUY
ABNB	Airbnb Inc	65,568	30.0	20.9	48.3	-36.7	BUY
HLT	Hilton Worldwide Holdings Inc	47,938	15.0	27.2	11.1	14.3	BUY
LVS	Las Vegas Sands Corp	40,590	14.0	17.7	11.8	13.4	BUY
RCL	Royal Caribbean Group	29,891	14.0	11.9	12.2	12.2	BUY
EXPE	Expedia Group Inc	17,632	25.0	10.8	6.2	27.0	BUY
CCL	Carnival Corp.	16,926	10.0	14.3	-3	27.4	BUY
MGM	MGM Resorts International	15,597	14.0	26.9	7.1	17.6	HOLD
Peer Average		37,769	16.8	19.2	13.7	10.9	

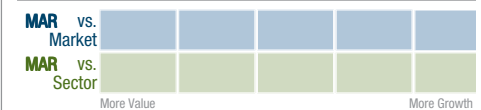
P/E



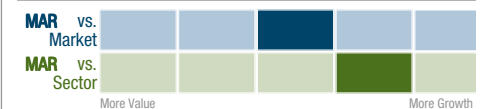
Price/Sales



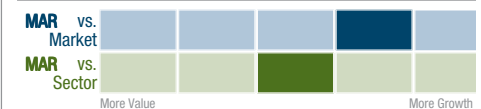
Price/Book



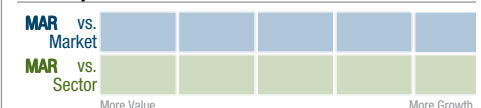
PEG



5 Year Growth



Debt/Capital



About Argus

Argus Research, founded by Economist Harold Dorsey in 1934, has built a top-down, fundamental system that is used by Argus analysts. This six-point system includes Industry Analysis, Growth Analysis, Financial Strength Analysis, Management Assessment, Risk Analysis and Valuation Analysis.

Utilizing forecasts from Argus' Economist, the Industry Analysis identifies industries expected to perform well over the next one-to-two years.

The Growth Analysis generates proprietary estimates for companies under coverage.

In the Financial Strength Analysis, analysts study ratios to understand profitability, liquidity and capital structure.

During the Management Assessment, analysts meet with and familiarize themselves with the processes of corporate management teams.

Quantitative trends and qualitative threats are assessed under the Risk Analysis.

And finally, Argus' Valuation Analysis model integrates a historical ratio matrix, discounted cash flow modeling, and peer comparison.

THE ARGUS RESEARCH RATING SYSTEM

Argus uses three ratings for stocks: BUY, HOLD, and SELL. Stocks are rated relative to a benchmark, the S&P 500.

- A BUY-rated stock is expected to outperform the S&P 500 on a risk-adjusted basis over a 12-month period. To make this determination, Argus Analysts set target prices, use beta as the measure of risk, and compare expected risk-adjusted stock returns to the S&P 500 forecasts set by the Argus Market Strategist.
- A HOLD-rated stock is expected to perform in line with the S&P 500.
- A SELL-rated stock is expected to underperform the S&P 500.

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