

A Work Project, presented as part of the requirements for the Award of a Master Degree in Finance from the NOVA – School of Business and Economics.

Marriott International, Inc. – A home run to excellence

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A Project carried out on the Master in Finance Program, under the supervision of:

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17th of December, 2024

Abstract

This report forms part of an equity research study on Marriott International, Inc., a global leader in the hotel industry. Its primary objective is to determine the company's target price through a comprehensive valuation process.

The analysis leverages detailed market research, industry trends, and company-specific data. It builds a robust foundation for two key valuation methodologies: the Discounted Cash Flow (DCF) and Multiples Valuation models. By integrating these approaches, the report provides insight on investment perspective supported by in-depth financial and strategic analysis.

Based on the preferred valuation methodology, the report estimates a target share price of \$257.02. Considering the share price as of December 14, 2024, the investment recommendation for Marriott International Inc. is a **Sell**, reflecting limited upside potential relative to its market valuation, giving an expected return for shareholders of approximately -9.60%.

Keywords: Marriott; Asset-light; Intrinsic value; Global company

This work used infrastructure and resources funded by Fundação para a Ciência e a Tecnologia (UID/ECO/00124/2013, UID/ECO/00124/2019 and Social Sciences DataLab, Project 22209), POR Lisboa (LISBOA-01-0145-FEDER-007722 and Social Sciences DataLab, Project 22209) and POR Norte (Social Sciences DataLab, Project 22209).

This report is part of the equity research Marriott International, Inc. – A home run to excellence report (annexed), developed by Rodrigo Adão (46959) and Diogo Alves (58900) and should be read as an integral part of it.

Table of Contents

COMPANY OVERVIEW.....	6
BUSINESS MODEL	6
GLOBAL FOOTPRINT	8
OWNERSHIP STRUCTURE.....	8
BOARD OF MANAGEMENT.....	9
FINANCIAL OVERVIEW	9
REVENUES	9
COST STRUCTURE.....	10
PROFITABILITY	10
PERFORMANCE ANALYSIS.....	11
CAPITAL STRUCTURE.....	12
VALUE DRIVERS	13
INTRINSIC VALUATION.....	14
DISCOUNTED CASH FLOWS	14
<i>Methodology</i>	15
ADJUSTED PRESENT VALUE.....	15
FREE CASH FLOWS.....	16
WEIGHTED AVERAGE COST OF CAPITAL.....	16
<i>Risk-free rate</i>	16
<i>Market risk premium (MRP)</i>	16
<i>Cost of debt (Rd)</i>	16
<i>Levered beta</i>	17
<i>Cost of equity (Re)</i>	17
<i>Weighted average cost of capital</i>	18
RELATIVE VALUATION	18
ENVIRONMENTAL, SOCIAL AND GOVERNANCE.....	19
CONCLUSION.....	19

Introduction

The present report is part of the equity research Marriott International, Inc. – A home run to excellence report. It is conducted as part of the requirements for the Master's in Finance program at NOVA School of Business and Economics and it aims to deliver a comprehensive analysis of Marriott International, Inc., a global leader in the hotel industry.

With this report one can assess the company's financial performance, key strategic positioning as well as long-term prospects. Valuation methodologies including Intrinsic Valuation with a focus on Discounted Cash Flow (DCF) method, and Relative Valuation using the multiples method, are the foundation of a thorough investment recommendation based on the company's potential in the evolving hotel industry landscape. These models are supported by detailed industry and company-specific research, with the industry research not extensively included in this part of the report.

The structure begins with the Company Overview mirroring the company's history, business model, global presence, ownership structure, and board of management composition. This section is followed by the Financial Overview covering revenue analysis, cost structure, profitability, performance analysis, capital structure, and value drivers. Following is the Valuation section separated into Intrinsic valuation and Relative valuation and the resulting target price. Ending is the Environmental, Social, and Governance (ESG) highlighting Marriott's efforts in these three pillars and how this affects the target price.

Given the nature of this equity research project, specific sections have been assigned between authors. The other part of the equity research covered by Diogo Alves includes an industry overview, forecast breakdown, risk analysis, and sensitivity and scenario analysis.

Company overview

Marriott International Inc. (“Marriott”) has been the market leader in the hotel industry since 2016. This marked an incredible period of expansion and innovation. What, almost a century ago, started as a root beer stand, went into a pioneering hotel business, with the first hotel opening its doors in 1957. Over the decades, the company has consistently influenced the hotel industry.

During the 60s, Marriott led the way in hotel management contracts. Moved to the extended-stay hotel market in the 70s, when Courtyard by Marriott was introduced. The 80s brought further diversification with the launch of the Marriott Vacation Club, making its entry into timeshare. The decade afterwards was marked by the expansion into the luxury market through the acquisition of Ritz-Carlton and step forward into international markets. In the new millennium, Marriott embraced technology with internet reservations and the launch of loyalty programs. With the purchase of Starwood Hotels & Resorts in 2016, the company solidified its position as the largest hotel corporation in the world. Recently, it tackled the COVID-19 pandemic with expertise while putting a strong emphasis on Environmental, Social and Governance (ESG) initiatives with programs like Serve 360.

Currently, the company holds 9,068 properties consisting of 1,674,600 rooms, ready to be used. Moreover, Marriott International operates more than 30 brands across various segments of the hospitality industry. These include brands from luxury to budget (fig.1). This diverse portfolio allows the company to capture the attention of a wide variety of customers attending to their preferences and needs.



Figure 1 - Marriott International Brands

Business Model

Marriott is a company with a strong focus on its asset-light strategy. Even though the company owns property, plant, and equipment, most of its activities are related to managed or franchised/licensed properties. By 2023 managed properties represented 36% of their total properties and franchised or licensed properties accounted for almost 61% (fig. 2). This business model allows the company to expand its global footprint without the significant capital investment, usually required to acquire and develop new properties. Avoiding the financial burden of

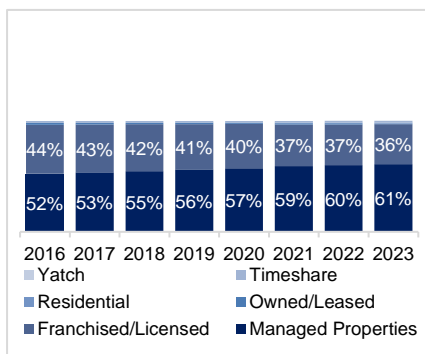


Figure 2 – Marriott type of Properties (values in %)

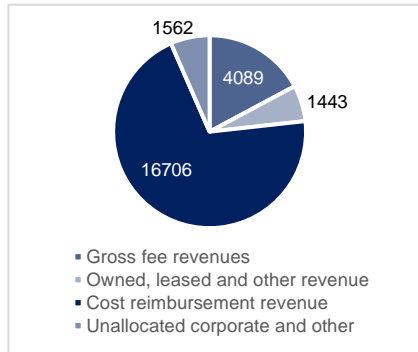


Figure 3 - Marriott Operation Categories (values in \$Mn)

owning real estate, the company can allocate its resources to brand management to consolidate its reputation as the industry leader. Moreover, this business strategy also allows the company to move between the operational risks associated with the ownership of physical assets such as fluctuation in market prices of both the properties and the raw materials, maintenance costs, or even compliance costs related to local regulation.

The organization is very diversified. It can be seen as a worldwide operator, franchisor, and licensor of hotels, residential, timeshare, and other lodging establishments under its umbrella. Nonetheless, their operations fall into three main categories: Owned or Leased, Management, and Franchising. As a result, Marriott enjoys diversified revenue streams (fig. 3).

For the properties operated by the company, which are not exclusive of those under long-term management or lease agreement, revenue is generated through a combination of base management fees – fees that are calculated as a percentage of the hotel revenues – and incentive fees which are tied to the hotel’s profits. Lastly, these contracts include the reimbursement of operational costs. In franchised or licensed properties, the revenues are calculated differently. They start with an initial application fee plus ongoing fees ranging from 4% to 7% of total revenues, which may vary from contract to contract. Some contracts may even include up to 4% percent of food and beverage revenue. The owners of the properties get to use Marriott’s brand names and systems while having the opportunity to contribute to centralized programs such as the Marriott Bonvoy loyalty program which is very important for the company since, in the fiscal year of 2023, over 60% of the global room nights were booked by this program’s members.

Marriott also collects royalties under licensing agreements with Marriott Vacations Worldwide Corporation (MVW) (fig. 4). The royalties consist of a fixed annual fee that is adjusted for inflation and variable fees based on the volume of revenues.

For residential properties, the company uses certain trademarks for its sale. Usually, a one-time branding fee is received upon the sale and a continuing management fee for overseeing the homeowners’ association.

Finally, the company has co-branded credit cards associated with Marriott Bonvoy in 11 countries. A fixed amount is earned at the contract inception and variable amounts are paid monthly based on card usage.

These diversified streams of revenues are made possible with the company’s extensive portfolio of brands, allowing Marriott to appeal to a wide range of customers, globally. These brands are organized into four quality tiers - Luxury, Premium, Select, and Midscale – catering to different market segments and preferences (fig. 5). This strategic brand segmentation, combined with the



Figure 4 - Marriott Worldwide Corporation (MVW)

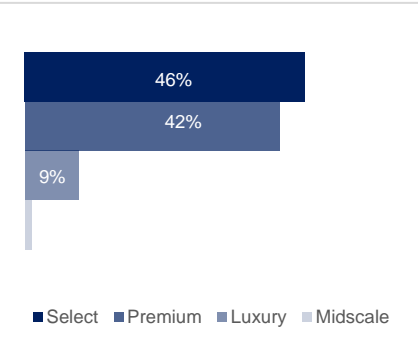


Figure 5 - Marriott Quality Tiers Categories (values in %)

organization’s global presence, strengthens its competitive edge.

Global Footprint

As the leader in the hospitality industry, the company has established a presence across 139 countries and territories (fig. 6). This expansive footprint is largely driven by the company’s business model, which allows the company an easy entrance into key international markets, with advantages that some competitors do not have.

Historically, Marriott has been reporting its operations through two primary regions: U.S. & Canada, and International which includes Europe, Middle East & Africa, Caribbean & Latin America, Greater China, and Asia Pacific excluding China. Even though the company is very international in terms of presence, the first region continues to have supremacy, having nearly 75% of the total revenues for the fiscal year of 2023. The region also holds 61% of Marriott’s total rooms with the remainder divided as 9% for Europe, 5% for the Middle East & Africa, 8% for Asia Pacific excluding China, 10% for Greater China and another 5% for Caribbean & Latin America. An additional 1% is attributed to Timeshare and Yacht operations, which are categorized under unallocated corporate and other revenues (fig. 7).

Marriott’s regional strategies also highlight key differences in market dynamics. In the U.S. & Canada, 77% of properties operate under franchise agreements, a mirror of the region’s market maturity and strong brand recognition, allowing independent operators to manage Marriott hotels. Internationally however, the company manages 61% of the properties within this segment (fig. 8). This relatively higher preference for Marriott-managed properties in global markets stems from the company’s operational expertise and ability to maintain brand consistency, particularly in regions where hotel markets are less mature, and quality control is paramount.



Figure 6 – Map of Marriott Global Footprint

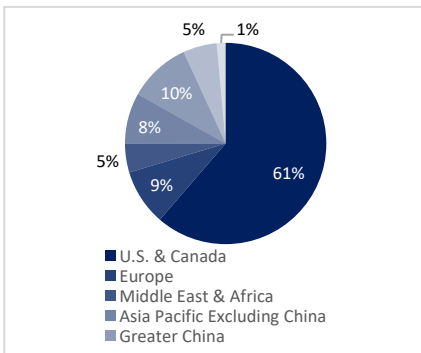


Figure 7 – Marriott rooms per Region (values in %)

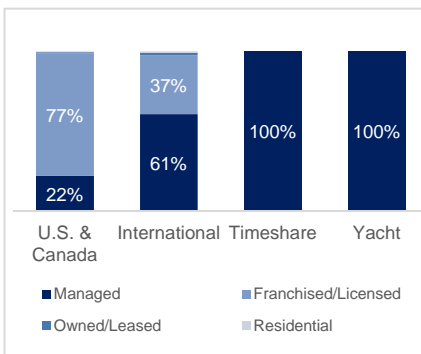


Figure 8 - Marriott Properties Distributed by Operational Categories (values in %)

Ownership Structure

As of 2024, the ownership structure of the company goes from individual to institutional shareholders. The last mentioned are composed by mutual funds, pension funds, and other big organizations, which represent most of the shareholders. The biggest holders are the Vanguard Group with 7.2% BlackRock Fund Advisors with 4.1% and State Street Corp. with 3.3% of the total equity of the company. The family of the founders also owns a big part of the company, with the family holding some influence of the company with John Marriott holding the biggest share (fig. 9).

Adding to this, the company has also repurchased stocks as part of its capital allocation strategy and in 2023 it proceeded to buy back shares representing the value of \$3.9 Bn, which increases the impact of the current shareholders. An

Name	Equities
John Marriott	7.824 %
Vanguard Fiduciary Trust Co.	7.176 %
BlackRock Advisors LLC	4.131 %
David Marriott	3.774 %
State Street Corp.	3.306 %
Fidelity Management & Research Co. LLC	2.457 %
Massachusetts Financial Services Co.	1.872 %
Geode Capital Management LLC	1.764 %
Eaton Vance Management	1.750 %
Capital Research & Management Co. (International Investors)	1.671 %

Figure 9 – Marriott Ownership Structure

Name	Age	Role	Start Date on Board	Independent	Committee Memberships
David S. Marriott	50	Chairman of the Board	Mar-21	No	Executive Committee (Chair)
Anthony G. Capuano	58	President and Chief Executive Officer	Feb-21	No	Executive Committee
Isabella D. Goren	63	Former Chief Financial Officer, American Airlines, Inc. and AMR Corporation	Mar-22	Yes	Audit Committee (Chair)
Deborah Marriott Harrison	67	Global Cultural Ambassador Emeritus	Jun-14	No	Inclusion and Social Impact Committee
Frederick A. "Fritz" Henderson	65	Lead Director	May-13	Yes	Nominating and Corporate Governance Committee (Chair), Executive Committee
Eric Hippeau	72	Managing Partner, Later Hippeau	Sep-16	Yes	Human Resources and Compensation Committee

Figure 10 – Board of Management Structure pt.1

Name	Age	Role	Start Date on Board	Independent	Committee Memberships
Lauren R. Hobart	55	President and Chief Executive Officer, DICK'S Sporting Goods	Mar-23	Yes	Human Resources and Compensation Committee
Debra L. Lee	69	Former Chairman and Chief Executive Officer, BET Networks	Dec-03	Yes	Inclusion and Social Impact Committee (Chair), Nominating and Corporate Governance Committee, Executive Committee
Aylwin B. Lewis	70	Former Chairman, President and Chief Executive Officer, Potbelly Corporation	Sep-16	Yes	Human Resources and Compensation Committee (Chair), Nominating and Corporate Governance Committee
Margaret M. McCarthy	70	Former Executive Vice President, CVS Health Corporation	Feb-19	Yes	Audit Committee, Nominating and Corporate Governance Committee
Grant F. Reid	63	Former President and Chief Executive Officer, Mars	Mar-23	Yes	Audit Committee
Horacio D. Rozanski	56	President and Chief Executive Officer, Booz Allen Hamilton	Mar-21	Yes	Human Resources and Compensation Committee
Susan C. Schwab	69	Professor Emerita, University of Maryland	Sep-15	Yes	Human Resources and Compensation Committee

Figure 11 – Board Management Structure pt.2

additional 25 million share repurchase package was approved by the Board of Directors in 2023.

Board of Management

The Board of Management (fig. 10) plays a crucial role within the company, from strategy oversight to the company's governance. The mix of experienced leaders such as Anthony Capuano and David Marriott with independent, also experienced directors such as Isabella Goren and Lauren Hobart add value to shareholders by bringing expertise in finance, retail and technology, three key flourishing areas. The diverse nature of the board of management brings a balance of continuity and new approaches to business and daily challenges. Furthermore, the board committees further improve its effectiveness. The Human Resources and Compensation Committee aligns shareholders' interest with the directors' performance while the Audit Committee takes responsibility for financial transparency and the Information Security Oversight Committee supports digital transformation in an ever-changing industry. Also, the Inclusion and Social Impact Committee aligns Marriott's commitment to ESG goals (fig. 10 & 11).

Financial overview

Revenues

The analysis of revenues' trajectory is divided into three different stages: the period before Covid from 2016 to 2019, the period of the pandemic and the period afterward, of 2022 and 2023. This is important because the pandemic was an event like no other in the industry.

In the first period, the revenues grew to \$20.97 Bn (CAGR: 10.8%). The drivers of the growth were global travel growth together with the 2016 acquisition of Starwood Hotels & Resorts backed by the company's business model which gave wings to expansion with minimal capital expenditure (fig. 12).

Next, as one may expect, the revenues went down, amounting to \$10.57 Bn in 2020, as operations became disrupted due to travel restrictions and reduced consumer confidence. Recovery began in the following year, with revenues increasing as restrictions decreased and domestic travel resumed. Post-COVID revenues grew strongly, coming to \$23.71 Bn in 2023 (CAGR: 30.8%) – (fig.12).

The recovery was naturally driven by a continuous recovery in global travel with Marriott expanding strategically to high-growth markets, particularly Latin America and Asia-Pacific, which surpassed the remained Marriott's largest revenue contributor, even though it lost some ground to the international segment as these markets grew. Unallocated, Corporate and Other revenues fluctuated from 3% to

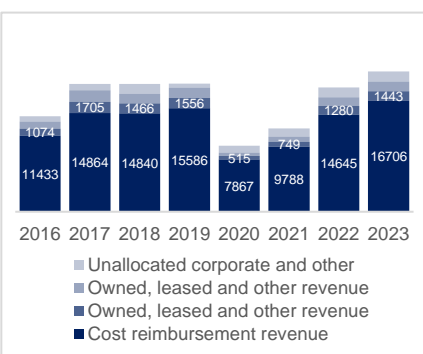


Figure 12 - Marriott Revenues Streams (values in \$Mn)

10%, subtly impacting the distribution of revenues per segment (fig. 12).

Cost Structure

Marriott has a cost structure with a focus on efficiency and scalability. This is possible due to the dimensions of its operations aligned with its asset-light strategy. This analysis is also divided into three distinct phases as it occurred with revenues analysis. In the first phase, the operating costs increased from \$13.60 Bn to \$19.03 Bn (CAGR: 11.8%).

The rise was primarily due to an increase in cost reimbursement expenses, which constituted over 80% of total costs as Marriott expanded its operations. General and administrative (G&A) expenses remained steady at around 4% to 5% of total revenues. Owned, leased, and other direct costs grew moderately, corresponding with increased occupancy across owned properties (fig. 13).

This stability showcases effective cost management strategies. During COVID-19, operating costs dropped in line with revenues for the same period, to \$10.22 Bn in 2020. This is a mirror of decreased operations volume and value. Global travel restrictions and decreased consumer sentiment played a key role in this drop, same as for revenues, with every type of cost following the same behaviour (fig. 13).

In 2021, as restrictions began to ease these costs started to increase. In the period following operating costs rose to \$19.79 Bn, much due to an increase in reimbursement expenses which represented 87% of total operating costs at the time. G&A returned to pre-pandemic levels (fig.13).

Historically, reimbursed expenses consistently made up a big size of Marriott's operating costs. It is important to note that these are costs Marriott is expected to recover, underscoring the significance of its business model. Additionally, G&A expenses, constituting about 4% to 5% of revenues, provide insight into Marriott's lean corporate operations. The company's ability to maintain these costs during growth and recovery phases demonstrates strong operational efficiency.

Profitability

Three metrics were selected to analyse Marriott's profitability from 2016 to 2023: gross margin, EBITDA margin, and EBIT margin. These metrics were selected as they provide a comprehensive view of the different levels of operations.

Marriott's Gross margin started at 17.8% in 2016 and grew to 19.3% in 2017 largely due to stable revenue growth and effective cost management strategies but fell to 15.9% in 2019 as operational costs rose. The pandemic as one might expect jeopardized this margin moving it to 14.8%, reflecting the minimized hotel operations, before growing, surpassing pre-pandemic levels in 2023 with 21.8%



Figure 13 – Marriot Cost Structure (values in \$Mn)

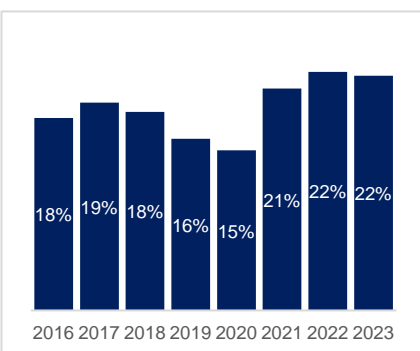


Figure 14 – Marriot Gross Margin (values in %)

(fig. 14).

Regarding EBITDA margin, which is a key metric for operational profitability, it followed the same pattern as the Gross Margin, with its decrease starting in 2019 and going down through the pandemic with a good recovery afterward amounting to 17.5% in 2023, slightly above pre-pandemic levels (fig. 15). Competitors such as Hilton and InterContinental with similar business models have similar margins of 18% - 23% while competitors such as Wyndham which leverage themselves in franchise-heavy models were able to maintain margins of 30% - 40%.

The EBIT margin which is also a key metric to be analysed regarding profitability had a similar pattern to the metrics, reaching 16.5% in 2023. (fig. 16) Hilton led in this key metric with margins of 16% - 19%, while Hyatt and Accor lagged with 6% - 10%, constrained by their reliance on owned properties.

Marriott's recovery underscores its strategic balance between franchise and ownership models. Marriott achieved competitive EBITDA and EBIT margins, particularly excelling in post-pandemic recovery, and outperformed asset-heavy peers.

Performance Analysis

Performance metrics of Marriott from 2016 to 2023 mirror returns and capital management efficiency in various economic conditions. The Return on Invested Capital (ROIC), Return on Net Invested Capital (RONIC), and Return on Equity (ROE) are critical in proving both resilience and effective capital management strategies of this organization, especially during the recovery from the pandemic.

The ROIC gives a view of Marriott's performance respecting profit generated with invested capital lagging one year. The ROIC was strong before the pandemic, peaking at 16.2% in 2017, leaning on the growth of NOPLAT. For 2020, core ROIC declined sharply to only 2.5% due to operational constraints within the hotel sector (fig. 17). However, by 2023, Marriott made a comeback, with core ROIC amounting to 32.1%, showcasing the company's optimized capital deployment under high travel demand and cost efficiencies (fig.17). By contrast, Hilton noted a 15% ROIC in 2023; Hyatt Hotels Corporation and InterContinental Hotels Group (IHG) measured around 10%, demonstrating that post-pandemic, Marriott continued to show supremacy in capital management strategies.

The Return on Net Invested Capital (RONIC), measuring returns on new investments, fluctuated significantly during the period. Marriott's RONIC peaked at an extraordinary 657% in 2022 and 2,184% in 2023, driven by investments in its asset-light model and digital initiatives, which yielded extraordinary returns as global travel rebounded (fig. 18).

