Corporate Competition and Financial Analysis - Based on Marriott's Analysis

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Abstract. This paper provides a comprehensive analysis of the macroeconomic environment and investment potential of Marriott International. It begins with an overview of the U.S. economy, highlighting a projected GDP growth of 2.5% in 2023, driven by consumer spending and investment, while noting the adverse effects of geopolitical tensions, particularly the Israel-Palestine conflict. The analysis transitions to Marriott, detailing its operational framework, commitment to sustainability through its Serve 360 platform, and its position within the hospitality industry. Utilizing PESTEL and SWOT analyses, the paper evaluates Marriott's strengths, weaknesses, opportunities, and threats, identifying its resilience post-COVID-19 with a significant revenue rebound. Financial performance metrics are presented, revealing a solid recovery trajectory despite challenges, while a discounted cash flow (DCF) valuation estimates a target price of $247.80, indicating potential for growth. The paper also emphasizes Marriott's robust governance and risk management strategies amidst a volatile market landscape. In conclusion, it advocates for investment in Marriott, underscoring the company's adaptability and prospects in a recovering global travel market, while suggesting areas for future research, particularly regarding sustainability initiatives and emerging market expansion.

Keywords: Sustainability, Resilience, Investment.

1 Introduction

U.S. Gross Domestic Product (GDP) is estimated to increase by 2.5% in 2023 to a level of $27.36 trillion, and GDP per capita has an upward trend while the unemployment rate fell since 2020 [1]. The GDP growth and the improved economic conditions primarily reflected increases in consumer spending, nonresidential fixed investment, state and local government spending and exports etc. It is worth mentioning that the increase in consumer spending reflected increases in services, which is led by healthcare and hospitality, and goods which is led by recreational goods and vehicles (see Fig.1).

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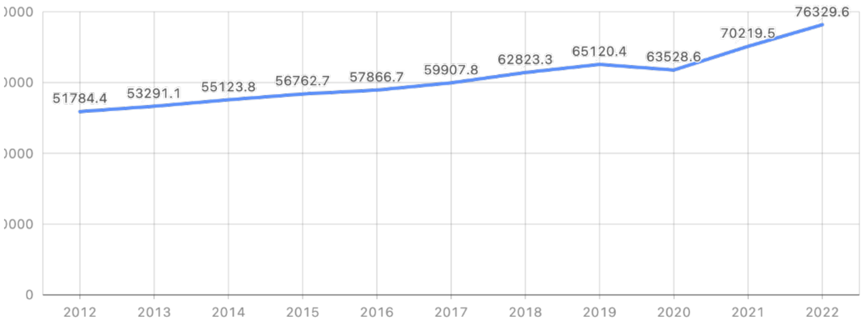

Fig. 1. GDP per capita (current US$) – United States. (Picture Credit： Original)

Fig. 2. Unemployment, total (% of total labor force) (modelled ILO estimate) – United States. GDP per capita (current US$) – United States. . (Picture Credit： Original)

U.S. economy is impacted in many ways (such as inflation, stock market, foreign exchange market, and government spending etc.) by the conflict between Israel and Palestine which has deep roots in religious and historical issues and intensified since 2023. As the conflict escalating, the unstable crude oil supply would increase oil prices, leading to higher prices for consumer goods and services, ultimately leading to the inflation. Investors may turn to safe assets, such as gold and treasury bonds, for hedging, causing stock market fluctuations. Volatility in foreign exchange markets may also have an impact on the exchange rate of the U.S. dollar. The military assistance that the U.S. provides to Israel increases U.S. defense spending (see Fig.2).

Despite these challenges on the U.S. macroeconomic posed by the Israel-Palestinian Conflict as well as other issues, U.S. economy has proved resilience with a steady GDP growth and improved employment rate and we anticipate strong economic momentum in near future, especially in vehicles, healthcare, hospitality and recreation sectors [2].

