

Henderson State University

Analysis Report- Marriot

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Market Profile

Corning Inc.	
Ticker Symbol	MAR
Exchange	NYSE
Industry	Lodging
Sector	Services
Peer	
Shares Owned	-
Purchase Date	-
Purchase Price	-
Current Price	15.41
52-wk Low	11.88
52-wk High	37.89
52-wk Change	26.01
52-wk Relative	24.88
1 Year Target Price	20.85
Market/Book	4.09
Market Cap.	5.22B
Beta	1.28
EPS (ttm)	1.47
Price/Earnings	10.14
PEG	1.66
Dividend & (Yield)	.35
Dividend Payout	18.95
Interest Coverage	--
ROE	39.3
Recommendation:	
Hold current shares	

Company History:

Marriott International, Inc., a hospitality company, operates and franchises hotels and related lodging facilities worldwide. It develops, operates, and franchises hotels and corporate housing properties under 15 brand names. The company also develops, operates, markets, and sells timeshare interval, fractional ownership, and residential properties under four brand names. As of June 30, 2008, Marriott International operated or franchised 3,069 lodging properties with 544,811 rooms, and provided 2,332 furnished corporate housing rental units. In addition, the company provides services to home/condominium owner associations for projects associated with its brands. Marriott was founded in 1971 and is headquartered in Bethesda, Maryland.

Product Mix

- Franchise brands include Marriott Hotels & Resorts, JW Marriott Hotels & Resorts, Renaissance Hotels & Resorts, Courtyard by Marriott, Residence Inn by Marriott, Fairfield Inn by Marriott, Marriott Conference Centers, TownePlace Suites by Marriott, SpringHill Suites by Marriott, Marriott Vacation Club, Horizons by Marriott Vacation Club, The Ritz-Carlton Hotel Company, L.L.C., The Ritz-Carlton Club, Marriott ExecuStay,

Marriott Executive Apartments, and the Grand Residences by Marriott.

- The various brands span from elegant and luxurious to moderately priced lodging with varying levels of hospitality and amenities.
- Each brand is specialized for an intended market dependent upon length of stay, use of facilities such as for corporate conferences or family vacations, and/or frequency of stays.
- Marriot has even created the Marriot Foundation that operates in major urban centers across the country to assist employers with their workplace challenges while helping young people become fully contributing members of their communities. The Marriott Foundation was established in 1989 by the family of J. Willard and Alice S. Marriott with a mission to enhance employment opportunity for young people with disabilities.

Stock Chart- Six Months



Recent Headlines

- **New Star Analyst Rankings for MARRIOT INT CL A** StarMine(Sat, Feb 14)
- **Hotels Say, We're Businesses To** The Wall Street Journal Online(Fri, Feb 13) Wall Street banks may have precipitated the financial crisis. But hotel companies feel like they are the ones taking the blame. Congress has restricted corporate travel for companies that accept bailout money, and big corporations are canceling conferences out of fear that it will smack of conspicuous consumption.
- **Coca-Cola, Marriott, Aetna, Ecolab big movers** (Thu, Feb 12) The hotel chain reported it lost \$10 million in its fourth quarter as revenue slipped and it took restructuring and other charges, but shares rose
- **Marriott posts \$10M 4Q loss as revenue declines** (Thu, Feb 12) Marriott International Inc. said Thursday that it lost \$10 million in its fiscal fourth quarter as the hotel company collected lower management fees from underperforming hotels and timeshare revenue dropped.
- **Marriott International Declares Cash Dividend** Thu Feb 5, 2009 Marriott International, Inc. announced that its board of directors declared a quarterly cash dividend of eight and three-quarter cents(\$0.0875) per share of common stock.
- **Hotel Industry: Bailout Victim** Sean P. Smith Friday February 13, 2009 The hotel industry is already dealing with significant declines in bookings from leisure travelers and transient business travelers. Revenue per available room (RevPAR), a key industry operating metric, fell by more than 20% last week in the U.S. The declines in group bookings have the potential to cause significant additional harm, as

group business typically provide hotels with several days of increased occupancy, strong room rates and additional revenue generation from meetings and food & beverage sales.

Industry Overview

Current Rank:

Portfolio Percentage Rank:

Monetary Policy Indicator:

Industry Opinion:

Key Issues Affecting the Industry:

There is a substantial decrease in hotel use as companies are cutting back on conferences and executives' hotel stays and company related travel.