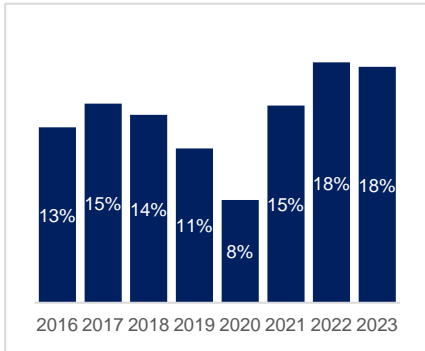


Figure 15 – Marriott EBITDA Margin (values in %)

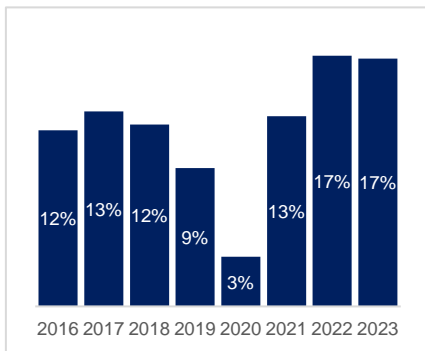


Figure 16 – Marriott EBIT Margin (values in %)

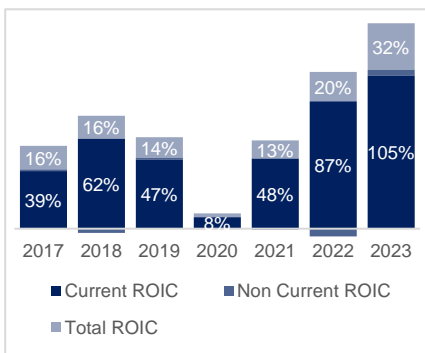


Figure 17 – Marriott ROIC: Current, Non-Current, and Total (values in %)

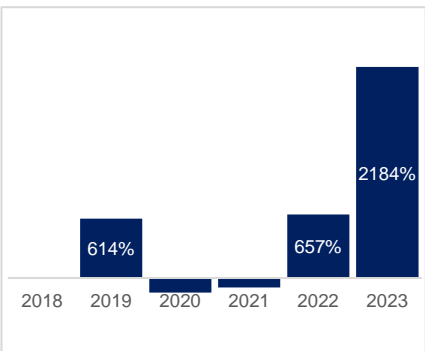


Figure 18 – Marriott Return on New Invested Capital (values in %)

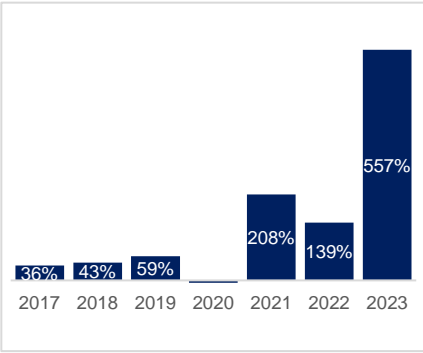


Figure 19 – Marriott Return on Equity (values in %)

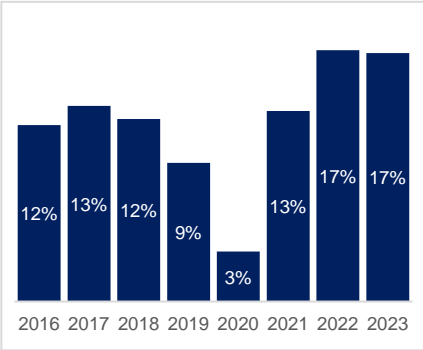


Figure 20 – Marriott Operating Margin (values in %)

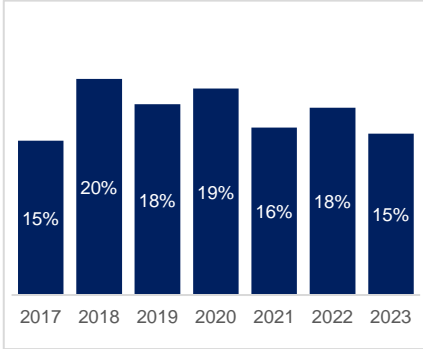


Figure 21 – Marriott Debt-to-Equity Ratio (values in %)

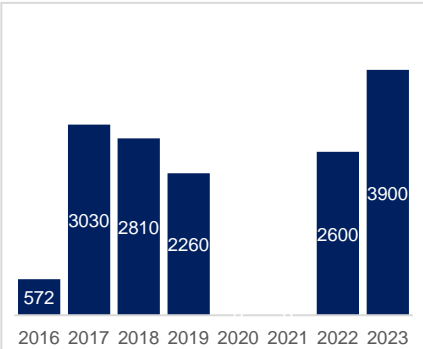


Figure 22 – Marriott Share Repurchases (values in \$Mn)

The Return on Equity (ROE) is a measure of Marriott’s ability to provide returns to its shareholders (fig. 19). Pre-pandemic ROE peaked at 59% in 2019, showing a high level of profitability. The devastating impact of the pandemic, however, brought it down to -6%, eroding value for shareholders as this metric fell behind Weighted Average Cost of Capital (WACC). The year 2023 saw a rebound in Post-pandemic ROE, soaring at 557% owing to profit recovery combined with Marriott’s relatively leveraged capital structure. Such recovery is successful compared to other exceptional players like Hilton (38%) and Hyatt (6%).

Marriott’s performance metrics reveal key drivers of its efficiency. Operating margin, a critical component of ROIC, was stable at 12% pre-pandemic but dropped to 3% in 2020, reflecting the industry-wide disruption. By 2023, this margin recovered to 17%, supported by strong cost management and operational improvements (fig. 20). Components such as Net Working Capital (NWC), which reached 8% of revenues by 2023, also contributed to Marriott’s capital efficiency.

In terms of liquidity, Marriott can theoretically face challenges with the Current Ratio below 1 - 0.65 in 2016, declining to 0.37 by 2032 - and the Cash Ratio falling to 0.04. However, as operational efficiencies improve and cash flows strengthen through cost management and revenue growth, Marriott’s liquidity position is expected to stabilize, reducing short-term risks over the long term.

Capital Structure

The capital structure of the organization has been created keeping in mind the balance between debt and equity, allowing flexibility for various situations in the industry. The debt-to-equity ratio, the primary measure of leverage for a company, ranged between 15% and 20% (fig. 21). The exhaustive share repurchase programs have also affected equity. Recently, there was a repurchase of shares which increased shareholders’ stake but slightly increased leverage.

The organization has used debt strategically for expansion plans, the Starwood acquisition in 2016 being a key example, enabling the organization to take advantage of low interest rates. The pandemic made the company to raise debt, which was intended to keep it afloat. After the pandemic, Marriott moved to de-leverage itself and arrived at a net debt/EBITDA ratio of about 2.9x in 2023. This is thus in line with industry averages. However, it should be noted that Hilton Worldwide operated on a ratio of 3.2x, whereas that of Hyatt Hotels Corporation, whose asset-heavy model barely reached 4.1x, stood. InterContinental Hotels Group and Wyndham Hotels & Resorts are two examples of contenders with asset-light strategies that register lower ratios of 2.5x and 2.3x respectively.

The share repurchase program shows commitment to the returns for its shareholders. From 2016 through 2019, the company repurchased \$572 Mn in

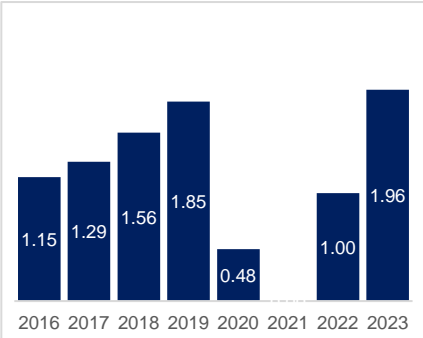


Figure 23 – Marriott Dividends per Share (values in \$)

2016, \$3.03 Bn in 2017, \$2.81 Bn in 2018 and \$2.26 Bn in 2019. Buybacks were paused during much of 2020 and into 2021 because of the pandemic but resumed strongly from the beginning of 2022 reaching \$ 2.6 Bn and through 2023, with \$3.9 Bn (fig. 23). Marriott also maintained a consistent quarterly dividend policy in the years past, also interrupted during the pandemic. In fact, from 2016 to 2019, it increased annual dividends steadily from \$1.15 per share to \$1.85 per share, reflecting the growth of earnings and strong cash flow generation (fig. 23). The firm paid out a \$1 per share dividend in 2022 and increased it to \$1.96 per share in 2023, surpassing pre-pandemic payments. The average payout ratio, which measures the share of earnings paid out as dividends, was about 40-50% pre-pandemic but fell sharply during 2020-2021 under pressure on earnings and the suspension of dividends - a recovery occurred after the pandemic as the firm found itself at 47% in 2023, indicating a return to stable earnings. The Debt-to-Equity Ratio of Marriott Company is close enough to that of Hilton at 16% as of Wyndham at 14%.

In short, the capital structure of Marriott company is designed to balance debt with equity and shareholder returns so it can grow and pay dividends and repurchase shares consistently. Its asset-light model, well-disciplined debt management, and dividend reinstatement after the pandemic amplify its financial resilience against uncertainties and great care for long-term shareholder value.

Value Drivers

The key value drivers for this industry are the occupancy rate which is the number of available rooms compared to the total number of rooms. Then there is the average daily rate (ADR) and finally the number of rooms. Together, the last two metrics determine the Revenue per Available Room (RevPAR).

In the first phase, the occupancy rates of the rooms were stable with the U.S. & Canada segment having values of around 74%. International markets followed similar patterns, with occupancy near 70% across regions. Again, the Covid pandemic posed big operational threats with occupancy rates falling to 37.2% in the U.S. & Canada segment and to 31.5% in the international segment. Afterwards, everything went to normal as far as travel restrictions were concerned and the same figure for the first segment mentioned was 69.8% in 2023 and for the international segment was 67.9% by the same year (fig. 24).

The ADR saw steady pre-pandemic growth, but in 2020, it dropped sharply, particularly in U.S. & Canada, where it fell by nearly 20% to \$129.96. As travel rebounded, Marriott’s ADR rebounded, reaching \$183.83 in 2023, reflecting increased pricing power in response to inflation and higher demand. International markets also saw ADR recovery, with regions like Europe, and Caribbean & Latin

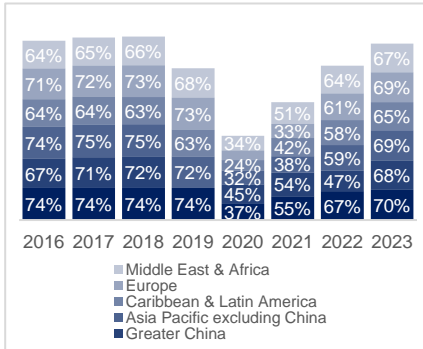


Figure 24 – Marriott Occupancy Rate per Region (values in %)

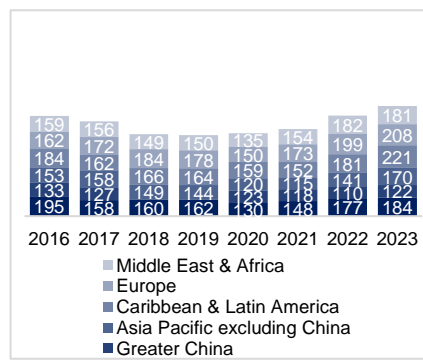


Figure 25 – Marriott Average Daily Rate (values in \$)

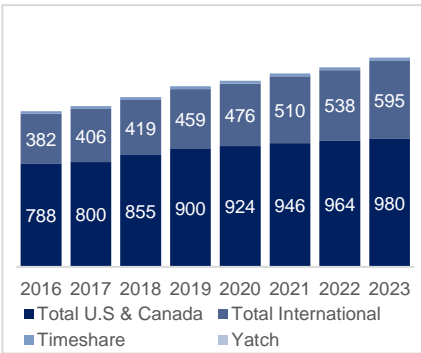


Figure 26 – Marriott Room Count (values in k)

America experiencing significant growth, reaching \$207.86 and \$220.73, respectively, by 2023 (fig. 25).

Marriott's room count grew steadily across both managed and franchised properties, with U.S. & Canada adding rooms consistently through franchising, reaching 752,630 in 2023. International expansion was more aggressive, particularly in franchised properties, which grew by 22% in 2023. The room count in owned and leased properties reinforces Marriott's asset-light model ambitions with a decrease from 10,805 rooms to 4,339 rooms in the U.S. & Canada from 2016 to 2023. The International segment followed the same path, even though at a slower pace, with rooms decreasing from 10,034 to 8,776 in the same period (fig. 26).

Intrinsic Valuation

To value the company in a complete way, three methods were employed: Discounted Cash Flow (DCF), Adjusted Present Value (APV), and Multiples valuation, even though APV was only applied to confirm the assumptions of the DCF model.

The first two methods allow the understanding of the future cash flow-generating capability of the company while taking into consideration its capital structure. These approaches have been widely endorsed in academic literature for their precision in evaluating companies with relatively stable cash flows. As noted by Koller, Goedhart, and Wessels in *Valuation: Measuring and Managing the Value of Companies* (McKinsey & Company, 2020): DCF continues to be widely used due to its focus on future performance as opposed to a sole focus on historical figures. APV, as proposed by Myers (1974) in his seminal work *Interactions of Corporate Financing and Investment Decisions*, is particularly useful in situations where a company's capital structure changes significantly over time, which does not apply to Marriott, especially due to its target debt-to-equity ratio of 15%. Nevertheless, it is good to employ this method as a backup against the DCF assumptions in place, as mentioned above.

In addition to intrinsic methods, Multiples Valuation offers a relative perspective by comparing Marriott's financial metrics with those of its competitors. As highlighted by Damodaran in *The Dark Side of Valuation* (2018), multiples are an essential tool for assessing how the market prices a company's future growth prospects relative to its peers, providing a reality check of how the industry "perceives" the performance of the company. The integration of both intrinsic and relative valuation methods ensures a comprehensive view of Marriott's value, particularly as it navigates post-pandemic recovery and continues expanding its asset-light business model.

Discounted Cash Flows

Long-term Growth	2%
Beta_debt	0,10
TaxRate	30%
D/E Target	15%
D/E Actual	15%
D/EV	18%
Beta_unlevered	1,10
D/EV Target	13%
E/EV Target	87%
E/EV	82%
Beta_equity (Levered)	
Beta_equity (Levered) -MAR	1,22
US Treasury 10y	3,83%
Market Risk Premium	5,50%
Cost of Debt (Rd)	5,23%
Cost of Equity (Re)	10,54%
Return Unlevered (Ru)	9,90%
WACC	9,64%

Figure 27 - WACC Calculation and Inputs

As Marriott has stable cash flows and predictable growth this method is well-aligned for valuation (Damodaran, 2012). Having a Weighted Average Cost of Capital (WACC) of 9.64% and terminal growth of 2% - both explained further in this report, this method values the share price of Marriott for 257.02\$ (fig. 27).

Looking at the Debt-to-Equity (D/E) one could also draw conclusions about the suitability of DCF for the intrinsic valuation of Marriott International Inc. Historically, this ratio has fluctuated between 15% and 20%, showing a consistent leverage ratio. Recently, this ratio remained at 15% which is believed to be the value in the long-term getting closer to the average of the industry, especially with many strong peers turning themselves also to an asset-light business model. The D/E has been decreasing since 2020, which shows the intention of the company to reduce its leverage, which also aligns with the company's business model. Supporting this are the recent management reports that showcase the commitment to reducing leverage to improve financial flexibility to support even negative market conditions.

Methodology

Projection Period (2024–2031): Operating free cash flows (FCFs) were projected based on Marriott's future expectations given the present and past situation (fig. 28). For instance, the FCF for 2025 is estimated at **\$4,702 Mn**, increasing to **\$6,875 Mn** by 2031.

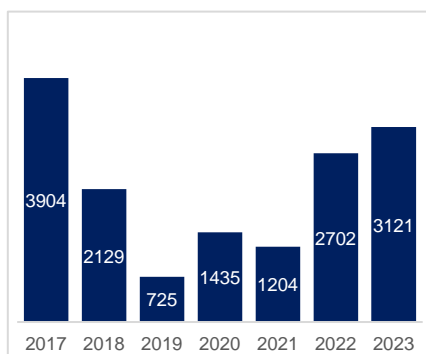


Figure 28 - Operating Free Cash Flow (value in \$Mn)

Formula

$$\text{Terminal Value} = \text{FCF}_{2031} \times (1 + g) / (\text{WACC} - g)$$

Figure 29 – Terminal Value Formula

Terminal Value: At the end of the forecast period, the terminal value was calculated using the perpetuity growth model (fig. 29). With a growth rate (g) of **2%** and a WACC of **9.64%**, this value represents the company's cash flows beyond 2031, discounted to present value.

Enterprise Value (EV): The sum of discounted operating FCFs and the value of non-operating items yielded an Enterprise Value of **\$81,375 Mn** for 2025.

Adjustments: Non-operating items, such as cash reserves and investments, added **\$5,466 Mn**, adding to the value of operations of **\$75,909 Mn**. After subtracting the market value of debt (**\$10,695 Mn**) reflecting the economy's reality rather than the historical cost on the balance sheet, the Equity Value was **\$70,680 Mn**.

Formula

$$\text{Intrinsic Share Price} = \text{Equity Value} / \text{Outstanding Shares}$$

Figure 30 – Share Price Formula

Share Price: Dividing the Equity Value by the number of outstanding shares (**275 Mn**) resulted in a share price of **\$257.02** by **December 31, 2025** (fig. 30).

Adjusted Present Value

The Adjusted Present Value (APV) method, as mentioned above, was employed

as a cross-check to validate the assumptions underlying the DCF model. Despite its differing methodology, the APV valuation produced a nearly identical share price of **\$257.40**, confirming the robustness of the DCF approach. This similarity highlights Marriott's stable capital structure and demonstrates the accountability of tax shields, on its overall valuation.

Free Cash Flows

Marriott International's free cash flows have shown significant fluctuation due to factors such as integration costs, the pandemic, and changes in working capital. By **FY30**, Marriott is expected to achieve a steady state where free cash flows grow at a consistent rate of **2%**. This growth assumption aligns with:

Global GDP Growth: Forecasted trends of 2–3%, with developed markets at the lower end.

Inflation Expectations: Reflecting realistic and sustainable economic conditions.

Industry Dynamics: As a mature company, Marriott's growth rate stabilizes near economic norms.

Weighted Average Cost of Capital

The required return was computed using the Capital Asset Pricing Model (CAPM), using the risk-free rate, the Beta, and the market risk premium, with all its elements being set to the date of August 28, 2024. The CAPM has the particularity of giving risk-adjusted returns, which is good for the company since it is exposed to many risks. (McKinsey, Chapter 12, "The CAPM model"). Marriott's Beta captures the company's systematic risk compared to the market, reflecting investor expectations of compensation for bearing this risk (fig. 31).

Formula

$$R_e = R_f + \beta * (R_m - R_f)$$

Figure 31 – CAPM Formula

- Risk-Free Rate

Long-term U.S. government bonds are the best proxy for risk-free rates (McKinsey, Chapter 6, "Risk-Free Rate") since these have immaterial risks due to their stability. In this case, a rate of 3.83% was used, from the 10-year bonds which have the best time frame for the valuation purposes in process (fig. 27).

- Market Risk Premium (MRP)

The market risk premium was set at 5.5%, considering a good proxy, the values given by Aswath Damodaran. This represents the additional returns investors should have above the risk-free rate to be paid by the risks they are taking for the investment (McKinsey, Chapter 12, "Market Risk Premium"). This premium is consistent with historical data on equity returns and market expectations for the near future (fig. 27).

- Cost of Debt (Rd)

The cost of debt is also a key input for the weighted average cost of capital computation. Having a credit rating of BBB, the company has a good rating, but it still has a risk premium over the risk-free rate around its debt (fig. 27). It was estimated a cost of debt of 5.2%. Additionally, Marriott benefits from the tax deductibility of interest payments, a common advantage in leveraged capital structures (McKinsey, Chapter 8, "Tax Shield").

- Levered Beta

To accurately reflect Marriott International's systematic risk, the beta was calculated using a combination of regression analysis, peer benchmarking, and adjustments for the company's target capital structure.

Unlevered Beta for the Industry:

Formula

$$\beta_{\text{unlevered}} = \beta_{\text{levered}} / [1 + (1 - T) \times (D/E)]$$

Figure 32 – Unlevered Beta Formula

The unlevered beta represents the business risk of the industry, independent of capital structure. It was derived by analyzing the betas of peer companies in the hotel industry. Each peer company's levered beta was unlevered using its respective debt-to-equity ratio and tax rate with the formula of figure 32.

The average unlevered beta of the industry was calculated as **1.10**, capturing the core business risks common across the sector.

Target Leverage and Re-leveraging Beta:

Formula

$$\beta_{\text{levered}} = \beta_{\text{unlevered}} \times [1 + (1 - T) \times (D/E)]$$

Figure 33 – Re-Leveraging Beta Formula

Marriott targets a debt-to-equity (D/E) ratio of **15%**. Using this target ratio, the industry unlevered beta was re-leveraged to reflect Marriott's capital structure using the following formula of figure 34.

Moreover, the forecasted tax rate amounts to **30%**. Even though the corporate tax rate has been 21% since 2017 also with the effective rate being unstable there are reasons to believe that 30% is a fair forecast for this variable. This value takes in consideration additional factors such as U.S state income taxes, non-U.S. tax adjustments, and permanent items like tax on foreign earnings which are important due to the expansion of international activity. These components have fluctuated historically but the forecast reflects stabilization in the long term.

With the tax rate set at **30%**, the re-leveraged beta for Marriott was calculated as **1.22**. This reflects Marriott's systematic risk, considering both business and financial risks under its target capital structure.

Cross-validation with Regression Analysis:

To ensure the calculated beta aligns with market observations, regression analysis was conducted between Marriott, Hyatt, Hilton, Intercontinental, Wyndham and Accor's historical stock returns and the S&P 500 index. The regression-derived

beta, as seen in the Beta Regression sheet, is consistent with the calculated levered beta for Marriott of 1.22, validating the assumptions and methodology.

- Cost of Equity (Re)

Starting with the beta levered of Marriott of 1.22 one could tell that Marriott is a little more volatile than the market (McKinsey, Chapter 7, "Leveraged Beta"). Moreover, using this value, the risk-free rate and the market risk premium one could get the value of the cost of equity, applying the CAPM model, getting a value of 10.54% for the cost of equity (fig.28).

- Weighted Average Cost of Capital (WACC)

Given the above the WACC computed using the formula in figure 34 is 9.64% which represents the cost of debt mixed with the cost of equity having in consideration the debt-to-equity relation of the company.

Formula	
$WACC = (E/V \times Re) + (D/V \times Rd \times (1 - T))$	

Figure 34 – WACC Formula

Relative Valuation

The method used in this section was the multiples method which provides a bigger picture of the company's value against its peers.