The structure analysis reveals a methodical and comprehensive approach to evaluating Marriott International's investment potential. The article is meticulously divided into distinct sections, each addressing critical aspects of the company's performance and market positioning. Part I begins with a macroeconomic overview, setting the context by detailing the U.S. GDP trends, consumer spending patterns, and the impact of geopolitical tensions on the economy. This backdrop is crucial for understanding the broader economic environment affecting Marriott. Following this, the article transitions into a detailed company analysis, employing both PESTEL and SWOT frameworks to assess Marriott's operational landscape, strengths, weaknesses, opportunities, and threats. The analysis is enriched with an ESG review, highlighting Marriott's sustainability initiatives and governance practices. The financial analysis section presents a thorough examination of revenue growth, key financial ratios, and stock performance, culminating in a valuation using the discounted cash flow (DCF) method to derive a target price. The article concludes with insights into management, governance, risk management, and a forward-looking investment recommendation. This structured approach ensures a holistic evaluation, integrating qualitative and quantitative analyses to support the investment thesis and provide a clear, actionable conclusion.

2 Company analysis

Subsequent paragraphs, however, are indented. Marriott International, Inc. engages in operating, franchising, and licensing hotel, residential, timeshare, and other lodging properties worldwide. It operates its properties under multiple brands such as the JW Marriott, The Ritz-Carlton, Sheraton, Westin, Renaissance Hotels etc., as well as operates residences, timeshares, and yachts. Marriott was founded in 1927 and is headquartered in Bethesda, Maryland [3].

2.1 ESG Analysis

Marriott constructs its own ESG framework called Serve 360 Platform as a sustainability and social impact platform which is guided by four coordinates — Nurture Our World; Sustain Responsible Operations; Empower through Opportunity; and Welcome All and Advance Human Rights [4]. Environmental-wise, Marriott targets to reduce carbon intensity by 30% and water intensity by 15% from 2016 by year-end 2025, and to source 30% renewable electricity by year-end 2025. Social-wise, Marriott infuses diversity, equity, and inclusion into the business operations, and aims to invest $35 million to develop hospitality skills and opportunity among diverse, at-risk, and underserved communities by year-end 2025. Governance-wise, Marriott is committed to acting with integrity throughout the company's operations and engagement with key stakeholders, communicating transparently about Marriott's corporate governance practices, and holding themselves to high ethical and legal standards.

MSCI ESG Rating for Marriott is BBB, upgrading from BB and showing its efforts on ESG (see Fig.3).

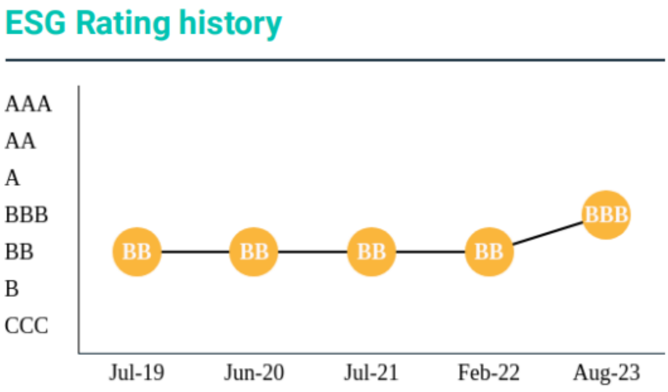

Fig. 3. MSCI ESG Rating for Marriott. (Picture Credit： Original)

2.2 PESTEL Analysis

Political

Marriott operates on a global scale, which exposes it to a wide array of political environment challenges. The company's international presence means it must navigate diverse regulatory frameworks, varying levels of government stability, and shifting geopolitical tensions. Political instability in certain regions can significantly impact Marriott's operations and investments, as changes in government policies or unrest may disrupt business activities, affect market conditions, and influence the safety of operations. As a result, Marriott must continuously monitor and adapt to these political dynamics to mitigate risks and ensure the stability and success of its global operations [5].