Porter's Five Forces

1. Rivalry

Large number of hotel chains, high fixed costs, low levels of product differentiation, high entry barriers, diversity of rivals.

2. Threats of Substitutes

Low threat of substitutes.

3. Buying Power

Customers have somewhat of a significant buying power due to internet accommodation pricing.

4. Supplier Power

Low supplier power due to little need for specific products in the hotel industry.

5. Barriers to Enter

Government regulation, organizational economies of scale, many brand franchises, access to distribution channels.

Economic Outlook- 10K

The economic recession, the global credit crisis and eroded consumer confidence all contributed to a difficult business environment in 2008. U.S. lodging demand declined throughout 2008, but especially in the fourth quarter, as a result of slowing economic growth. Outside the United States, international lodging demand was generally stronger in most markets than in the United States, but also softened progressively throughout 2008 and declined markedly in the 2008 fourth quarter. Leisure transient demand in the United States weakened in the first quarter of 2008 and was joined by weakening business transient demand beginning in the second quarter of 2008. Additionally, demand associated with our luxury properties decreased dramatically in the 2008 fourth quarter. These factors were compounded in several markets in the United States where the supply of hotel rooms increased. Last minute new group meeting demand and attendance at group meetings softened considerably throughout 2008 as well, and group meeting cancellations increased significantly in the fourth quarter. While some business customers increased room nights in 2008, including professional services firms, defense contractors, and insurance companies, others declined, including companies associated with the financial services, automotive, and telecommunications

industries. In general, for the properties in our system, international, and full-service properties experienced stronger demand worldwide than our limited-service and luxury properties.

U.S. demand for timeshare intervals also softened considerably in 2008, and especially in the fourth quarter, reflecting weak consumer confidence and a very difficult financing environment, while demand in Latin America and Asia for timeshare products was stronger compared to 2007. Demand for Ritz-Carlton fractional and residential units was particularly weak. Since the sale of timeshare and fractional intervals and condominiums follows the percentage-of-completion accounting method, soft demand is frequently not reflected in our Timeshare segment results until later accounting periods. Intentional and unintentional construction delays could also unfavorably impact nearer-term Timeshare segment results as percentage-of-completion revenue recognition may correspondingly be delayed as well.

Responding to the challenging demand environment in 2008 for hotel rooms, we initiated a range of new sales promotions with a focus on leisure and group business opportunities to increase property-level revenue. These promotions were designed to keep current customers loyal while also attracting new guests. In response to increased hesitancy to finalize group bookings, we have also implemented sales associate and customer incentives to close on business. As more customers use social media, we have also found new ways to connect, communicating with more than 300,000 of our customers on YouTube, Twitter, Facebook and through our blog "Marriott on the Move." We also continue to enhance our Marriott Rewards loyalty program offerings and specifically market to this large and growing customer base.

Financial Ratios

Valuation Ratios

	Company	Industry	Sector	S&P 500
P/E Ratio (TTM)	9.32	20.50	26.17	13.06
P/E High - Last 5 Yrs.	27.02	3.05	0.28	29.16
P/E Low - Last 5 Yrs.	10.10	0.64	0.08	6.94
Beta	1.28	1.05	0.90	0.90
Price to Sales (TTM)	0.40	0.41	3.31	1.61
Price to Book (MRQ)	3.68	1.46	4.85	2.55
Price to Tangible Book (MRQ)	--	1.23	5.95	4.94
Price to Cash Flow (TTM)	6.69	2.41	12.39	6.34
Price to Free Cash Flow (TTM)	9.52	12.53	24.10	14.04
% Owned Institutions	--	--	--	--

Dividends

	Company	Industry	Sector	S&P 500
Dividend Yield	2.16	0.75	0.09	3.11
Dividend Yield - 5 Year Avg.	0.61	1.10	1.31	1.94

Dividend 5 Year Growth Rate	15.90	9.93	23.41	11.52
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Payout Ratio(TTM)	18.95	15.01	36.66	40.49
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Growth Rates

	Company	Industry	Sector	S&P 500
Sales (MRQ) vs Qtr. 1 Yr. Ago	0.68	1.25	-13.41	-0.16
Sales (TTM) vs TTM 1 Yr. Ago	3.82	3.50	-3.78	9.73
Sales - 5 Yr. Growth Rate	9.07	6.33	9.65	14.32