The EV/EBITDA multiple is often the best proxy for operational performance. Marriott's EV/EBITDA of 15.2 sits higher than the peer median of 12.7 and the mean of 13.8, implying that Marriott is relatively efficient, but not significantly overvalued operationally (fig. 35). Using the peer mean multiple implies an enterprise value of \$78.9 Bn and a share price of \$233.9 (fig.36). As the book by McKinsey suggests, focusing on EBITDA ensures a clear view of earnings, excluding potentially distorting factors like depreciation (McKinsey, Chapter 6, "Performance Measurement").

The Price/Sales ratio of 2.6 is lower than the peer average of 3.9, suggesting that Marriott's revenue generation is priced conservatively by the market (fig. 37). Applying the average Price/Sales multiple yields an implied share price of \$339.8 (fig. 38). McKinsey argues that Price/Sales ratios can provide insight into a company's ability to generate top-line growth, especially when net margins are stable (Chapter 14). The relatively low Price/Sales ratio for Marriott suggests an opportunity for market reappraisal if revenue growth is sustained.

The PEG ratio, which adjusts the Price/Earnings ratio by expected earnings growth, highlights a potential concern. The peer mean is 1.2. This results in a lower implied share price of \$132.9 (fig. 39 & 40). McKinsey cautions that PEG ratios can be misleading for companies with low or no growth, as they exaggerate valuation swings in such cases (Chapter 14). PEG should therefore be interpreted with caution, and it reflects the impact of its current stagnation in earnings growth.

EV/EBITDA	
High	18,2
Low	10,4
Mean	13,76
Median	12,7

Figure 35 – EV/EBITDA Multiples

EV/EBITDA	
Implied Enterprise Value	79000
Implied Share Price	233,9

Figure 36 – EV/EBITDA Share Price (values in \$)

PRICE/SALES	
High	7
Low	1,7
Mean	3,94
Median	4,2

Figure 37 – Price/Sales Multiples

PRICE/SALES	
Implied Enterprise Value	108118
Implied Share Price	339,8

Figure 38 – Price/Sales Share Price (values in \$)

PEG	
High	1,61
Low	0,75
Mean	1,19
Median	1,04

Figure 39 – PEG Multiples

PEG	
Implied Enterprise Value	51235
Implied Share Price	132,9

Figure 40 – PEG Share Price (values in \$)

EV/EBIT	
High	28,9
Low	14,1
Mean	19,14
Median	16,4

Figure 41 – EV/EBIT Multiples

EV/EBIT	
Implied Enterprise Value	105327
Implied Share Price	329,6

Figure 42 – EV/EBIT Share Price (values in \$)

Lastly, the EV/EBIT multiple at 18.0 is aligned closely with the peer mean of 19.1, reflecting Marriott's competitive profitability (fig. 41). When applying this to Marriott, we derive an implied share price of \$329.6 (fig.42). According to McKinsey, this metric, which incorporates operating income after depreciation, is particularly valuable for assessing companies with significant capital expenditures (Chapter 6, "Measuring Profitability"). Marriott's alignment with peer averages here indicates its steady profitability in relation to capital investment.

In conclusion, by applying these multiples, the average implied share price is \$259.03. This figure reflects Marriott's competitive but slightly undervalued position relative to peers. As McKinsey points out, multiples are helpful for providing a snapshot of market perception but should always be paired with deeper intrinsic valuation methods to capture a full picture of a company's true worth (Chapter 14, "Valuation Using Multiples").

Environmental, Social and Governance

The organization is also focused on the ESG aspects of the business and industry.

Regarding the environmental pillar, one can say that Marriott has been decreasing its operational footprint. Greenhouse gas emissions (GHG) were 484.86 metric tons per million in 2020 and in 2023 this value was reduced to 269.38 metric tons, showing commitment to the environment proposed by the company (fig. 43). The usage of water was also 9,585 cubic meters per million in 2020 and was reduced to almost 50% of that value, with 5,765 cubic meters per million in 2023 (fig. 44). Waste intensity data, however, is unavailable, which shows that even though the company is committed to the environment there are still areas where it could improve its reporting to increase transparency.

Socially, Marriott is committed to diversity and community engagement. In 2023, Women represented 44% of total employees and 47% of executive roles, over the industry values. On another hand, in 2023, 1.51% of pretax profit was allocated to social initiatives.

Lastly, in the governance pillar, the independence of 76.92% of its board of directors in 2023 shows alignment with its governance initiatives. Moreover, ESG disclosure has a score of 62.07 which is a solid value to support its commitment to transparency and consciousness of its surroundings.

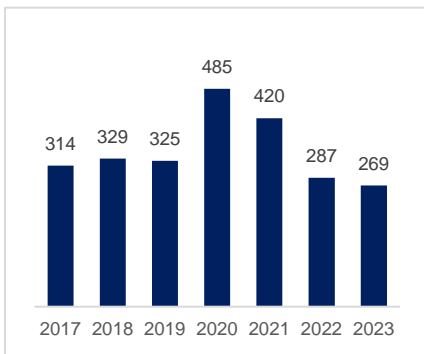


Figure 43 - Greenhouse Gas Emissions per Sale (values in metric tons)

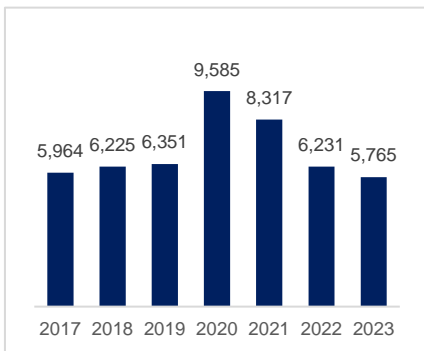


Figure 44 - Water Usage per Sale (values in m3)

Conclusion

The report provides an extensive view of Marriott International Inc.'s financial performance, industry positioning, and potential future developments. By examining historical data, a clear understanding of past performance became

clear. Moreover, it was understandable that the company was able to swerve through a global pandemic like no other in this industry and macroeconomic shifts. Which offered information about the company's future potential. Additionally, through industry and risk analysis one could understand the opportunities and challenges that Marriott has ahead with a fast-paced environment of technology development and consumer preferences and regulatory shifts. Through valuation models used such as the Discounted Cash Flow model, Adjusted Present Value, and Relative Valuation through multiples different perspectives about Marriott's intrinsic and relative valuation were explored. Each method, in its own way, explores the complexities of Marriott International. Based on the valuation results, the target share price for Marriott International Inc. is \$257.02. As of December 14, 2024, the company's current market price exceeds this target, leading to a final **Sell** recommendation with an expected return for shareholders regarding the date of December 31, 2025, of **-9.60%**. This suggests that, despite Marriott's strong fundamentals and growth potential, its stock is currently overvalued relative to its estimated fair value.

In summary, Marriott International Inc. demonstrates a solid capacity for sustained growth through its expansive global footprint, strong brand equity, and forward-looking strategies. Nonetheless, given the current market valuation, investors are advised to reconsider their positions in the stock considering the **Sell** recommendation based on the projected target price.

MARRIOTT INTERNATIONAL INC.

TRAVEL AND TOURISM INDUSTRY

STUDENTS: DIOGO ALVES; RODRIGO ADÃO

COMPANY REPORT

DECEMBER 17, 2024

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Marriott International, Inc.

A home run to excellence

- Marriott International Inc., holds a dominant position within the hotel industry. It operates over 9,000 properties across 139 countries. Its extensive brand portfolio includes market segments from luxury to economy.
- The company recovered strongly from the COVID-19 pandemic due to robust leisure and business travel demand. A focus on domestic travel, extended stays, and flexible booking policies drove strong post-pandemic growth.
- It has shown disciplined capital allocation, balancing reinvestments with shareholder returns, with the asset-light business model, in the center.
- With industry-leading loyalty programs, a diverse brand portfolio, and established relationships with property owners, Marriott maintains a significant competitive edge. Its multi-brand strategy ensures adaptability across various customer segments.

Company description

Marriott International, Inc. operates a comprehensive portfolio of properties across multiple market segments, from luxury to mid-scale accommodations. The company follows a business model focused on property management and franchising, leveraging its global recognition and operational expertise. Its core strategy includes expanding through franchise agreements and long-term management contracts, ensuring stable revenue streams while limiting capital-intensive asset ownership.

Recommendation: **Sell**

Vs Previous Recommendation **HOLD**

Price Target FY25: **257.02 \$**

Price (as of 15-Dec-24) **287.08 \$**

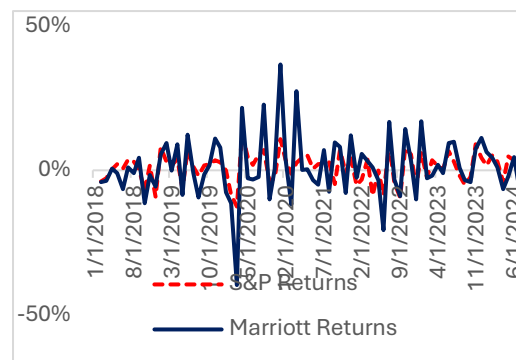
Source: Yahoo Finance

52-week range (\$) 204.55 - 295.45

Market Cap (\$Bn) 79.778

Outstanding Shares (m) 287.89

Source: Yahoo Finance



Source: Yahoo Finance

(Values in \$ Mn)	2022	2023	2024F
Revenues	20,773	23,713	25,583
EBITDA	3,702	4,150	4,992
EBIT	3,474	3,924	4,774
EPS (\$ per share)	7.60	10.60	11.80
DPS (\$ per share)	1.00	1.96	2.20
ROIC	20.2%	32.1%	33.7%
Operating margin	16.7%	16.5%	18.7%

Source: Company reports; Estimates

THIS REPORT WAS PREPARED EXCLUSIVELY FOR ACADEMIC PURPOSES BY RODRIGO ADÃO (46959) AND DIOGO ALVES (58900), MASTER IN FINANCE STUDENTS OF THE NOVA SCHOOL OF BUSINESS AND ECONOMICS. THE REPORT WAS SUPERVISED BY A NOVA SBE FACULTY MEMBER, ACTING IN A MERE ACADEMIC CAPACITY, WHO REVIEWED THE VALUATION METHODOLOGY AND THE FINANCIAL MODEL.
(PLEASE REFER TO THE DISCLOSURES AND DISCLAIMERS AT END OF THE DOCUMENT)

Table of Contents

COMPANY OVERVIEW.....	4
BUSINESS MODEL.....	4
GLOBAL FOOTPRINT.....	6
OWNERSHIP STRUCTURE.....	6
BOARD OF MANAGEMENT.....	7
FINANCIAL OVERVIEW.....	7
REVENUES.....	7
COST STRUCTURE.....	8
PROFITABILITY.....	8
PERFORMANCE ANALYSIS.....	9
CAPITAL STRUCTURE.....	10
VALUE DRIVERS.....	11
HOTEL INDUSTRY OVERVIEW.....	12
INDUSTRY DEFINITION AND SEGMENTATION.....	12
MARKET TRENDS.....	13
<i>Post-covid recovery</i>	13
<i>Sustainability trends</i>	14
<i>Technology and digital transformation</i>	15
COMPETITIVE LANDSCAPE.....	15
MACROECONOMIC CONTEXT.....	17
<i>Inflation</i>	17
<i>Gross domestic product</i>	17
<i>Interest rates</i>	18
FORECAST BREAKDOWN.....	18
GROSS FEE REVENUES.....	18
OWNED, LEASED, AND OTHER REVENUES.....	19
COST REIMBURSEMENT REVENUE.....	19
UNALLOCATED CORPORATE AND OTHER.....	19
OWNED, LEASED, AND OTHER – DIRECT COSTS.....	20
GENERAL, ADMINISTRATIVE AND OTHER.....	20
REIMBURSED EXPENSES.....	20
DEPRECIATION.....	21
PROPERTY, PLANT AND EQUIPMENT.....	21
Debt.....	22
INTRINSIC VALUATION.....	22
DISCOUNTED CASH FLOWS.....	23
<i>Methodology</i>	23
ADJUSTED PRESENT VALUE.....	24
FREE CASH FLOWS.....	24
WEIGHTED AVERAGE COST OF CAPITAL.....	24
<i>Risk-free rate</i>	24
<i>Market risk premium (MRP)</i>	24

<i>Cost of debt (Rd)</i>	25
<i>Levered beta</i>	25
<i>Cost of equity (Re)</i>	26
<i>Weighted average cost of capital</i>	26
RELATIVE VALUATION	26
RISK ANALYSIS	27
MACROECONOMIC RISKS	27
<i>Global economic slowdown</i>	27
<i>Inflation and interest rate volatility</i>	27
INDUSTRY - SPECIFIC RISKS	28
COMPANY - SPECIFIC RISKS	28
<i>High leverage</i>	28
<i>Dependence on management and franchise</i>	28
IMPACT OF UKRAINE AND RUSSIA WAR	28
SCENARIO ANALYSIS.....	29
SENSITIVITY ANALYSIS.....	30
ENVIRONMENTAL, SOCIAL AND GOVERNANCE.....	31
CONCLUSION	32

Company overview

Marriott International Inc. (“Marriott”) has been the market leader in the hotel industry since 2016. This marked an incredible period of expansion and innovation. What, almost a century ago, started as a root beer stand, went into a pioneering hotel business, with the first hotel opening its doors in 1957. Over the decades, the company has consistently influenced the hotel industry.

During the 60s, Marriott led the way in hotel management contracts. Moved to the extended-stay hotel market in the 70s, when Courtyard by Marriott was introduced. The 80s brought further diversification with the launch of the Marriott Vacation Club, making its entry into timeshare. The decade afterwards was marked by the expansion into the luxury market through the acquisition of Ritz-Carlton and step forward into international markets. In the new millennium, Marriott embraced technology with internet reservations and the launch of loyalty programs. With the purchase of Starwood Hotels & Resorts in 2016, the company solidified its position as the largest hotel corporation in the world. Recently, it tackled the COVID-19 pandemic with expertise while putting a strong emphasis on Environmental, Social and Governance (ESG) initiatives with programs like Serve 360.

Currently, the company holds 9,068 properties consisting of 1,674,600 rooms, ready to be used. Moreover, Marriott International operates more than 30 brands across various segments of the hospitality industry. These include brands from luxury to budget (fig. 1). This diverse portfolio allows the company to capture the attention of a wide variety of customers attending to their preferences and needs.



Figure 1 - Marriott International Brands

Business Model

Marriott is a company with a strong focus on its asset-light strategy. Even though the company owns property, plant, and equipment, most of its activities are related to managed or franchised/licensed properties. By 2023 managed

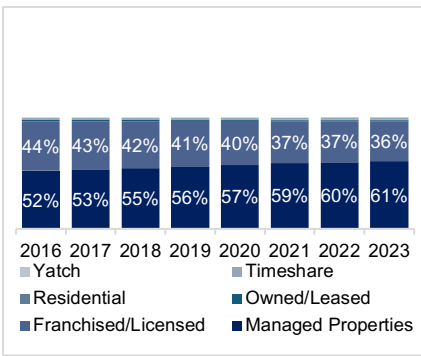


Figure 2 - Marriott type of Properties (values in %)

properties represented 36% of their total properties and franchised or licensed properties accounted for almost 61% (fig. 2). This business model allows the company to expand its global footprint without the significant capital investment, usually required to acquire and develop new properties. Avoiding the financial burden of owning real estate, the company can allocate its resources to brand management to consolidate its reputation as the industry leader. Moreover, this business strategy also allows the company to move between the operational risks associated with the ownership of physical assets such as fluctuation in market prices of both the properties and the raw materials, maintenance costs, or even compliance costs related to local regulation.

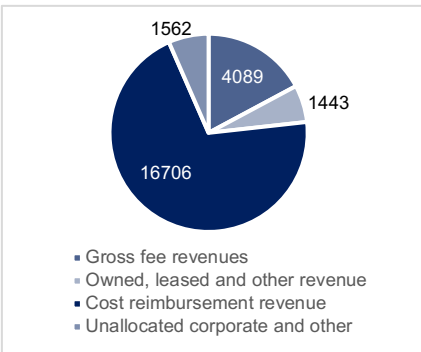


Figure 3 - Marriott Operation Categories (values in \$Mn)

The organization is very diversified. It can be seen as a worldwide operator, franchisor, and licensor of hotels, residential, timeshare, and other lodging establishments under its umbrella. Nonetheless, their operations fall into three main categories: Owned or Leased, Management, and Franchising. As a result, Marriott enjoys diversified revenue streams (fig. 3).

For the properties operated by the company, which are not exclusive of those under long-term management or lease agreement, revenue is generated through a combination of base management fees – fees that are calculated as a percentage of the hotel revenues – and incentive fees which are tied to the hotel’s profits. Lastly, these contracts include the reimbursement of operational differently. They start with an initial application fee plus ongoing fees ranging from 4% to 7% of total revenues, which may vary from contract to contract. Some contracts may even include up to 4% percent of food and beverage revenue. The owners of the properties get to use Marriott’s brand names and systems while having the opportunity to contribute to centralized programs such as the Marriott Bonvoy loyalty program which is very important for the company since, in the fiscal year of 2023, over 60% of the global room nights were booked by this program’s members. Marriott also collects royalties under licensing agreements with Marriott Vacations Worldwide Corporation (MVW) (fig. 4). The royalties consist of a fixed annual fee that is adjusted for inflation and variable fees based on the volume of revenues.



Figure 4 - Marriott Worldwide Corporation (MVW)

For residential properties, the company uses certain trademarks for its sale. Usually, a one-time branding fee is received upon the sale and a continuing management fee for overseeing the homeowners’ association.

Finally, the company has co-branded credit cards associated with Marriott Bonvoy in 11 countries. A fixed amount is earned at the contract inception and variable amounts are paid monthly based on card usage.

These diversified streams of revenues are made possible with the company’s

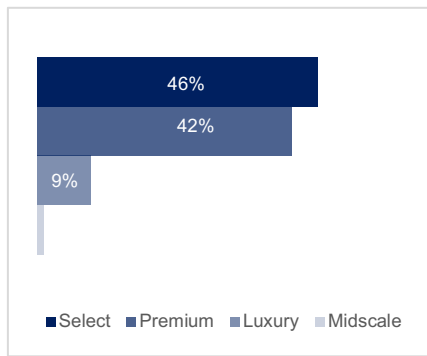


Figure 5 - Marriott Quality Tiers Categories (values in %)

extensive portfolio of brands, allowing Marriott to appeal to a wide range of customers, globally. These brands are organized into four quality tiers - Luxury, Premium, Select, and Midscale – catering to different market segments and preferences (fig. 5). This strategic brand segmentation, combined with the organization’s global presence, strengthens its competitive edge.

Global Footprint

As the leader in the hospitality industry, the company has established a presence across 139 countries and territories (fig. 6). This expansive footprint is largely driven by the company’s business model, which allows the company an easy entrance into key international markets, with advantages that some competitors do not have.



Figure 6 – Map of Marriot Global Footprint

Historically, Marriott has been reporting its operations through two primary regions: U.S. & Canada, and International which includes Europe, Middle East & Africa, Caribbean & Latin America, Greater China, and Asia Pacific excluding China. Even though the company is very international in terms of presence, the first region continues to have supremacy, having nearly 75% of the total revenues for the fiscal year of 2023. The region also holds 61% of Marriott’s total rooms with the remainder divided as 9% for Europe, 5% for the Middle East & Africa, 8% for Asia Pacific excluding China, 10% for Greater China and another 5% for Caribbean & Latin America. An additional 1% is attributed to Timeshare and Yacht operations, which are categorized under unallocated corporate and other revenues (fig. 7). Marriott’s regional strategies also highlight key differences in market dynamics. In the U.S. & Canada, 77% of properties operate under franchise agreements, a mirror of the region’s market maturity and strong brand recognition, allowing independent operators to manage Marriott hotels. Internationally however, the company manages 37% of the properties within this segment (fig. 8). This relatively higher preference for Marriott-managed properties in global markets stems from the company’s operational expertise and ability to maintain brand consistency, particularly in regions where hotel markets are less mature, and quality control is paramount.

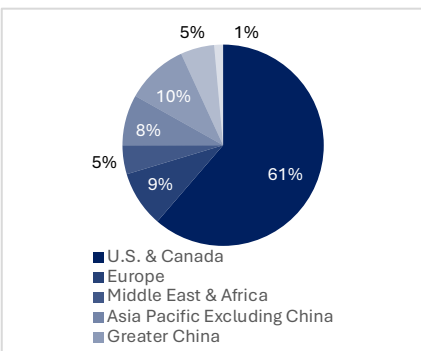


Figure 7 – Marriot rooms per Region (values in %)

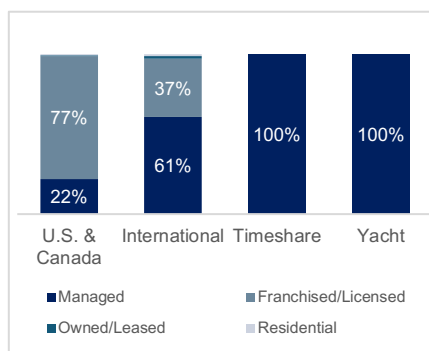


Figure 8 – Marriott Properties Distributed by Operational Categories (values in %)

Ownership Structure

As of 2024, the ownership structure of the company goes from individual to institutional shareholders. The last mentioned are composed by mutual funds, pension funds, and other big organizations, which represent most of the shareholders. The biggest holders are the Vanguard Group with 7.2% BlackRock Fund Advisors with 4.1% and State Street Corp. with 3.3% of the total equity of the company. The family of the founders also owns a big part of the company,

Name	Equities
John Marriott	7.824 %
Vanguard Fiduciary Trust Co.	7.176 %
BlackRock Advisors LLC	4.131 %
David Marriott	3.774 %
State Street Corp.	3.306 %
Fidelity Management & Research Co. LLC	2.457 %
Massachusetts Financial Services Co.	1.872 %
Geode Capital Management LLC	1.764 %
Eaton Vance Management	1.750 %
Capital Research & Management Co. (International Investors)	1.671 %

Figure 9 - Marriot Ownership Structure

with the family holding some influence of the company with John Marriott holding the biggest share (fig. 9).

Adding to this, the company has also repurchased stocks as part of its capital allocation strategy and in 2023 it proceeded to buy back shares representing the value of \$3.9 Bn, which increases the impact of the current shareholders. An additional 25 million share repurchase package was approved by the Board of Directors in 2023.

Board of Management

The Board of Management (fig. 10) plays a crucial role within the company, from strategy oversight to the company’s governance. The mix of experienced leaders such as Anthony Capuano and David Marriott with independent, also experienced directors such as Isabella Goren and Lauren Hobart add value to shareholders by bringing expertise in finance, retail and technology, three key flourishing areas. The diverse nature of the board of management brings a balance of continuity and new approaches to business and daily challenges. Furthermore, the board committees further improve its effectiveness. The Human Resources and Compensation Committee aligns shareholders' interest with the directors' performance while the Audit Committee takes responsibility for financial transparency and the Information Security Oversight Committee supports digital transformation in an ever-changing industry. Also, the Inclusion and Social Impact Committee aligns Marriott’s commitment to ESG goals (fig. 10 & 11).