Economic

Many economic factors, including inflation rates, GDP growth, and currency exchange rates, can significantly influence Marriott's revenue and market demand. Fluctuations in these economic indicators impact consumer spending power and travel habits, which in turn affect Marriott's occupancy rates and overall financial performance. For example, during economic downturns, reduced disposable income and decreased travel budgets often lead to lower hospitality spending, directly impacting Marriott's revenue. Additionally, unfavorable currency exchange rates can affect the profitability of international operations. As such, Marriott must carefully monitor economic trends and adapt its strategies to manage the potential impacts on its business.

Sociocultural

Social shifts, such as the growing demand for personalized services, wellness offerings, and experiential travel, are key drivers behind Marriott's innovation and service differentiation efforts. To stay competitive, Marriott is increasingly focusing on tailoring its services to meet these evolving preferences, incorporating unique and personalized experiences into its offerings [6]. Concurrently, there is a rising awareness and demand for sustainable and socially responsible practices among consumers. This trend is prompting Marriott to invest in environmentally friendly initiatives and sustainable operations, aligning with the values of its guests and enhancing its brand reputation. By addressing both personalization and sustainability, Marriott aims to meet contemporary expectations and reinforce its market position.

Technological

Cybersecurity threats and the imperative for digital innovation compel Marriott to continually invest in its technology infrastructure and data protection measures. To safeguard sensitive customer information and counteract potential security breaches, Marriott must remain vigilant and proactive in its cybersecurity efforts. At the same time, strategic investments in technology enable Marriott to enhance its online booking systems, refine loyalty programs, and improve customer relationship management. These advancements not only bolster data security but also drive greater customer engagement and loyalty by providing a seamless and personalized experience. As a result, Marriott can better meet the evolving expectations of its guests while protecting its brand reputation.

Environmental

Marriott's commitment to environmental sustainability is reflected in its energy efficiency measures, waste reduction programs, and pursuit of green building certifications, all aimed at minimizing its ecological footprint. As consumer awareness of environmental issues rises, hotel preferences are increasingly swayed by sustainability considerations. In response, Marriott is driven to adopt and enhance more sustainable practices to align with these growing expectations. By integrating eco-friendly initiatives into its operations, Marriott not only contributes to environmental conservation but also strengthens its appeal to environmentally conscious travelers, reinforcing its reputation as a responsible and forward-thinking hospitality leader [7].

Legal

Legal challenges concerning intellectual property rights, contractual obligations, and regulatory compliance can significantly impact Marriott’s financial performance and reputation if not managed effectively. The company is required to adhere to a wide array of legal regulations and industry standards, including those related to labor laws, health and safety regulations, consumer protection, and data privacy. Failure to comply with these requirements can lead to costly legal disputes, fines, and damage to its reputation. Therefore, Marriott must implement robust legal and compliance strategies to navigate these complexities, ensuring it meets all regulatory demands and maintains its standing as a reputable and trustworthy global brand.

2.3 SWOT Analysis

Future research should focus on several key areas to enhance the strategic outlook for Marriott International, as highlighted in this article. Firstly, a detailed analysis of how Marriott's strong brand portfolio and global presence can be effectively utilized to penetrate emerging markets is crucial. This includes evaluating market-specific factors that could drive growth and identifying potential challenges in these regions. Additionally, examining the impact of Marriott’s loyalty program, Bonvoy, alongside its innovation in technology, on capturing trends in sustainable and experiential travel will provide insights into how well Marriott aligns with evolving consumer expectations. Research should also assess how Marriott can address its weaknesses, such as high fixed costs and dependence on online travel agencies (OTAs), by leveraging technology-driven solutions and strategic acquisitions to optimize cost structures and reduce reliance on intermediaries. Furthermore, understanding how Marriott can mitigate threats from intense competition, economic and geopolitical instability, and regulatory challenges will be vital. This includes evaluating Marriott's risk management strategies in response to disruptive events like natural disasters and cybersecurity breaches. Such comprehensive research will offer actionable insights to refine Marriott’s strategic positioning and investment strategies, ensuring long-term resilience and competitive advantage in a complex and evolving industry landscape (see Table 1).