EPS (MRQ) vs Qtr. 1 Yr. Ago	-16.90	-11.75	-138.61	-86.61
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EPS (TTM) vs TTM 1 Yr. Ago	-2.91	--	--	--
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EPS - 5 Yr. Growth Rate	15.06	3.86	16.63	16.81
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Capital Spending - 5 Yr. Growth Rate	18.10	11.71	14.77	10.02
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Financial Strength

	Company	Industry	Sector	S&P 500
Quick Ratio (MRQ)	0.64	1.07	1.14	0.92
Current Ratio (MRQ)	1.35	1.41	1.50	1.11
LT Debt to Equity (MRQ)	210.22	70.60	37.24	84.64
Total Debt to Equity (MRQ)	213.31	105.61	76.73	107.30
Interest Coverage (TTM)	--	0.01	0.15	32.66

Profitability Ratios

	Company	Industry	Sector	S&P 500
Gross Margin (TTM)	14.26	22.18	11.95	39.40
Gross Margin - 5 Yr. Avg.	12.96	49.24	26.47	40.99
EBITD Margin (TTM)	9.94	--	--	--
EBITD - 5 Yr. Avg	8.54	14.88	12.45	18.64

Operating Margin (TTM)	8.47	5.47	2.14	--
Operating Margin - 5 Yr. Avg.	6.93	8.05	8.08	17.82
Pre-Tax Margin (TTM)	7.91	4.55	2.17	14.49
Pre-Tax Margin - 5 Yr. Avg.	7.60	7.70	8.34	17.54
Net Profit Margin (TTM)	4.49	4.07	1.17	10.32
Net Profit Margin - 5 Yr. Avg.	5.50	5.74	5.12	12.31
Effective Tax Rate (TTM)	43.24	3.83	23.01	28.14
Effective Tax Rate - 5 Yr. Avg.	27.67	35.70	39.07	30.53

Management Effectiveness

	Company	Industry	Sector	S&P 500
Return on Assets (TTM)	6.50	2.02	1.14	5.87
Return on Assets - 5 Yr. Avg.	7.13	2.88	4.58	6.24
Return on Investment (TTM)	9.39	2.73	1.67	8.16
Return on Investment - 5 Yr. Avg.	9.72	3.62	6.92	8.47
Return on Equity (TTM)	39.30	14.07	3.67	21.15
Return on Equity - 5 Yr. Avg.	18.55	6.62	10.74	16.16

Efficiency

	Company	Industry	Sector	S&P 500
Revenue/Employee (TTM)	87,311	1,390,900	31,902,844	327,538
Net Income/Employee (TTM)	3,921	38,480	612,947	36,524
Receivable Turnover (TTM)	11.32	9.62	6.24	10.14
Inventory Turnover (TTM)	6.67	12.92	5.19	6.22
Asset Turnover (TTM)	1.45	0.24	0.48	0.65

DCF Model	
Beta	1.26
Valueline Safety Rating	3
Expected Growth (EPS)	1.47
Projected Growth & Dividend Yield	.35
Required Rate Return	36.52
Projected Future P/E	10.14
Annualized HPR	6.12
PV of Future Price	63.50
Recommendation	Undervalued

P/E Sensitivity					
Present Value	Price 2014	P/E 20014	EPS 2014	HPR 2014	Annual Return
42.97	88.92	12.6	7.08	4.15	27.70%
49.81	103.08	14.6	7.08	4.81	30.97%
56.66	117.24	16.6	7.08	5.46	33.88%
63.50	131.40	18.6	7.08	6.12	36.52%
70.34	145.56	20.6	7.08	6.78	38.93%
77.18	159.72	22.6	7.08	7.43	41.16%
84.02	173.88	24.6	7.08	8.09	43.22%

Earnings Sensitivity					
Present Value	Price 2014	P/E 20014	EPS 2014	HPR 2014	Annual Return
58.12	120.27	18.6	6.48	5.60	34.46%
59.91	123.98	18.6	6.68	5.78	35.17%
61.70	127.69	18.6	6.88	5.95	35.85%
63.5	131.40	18.6	7.08	6.12	36.52%
65.29	135.12	18.6	7.28	6.29	37.17%
67.08	138.83	18.6	7.48	6.46	37.81%
68.88	142.54	18.6	7.68	6.64	38.43%

Momentum



Momentum Indicator: +0

Analyst's Opinion

Why Buy GLW?

Shares have been increasing.

Why not buy GLW?

Profits are decreasing.

Final Discussion:

Do not buy or sell.

Works Cited

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