Name	Age	Role	Start Date on Board	Independent	Committee Memberships
David S. Marriott	50	Chairman of the Board	Mar-21	No	Executive Committee (Chair)
Anthony G. Capuano	58	President and Chief Executive Officer	Feb-21	No	Executive Committee
Isabella D. Goren	63	Former Chief Financial Officer, American Airlines, Inc. and AMR Corporation	Mar-22	Yes	Audit Committee (Chair)
Deborah Marriott Harrison	67	Global Cultural Ambassador Emeritus	Jun-14	No	Inclusion and Social Impact Committee
Frederick A. "Fritz" Henderson	65	Lead Director	May-13	Yes	Nominating and Corporate Governance Committee (Chair), Executive Committee
Eric Hippeau	72	Managing Partner, Lerer Hippeau	Sep-16	Yes	Human Resources and Compensation Committee

Figure 10 - Marriot Board of Management pt. 1

Name	Age	Role	Start Date on Board	Independent	Committee Memberships
Lauren R. Hobart	55	President and Chief Executive Officer, DICK'S Sporting Goods	Mar-23	Yes	Human Resources and Compensation Committee
Debra L. Lee	69	Former Chairman and Chief Executive Officer, BET Networks	Dec-03	Yes	Inclusion and Social Impact Committee (Chair), Nominating and Corporate Governance Committee, Executive Committee
Aylwin B. Lewis	70	Former Chairman, President and Chief Executive Officer, Procter & Gamble	Sep-16	Yes	Human Resources and Compensation Committee (Chair), Nominating and Corporate Governance Committee
Margaret M. McCarthy	70	Former Executive Vice President, CVS Health Corporation	Feb-19	Yes	Audit Committee, Nominating and Corporate Governance Committee
Grant F. Reid	63	Former President and Chief Executive Officer, Mars	Mar-23	Yes	Audit Committee
Horacio D. Rozanski	56	President and Chief Executive Officer, Booz Allen Hamilton	Mar-21	Yes	Human Resources and Compensation Committee
Susan C. Schwab	69	Professor Emerita, University of Maryland	Sep-15	Yes	Human Resources and Compensation Committee

Figure 11 - Marriot Board of Management pt. 2

Financial overview

Revenues

The analysis of revenues’ trajectory is divided into three different stages: the period before Covid from 2016 to 2019, the period of the pandemic and the period afterwards, of 2022 and 2023. This is important because the pandemic was an event like no other in the industry.

In the first period the revenues grew to \$20.97 Bn (CAGR: 10.8%). The drivers of the growth were global travel growth together with the 2016 acquisition of Starwood Hotels & Resorts backed by the company’s business model which gave wings to expansion with minimal capital expenditure (fig. 12).

Next, as one may expect, the revenues went down, amounting to \$10.57 Bn in 2020, as operations became disrupted due to travel restrictions and reduced consumer confidence. Recovery began in the following year, with revenues

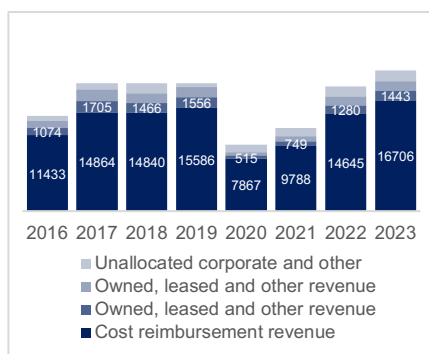


Figure 12 - Marriot Revenues Streams (values in \$Mn)

increasing as restrictions decreased and domestic travel resumed. Post-COVID revenues grew strongly, coming to \$23.71 Bn in 2023 (CAGR: 30.8%) – (fig.12).

The recovery was naturally driven by a continuous recovery in global travel with Marriott expanding strategically to high-growth markets, particularly Latin America and Asia-Pacific, which surpassed the remained Marriott’s largest revenue contributor, even though it lost some ground to the international segment as these markets grew. Unallocated, Corporate and Other revenues fluctuated from 3% to 10%, subtly impacting the distribution of revenues per segment (fig. 12).

Cost Structure

Marriott has a cost structure with a focus on efficiency and scalability. This is possible due to the dimensions of its operations aligned with its asset-light strategy. This analysis is also divided into three distinct phases as it occurred with revenues analysis. In the first phase, the operating costs increased from \$13.60 Bn to \$19.03 Bn (CAGR: 11.8%).

The rise was primarily due to an increase in cost reimbursement expenses, which constituted over 80% of total costs as Marriott expanded its operations. General and administrative (G&A) expenses remained steady at around 4% to 5% of total revenues. Owned, leased, and other direct costs grew moderately, corresponding with increased occupancy across owned properties (fig. 13).

This stability showcases effective cost management strategies. During COVID-19, operating costs dropped in line with revenues for the same period, to \$10.22 Bn in 2020. This is a mirror of decreased operations volume and value. Global travel restrictions and decreased consumer sentiment played a key role in this drop, same as for revenues, with every type of cost following the same behaviour (fig. 13).

In 2021, as restrictions began to ease these costs started to increase. In the period following operating costs rose to \$19.79 Bn, much due to an increase in reimbursement expenses which represented 87% of total operating costs at the time. G&A returned to pre-pandemic levels (fig.13).

Historically, reimbursed expenses consistently made up a big size of Marriott’s operating costs. It is important to note that these are costs Marriott is expected to recover, underscoring the significance of its business model. Additionally, G&A expenses, constituting about 4% to 5% of revenues, provide insight into Marriott’s lean corporate operations. The company’s ability to maintain these costs during growth and recovery phases demonstrates strong operational efficiency.



Figure 13 - Marriot Cost Structure (values in \$Mn)

Profitability

Three metrics were selected to analyse Marriott’s profitability from 2016 to 2023: gross margin, EBITDA margin, and EBIT margin. These metrics were selected as they provide a comprehensive view of the different levels of operations.

Marriott’s Gross margin started at 17.8% in 2016 and grew to 19.3% in 2017 largely due to stable revenue growth and effective cost management strategies but fell to 15.9% in 2019 as operational costs rose. The pandemic as one might expect jeopardized this margin moving it to 14.8%, reflecting the minimized hotel operations, before growing, surpassing pre-pandemic levels in 2023 with 21.8% (fig. 14).

Regarding EBITDA margin, which is a key metric for operational profitability, it followed the same pattern as the Gross Margin, with its decrease starting in 2019 and going down through the pandemic with a good recovery afterwards amounting to 17.5% in 2023, slightly above pre-pandemic levels (fig. 15). Competitors such as Hilton and InterContinental with similar business models have similar margins of 18% - 23% while competitors such as Wyndham which leverage themselves in franchise-heavy models were able to maintain margins of 30% - 40%.

The EBIT margin which is also a key metric to be analysed regarding profitability had a similar pattern to the metrics, reaching 16.5% in 2023. (fig. 16) Hilton led in this key metric with margins of 16% - 19%, while Hyatt and Accor lagged with 6% - 10%, constrained by their reliance on owned properties.

Marriott’s recovery underscores its strategic balance between franchise and ownership models. Marriott achieved competitive EBITDA and EBIT margins, particularly excelling in post-pandemic recovery, and outperformed asset-heavy peers.

Performance Analysis

Performance metrics of Marriott from 2016 to 2023 mirror returns and capital management efficiency in various economic conditions. The Return on Invested Capital (ROIC), Return on Net Invested Capital (RONIC), and Return on Equity (ROE) are critical in proving both resilience and effective capital management strategies of this organization, especially during the recovery from the pandemic.

The ROIC gives a view of Marriott's performance respecting profit generated with invested capital lagging one year. The ROIC was strong before the pandemic, peaking at 16.2% in 2017, leaning on the growth of NOPLAT. For 2020, core ROIC declined sharply to only 2.5% due to operational constraints within the

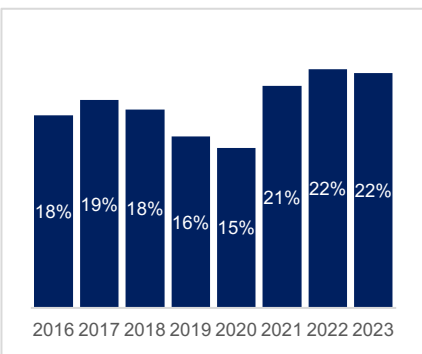


Figure 14 - Marriott Gross Margin (values in %)

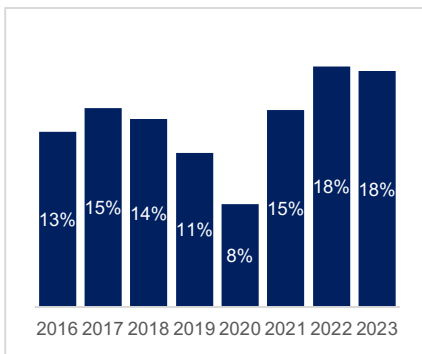


Figure 15 - Marriott EBITDA Margin (values in %)

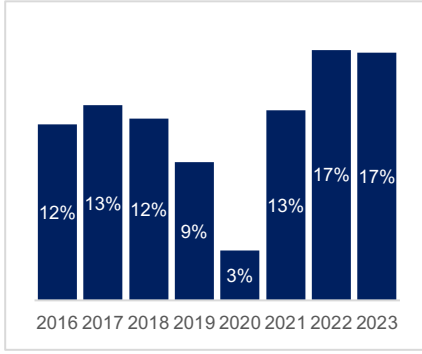


Figure 16 - Marriott EBIT Margin (values in %)

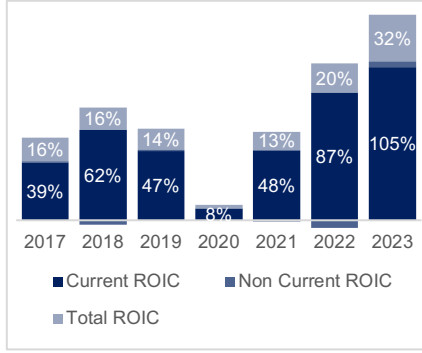


Figure 17 - Marriott ROIC: Current, Non-Current, and Total (values in %)

hotel sector (fig. 17). However, by 2023, Marriott made a comeback, with core ROIC amounting to 32.1%, showcasing the company's optimized capital deployment under high travel demand and cost efficiencies (fig.17). By contrast, Hilton noted a 15% ROIC in 2023; Hyatt Hotels Corporation and InterContinental Hotels Group (IHG) measured around 10%, demonstrating that post-pandemic, Marriott continued to show supremacy in capital management strategies.

The Return on Net Invested Capital (RONIC), measuring returns on new investments, fluctuated significantly during the period. Marriott's RONIC peaked at an extraordinary 657% in 2022 and 2,184% in 2023, driven by investments in its asset-light model and digital initiatives, which yielded extraordinary returns as global travel rebounded (fig. 18).

The Return on Equity (ROE) is a measure of Marriott's ability to provide returns to its shareholders (fig. 19). Pre-pandemic ROE peaked at 59% in 2019, showing a high level of profitability. The devastating impact of the pandemic, however, brought it down to -6%, eroding value for shareholders as this metric fell behind Weighted Average Cost of Capital (WACC). The year 2023 saw a rebound in Post-pandemic ROE, soaring at 557% owing to profit recovery combined with Marriott's relatively leveraged capital structure. Such recovery is successful compared to other exceptional players like Hilton (38%) and Hyatt (6%).

Marriott's performance metrics reveal key drivers of its efficiency. Operating margin, a critical component of ROIC, was stable at 12% pre-pandemic but dropped to 3% in 2020, reflecting the industry-wide disruption. By 2023, this margin recovered to 17%, supported by strong cost management and operational improvements (fig. 20). Components such as Net Working Capital (NWC), which reached 8% of revenues by 2023, also contributed to Marriott's capital efficiency.

In terms of liquidity, Marriott can theoretically face challenges with the Current Ratio below 1 - 0.65 in 2016, declining to 0.37 by 2032 - and the Cash Ratio falling to 0.04. However, as operational efficiencies improve and cash flows strengthen through cost management and revenue growth, Marriott's liquidity position is expected to stabilize, reducing short-term risks over the long term.

Capital Structure

The capital structure of the organization has been created keeping in mind the balance between debt and equity, allowing flexibility for various situations in the industry. The debt-to-equity ratio, the primary measure of leverage for a company, ranged between 15% and 20% (fig. 21). The exhaustive share repurchase programs have also affected equity. Recently, there was a

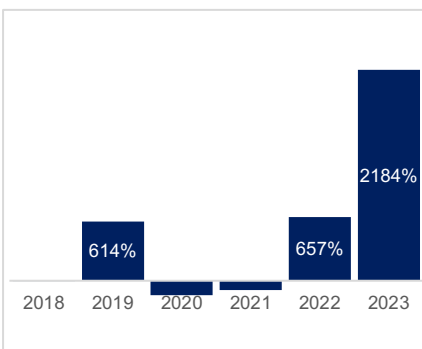


Figure 18 - Marriott Return on New Invested Capital (values in %)

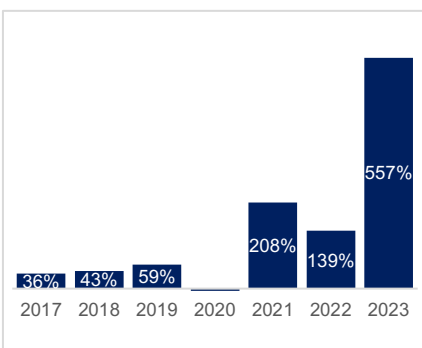


Figure 19 - Marriott Return on Equity (values in %)

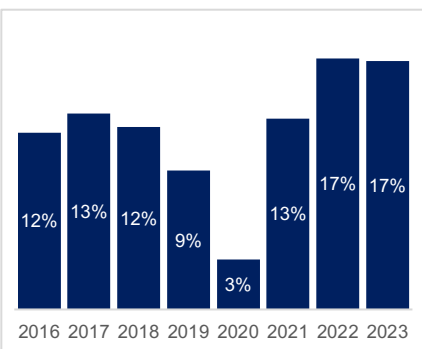


Figure 20 - Marriott Operating Margin (values in %)

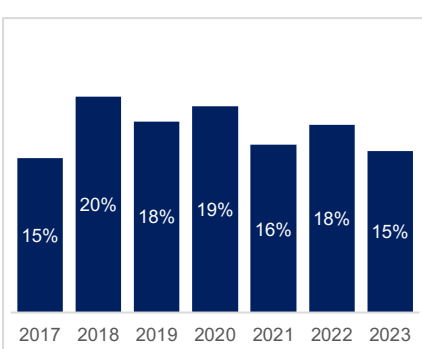


Figure 21 - Marriott Debt-to-Equity Ratio (values in %)

repurchase of shares which increased shareholders' stake but slightly increased leverage.

The organization has used debt strategically for expansion plans, the Starwood acquisition in 2016 being a key example, enabling the organization to take advantage of low interest rates. The pandemic made the company to raise debt, which was intended to keep it afloat. After the pandemic, Marriott moved to de-leverage itself and arrived at a net debt/EBITDA ratio of about 2.9x in 2023. This is thus in line with industry averages. However, it should be noted that Hilton Worldwide operated on a ratio of 3.2x, whereas that of Hyatt Hotels Corporation, whose asset-heavy model barely reached 4.1x, stood. InterContinental Hotels Group and Wyndham Hotels & Resorts are two examples of contenders with asset-light strategies that register lower ratios of 2.5x and 2.3x respectively.

The share repurchase program shows commitment to the returns for its shareholders. From 2016 through 2019, the company repurchased \$572 Mn in 2016, \$3.03 Bn in 2017, \$2.81 Bn in 2018 and \$2.26 Bn in 2019. Buybacks were paused during much of 2020 and into 2021 because of the pandemic but resumed strongly from the beginning of 2022 reaching \$ 2.6 Bn and through 2023, with \$3.9 Bn (fig. 22). Marriott also maintained a consistent quarterly dividend policy in the years past, also interrupted during the pandemic. In fact, from 2016 to 2019, it increased annual dividends steadily from \$1.15 per share to \$1.85 per share, reflecting the growth of earnings and strong cash flow generation (fig. 23). The firm paid out a \$1 per share dividend in 2022 and increased it to \$1.96 per share in 2023, surpassing pre-pandemic payments. The average payout ratio, which measures the share of earnings paid out as dividends, was about 40-50% pre-pandemic but fell sharply during 2020-2021 under pressure on earnings and the suspension of dividends - a recovery occurred after the pandemic as the firm found itself at 47% in 2023, indicating a return to stable earnings. The Debt-to-Equity Ratio of Marriott Company is close enough to that of Hilton at 16% as of Wyndham at 14%.

In short, the capital structure of Marriott company is designed to balance debt with equity and shareholder returns so it can grow and pay dividends and repurchase shares consistently. Its asset-light model, well-disciplined debt management, and dividend reinstatement after the pandemic amplify its financial resilience against uncertainties and great care for long-term shareholder value.

Value Drivers

The key value drivers for this industry are the occupancy rate which is the number of available rooms compared to the total number of rooms. Then there is

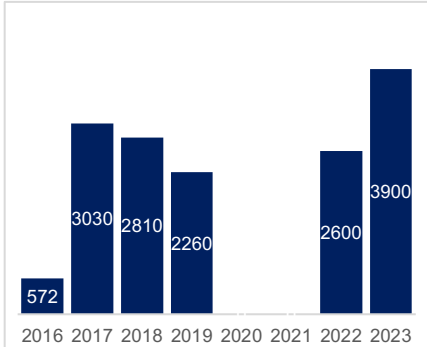


Figure 22 - Marriott Share Repurchases (values in \$Mn)

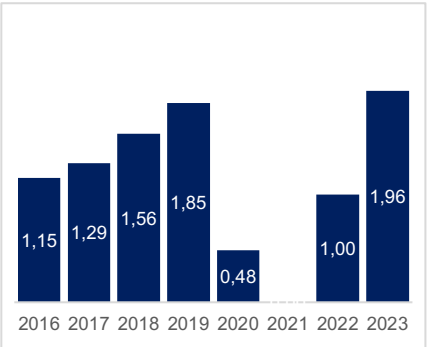


Figure 23 - Marriott Dividends per Share (values in \$)

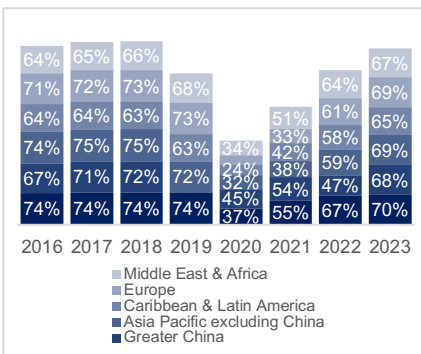


Figure 24 - Marriott Occupancy Rate per Region (values in %)

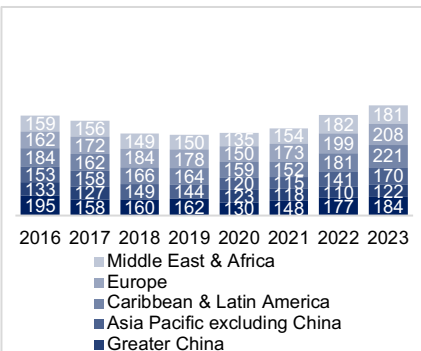


Figure 25 - Marriott Average Daily Rate (values in \$)

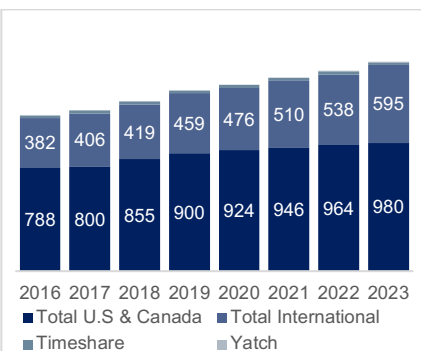


Figure 26 - Marriott Room Count (values in k)

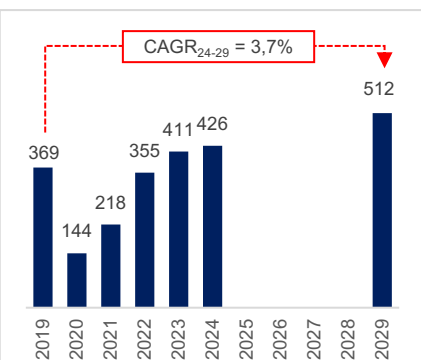


Figure 27 - Global Hotel Industry Revenues (values in \$Bn)

the average daily rate (ADR) and finally the number of rooms. Together, the last two metrics determine the Revenue per Available Room (RevPAR).

In the first phase, the occupancy rates of the rooms were stable with the U.S. & Canada segment having values of around 74%. International markets followed similar patterns, with occupancy near 70% across regions. Again, the Covid pandemic posed big operational threats with occupancy rates falling to 37.2% in the U.S. & Canada segment and to 31.5% in the international segment. Afterwards, everything went to normal as far as travel restrictions were concerned and the same figure for the first segment mentioned was 69.8% in 2023 and for the international segment was 67.9% by the same year (fig. 24).

The ADR saw steady pre-pandemic growth, but in 2020, it dropped sharply, particularly in U.S. & Canada, where it fell by nearly 20% to \$129.96. As travel rebounded, Marriott's ADR rebounded, reaching \$183.83 in 2023, reflecting increased pricing power in response to inflation and higher demand. International markets also saw ADR recovery, with regions like Europe, and Caribbean & Latin America experiencing significant growth, reaching \$207.86 and \$220.73, respectively, by 2023 (fig. 25).

Marriott's room count grew steadily across both managed and franchised properties, with U.S & Canada adding rooms consistently through franchising, reaching 752,630 in 2023. International expansion was more aggressive, particularly in franchised properties, which grew by 22% in 2023. The room count in owned and leased properties reinforces Marriott's asset-light model ambitions with a decrease from 10,805 rooms to 4,339 rooms in the U.S. & Canada from 2016 to 2023. The International segment followed the same path, even though at a slower pace, with rooms decreasing from 10,034 to 8,776 in the same period (fig. 26).

Hotel Industry Overview

Industry Definition and Segmentation

The hotel sector is a key subset of the hospitality industry, playing a significant role in global economic activity. Over time, it has evolved due to technological advancements, shifting customer preferences, and economic changes. Today's market is competitive, catering to diverse audiences, including frequent travelers and business guests. The hotel industry, valued at \$426 Bn in 2024, is projected to grow at an annual rate of 4%, reaching \$512 Bn by 2029 (fig. 27). Before entering market details, and providing a full comprehensive understanding of the industry, a SWOT analysis and Porter's Five Forces frameworks are presented.

These tools highlight the industry’s strengths, weaknesses, opportunities, threats, and competitive positioning within a rapidly evolving market landscape.

Looking firstly into the SWOT framework, it reveals a crucial conclusion: achieving a balance between economic stability, product innovation, and market dynamics is essential. The hotel industry is highly influenced by consumer sentiment across various factors, such as alternative accommodation and economic stability, and operators must leverage their strengths to seize opportunities and adapt to challenges to sustain growth.