Table 1. SWOT Analysis for Marriott.

Strengths	
	Strong brand portfolio and global presence. Successful loyalty program (Bonvoy). Embraces innovation and technology.
Opportunities	Expansion in emerging markets. Sustainable and experiential travel trends. Technology-driven solutions. Acquisitions and partnerships.
Weakness	Vulnerability to tourism fluctuations. High fixed costs. Brand saturation and dependency on OTAs.
Threats	Intense competition from traditional and alternative lodging providers. Economic uncertainty and geopolitical instability. Regulatory challenges. Disruptive events like natural disasters and cybersecurity breaches.

3 Financial analysis

3.1 Revenue and Growth

This article collects the revenue and year-over-year growth rate data from 2019-2023 for Marriott and present in below chart.

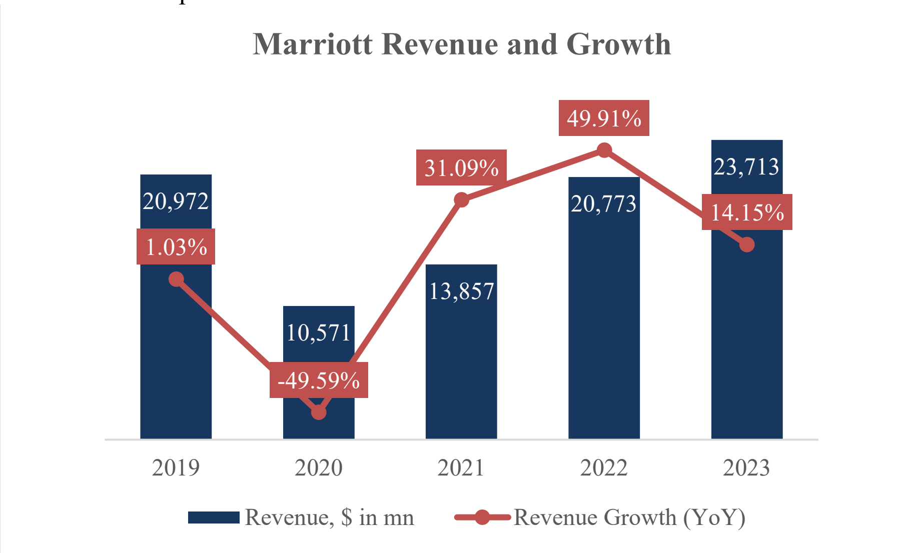

Fig. 4. The revenue and growth for Marriott from 2019 to 2023. (Picture Credit: Original)

Marriott's business was materially impacted by the COVID-19 global pandemic and recorded a 49.6% revenue decline in 2020. As the pandemic control measures relaxing and people's lives returning to normal, Marriott's business is rebounding with high double-digit growth rates for the past consecutive three years, showing a resilience in the business. Last year, Marriott reported revenue of $24 billion and revenue per available room grew 14% compared to 2022 (see Fig.4).

3.2 Financial Ratio Analysis

This paper obtained some key financial metric listed in below table to measure and analyze the financial status of Marriott including profitability, liquidity, return and capital structure. Overall, Marriott have a healthy financial position and their businesses are performing well from a financial perspective.
Some side notes as below:

Marriott: the company's ROE has significant fluctuations over the past five years and in 2023 ROE stand at -363.20%, indicating a decline in profitability or efficiency in utilizing shareholder equity to generate earnings (Table 2).

Table 2. The financial ratio analysis for Marriott in year2023.

Profitability	Gross Margin	21.25%
	EBIT Margin	16.05%
	Profit Margin	12.00%
Liquidity	Current Ratio	0.42
	Quick Ratio	0.39
	Interest Coverage	6.42
Return	ROE	-363.20%
	ROA	11.40%
Capital Structure	Debt / Equity	n/a

3.3 Stock Performance

The research collected and analyzed the stock price historical data for the past twelve months. Based on the trading prices, Marriott went up significantly. However, stock price is affected by many complex factors, not only the fundamental factors, but also the technical factors and market sentiment. Thus, though the price development over the past twelve months of Marriott varies, this paper believe it is undervalued by the market and worth investing in from a long-term perspective (see Fig.5).