Strengths	<p>Diverse Accommodation Options: wide range of lodging choices catering to various customer preferences/budgets.</p> <p>Technological Integration: adoption of advanced technologies has enhanced operational efficiency and improved guest experiences.</p> <p>Economic Contribution: The hotel industry significantly boosts local economies by creating jobs and supporting ancillary businesses.</p>	Weaknesses	<p>High Operating Costs: expenses related to property maintenance are substantial, especially during periods of low occupancy</p> <p>Seasonal Demand: occupancy rates often vary with seasons, leading to inconsistent revenue streams.</p> <p>Dependence on External Factors: the industry is vulnerable to economic downturns, and political instability.</p>
Opportunities	<p>Sustainable Tourism: growing interest in eco-friendly accommodations presents opportunities to implement sustainable practices.</p> <p>Emerging Markets: expanding into developing regions with increasing tourism can open new revenue streams</p> <p>Experiential Travel: offering unique experiences can differentiate properties and appeal to travelers.</p>	Threats	<p>Alternative Accommodation Platforms: the rise of home-sharing services has intensified competition (flexible and affordable)</p> <p>Economic Instability: factors such as inflation and monetary instability can deter consumer spending.</p> <p>Health and Safety Concerns: global health crises and political disasters can lead to sudden declines in travel.</p>

Looking into Porter’s Five Forces framework, it also becomes evident that the hotel industry is an industry where adaptability and strategic foresight are crucial. The interplay between industry rivalry, buyer power, and the growing threat of substitutes underscores the need for continuous innovation and differentiation. At the same time, mitigating risks associated with new entrants and supplier dynamics requires leveraging economies of scale and operational efficiencies. Hotel operators must navigate these forces by capitalizing on their strengths to seize opportunities and counterbalance threats, as outlined in the analysis below with an impact level valued from 1 to 5.

Forces	Impact Level	Description	Conclusion
Threat of New Entrants	3	High capital requirements, economies of scale, and strong brand loyalty act as barriers to entry.	New entrants face significant barriers, but niche players with innovative offerings can disrupt the market.

Bargaining Power of Suppliers	2	Multiple suppliers and standardized inputs lower supplier power, though labor can be a moderate factor.	Supplier power remains limited, but rising labor costs can create moderate challenges.
Bargaining Power of Buyers	4	Price sensitivity and low switching costs give buyers significant leverage, intensified by OTAs.	Buyers hold strong leverage, pushing hotels to compete on pricing, value, and loyalty programs.
Threat of Substitutes	5	Alternative accommodation like Airbnb offers strong competition, particularly for unique or budget stays.	Substitutes like Airbnb continue to reshape customer expectations and intensify competition.
Industry Rivalry	5	Intense competition due to market saturation, price wars, and the challenge of differentiation.	The industry remains highly competitive, requiring innovation and differentiation for sustained success.

Table 1 - Porter's Five Forces Framework

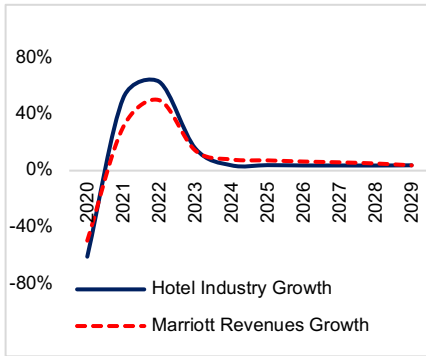


Figure 28 - Global Hotel Industry Revenues Growth (values in %)

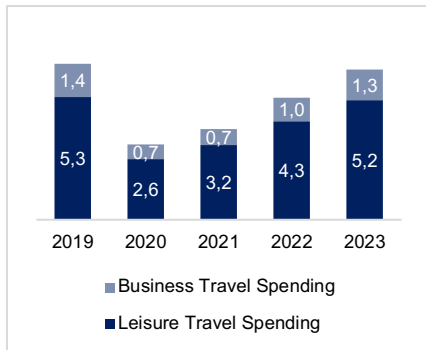


Figure 29 - Business and Leisure Travel Spending (values in \$Bn)

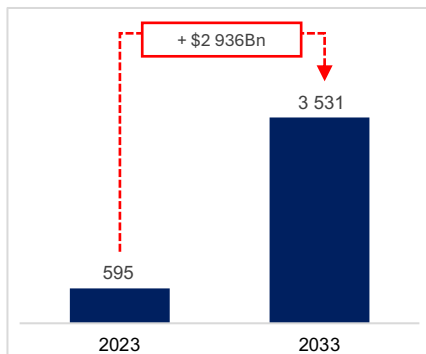


Figure 30 - Global "Bleisure" Market Size Forecast (values in \$Bn)

Market Trends

- Post-Covid Recovery

With the COVID-19 pandemic, hotels suffered significant repercussions and instability, with revenues decreasing 61% from 2019 to 2020. Marriott managed to decrease at a lower rate than the overall industry, at 50% (fig. 28). Although, as reflected in the graph, 2021 was already showing signs of recovery, it was only in 2022 that the sector started to show strong signs of recovery, where the industry managed to increase by 63%, reflected in both leisure and corporate travel. As observed in the graph, it's expected stabilization of the global hotel industry growth in future years, marked by the normalization of the economy and the ending of the post-covid boost. Evidence for this growth is the expenditure exhibited on both leisure and business travel. Although spending in both suffered a significant decrease in 2020, a combined amount of \$3,5Tn, it increased in the subsequent years, where, from 2021 to 2023 travel spending has already increased by 98%, while business travel by 102% (fig. 29). This was marked by a strong desire to travel after the pandemic lockdown and the normal day-to-day functioning of business operations within companies which, once again, boosted business travels. This recovery of the industry has led to the creation of new term called "Bleisure", a combination of both leisure and business travels where employees are taking advantage of work trips to save on travel expenses, spend time with family or friends, and improving their well-being (fig. 30). Apart from the ability to mix leisure with work, the industry is also showing optimistic signs due to rising consumer confidence and the lifting of global travel restrictions, which is evidenced by a significant increase, due to being in tourist arrivals. Data highlights the pandemic's impact on industry, with a decline in 2020

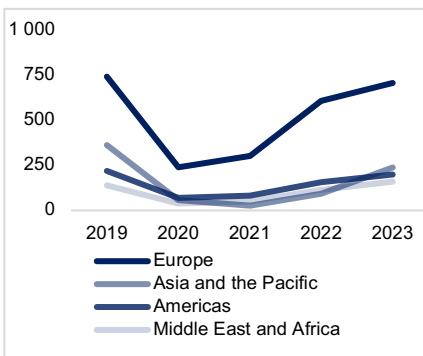


Figure 31 - Number of Tourists Arrival per Region (values in Mn)

across all regions compared to 2019. However, recovery patterns can already be noticed, where the rates varied by region. Europe, for example, started to rebound in a rapid way in 2021, while Asia and the Pacific faced challenges due to extended restrictions. By 2023, Europe and the Americas had returned to pre-pandemic levels, and the Middle East and Africa, despite smaller total volumes, exceeded their 2019 figures (fig. 31).

▪ Sustainability trends

Another emerging concern that has been a critical internal and external factor, is environmental sustainability. It has become a focus in the hotel industry, mainly due to customer preferences of engaging in sustainable travel, trend itself that is influencing operational and strategic decisions. Hotels are increasingly integrating green practices, which is evident from Marriott’s commitment to reaching net-zero emissions by 2050. Across the industry, investments in energy-efficient technologies and waste reduction varies widely. In the UK, the Green House Hotel, uses solar panels and biomass boiler to generate electricity and rainwater harvesting. In the US, the Hotel Brooklyn Bridge uses reclaimed wood from the former Domino Sugar Factory, advanced energy management systems and efficient lighting. In South Africa, the Hotel Verde uses wind turbines and photovoltaic solar panel system. This trend towards sustainability is clearly at the brink of becoming not just a trend but a global movement. More, is not just a corporate responsibility but also a response to consumer demand for more environmentally friendly travel options.

▪ Technology and Digital Transformation

Digital transformation and the application of technology in the hotel industry are rapidly enhancing operational efficiencies, supported by significant increases in technology investments. Hotels are becoming more proactive in implementing technology and adapting to dynamic environments where innovations are required by customers and necessary for sustainable competitive advantage. On emerging tech trends in the hotel industry, there is a shift in mindset regarding investment in new technology. Based on not mutually exclusive collected data, around 94% of hotel leaders plan to invest in technology in the coming years, with 24% planning heavy investment and 70% moderate investment, showcasing how technology will become more integrated into businesses, and how managers are making more room for technology in budget considerations (fig. 32).

These investments are mainly motivated by changes in customer demand, the opportunity to increase overall efficiencies such as improved margins, and reduced costs, and the need to deliver unique guest experience, ultimately contributing to a stronger competitive advantage (fig. 33). All these factors are

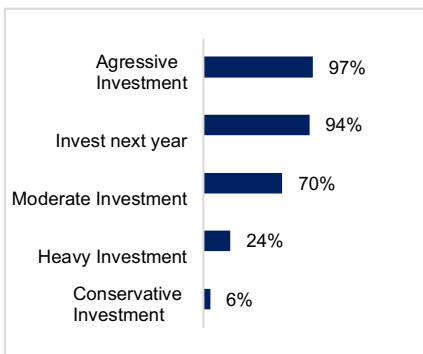


Figure 32 - Investments hospitality leaders are looking for in terms of technology over the coming 12 months (values in %)

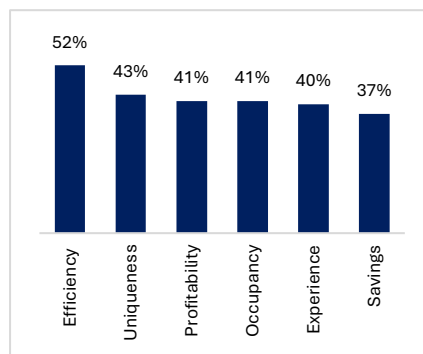


Figure 33 - Business Objectives that are driving technology investments over the coming 12 months (values in %)

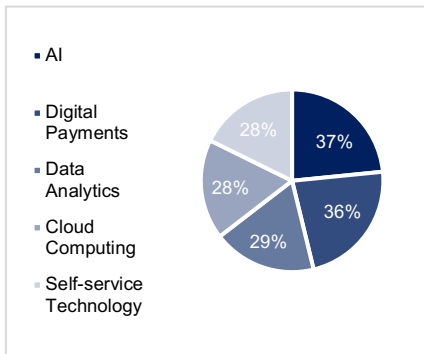


Figure 34 - Technological trends that will have more impact over the coming 12 months

slowly making players rethink the number of resources allocated to technology when closing budgets.

This expansion is crucial for incorporating advanced technologies that help achieve operational objectives. Technologies like AI are pivotal for optimizing performance, as this is the technology that hoteliers think will have the most impact in the next 12 months (fig. 34). As of August 2023 in Europe, 11% of accommodation businesses already use AI, and 16% plan to adopt it in the next six months, showcasing that the ongoing adoption of these technologies is set to deepen in the following years, reflecting the industry's commitment to maintaining a competitive edge and meeting evolving customer expectations.

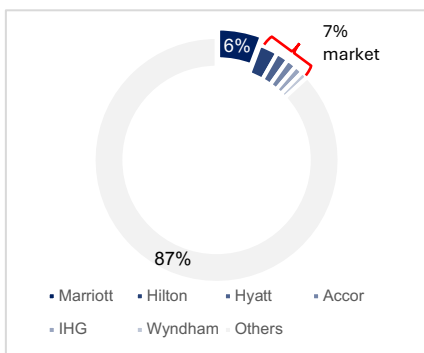


Figure 35 - Global Hotel Industry Market Share (values in %)

Competitive Landscape

In recent times, the hotel industry has transformed into a more competitive landscape, a shift attributed to the rise of new technologies and increasing customer preferences. The competitive landscape incorporates both major hotel chains (e.g., Hyatt, Hilton) and home-sharing services (e.g., Airbnb). Traditional competitors consist of other hotels, but in Marriott's case, the key players are global hotels chains, the closest to Marriott in terms of size and business operations.

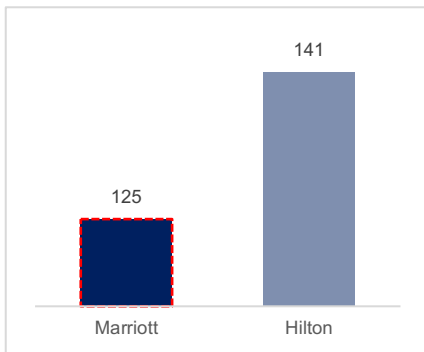


Figure 36 - Marriott RevPAR vs. Hilton RevPAR (values in \$)

Taking what was mentioned above into perspective, 5 key players were identified, capturing a total of 13% market share, with Marriott outperforming its peers with a market share of 6% (fig. 35).

Hilton: This hotel brand operates over 7,000 properties across 123 countries and has a loyalty program, Hilton Honors, with over 150 million members, rivaling offerings in luxury, upscale, and midscale segments. With both companies adopting asset-light models, Hilton's ability to sustain owner satisfaction and deliver high RevPAR, 29% growth in 2023, directly challenges Marriott's competitiveness in similar regions and customer segments. Although it's the closest competitor, it only has a market share of approximately 2% (fig. 36).

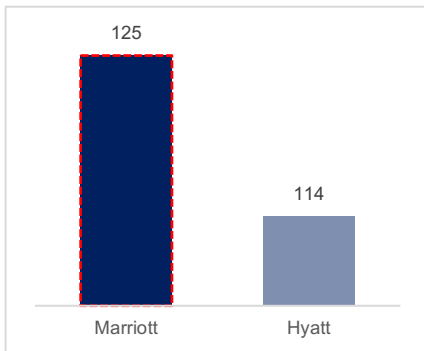


Figure 37 - Marriott RevPAR vs. Hyatt RevPAR (values in \$)

Hyatt: Although it has a smaller portfolio of over 1,200 properties, this allows it to specialize in luxury and lifestyle offerings, such as Park Hyatt and Andaz, which directly compete with Marriott's top-tier brands like Ritz-Carlton. Hyatt's experience in expanding into lifestyle markets and experiential travel niches creates a competitive advantage. This focus challenges Marriott's ability to maintain leadership in luxury segments without diluting its broader brand strategy. Hyatt has a market share of approximately 2% (fig. 37).

Intercontinental Group: With a market share of 1%, IHG, with its portfolio of over 6,000 properties, excels in the midscale and upper-midscale segments

through brands like Holiday Inn and Crowne Plaza. Marriott's offerings, such as Courtyard and Fairfield Inn, face stiff competition in these categories, particularly in high- focus on asset-light growth also directly challenge Marriott's positioning in these crucial revenue-driving segments.

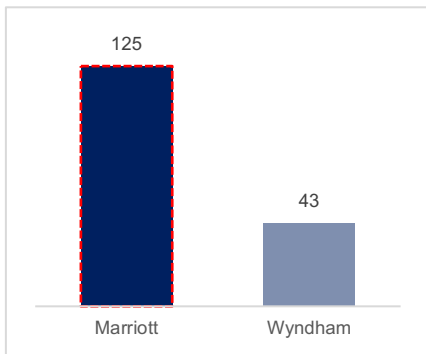


Figure 38 - Marriot RevPAR vs. Wyndham RevPAR (values in \$)

Wyndham: With approximately 9,000 properties, Wyndham dominates the economy and mid-scale hotel segments. Its scale and strong franchise model put pressure on Marriott's ambitions to expand in these cost-sensitive markets. Wyndham's ability to offer budget-conscious travelers' reliable accommodation on at scale, backed by Wyndham Rewards with over 100 million members, forces Marriott to reassess its strategy in competing for price-sensitive and high-frequency travelers. Wyndham has a market share of 1% (fig. 38).

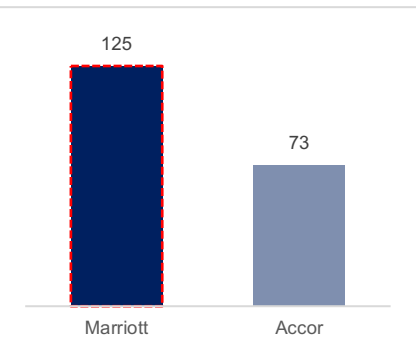


Figure 39 - Marriot RevPAR vs. Accor RevPAR (values in \$)

Accor: Accor's dominance in Europe and its aggressive push into lifestyle and experiential brands, such as Raffles, challenge Marriott's growth in these lucrative markets. Accor's partnerships and ALL - Accor Live Limitless loyalty program provide strong competition, particularly in urban and cultural hubs. Marriott faces difficulty competing with Accor's locally tailored strategies and its extensive focus on the lifestyle segment, where Accor has carved out a strong position, capturing 1% of the market (fig. 39).

Each player competes with Marriot in its unique way, forcing the hotel operator to constantly adapt and innovate. However, apart from these typical competitors, there has been a significant disruption in the hotel industry, being the emergence and rapid growth of the home-sharing segment (e.g. Airbnb). Throughout the years, there has been a substantial increase in market share, due to new cost-effective alternatives that address several needs of consumers that hotels sometimes fail to address (i.e. flexibility, privacy) – fig. 40. Furthermore, by offering unique accommodation options, such as apartments and houses, the home-sharing segment not only attracts traditional hotel industry customers but also taps into a new customer segment that previously did not use hotels. The industry will need to be able to innovate quickly and adapt, in the hopes of being able to compete.

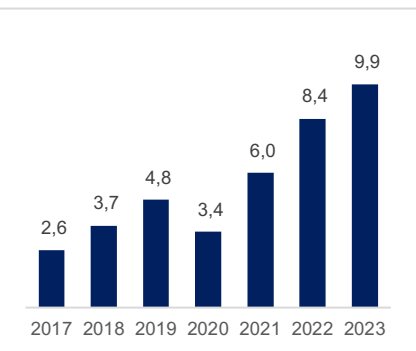


Figure 40 - Airbnb Market Share (values in \$Bn)

Macroeconomic Context

The macroeconomic environment significantly influences the hotel industry through various channels including inflation, GDP growth, and interest rates. Using current data and projections, we have assessed their potential impact.

- Inflation

Inflation significantly affects the hotel industry, including Marriott, by influencing operational costs and consumer spending. Rising inflation drives up costs for

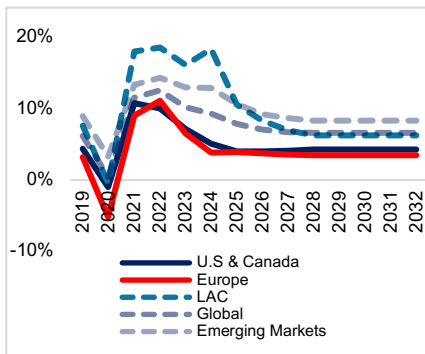


Figure 41 - Inflation per Region (values in %)

essentials like labor, food, and maintenance, often forcing hotels to increase room rates, which can reduce demand. Conversely, stable inflation supports predictable pricing strategies and steadier consumer spending, benefiting both operations and revenue growth. Regional variations in inflation rates also play a crucial role. In regions like the U.S. & Canada, where inflation is relatively stable at 2.0%-2.3%, and Europe at 1.9%-2.1%, Marriott can leverage consistent pricing strategies to encourage steady travel spending. However, in high-inflation regions such as the Caribbean and Latin America, with rates reaching up to 16.7%, escalating costs compel higher room rates, which may deter demand and require adaptive pricing strategies (fig. 41). For Marriott, stable inflation in key markets like North America and Europe provides an opportunity to strengthen revenue management and maintain competitive advantages. In contrast, high-inflation regions necessitate careful cost control and strategic pricing to balance profitability with maintaining market share.

▪ Gross Domestic Product

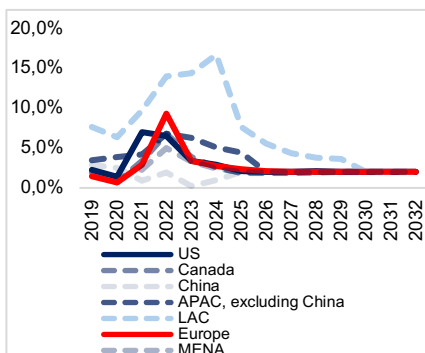


Figure 42 - Gross Domestic Product Evolution per Region (values in %)

GDP growth has a direct impact on both the business and leisure travel categories, making it a crucial indication of travel demand. Increased travel is usually correlated with strong GDP growth, such as seen in the U.S., as firms develop, and consumers have more discretionary income. On the other hand, slower GDP growth—as shown in some regions of Europe—may result in less spending on travel. According to projections, the continuous economic recovery is likely to propel GDP growth in most regions during the next several years. It is projected that this rise will level out in 2027–2028 as markets stabilize (fig 42). This economic environment offers hotel operators like Marriott the chance to take advantage of growing travel demand in areas with strong GDP development while implementing customized tactics to handle more conservative markets.

▪ Interest Rates

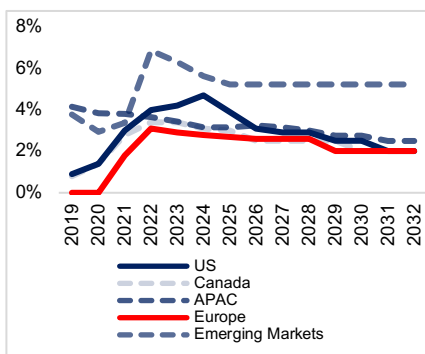


Figure 43 - Interest Rate per Region (values in %)

Interest rates significantly impact the hotel industry's operational costs, consumer spending, and expansion opportunities supported with debt. Recent trends show substantial regional variations. In the U.S. & Canada, interest rates increased sharply from 0.9% to a peak of 4.7% but are projected to decline to approximately 2.0%. Similarly, in Europe, rates have risen gradually to 3.1% and are expected to stabilize around 2.0% (fig. 43). These shifts reflect adjustments in monetary policies, with declining or stabilizing rates potentially stimulating consumer confidence and travel spending. For Marriott and other major hotel chains, rising interest rates in recent years have likely increased financing costs for property development and renovations. However, the anticipated stabilization and decline in rates present opportunities for growth and refinancing of debt.

Lower borrowing costs could enable investments in new properties and upgrades, while increased consumer confidence driven by favorable monetary conditions may boost demand for leisure and business travel.

Forecast Breakdown

Marriott's approach centers on its asset-light model, growth in the premium and luxury sectors, and improvements in sustainability and technology. By accelerating the increase of rooms in high-end markets, where elevated fees can significantly enhance revenue, Marriott seeks to strengthen its fee-based income streams, a critical aspect of its asset-light strategy that is essential for providing outstanding guest experiences through innovative technology. All these tactics contribute to Marriott's impressive history and form the foundation for the projections. It is important to mention that revenues were forecasted on a bottom-up basis because it adds granularity and detail to the forecast since Marriott has such a wide variety of revenue streams. Nevertheless, a top-down approach was also made just to confirm the validity of the forecasted assumptions.

Gross Fee Revenues

Marriott's anticipated gross fee revenues in both the U.S. & Canada and international markets illustrate its commitment to expanding premium and luxury segments, embracing technological advancements, and benefiting from market recovery. In the U.S. & Canada, gross fee revenues are projected to increase from \$3,064 Mn in 2024 to \$4,693 Mn by 2032. This growth is fuelled by the recovery following the pandemic and Marriott's enhancement of premium and luxury offerings, leading to elevated fee income. The market is forecasted to witness strong growth until 2026, with the annual growth rate expected to decelerate to 2.5% by 2032. For the global markets, revenue is forecasted to rise from \$1,548 Mn in 2024 to \$2,874 Mn by 2032. Strategic expansions of hotels alongside a strong revival in travel—particularly in Asia-Pacific and Europe—will propel this growth. As these regions advance, considerable expansion is anticipated, with Marriott's foray into rapidly growing areas and increasing occupancy and ADR rates enhancing fee income (fig. 44).

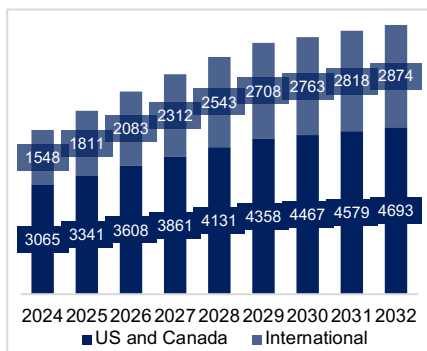


Figure 44 - Gross Fee Revenues Forecast 2024-2032 (values in \$Mn)

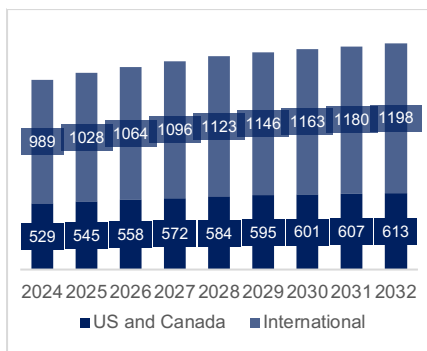


Figure 45 - Owned, Leased, and Other Revenue Forecast 2024-2032 (values in \$Mn)

Owned, Leased, and Other Revenue

Marriott is shifting towards an asset-light strategy, placing less emphasis on leasing and property. In the U.S. & Canada, this caption is forecasted to grow at an average of 4.5% per year until 2028, then slow to 1% per year, aligning with the asset-light strategy. While occupancy and ADR in North America will boost revenue, this segment will grow more slowly than others due to the focus on

management contracts and franchising. Similarly, International revenue is expected to grow at 5.5% in 2024 and slow to 1.5% by 2032. Despite fewer owned or leased hotels, premium ADR and occupancy rates in regions like Asia Pacific and Europe will boost income, reflecting the higher growth rate in the international segment. However, as Marriott shifts focus even more to franchised and managed properties, the growth rate will decrease, limiting further expansion in this category (fig. 45).

Cost Reimbursed Revenues

The forecast for Cost Reimbursement Revenue reflects the reimbursements it receives from property owners for operational expenses incurred on their behalf—a pass-through revenue item directly tied to rising operational costs, inflation, and the number of managed properties. In the U.S. & Canada segment, Cost Reimbursement Revenue is projected to rise 6.5% in 2024, driven by high operational costs, inflation, and the ongoing growth of Marriott's managed property portfolio. However, starting in 2025, the growth rate is expected to gradually decline as system-wide enhancements improve operational efficiencies and inflation gradually drops to about 2%. For the International segment, a faster growth is expected of 11% in 2024 due to inflationary pressures and the expansion of Marriott's managed properties in regions like Asia Pacific and Europe. However, similar to the U.S. & Canada, as inflation levels off and operational savings materialize, the growth rate will progressively slow, decreasing to 1.5% per year starting in 2029 (fig. 46).

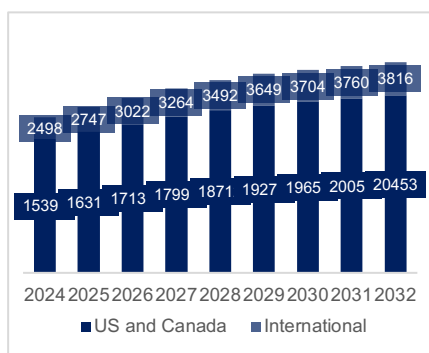


Figure 46 - Cost Reimbursed Revenues Forecast 2024-2032 (values in \$Mn)

Unallocated Corporate and Other

Unallocated Corporate and Other Revenue, which includes income from foreign licensing contracts, co-branded credit cards, corporate alliances, and returns on corporate investments, represents Marriott's global strategic ambitions, corporate investments, and initiatives to improve operational efficiency. Revenue is expected to rise from \$1,655.72 Mn in 2024 to \$2,252.93 Mn in 2032, driven by corporate investments, divestment gains, and international tactics including new partnerships and licensing agreements. Due to steady growth and the maturation of corporate investments, a robust 6% annual growth rate is projected for 2024 and 2025, tapering to 4.5% by 2028 and 2% by 2030. Anticipated improvements in operational effectiveness will also help with cost control and revenue growth (fig. 47).

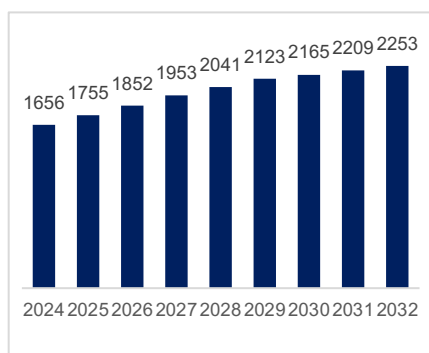


Figure 47 - Unallocated Corporate and Other Forecast 2024-2032 (values in \$Mn)

Owned, leased, and other – direct costs

Marriott's Owned, Leased, and Other Direct Expenses, including property taxes,

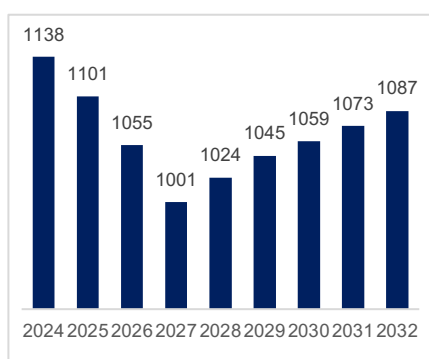


Figure 48 - Owned, Leased and other - direct costs Forecast 2024-2032 (values in \$Mn)

staffing, utilities, and maintenance, are expected to decrease as the company shifts to an asset-light model. Costs are projected to be \$1,138 Mn in 2024, remaining high through 2025 due to growth in high-cost locations and inflation. By 2026 to decline, as Marriott reduces its owned and leased properties and inflation eases. Costs should stabilize at \$1,086 Mn by 2032, driven by technology expenditures. Direct expenses as a percentage of sales are expected to drop from 75% in 2024 to 60% by 2027, reflecting Marriott's focus on cost containment and technology-driven efficiency (fig. 48).

General, administrative, and other

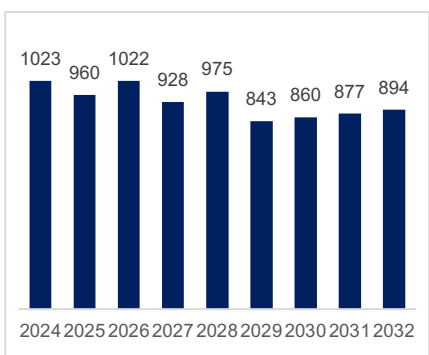


Figure 49 - General, Administrative and other Forecast 2024-2032 (values in \$Mn)

General, Administrative, and Other Expenses are expected to fluctuate as Marriott balances expansion with efficiency improvements from automation and new technology. Costs are projected to start at \$1,023 Mn in 2024, decrease to \$960.44 Mn by 2025 with streamlined operations, and then temporarily rise to in 2026 due to expansion. By 2027, expenses will drop as AI and automation reduce administrative needs. Costs will stabilize from 2028 to 2029 with efficiency gains, and slightly rise by 2032 due to inflation, while maintaining cost control. As a percentage of revenue, these expenses will decline from 4% in 2024 to 2.5% by 2029 and remain at that level, reflecting Marriott's focus on cost optimization through technology (fig. 49).

Reimbursed expenses

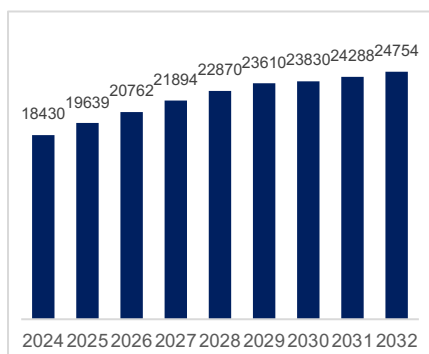


Figure 50 - Reimbursed Revenues Forecast 2024-2032 (values in \$Mn)

Reimbursed Expenses reflect the costs Marriott incurs on behalf of property owners, directly tied to Cost Reimbursement Revenue. These expenses are influenced by assets under management, inflation, and operating costs. Reimbursed expenses are projected to grow by 6.5% in 2024, then slow as efficiency efforts take effect, reaching \$23,829 Mn by 2030. By 2032, growth will stabilize, reflecting Marriott's emphasis on technology-driven cost management. As part of Marriott's objectives, this caption is projected to align closely with Cost Reimbursement Revenues, being the primary reason it is forecasted as a percentage of that caption. Reimbursed expenses are expected to remain around 103% of Cost Reimbursement Revenue until 2029, decreasing to 102% from 2030 onwards, indicating improved efficiency in property management as the company will get close to the objective of 100%, which would be the optimal situation for this caption to Cost Reimbursement Revenue (fig. 50).

Depreciation

Depreciation reflects Marriott's capital investments in properties and technology upgrades aimed at cutting costs and improving efficiency. Depreciation costs are

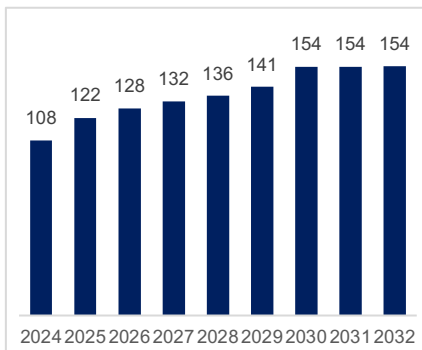


Figure 51 - Depreciation Forecast 2024-2032 (values in \$Mn)

projected to increase from 7% in 2024 to 8.5% in 2026, as Marriott adds value through asset and technology improvements, expected to reach \$132 Mn by 2027 and peak at \$135 Mn in 2028 due to real estate and energy-saving equipment investments. After 2028, depreciation will stabilize as new investments in capital properties and technological equipment will start to decrease, reaching \$153 Mn by 2032, representing 11% of PP&E (fig. 51).

Property, Plant and Equipment

Marriott's strategic business model has led to a focus on reducing Property, Plant, and Equipment (PP&E) values, particularly outside of land. This strategy prioritizes franchising and managing hotels over owning them, reducing the need for large capital investments in physical assets. The total PP&E value is expected to decline gradually from \$1,542 Mn in 2024 to \$1,398 Mn by 2032, reflecting Marriott's reduced emphasis on direct property ownership. (i) **Land value** is projected to remain stable, with a modest increase from \$658 Mn in 2024 to \$667 Mn by 2032, indicating land's non-depreciating nature and Marriott's choice to retain existing holdings without significant new acquisitions; (ii) **Buildings and Leasehold Improvements** are expected to decrease from \$1,108 Mn in 2024 to \$952 Mn by 2032, aligning with Marriott's reduced focus on owning real estate, and decreasing steadily by 2%-3%; (iii) **Furniture and Equipment** values are also projected to decline, from \$591 Mn in 2024 to \$502 Mn by 2032, consistent with scaling back direct asset ownership; (iv) **Construction in Progress** will show variability, initially decreasing, then increasing, before stabilizing, reflecting ongoing but reduced investment in new projects, with an intent to shift properties to franchise deals once completed; and (v) **Accumulated depreciation** is expected to decrease slightly over the years, reflecting a consistent approach to depreciating existing assets without significant new additions (fig. 52).

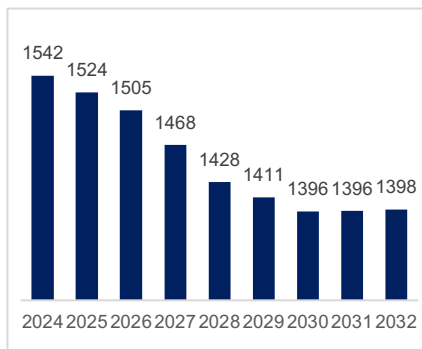


Figure 52 - PPE Forecast 2024-2032 (values in \$Mn)

Debt

Marriott's strategic debt management plan aims to balance financial stability and growth from 2024 to 2032. There is major debt issuances forecasted in this period. In 2024 and 2025, the company is forecasted to issue \$1.5 Bn and \$1.8 Bn in debt especially to refinance, renovations, global expansion, and share repurchases, taking advantage of the lowering of interest rates forecasted for next years. The debt will be structured with face values from \$400 Mn to \$1 Bn and with maturities from 5 to 10 years to optimize interest costs and manage obligations. Moreover, in 2031 and 2032, it is forecasted to issue \$1.4 Bn and \$1.6 Bn to further refinance its debt taking advantage of the debt maturing at the time and low interest rates. This strategy supports Marriott's long-term goals,

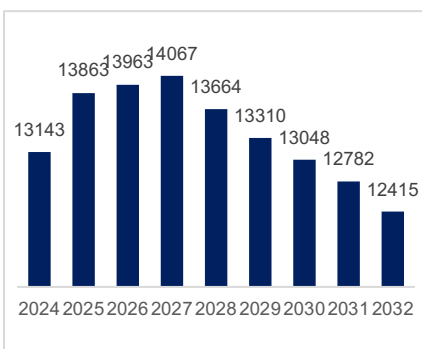


Figure 53 - Debt Forecast 2024-2032 (values in \$Mn)

including global expansion and technology upgrades, ensuring financial stability and competitiveness in the evolving hospitality sector (fig. 53).

Intrinsic Valuation

To value the company in a complete way, three methods were employed: Discounted Cash Flow (DCF), Adjusted Present Value (APV), and Multiples valuation, even though APV was only applied to confirm the assumptions of the DCF model.

The first two methods allow the understanding of the future cash flow-generating capability of the company while taking into consideration its capital structure. These approaches have been widely endorsed in academic literature for their precision in evaluating companies with relatively stable cash flows. As noted by Koller, Goedhart, and Wessels in *Valuation: Measuring and Managing the Value of Companies* (McKinsey & Company, 2020): DCF continues to be widely used due to its focus on future performance as opposed to a sole focus on historical figures. APV, as proposed by Myers (1974) in his seminal work *Interactions of Corporate Financing and Investment Decisions*, is particularly useful in situations where a company's capital structure changes significantly over time, which does not apply to Marriott, especially due to its target debt-to-equity ratio of 15%. Nevertheless, it is good to employ this method as a backup against the DCF assumptions in place, as mentioned above.

In addition to intrinsic methods, Multiples Valuation offers a relative perspective by comparing Marriott's financial metrics with those of its competitors. As highlighted by Damodaran in *The Dark Side of Valuation* (2018), multiples are an essential tool for assessing how the market prices a company's future growth prospects relative to its peers, providing a reality check of how the industry "perceives" the performance of the company. The integration of both intrinsic and relative valuation methods ensures a comprehensive view of Marriott's value, particularly as it navigates post-pandemic recovery and continues expanding its asset-light business model.

Discounted Cash Flows

As Marriott has stable cash flows and predictable growth this method is well-aligned for valuation (Damodaran, 2012). Having a Weighted Average Cost of Capital (WACC) of 9.64% and terminal growth of 2% - both explained further in this report, this method values the share price of Marriott for 257.02\$ (fig. 54).

Looking at the Debt-to-Equity (D/E) one could also draw conclusions about the suitability of DCF for the intrinsic valuation of Marriott International Inc.

Long-term Growth	2%
Beta_debt	0,10
TaxRate	30%
D/E Target	15%
D/E Actual	15%
D/EV	18%
Beta_unlevered	1,10
D/EV Target	13%
E/EV Target	87%
E/EV	82%
Beta_equity (levered)	
Beta_equity (levered) - MAR	1,22
US Treasury 10y	3,83%
MarketRisk Premium	5,50%
Cost of Debt (Rd)	5,23%
Cost of Equity (Re)	10,54%
Return Unlevered (Ru)	9,90%
WACC	9,64%

Figure 54 – WACC Calculation and Inputs

Historically, this ratio has fluctuated between 15% and 20%, showing a consistent leverage ratio. Recently, this ratio remained at 15% which is believed to be the value in the long-term getting closer to the average of the industry, especially with many strong peers turning themselves also to an asset-light business model. The D/E has been decreasing since 2020, which shows the intention of the company to reduce its leverage, which also aligns with the company's business model. Supporting this are the recent management reports that showcase the commitment to reducing leverage to improve financial flexibility to support even negative market conditions.

▪ Methodology

Projection Period (2024–2031): Operating free cash flows (FCFs) were projected based on Marriott's future expectations given the present and past situation (fig. 55). For instance, the FCF for 2025 is estimated at **\$4,702 Mn**, increasing to **\$6,875 Mn** by 2031.

Terminal Value: At the end of the forecast period, the terminal value was calculated using the perpetuity growth model (fig. 56). With a growth rate (g) of **2%** and a WACC of **9.64%**, this value represents the company's cash flows beyond 2031, discounted to present value.

Enterprise Value (EV): The sum of discounted operating FCFs and the value of non-operating items yielded an Enterprise Value of **\$81,375 Mn** for 2025.

Adjustments: Non-operating items, such as cash reserves and investments, added **\$5,466 Mn**, adding to the value of operations of **\$75,909 Mn**. After subtracting the market value of debt (**\$10,695 Mn**) reflecting the economy's reality rather than the historical cost on the balance sheet, the Equity Value was **\$70,680 Mn**.

Share Price: Dividing the Equity Value by the number of outstanding shares (**275 Mn**) resulted in a share price of **\$257.02** by **December 31, 2025** (fig. 57).

Adjusted Present Value

The Adjusted Present Value (APV) method, as mentioned above, was employed as a cross-check to validate the assumptions underlying the DCF model. Despite its differing methodology, the APV valuation produced a nearly identical share price of **\$257.40**, confirming the robustness of the DCF approach. This similarity highlights Marriott's stable capital structure and demonstrates the accountability of tax shields, on its overall valuation.

Free Cash Flows

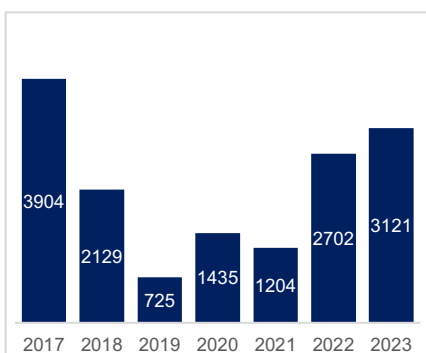


Figure 55 - Operating Free Cash Flow (values in \$Mn)

Formula
 Terminal Value = $FCF_{2031} \times (1 + g) / (WACC - g)$

Figure 56 - Terminal Value Formula

Formula
 Intrinsic Share Price = $Equity\ Value / Outstanding\ Shares$

Figure 57 - Share Price Formula

Marriott International's free cash flows have shown significant fluctuation due to factors such as integration costs, the pandemic, and changes in working capital. By **FY30**, Marriott is expected to achieve a steady state where free cash flows grow at a consistent rate of **2%**. This growth assumption aligns with:

Global GDP Growth: Forecasted trends of 2–3%, with developed markets at the lower end.

Inflation Expectations: Reflecting realistic and sustainable economic conditions.

Industry Dynamics: As a mature company, Marriott's growth rate stabilizes near economic norms.

Weighted Average Cost of Capital

The required return was computed using the Capital Asset Pricing Model (CAPM), using the risk-free rate, the Beta, and the market risk premium, with all its elements being set to the date of August 28, 2024. The CAPM has the particularity of giving risk-adjusted returns, which is good for the company since it is exposed to many risks. (McKinsey, Chapter 12, "The CAPM model"). Marriott's Beta captures the company's systematic risk compared to the market, reflecting investor expectations of compensation for bearing this risk (fig. 58).

Formula

$$R_e = R_f + \beta * (R_m - R_f)$$

Figure 58 - CAPM Formula

- Risk-Free Rate

Long-term U.S. government bonds are the best proxy for risk-free rates (McKinsey, Chapter 6, "Risk-Free Rate") since these have immaterial risks due to their stability. In this case, a rate of 3.83% was used, from the 10-year bonds which have the best time frame for the valuation purposes in process (fig. 54).

- Market Risk Premium (MRP)

The market risk premium was set at 5.5%, considering a good proxy, the values given by Aswath Damodaran. This represents the additional returns investors should have above the risk-free rate to be paid by the risks they are taking for the investment (McKinsey, Chapter 12, "Market Risk Premium"). This premium is consistent with historical data on equity returns and market expectations for the near future (fig. 54).

- Cost of Debt (Rd)

The cost of debt is also a key input for the weighted average cost of capital computation. Having a credit rating of BBB, the company has a good rating, but it still has a risk premium over the risk-free rate around its debt (fig. 54). It was estimated a cost of debt of 5.2%. Additionally, Marriott benefits from the tax deductibility of interest payments, a common advantage in leveraged capital

structures (McKinsey, Chapter 8, "Tax Shield").

- Levered Beta

To accurately reflect Marriott International's systematic risk, the beta was calculated using a combination of regression analysis, peer benchmarking, and adjustments for the company's target capital structure.

Unlevered Beta for the Industry:

The unlevered beta represents the business risk of the industry, independent of capital structure. It was derived by analyzing the betas of peer companies in the hotel industry. Each peer company's levered beta was unlevered using its respective debt-to-equity ratio and tax rate with the formula of figure 59.

Formula

$$\beta_{\text{unlevered}} = \beta_{\text{levered}} / [1 + (1 - T) \times (D/E)]$$

Figure 59 - Unlevered Beta Formula

The average unlevered beta of the industry was calculated as **1.10**, capturing the core business risks common across the sector.

Target Leverage and Re-leveraging Beta:

Marriott targets a debt-to-equity (D/E) ratio of **15%**. Using this target ratio, the industry unlevered beta was re-leveraged to reflect Marriott's capital structure using the following formula of figure 60.

Formula

$$\beta_{\text{levered}} = \beta_{\text{unlevered}} \times [1 + (1 - T) \times (D/E)]$$

Figure 60 - Re-Leveraging Beta Formula

Moreover, the forecasted tax rate amounts to **30%**. Even though the corporate tax rate has been 21% since 2017 also with the effective rate being unstable there are reasons to believe that 30% is a fair forecast for this variable. This value takes in consideration additional factors such as U.S state income taxes, non-U.S. tax adjustments, and permanent items like tax on foreign earnings which are important due to the expansion of international activity. These components have fluctuated historically but the forecast reflects stabilization in the long term.

With the tax rate set at **30%**, the re-leveraged beta for Marriott was calculated as **1.22**. This reflects Marriott's systematic risk, considering both business and financial risks under its target capital structure.