Marriott traded at $228.46 as of June 8, 2024, up by 19% compared to the price of $191.26 a year ago and had a market capitalization of $66 billion with 23.9x PE and 2.7x PS (Table 3).

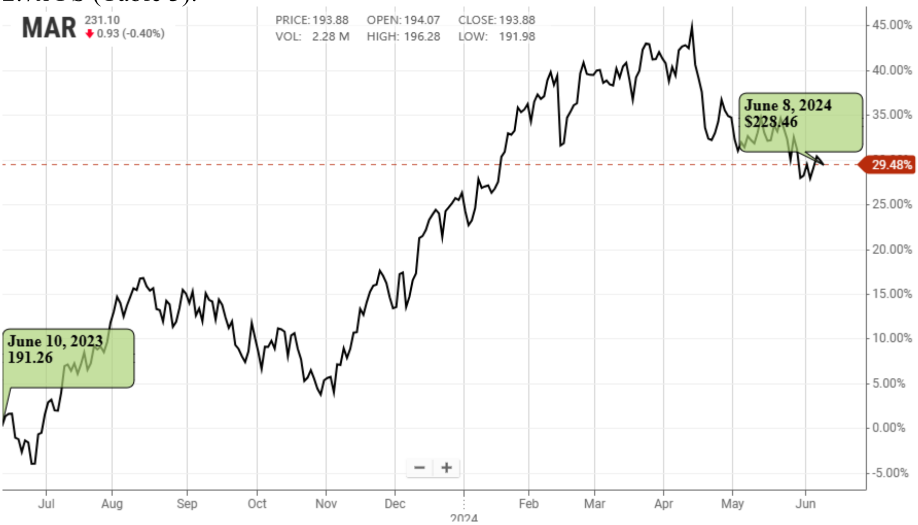

Fig. 5. The stock price historical data for Marriott from June10, 2023 to June 8, 2024. (Picture Credit： Original)

Table 3. Market Capitalization as of June 8, 2024 for Marriott.

Market Capitalization as of June 8, 2024	$66 billion
P/E	23.87x
P/S	2.74x

4 Valuation

Subsequent paragraphs, however, are indented. Marriott International, Inc. engages in To derive a target price, this article uses the discounted cash flow (DCF) method to calculate the present value of all the cash flows that the company will generate on a going-concern basis. Compared with the relative valuation methods such as comparable method, DCF method provide a potentially more accurate measure of a company's intrinsic value by remaining unaffected by short-term market fluctuations and non-economic factors that often distort other valuation methods. That is, DCF method is market independent relying on the forecasts of revenue growth, profitability, and cash generation. I believe, DCF method would be a suitable way for me to determine the target price of Marriott.

The paper built the model in below 5 steps.

Step 1: Determined a 10-year as my projection period and assume the companies will enter a stable growth stage at the 11^{th} year. Assume the growth rate after 10 years will be consistent with the average inflation rate at 2.5%.

Step2: Projected the top line for next 10 years at a growth rate which refers to the average revenue growth rate for the historical years, like past five years or three years to exclude the Covid impact in 2020. The revenue growth of Marriott is 31.7%. Future free cash flows are estimated at a certain percentage of the revenue and use the average percentage for the past five or three years. Marriott's free cash flow % of revenue is 9.51%.

Step 3: Determine the discount rates by using the weighted average cost of capital (WACC) for different industries and refer to the WACC research data conducted by Professor Damodaran at New York University. WACC is 8.02% for hotel industry [8].

Step 4: Calculate the enterprise value by adding up the present value of discount free cash flow for the projection period and the terminal value.

Step 5: Calculate the target price by using the formula: Target Price = (Enterprise Value – Net Debt) / Number of Share.