Cross-validation with Regression Analysis:

To ensure the calculated beta aligns with market observations, regression analysis was conducted between Marriott, Hyatt, Hilton, Intercontinental, Wyndham and Accor's historical stock returns and the S&P 500 index. The regression-derived beta, as seen in the Beta Regression sheet, is consistent with the calculated levered beta for Marriot of 1.22, validating the assumptions and methodology.

- Cost of Equity (Re)

Starting with the beta levered of Marriott of 1.22 one could tell that Marriott is a little more volatile than the market (McKinsey, Chapter 7, "Leveraged Beta"). Moreover, using this value, the risk-free rate and the market risk premium one could get the value of the cost of equity, applying the CAPM model, getting a value of 10.54% for the cost of equity (fig. 54).

- **Weighted Average Cost of Capital (WACC)**

Given the above the WACC computed using the formula in figure 61 is 9.64% which represents the cost of debt mixed with the cost of equity having in consideration the debt-to-equity relation of the company.

Formula

$$\text{WACC} = (E/V \times Re) + (D/V \times Rd \times (1 - T))$$

Figure 61 - WACC Formula

Relative Valuation

The method used in this section was the multiples method which provides a bigger picture of the company's value against its peers.

The EV/EBITDA multiple is often the best proxy for operational performance. Marriott's EV/EBITDA of 15.2 sits higher than the peer median of 12.7 and the mean of 13.8, implying that Marriott is relatively efficient, but not significantly overvalued operationally (fig. 62). Using the peer mean multiple implies an enterprise value of \$78.9 Bn and a share price of \$233.9 (fig. 63). As the book by McKinsey suggests, focusing on EBITDA ensures a clear view of earnings, excluding potentially distorting factors like depreciation (McKinsey, Chapter 6, "Performance Measurement").

The Price/Sales ratio of 2.6 is lower than the peer average of 3.9, suggesting that Marriott's revenue generation is priced conservatively by the market (fig. 64). Applying the average Price/Sales multiple yields an implied share price of \$339.8 (fig. 65). McKinsey argues that Price/Sales ratios can provide insight into a company's ability to generate top-line growth, especially when net margins are stable (Chapter 14). The relatively low Price/Sales ratio for Marriott suggests an opportunity for market reappraisal if revenue growth is sustained.

The PEG ratio, which adjusts the Price/Earnings ratio by expected earnings growth, highlights a potential concern. The peer mean is 1.2. This results in a lower implied share price of \$132.9 (fig. 66 & 67). McKinsey cautions that PEG ratios can be misleading for companies with low or no growth, as they exaggerate valuation swings in such cases (Chapter 14). PEG should therefore be interpreted with caution, and it reflects the impact of its current stagnation in earnings growth.

Lastly, the EV/EBIT multiple at 18.0 is aligned closely with the peer mean of 19.1, reflecting Marriott's competitive profitability (fig. 68). When applying this to

EV/EBITDA

High	18,2
Low	10,4
Mean	13,76
Median	12,7

Figure 62 - EV/EBITDA Multiples

EV/EBITDA

Implied Enterprise Value	79000
Implied Share Price	233,9

Figure 63 - EV/EBITDA Share Price (values in \$)

PRICE/SALES

High	7
Low	1,7
Mean	3,94
Median	4,2

Figure 64 - Price/Sales Multiples

PRICE/SALES

Implied Enterprise Value	108118
Implied Share Price	339,8

Figure 65 - Price/Sales Share Price (values in \$)

PEG

High	1,61
Low	0,75
Mean	1,19
Median	1,04

Figure 66 - PEG Multiples

PEG

Implied Enterprise Value	51235
Implied Share Price	132,9

Figure 67 - PEG Share Price (values in \$)

EV/EBIT	
High	28,9
Low	14,1
Mean	19,14
Median	16,4

Figure 68 - EV/EBIT Multiples

EV/EBIT	
Implied Enterprise Value	105327
Implied Share Price	329,6

Figure 69 - EV/EBIT Share Price (values in \$)

Marriott, we derive an implied share price of \$329.6 (fig. 69). According to McKinsey, this metric, which incorporates operating income after depreciation, is particularly valuable for assessing companies with significant capital expenditures (Chapter 6, "Measuring Profitability"). Marriott's alignment with peer averages here indicate its steady profitability in relation to capital investment.

In conclusion, by applying these multiples, the average implied share price is \$259.03. This figure reflects Marriott's competitive but slightly undervalued position relative to peers. As McKinsey points out, multiples are helpful for providing a snapshot of market perception but should always be paired with deeper intrinsic valuation methods to capture a full picture of a company's true worth (Chapter 14, "Valuation Using Multiples").

Risk Analysis

Macroeconomic Risks

- Global Economic Slowdown

Marriott's financial performance is dependent on global economic conditions. Economic downturns, for example, reduce travel demand, leading to declines in occupancy rates and RevPAR. During the COVID-19, Marriott's global RevPAR dropped by 50% due to travel restrictions and decreased business and leisure travel as it happened with the previous financial crisis, highlighting Marriott's vulnerability to future recessions, which could also be further triggered by economic challenges in important markets like the U.S. and Canada, Europe, and China, or geopolitical events such as the Russia-Ukraine conflict.

- Inflation and Interest Rate Volatility

Marriott faces high inflation risk, as rising labor, product, and service costs reduce profit margins. Rising personnel and utility costs have indirectly impacted Marriott's profitability, especially through franchised and licensed hotels. Interest rate volatility is also a challenge. Marriott's capital-intensive strategy relies on debt for growth and renovation. Rising interest rates increase borrowing costs, hinder expansion plans, and discourage new hotel openings. Rate hikes in 2022 and 2023 by central banks, led by the U.S. Federal Reserve, further raised borrowing costs, increasing Marriott's financial vulnerability.

Industry-Specific Risks

The emergence of alternative accommodation like Airbnb and Vrbo has disrupted the hotel industry, offering customers more options beyond traditional hotels. These platforms are a growing threat to Marriott, particularly in the travel and

extended-stay markets, as they attract customers seeking distinctive, flexible, and often more affordable options. This competition pressures Marriott's pricing power and market share, especially among younger customers and families. To counter this, Marriott launched "Homes & Villas by Marriott Bonvoy," offering luxury rental properties. Despite this effort, Airbnb and similar platforms continue to dominate the market, particularly for longer stays, unique properties, and budget-conscious travelers.

Company-Specific Risks

- High Leverage

Marriott relies heavily on debt, and even though it is expected to reduce this dependence soon, it may make it vulnerable to economic downturns. By 2023, Marriott had accumulated over \$12.4 Bn in debt, which increased debt servicing expenses, lowering net income and cash flow. High leverage restricts Marriott's financial flexibility, limiting its ability to pursue new ventures or expansions without further borrowing. During recessions or low-demand periods, Marriott may face challenges repaying its debt, leading to potential restructuring or cost reductions. Maintaining acceptable debt levels is critical for Marriott's long-term growth and stability, as deteriorating credit conditions could harm its ability to finance future projects and hinder growth.

- Dependence on Management and Franchise

Marriott's asset-light strategy focuses on property management and franchising rather than ownership, allowing profitable growth with lower operational costs. While this model boosts profitability and cuts expenses, it poses risks, as Marriott relies on franchisees and owners to maintain brand standards, service quality, and profitability. Any misalignment could lead to contract terminations, lost revenue, legal disputes, or worse a derecognition in brand reputation. Moreover, Marriott's limited control over daily operations can hinder its ability to address issues or implement new strategies quickly.

Impact of Ukraine and Russia War

The ongoing Ukraine-Russia war poses significant risks to Marriott's operations, especially in Europe. Marriott has suspended operations in Russia, resulting in lost revenue from a previously growing market of luxury and midscale hotels. The conflict has also disrupted travel across Eastern Europe, with Ukraine now inaccessible, affecting tourism and business stays in the region. More broadly, the war has caused economic instability, rising energy costs, and inflation, which directly impact travel demand. Higher fuel prices have increased air travel costs,

while economic uncertainty has reduced discretionary spending. Marriott properties in Europe, particularly in neighboring countries like Poland, Hungary, and the Baltic states, may see lower occupancy rates. If the conflict persists or escalates, it could further destabilize the European economy, prolonging reduced travel demand. Additionally, the global energy crisis caused by the war has increased operational costs for Marriott, especially in energy-dependent regions.

Scenario Analysis

To explore Marriott's strategic trajectory and its resilience in an evolving global landscape, four distinct scenarios were created, each with significant implications for its operations, market positioning, and growth potential:

Successful Expansion and Accelerated Growth

This scenario assumes Marriott's expansion strategy proceeds smoothly, leveraging favorable economic conditions and increased global travel demand. International tourism receipts have shown extraordinary growth, with many destinations reporting double-digit increases compared to 2019. This robust growth indicates a strong rebound in global tourism, providing a favorable environment for Marriott's expansion. The assumed 3.5% increase across all revenue streams, except for Owned and Leased Properties, aligns with these industry trends and reflects Marriott's asset-light strategy. The share price is \$275.35.

Adoption of AI and Emerging Technologies

This scenario envisions Marriott successfully implementing AI and emerging technologies, transforming operations, with evidence that AI adoption has surged with 72% of organizations utilizing AI capabilities. In the hotel industry, AI is expected to grow at a CAGR of 25.1% from 2023 to 2030. So, there will be an initial 5% cost increase in 2025–2026 reflected by the substantial investments required for AI integration, including technology acquisition and staff training. Afterwards, there will be a subsequent 10% cost reduction from 2027 onward, based on anticipated efficiencies from AI-driven automation and data analytics, which can optimize operations and reduce expenses and a 3% increase in revenues, aligning with the long-term growth of the company. The share price is \$268.96.

Escalation of Global Conflicts

This third scenario reflects the impact of increased geopolitical tensions in the Middle East and Ukraine, which disrupt travel patterns. Historical evidence from the COVID-19 pandemic and prior conflicts shows that regions directly affected by geopolitical instability experience occupancy declines of up to 50% in peak

conflict years. The forecasted 7.5% revenue decline from 2025–2026 mirrors these impacts, as international travel in affected areas slows significantly. The projected 2% annual revenue decline from 2027–2031 accounts for residual geopolitical risks and a slow recovery in consumer confidence. The assumption of no fixed cost reductions is realistic because fixed operational costs, such as property maintenance and staffing, remain constant even when occupancy rates decline. The share price is \$136.05.

Outbreak of a New Global Pandemic

This last scenario models the potential effects of another global pandemic on Marriott’s operations, drawing on data from the COVID-19 pandemic. During COVID-19, Marriott’s revenues dropped by approximately 50% and international tourism receipts dropped by 50%-80% in 2020 compared to 2019. The projected 15% revenue decline in 2025–2026 assumes a less severe but significant impact, as lessons from the previous pandemic led to faster adaptations, such as streamlined operations and hybrid travel demand. The 10% annual revenue decline from 2027–2028 aligns with slower economic recovery, reduced consumer confidence, and ongoing travel restrictions in certain regions, consistent with post-COVID travel behavior patterns. The 5%-10% cost reductions from 2027 to 2028 reflect realistic operational adjustments, such as closing underperforming properties and reducing staff, as evidenced by Marriott’s strategy during the COVID-19 pandemic to maintain liquidity and operational efficiency. Later, an expected recovery like the recovery of 2021-2023 would be expected from 2029-2031 stabilizing again in 2032. The share price is \$122.88.

Sensitivity Analysis

Key parameters of the valuation of the company were also analyzed through a sensitivity framework to evaluate how changes in key variables affect the company’s estimated share price. This analysis accounts for variations in WACC, Market Risk Premium (MRP), Risk-Free Rate, Tax Rate, and Long-Term Growth (LTG).

1. WACC and Long-term Growth Rate

The table demonstrates Marriott’s sensitivity to changes in WACC and Long-Term Growth (LTG) rates. WACC is critical as it reflects the discount rate applied to future cash flow, while LTG captures expectations for perpetual growth. From the table, we notice that when WACC increases from 8.60% to 10.60%, the valuation drops significantly, reflecting the higher cost of capital. For instance, at an LTG of 2.0%, the valuation declines from \$297.03 to \$226.31. Conversely, LTG increments from 1.5% to 2.5% lead to higher valuations, as seen at a

		WACC				
		8,64%	9,14%	9,64%	10,14%	10,64%
LT Growth	2,5%	314,15	289,94	269,13	251,05	235,20
	2,3%	305,26	282,52	262,87	245,72	230,62
	2,0%	297,03	275,62	257,02	240,71	226,31
	1,8%	289,40	269,18	251,54	236,01	222,23
	1,5%	282,31	263,17	246,40	231,57	218,38
		257,02				

Figure 70 - Sensitivity Table (Long-term Growth and WACC)

WACC of 9.60%, where the valuation rises from \$246.40 to \$269.13. This relationship underscores the importance of Marriott’s ability to sustain long-term growth in its global operations (fig. 70)

2. MRP and Risk-Free Rate

The relationship between the Market Risk Premium (MRP) and the Risk-Free Rate also has a significant impact on the valuation, highlighting sensitivity to broader macroeconomic conditions. A rising MRP reduces valuation as it indicates higher risk expectations in equity markets. For example, when MRP decreases from 6.5% to 4.5%, at a Risk-Free Rate of 3.83%, the valuation increases from \$224.69 to \$299.82. Similarly, increases in the Risk-Free Rate decrease valuation due to higher baseline yields for risk-free investments. At a constant MRP of 5.5%, the valuation drops from \$224.69 to \$257.02, emphasizing Marriott’s exposure to interest rate fluctuations (fig. 71).

		Risk-free Rate				
		2,83%	3,33%	3,83%	4,33%	4,83%
MRP	257,02					
	6,5%	250,53	236,92	224,69	213,62	203,56
	6,0%	269,33	253,73	239,80	227,28	215,97
	5,5%	291,10	273,03	257,02	242,74	229,93
	5,0%	316,57	295,40	276,82	260,39	245,76
	4,5%	346,79	321,64	299,82	280,72	263,50

Figure 71 - Sensitivity Table (Market-risk Premium and Risk-free Rate)

3. Tax Rate and LT Growth Rate

Tax rate assumptions were analyzed against LTG, as both significantly influence after-tax cash flows and the terminal value. A higher tax rate lowers valuation, demonstrating the impact of fiscal policies on profitability. For instance, at a tax rate of 40% and LTG of 2.0%, the valuation is \$262.28, compared to \$251.96 at a lower tax rate of 20%. When LTG increases from 1.50% to 2.50% at a tax rate of 30%, the valuation improves from \$251.16 to \$263.50. This highlights the need for growth-focused strategies to offset tax liabilities (fig. 72).

		Long-term Growth				
		1,50%	1,75%	2,00%	2,25%	2,50%
Tax Rate	257,02					
	40,0%	251,16	256,54	262,28	268,42	275,00
	35,0%	248,75	254,02	259,63	265,62	272,03
	30,0%	246,40	251,54	257,02	262,87	269,13
	25,0%	244,08	249,11	254,46	260,18	266,29
	20,0%	241,81	246,72	251,96	257,54	263,50

Figure 72 – Sensitivity Table (Tax Rate and Long-term Growth)

The sensitivity analysis allows us to see that Marriott’s valuation is most sensitive to changes in WACC and LTG assumptions, reflecting the significance of operational efficiency and sustainable growth. Additionally, macroeconomic factors like Risk-Free Rate and MRP significantly influence the valuation, emphasizing Marriott’s reliance on favorable global economic conditions, and finally we notice that strategic management of tax policies and global expansion can also provide meaningful value protection in varying market environments.

Environmental, Social and Governance

The organization is also focused on the ESG aspects of the business and industry.

Regarding the environmental pillar, one can say that Marriott has been decreasing its operational footprint. Greenhouse gas emissions (GHG) were 484.86 metric tons per million in 2020 and in 2023 this value was reduced to 269.38 metric tons, showing commitment to the environment proposed by the company (fig. 73). The usage of water was also 9,585 cubic meters per million in

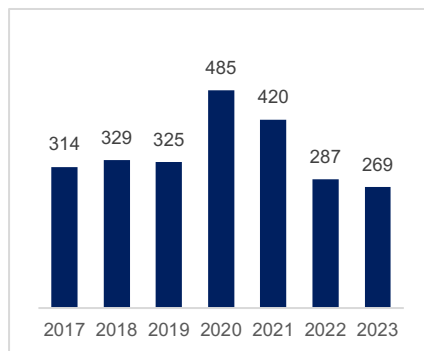


Figure 73 - Greenhouse Gas Emissions per Sales (values in metric tons)

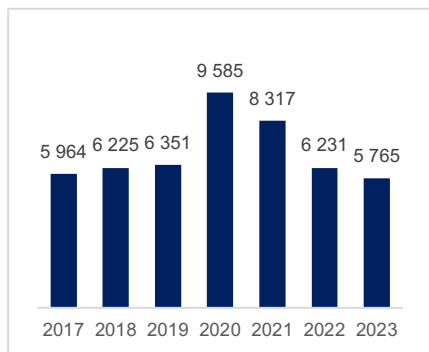


Figure 74 - Water Usage per Sales (values in m3)

2020 and was reduced to almost 50% of that value, with 5,765 cubic meters per million in 2023 (fig. 74). Waste intensity data, however, is unavailable, which shows that even though the company is committed to the environment there are still areas where it could improve its reporting to increase transparency.

Socially, Marriott is committed to diversity and community engagement. In 2023, Women represented 44% of total employees and 47% of executive roles, over the industry values. On another hand, in 2023, 1.51% of pretax profit was allocated to social initiatives.

Lastly, in the governance pillar, the independence of 76.92% of its board of directors in 2023 shows alignment with its governance initiatives. Moreover, ESG disclosure has a score of 62.07 which is a solid value to support its commitment to transparency and consciousness of its surroundings.

Conclusion

The report provides an extensive view of Marriott International Inc.'s financial performance, industry positioning, and potential future developments. By examining historical data, a clear understanding of past performance became clear. Moreover, it was understandable that the company was able to swerve through a global pandemic like no other in this industry and macroeconomic shifts. Which offered information about the company's future potential. Additionally, through industry and risk analysis one could understand the opportunities and challenges that Marriott has ahead with a fast-paced environment of technology development and consumer preferences and regulatory shifts. Through valuation models used such as the Discounted Cash Flow model, Adjusted Present Value, and Relative Valuation through multiples different perspectives about Marriott's intrinsic and relative valuation were explored. Each method, in its own way, explores the complexities of Marriott International. Based on the valuation results, the target share price for Marriott International Inc. is \$257.02. As of December 14, 2024, the company's current market price exceeds this target, leading to a final **Sell** recommendation with an expected return for shareholders regarding the date of December 31, 2025, of - **9.60%**. This suggests that, despite Marriott's strong fundamentals and growth potential, its stock is currently overvalued relative to its estimated fair value.

In summary, Marriott International Inc. demonstrates a solid capacity for sustained growth through its expansive global footprint, strong brand equity, and forward-looking strategies. Nonetheless, given the current market valuation, investors are advised to reconsider their positions in the stock considering the **Sell** recommendation based on the projected target price.

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Appendix – Financial Statements

Reformulated Income Statement

Amounts in \$ million - 31/12	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26	Dec-27	Dec-28	Dec-29	Dec-30	Dec-31	Dec-32
Core Operations																	
Revenues																	
Gross fee revenues	2145	2951	3024	3297	1252	2148	3403	4089	4613	5152	5691	6173	6674	7066	7230	7396	7567
Contract investment amortization	(40.0)	(50.0)	(54.0)	(62.0)	(132.0)	(75.0)	(89.0)	(87.0)	(95.7)	(105.1)	(114.4)	(122.3)	(129.1)	(133.9)	(135.7)	(137.6)	(139.5)
Net fee revenues	2105.0	2901.0	2970.0	3235.0	1120.0	2073.0	3314.0	4002.0	4517.2	5046.8	5576.4	6050.2	6544.9	6932.5	7093.8	7258.9	7427.9
Owned, leased and other revenue	1074.0	1705.0	1466.0	1556.0	515.0	749.0	1280.0	1443.0	1517.3	1572.7	1622.3	1668.2	1707.0	1741.2	1764.3	1787.8	1811.5
Cost reimbursement revenue	11433.0	14864.0	14840.0	15586.0	7867.0	9788.0	14645.0	16706.0	17893.1	19066.6	20157.3	21255.8	22204.0	22922.5	23362.7	23811.4	24268.9
Total reportable segment revenue	14612.0	19470.0	19276.0	20377.0	9502.0	12610.0	19239.0	22151.0	23927.6	25686.2	27356.1	28974.2	30455.9	31596.2	32220.8	32858.1	33508.3
Unallocated corporate and other	795.0	982.0	1482.0	595.0	1069.0	1247.0	1534.0	1562.0	1655.7	1755.1	1851.6	1953.4	2041.3	2123.0	2165.4	2208.8	2252.9
Total revenue	15407.0	20452.0	20758.0	20972.0	10571.0	13857.0	20773.0	23713.0	25583.4	27441.2	29207.6	30927.7	32497.2	33719.2	34386.3	35066.9	35761.2
Operational Expenses																	
Owned, leased, and other - direct	901.0	1411.0	1306.0	1316.0	677.0	734.0	1074.0	1165.0	1138.0	1100.9	1054.5	1000.9	1024.2	1044.7	1058.6	1072.7	1086.9
Gross Margin																	
General, administrative, and other	743.0	921.0	927.0	938.0	762.0	823.0	891.0	1011.0	1023.3	960.4	1022.3	927.8	974.9	843.0	859.7	876.7	894.0
Reimbursed expenses	11758.0	15102.0	15631.0	16318.0	8326.0	10273.0	15106.0	17387.0	18429.9	19638.6	20762.0	21893.5	22870.1	23610.2	23830.0	24287.7	24754.2
Gross depreciation included in reimbursed expenses	76.0	126.0	147.0	121.0	109.0	49.0	35.0	37.0	-	-	-	-	-	-	-	-	-
Depreciation	157.0	231.0	256.0	346.0	322.0	138.0	114.0	122.0	108.0	121.9	127.9	132.1	135.6	141.1	153.5	153.6	153.8
Amortization and other	38.0	124.0	117.0	116.0	133.0	131.0	114.0	104.0	109.9	116.4	120.6	124.6	127.8	229.6	233.4	236.3	239.2
Total operating costs	13597.0	17789.0	18237.0	19034.0	10220.0	12099.0	17299.0	19789.0	20809.1	21938.3	23087.4	24079.0	25132.6	25868.6	26135.2	26626.9	27128.2
Core result before taxes	1810.0	2663.0	2521.0	1938.0	351.0	1758.0	3474.0	3924.0	4774.3	5503.0	6120.3	6848.7	7364.6	7850.6	8251.1	8440.0	8633.0
Statutory taxes	633.5	932.1	529.4	407.0	73.7	369.2	729.5	824.0	1002.6	1155.6	1285.3	1438.2	1546.6	1648.6	1732.7	1772.4	1812.9
Tax adjustments	34.7	307.1	53.9	1.6	42.4	16.5	(15.6)	209.4	28.0	32.0	32.0	33.0	39.0	40.0	41.0	45.0	45.0
Core result	1211.2	2038.1	2045.5	1532.6	319.7	1405.3	2728.9	3309.4	3799.7	4379.3	4867.0	5443.5	5857.0	6242.0	6559.4	6712.6	6865.1
Non-core Operations																	
Merger-related charges and other	386.0	159.0	155.0	138.0	267.0	8.0	12.0	60.0	60.6	61.0	61.3	61.6	61.8	62.0	62.1	62.3	62.4
Gains and other income, net	5.0	688.0	194.0	154.0	9.0	10.0	11.0	40.0	37.8	34.8	31.3	32.9	34.7	36.9	39.5	42.5	46.3
Interest income	35.0	38.0	22.0	26.0	27.0	28.0	26.0	30.0	30.0	35.8	35.7	13.5	18.6	21.1	14.5	14.8	16.1
Equity in earnings (losses)	9.0	40.0	103.0	13.0	(141.0)	(24.0)	18.0	9.0	7.7	8.5	11.2	13.8	16.6	19.6	22.4	25.4	30.9
Non-Core Result Before Taxes	(337.0)	607.0	164.0	55.0	(372.0)	6.0	43.0	19.0	14.9	18.0	16.8	(1.4)	8.0	15.6	14.3	20.4	30.9
Statutory taxes	(118.0)	212.5	34.4	11.6	(78.1)	1.3	9.0	4.0	3.1	3.8	3.5	(0.3)	1.7	3.3	3.0	4.3	6.5
Tax adjustments	(32.2)	(787.2)	-	8.0	59.6	151.0	(87.2)	206.1	52.0	55.0	56.8	66.3	65.3	71.9	77.2	77.2	77.2
Foreign currency translation adjustments	(311.0)	478.0	(391.0)	35.0	229.0	(212.0)	(389.0)	86.0	137.6	254.6	432.8	670.8	872.0	784.8	706.3	635.7	572.1
Derivative instrument adjustments and other, net of tax	10.0	2.0	21.0	(5.0)	(3.0)	5.0	2.0	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)
Unrealized (loss) gain on available-for-sale securities, net of tax	2.0	(2.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pension and postretirement adjustments, net of tax	5.0	7.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of (gains) losses, net of tax	2.0	11.0	17.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-Core Result	(552.3)	87.3	(240.4)	81.4	(8.2)	(51.2)	(440.2)	303.1	197.4	319.8	498.8	731.9	939.6	865.0	790.8	725.0	669.7
Financial operations																	
Loss on extinguishment of debt	-	-	-	-	-	164.0	-	-	-	-	-	-	-	-	-	-	-
Interest expense	234.0	288.0	340.0	394.0	445.0	420.0	403.0	565.0	689.7	689.1	631.5	657.9	594.2	590.9	547.7	503.9	475.4
Financial result before taxes	234.0	288.0	340.0	394.0	445.0	584.0	403.0	565.0	689.7	689.1	631.5	657.9	594.2	590.9	547.7	503.9	475.4
Tax Shield	81.9	100.8	71.4	82.7	93.5	122.6	84.6	118.7	144.8	144.7	132.6	138.2	124.8	124.1	115.0	105.8	99.8
Financial Result	152.1	187.2	268.6	311.3	351.6	461.4	318.4	446.4	544.9	544.4	498.9	519.7	469.4	466.8	432.7	398.1	375.6
Total Comprehensive income	506.8	1938.2	1536.5	1302.8	(40.1)	892.8	1970.3	3166.1	3452.1	4154.7	4867.0	5655.7	6327.2	6640.2	6917.5	7039.5	7159.2
Net income	808.0	1459.0	1907.0	1273.0	(267.0)	1099.0	2358.0	3083.0	3318.5	3904.2	4438.2	4988.9	5459.2	5859.4	6215.2	6407.8	6591.1

Reformulated Balance Sheet

Amounts in \$ million - 31/12	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26	Dec-27	Dec-28	Dec-29	Dec-30	Dec-31	Dec-32
Core Operations																	
Working cash	77.0	102.3	103.8	104.9	52.9	69.3	103.9	118.6	127.9	137.2	146.0	154.6	162.5	168.6	171.9	175.3	178.8
Accounts and notes receivable, net	1695.0	1973.0	2133.0	2395.0	1768.0	1982.0	2571.0	2712.0	2779.6	2832.4	2864.0	2941.7	2998.2	3017.6	3046.6	3106.9	3168.4
Accounts payable	687.0	783.0	767.0	720.0	527.0	726.0	746.0	738.0	817.3	926.9	1043.3	1149.6	1199.8	1176.1	1104.1	1068.8	1089.1
Net Working Capital	1 085	1 292	1 470	1 780	1 294	1 325	1 929	2 093	2 090	2 043	1 967	1 947	1 961	2 010	2 114	2 213	2 258
Prepaid expenses and other	230.0	235.0	249.0	252.0	172.0	251.0	235.0	261.0	274.5	289.3	304.5	317.6	331.5	341.2	344.7	351.2	357.8
Property and Equipment	2335.0	1793.0	1956.0	1904.0	1514.0	1503.0	1585.0	1581.0	1542.3	1524.0	1505.0	1467.6	1427.6	1411.2	1395.9	1396.3	1398.1
Land	654.0	601.0	591.0	684.0	688.0	686.0	688.0	669.0	657.6	658.1	665.2	674.5	673.3	671.5	669.6	667.4	667.1
Buildings and leasehold improvements	1352.0	1052.0	1275.0	1100.0	1045.0	985.0	1086.0	1108.0	1108.0	1085.8	1053.3	1021.7	991.0	971.2	951.8	951.8	951.8
Furniture and equipment	1159.0	1121.0	1439.0	1225.0	640.0	545.0	649.0	622.0	590.9	573.2	556.0	539.3	523.1	512.7	502.4	502.4	502.4
Construction in Progress	155.0	116.0	168.0	196.0	29.0	137.0	36.0	72.0	54.0	64.8	77.8	58.3	43.7	50.3	57.8	60.7	63.8
Accumulated Depreciation	(985.0)	(1097.0)	(1517.0)	(1301.0)	(888.0)	(850.0)	(874.0)	(890.0)	(868.2)	(857.9)	(847.2)	(826.2)	(803.6)	(794.4)	(785.8)	(786.0)	(787.0)
Intangible assets w/o Goodwill	9270.0	8544.0	8380.0	8641.0	8989.0	8926.0	8747.0	9190.0	9711.3	10284.0	10659.3	11013.8	11291.7	11479.6	11671.4	11814.3	11959.2
Costs incurred to obtain contracts with customers	3276.0	1137.0	1347.0	1588.0	1674.0	1875.0	1995.0	2246.0	2528.6	2846.7	3074.4	3289.7	3454.1	3557.8	3664.5	3737.8	3812.5
Contracts acquired in business combinations and other	-	2052.0	1983.0	1972.0	2257.0	2187.0	2173.0	2426.0	2708.5	3023.8	3235.5	3429.6	3566.8	3638.1	3710.9	3748.0	3785.5
Accumulated Amortization	(447.0)	(499.0)	(674.0)	(808.0)	(937.0)	(1052.0)	(1172.0)	(1328.0)	(1488.6)	(1668.7)	(1793.6)	(1909.9)	(1995.7)	(2045.4)	(2096.4)	(2127.8)	(2159.7)
Indefinite-lived intangible brand assets	6441.0	5854.0	5724.0	5889.0	5995.0	5916.0	5751.0	5846.0	5962.9	6082.2	6143.0	6204.4	6266.5	6329.1	6392.4	6456.4	6520.9
Deferred tax assets	1027.0	1060.0	725.0	1140.0	1116.0	1089.0	953.0	1283.0	1369.1	1482.9	1618.0	1854.3	1862.5	1868.1	1831.5	1807.4	1837.7
Employee benefits	430.0	264.0	261.0	267.0	262.0	235.0	243.0	265.0	268.1	271.2	274.3	277.3	280.4	283.6	286.7	289.9	293.2
Net operating loss carry-forwards	320.0	376.0	494.0	680.0	818.0	771.0	1096.0	1132.0	1023.3	1097.6	1168.3	927.8	974.9	1011.6	1031.6	1052.0	1072.8
Accrued expenses and other reserves	204.0	161.0	160.0	162.0	214.0	191.0	181.0	219.0	236.3	239.1	225.6	238.9	251.0	260.5	265.6	270.9	276.2
Receivables, net	134.0	21.0	12.0	11.0	12.0	11.0	12.0	-	9.7	9.3	9.0	8.5	8.1	7.4	8.7	8.5	8.4
Tax credits	79.0	27.0	24.0	41.0	49.0	53.0	55.0	64.0	69.0	72.7	77.3	60.5	63.5	65.9	67.2	68.6	69.9
Loyalty program	42.0	31.0	133.0	249.0	367.0	181.0	168.0	277.0	298.8	320.6	341.2	367.2	385.8	400.3	408.3	416.3	424.6
Deferred income	20.0	17.0	56.0	70.0	69.0	98.0	66.0	102.0	93.5	108.4	126.8	140.6	152.6	150.6	142.4	149.5	152.2
Self-insurance	15.0	12.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lease liabilities	-	-	-	261.0	252.0	336.0	304.0	266.0	329.6	392.9	460.0	531.3	511.8	482.7	443.1	401.6	409.6
Interest limitation	-	-	-	-	-	163.0	187.0	67.0	52.1	58.6	66.0	74.2	83.5	93.9	85.3	72.6	73.3
Other	32.0	2.0	13.0	15.0	82.0	34.0	-	40.0	27.3	26.7	29.7	31.8	33.9	27.9	27.2	30.6	29.4
Valuation Allowance	(249.0)	(309.0)	(428.0)	(616.0)	(1009.0)	(984.0)	(1359.0)	(1149.0)	(1038.7)	(1114.1)	(960.1)	(803.9)	(883.2)	(916.4)	(934.5)	(953.0)	(971.9)
Deferred tax liabilities	1931.0	1114.0	1039.0	1276.0	950.0	1030.0	1026.0	819.0	874.1	948.0	940.0	991.7	1001.1	1035.2	1050.8	1034.4	1060.0
Equity method investments	8.0	33.0	59.0	55.0	29.0	40.0	32.0	-	47.2	55.2	60.2	60.7	61.2	59.8	56.2	57.7	66.3
Property and equipment	199.0	62.0	85.0	82.0	42.0	9.0	58.0	62.0	66.9	76.6	81.6	86.4	85.0	88.2	89.9	91.7	93.5
Intangibles	1724.0	1019.0	876.0	895.0	663.0	666.0	626.0	471.0	460.5	493.9	467.3	494.8	487.5	505.8	515.8	490.9	500.7
Right-of-use assets	-	-	-	229.0	197.0	290.0	265.0	248.0	279.4	299.6	305.5	323.5	339.9	352.6	359.6	366.7	374.0
Self-insurance	-	-	19.0	15.0	19.0	25.0	37.0	22.0	17.1	19.3	21.7	22.0	22.9	23.4	23.2	21.4	21.4
Other	-	-	-	-	-	8.0	16.0	3.0	3.0	3.4	3.8	4.3	4.8	5.4	6.1	5.8	4.6
Operating lease assets	-	-	-	888.0	752.0	1062.0	987.0	929.0	1151.3	1372.1	1606.4	1855.7	1787.3	1686.0	1547.4	1402.7	1430.4
Accrued payroll and benefits	1174.0	1214.0	1345.0	1339.0	831.0	1187.0	1299.0	1390.0	1599.8	1752.0	1892.5	1812.9	1787.3	1517.4	1375.5	1402.7	1430.4
Liability for guest loyalty program	4541.0	4940.0	5461.0	5718.0	6271.0	6471.0	6594.0	7006.0	8058.8	8644.0	9200.4	9137.6	9601.3	9104.2	8596.6	8766.7	8940.3
Current Liability for guest loyalty program	1866.0	2121.0	2529.0	2258.0	1769.0	2522.0	3314.0	3328.0	3837.5	4116.2	4381.1	4340.5	4560.8	4383.5	4126.4	4208.0	4291.3
Non Current Liability for guest loyalty program	2675.0	2819.0	2932.0	3460.0	4502.0	3949.0	3280.0	3678.0	4221.3	4527.8	4819.3	4797.0	5040.5	4720.7	4470.2	4588.7	4649.0
Accrued Expenses	1111.0	1291.0	963.0	1383.0	1309.0	1152.0	1296.0	1753.0	1891.3	2028.6	1822.2	1929.5	2027.5	1854.6	1719.3	1753.3	1788.1
Deferred revenue	-	583.0	731.0	840.0	1542.0	1181.0	1059.0	1018.0	1279.2	1509.3	1606.4	1546.4	1462.4	1517.4	1375.5	1402.7	1430.4
Core invested capital	5 190.0	3 324.3	3 240.8	4 048.9	2 933.9	3 135.3	3 161.9	3 350.6	2 435.6	2 113.0	2 398.4	3 037.6	2 781.9	3 767.6	4 787.7	4 625.5	4 591.8
Non Core Operations																	
Assets held for sale	588.0	149.0	8.0	255.0	8.0	-	-	-	-	-	100.0	100.0	200.0	200.0	-	-	100.0
Related to Sheraton Phoenix Downtown	-	-	-	248.0	-	-	-	-	-	-	-	-	-	-	-	-	-
Related to Starwood Combination and the remaining Miami Beach EDITION res	588.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Goodwill	7598.0	9207.0	9039.0	9048.0	9175.0	9073.0	8872.0	8886.0	9465.8	9741.6	9779.7	10355.6	10393.7	10453.0	10659.8	10520.1	10728.4
Goodwill US & Canada	4463.0	5354.0	5321.0	5338.0	5347.0	5348.0	5323.0	5333.0	5116.7	5076.6	5403.4	5721.6	5524.5	5732.3	5845.7	5610.7	5721.8
Accumulated Impairment Losses	(54.00)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Goodwill International	3189.0	3853.0	3718.0	3710.0	3828.0	3725.0	3549.0	3553.0	4349.2	4665.0	4376.3	4634.0	4869.2	4720.7	4814.1	4909.4	5006.6
Equity method investments	728.0	734.0	732.0	577.0	422.0	387.0	335.0	308.0	308.0	338.8	372.7	395.0	414.8	435.5	448.6	462.1	475.9
Notes receivable, net	245.0	142.0	125.0	117.0	159.0	144.0	152.0	138.0	140.8	154.8	167.2	178.9	187.9	193.7	207.1	213.3	219.7
Other noncurrent assets	477.0	593.0	587.0	595.0	616.0	604.0	584.0	658.0	767.5	1097.6	1168.3	927.8	901.7	935.7	954.2	973.1	992.3
Restructuring COVID-19 related charges	-	-	-	-	143.0	15.0	-	-	-	-	-	-	-	-	-	-	-
Other noncurrent liabilities	1744.0	2610.0	2372.0	2236.0	2366.0	2002.0	1842.0	1482.0	1662.9	1920.9	2044.5	2010.3	1949.8	2023.2	2063.2	2104.0	2145.7
Self-insurance reserve	380.0	375.0	351.0	323.0	341.0	290.0	287.0	387.0	-	-	-	-	-	-	-	-	-
Guarantee as primary obligor	54.00	127.00	96.00	135.00	122.00	110.00	89.00	75.00	-	-	-	-	-	-	-	-	-
Contingent purchase obligation	-	-	57.0	57.0	57.0	300.0	300.0	-	-	-	-	-	-	-	-	-	-
Non Core invested capital	7 892.0	8 215.0	8 119.0	8 356.0	7 871.0	8 191.0	8 101.0	8 508.0	9 019.2	9 412.0	9 543.4	9 947.1	10 148.3	10 198.3	10 206.5	10 064.5	10 370.7
Financial																	
Excess Cash	781.0	280.7	212.2	120.1	824.1	1323.7	403.1	219.4	511.7	548.8	270.3	286.2	300.7	193.2	197.0	200.9	204.9
Operating lease liabilities	-	-	-	882.0	823.0	1098.0	1034.0	887.0	1151.3	1372.1	1606.4	1855.7	1787.3	1686.0	1547.4	1402.7	1430.4
Long-term debt	8506.0	8238.0	9347.0	10940.0	10376.0	10138.0	10064.0	11873.0	13143.0	13862.8	13						

Reformulated Cash Flow Statement

Amounts in \$ million - 31/12	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26	Dec-27	Dec-28	Dec-29	Dec-30	Dec-31	Dec-32
Core Operations																	
Core result before taxes	1810,0	2663,0	2521,0	1938,0	351,0	1758,0	3474,0	3924,0	4774,3	5503,0	6120,3	6848,7	7364,6	7850,6	8251,1	8440,0	8633,0
Statutory Taxes	633,5	932,1	529,4	407,0	73,7	369,2	729,5	824,0	1002,6	1155,6	1285,3	1438,2	1546,6	1648,6	1732,7	1772,4	1812,9
Tax adjustments	34,7	307,1	53,9	1,6	42,4	16,5	(15,6)	209,4	28,0	32,0	32,0	33,0	39,0	40,0	41,0	45,0	45,0
NOPLAT	1211,2	2038,1	2045,5	1532,6	319,7	1405,3	2728,9	3309,4	3799,7	4379,3	4867,0	5443,5	5857,0	6242,0	6559,4	6712,6	6865,1
Depreciation	157,0	231,0	256,0	346,0	322,0	138,0	114,0	122,0	108,0	121,9	127,9	132,1	135,6	141,1	153,5	153,6	153,8
Amortization and other	38,0	124,0	117,0	116,0	133,0	131,0	114,0	104,0	109,9	116,4	120,6	124,6	127,8	229,6	233,4	236,3	239,2
Gross Cash Flow	1406,2	2393,1	2418,5	1994,6	774,7	1674,3	2956,9	3535,4	4017,5	4617,6	5115,6	5700,2	6120,4	6612,7	6946,4	7102,5	7258,1
Less: Δ in Net Working Capital		207,2	177,5	310,1	(486,0)	31,4	603,6	163,7	(2,4)	(47,5)	(76,0)	(20,0)	14,2	49,2	104,2	99,0	44,7
Less: Capex		(311,0)	419,0	294,0	(68,0)	127,0	196,0	118,0	69,3	103,6	108,9	94,7	95,6	124,8	138,2	154,0	155,6
Less: Δ in intangible assets		(602,0)	(47,0)	377,0	481,0	68,0	(65,0)	547,0	631,2	689,1	496,0	479,1	405,7	417,5	425,2	379,2	384,1
Less: Δ in operating lease assets		--	--	888,0	(136,0)	310,0	(75,0)	(58,0)	222,3	220,8	234,4	249,2	(68,3)	(101,4)	(138,6)	(144,7)	27,8
Less: Δ in Other Net current assets		(215,0)	211,0	(411,0)	502,0	(120,0)	(272,0)	(522,0)	(334,6)	(274,7)	81,1	(14,6)	(58,5)	452,6	280,7	(54,8)	(55,9)
Less: Δ in Other Net non current assets		(590,0)	(471,0)	(188,0)	(953,0)	54,0	(133,0)	166,0	(1282,9)	(775,5)	(310,4)	107,5	(381,0)	413,7	597,3	(205,0)	(197,0)
Operating Free Cash Flow		3903,9	2129,0	724,5	1434,7	1203,9	2702,3	3120,7	4714,7	4701,9	4581,6	4804,3	6112,7	5256,3	5539,3	6874,8	6898,8
Non-core Operations																	
Non core result before taxes	(337,0)	607,0	164,0	55,0	(372,0)	6,0	43,0	19,0	14,9	18,0	16,8	(1,4)	8,0	15,6	14,3	20,4	30,9
Statutory Taxes	(118,0)	212,5	34,4	11,6	(78,1)	1,3	9,0	4,0	3,1	3,8	3,5	(0,3)	1,7	3,3	3,0	4,3	6,5
Tax adjustments	(32,2)	(787,2)	--	8,0	59,6	151,0	(87,2)	206,1	52,0	55,0	56,8	66,3	65,3	71,9	77,2	77,2	77,2
Foreign currency translation adjustments	(311,0)	478,0	(391,0)	35,0	229,0	(212,0)	(389,0)	86,0	137,6	254,6	432,8	670,8	872,0	784,8	706,3	635,7	572,1
Derivative instrument adjustments and other, r	10,0	2,0	21,0	(5,0)	(3,0)	5,0	2,0	(4,0)	(4,0)	(4,0)	(4,0)	(4,0)	(4,0)	(4,0)	(4,0)	(4,0)	(4,0)
Non core result	(552,3)	87,3	(240,4)	81,4	(8,2)	(51,2)	(440,2)	303,1	197,4	319,8	498,8	731,9	939,6	865,0	790,8	725,0	669,7
Less: Δ in assets held for sale		(439,0)	(141,0)	247,0	(247,0)	(8,0)	--	--	--	--	100,0	--	100,0	--	(200,0)	--	100,0
Less: Δ in goodwill		1609,0	(168,0)	9,0	127,0	(102,0)	(201,0)	14,0	579,8	275,8	38,1	575,9	38,1	59,3	206,8	(139,7)	208,3
Less: Δ in equity method investments		6,0	(2,0)	(155,0)	(155,0)	(35,0)	(52,0)	(27,0)	--	30,8	33,9	22,4	19,8	20,7	13,1	13,5	13,9
Less: Δ in notes receivables		(103,0)	(17,0)	(8,0)	42,0	(15,0)	8,0	(14,0)	2,8	14,1	12,4	11,7	8,9	9,4	9,9	6,2	6,4
Less: Δ in other net noncurrent assets		(750,0)	232,0	144,0	(109,0)	352,0	140,0	434,0	(71,4)	72,2	(53,0)	(206,2)	34,4	(39,4)	(21,5)	(21,9)	(22,4)
Plus: Δ in covid 19 restructuring charges		--	--	--	143,0	(128,0)	(15,0)	--	--	--	--	--	--	--	--	--	--
Non core unlevered free cash flow		(235,7)	(144,4)	(155,6)	476,8	(371,2)	(350,2)	(103,9)	(313,8)	(73,0)	367,5	328,2	738,5	815,0	782,6	867,0	363,6
Financial																	
Financial result	152,1	187,2	268,6	311,3	351,6	461,4	318,4	446,4	544,9	544,4	498,9	519,7	469,4	466,8	432,7	398,1	375,6
Change in Net financial debt	232,2	1177,5	2567,1	(1327,0)	(462,6)	782,6	1845,7		1242,0	903,5	613,2	337,6	(486,7)	(347,3)	(405,0)	(414,3)	(343,2)
Transactions with shareholders	(3713,2)	(2893,5)	(2824,8)	(232,9)	91,2	(2816,3)	(4416,1)		(5098,0)	(4987,9)	(5063,5)	(4950,4)	(5895,0)	(5257,2)	(5484,3)	(6929,3)	(6543,6)
Total Financing	(3668,2)	(1984,6)	(569,0)	(1911,5)	(832,7)	(2352,1)	(3016,8)		(4400,9)	(4628,8)	(4949,1)	(5132,5)	(6851,2)	(6071,3)	(6321,9)	(7741,7)	(7262,3)

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Hold	Expected total return (including expected capital gains and expected dividend yield) between 0% and 10% over a 12-month period.
Sell	Expected negative total return (including expected capital gains and expected dividend yield) over a 12-month period.

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