As a result, the target price for Marriott is listed in table 4.

Table 4. The target price for Marriott.

	Target Price
Marriott	$247.8

The detailed sheet including the key assumptions, revenue and free cash flow assumptions and the calculation process is attached Table 5 and 6.

Table 5. The detailed sheet for Marriott.

Marriott	
Revenue growth rate	31.70%
FCF, % of revenue	9.51%
Terminal growth rate	2.50%
WACC	8.02%
Revenue ($ mn)	23,713
FCF, % of revenue	
FCF ($ mn)	
PV ($ mn)	
PV of Forecast period ($ mn)	22,007
Terminal Value ($ mn)	36,354
Enterprise Value ($ mn)	58,361
Net Debt ($ mn)	-12,422
Number of Share (in mn)	286
Target Price ($)	247.8

Table 6. The revenue sheet for Marriott.

	2024	2025	2026	2027	2028
Revenue ($ mn)	31,230	32,485	33,791	35,150	36,563
FCF, % of revenue	9.5%	9.5%	9.5%	9.5%	9.5%
FCF ($ mn)	2,970	3,089	3,214	3,343	3,477
PV ($ mn)	2,718	2,588	2,464	2,346	2,233
	2029	2030	2031	2032	2033
Revenue ($ mn)	38,033	39,562	41,152	42,806	44,527
FCF, % of revenue	9.5%	9.5%	9.5%	9.5%	9.5%
FCF ($ mn)	3,617	3,762	3,914	4,071	4,235
PV ($ mn)	2,126	2,024	1,927	1,835	1,747

5 Management and Governance

Marriott International has a strong management and governance framework, led by an experienced and diverse executive team and Board of Directors and 62% of Board Directors are women and/or people of color as of May 12, 2023 [9]. The company adheres to high standards of corporate governance and has policies that promote transparency, accountability and ethical conduct, including a comprehensive code of ethics and most independent directors on its board of directors. Marriott prioritizes risk management and compliance with robust processes to identify and mitigate risks while committing to corporate social responsibility that integrates environmental, social and personal benefits.

6 Risks Management

This paper collected the Altman Z-scores for Marriott to measure their financial stability as Z-score considers profitability, leverage, liquidity, solvency, and activity ratios [10]. Usually, a Z-score that is lower than 1.8 means that the company is in financial distress and with a high probability of going bankrupt, and a score of 3 and above means that the company is in a safe zone. As we can see from the table, Z-scores for Marriott is above 3, suggests it is in solid financial positioning (Table 7).

Table 7. the Altman Z-score for Marriott

	Z-Score
Marriott	3.48

The article also identified specific risks to the company. Marriott's key risk comes from the cyclical industry that travel may be restricted or impacted by geopolitical issues, natural disasters and incidents, possibly resulting in a sharp revenue decline in a certain time frame.

7 Conclusion

As the research conclude the analysis of Marriott, it is clear to see the investment opportunities in hospitality industries and the leading company - Marriott - are good target for me to invest.

Looking ahead, Marriott's recovery is expected to gain momentum as global travel resumes, though it may face headwinds from potential economic downturns or new health crises, and its price is approaching my target price at $247.8, still with a 6.8% upside potential. In conclusion, people can remain confidence in the company's future growth and expect good returns from the investment in Marriott.

From the perspective of this article, future research should concentrate on evaluating Marriott International's potential for growth in emerging markets, assessing how such expansion might influence long-term revenue streams and market share. Additionally, it is crucial to investigate the effectiveness of Marriott's sustainability initiatives in aligning with shifting consumer preferences toward eco-friendly practices. Understanding how these initiatives impact customer loyalty and brand perception can provide valuable insights. The research should also focus on the implications of technological advancements and cybersecurity investments, exploring how these factors could enhance operational efficiency and mitigate risks. By addressing these areas, future studies can provide a more comprehensive view of Marriott's strategic opportunities and challenges, informing more precise investment decisions and supporting the company's sustained success in a competitive and evolving industry.

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