



## MARRIOTT INTERNATIONAL (MAR)

### Business Model

Marriott operates 1.3 million rooms across roughly 30 brands. Luxury represents nearly 10% of total rooms, while full service, limited service, and timeshares are 45%, 44%, and 2% of all units, respectively. Marriott, Courtyard, and Sheraton are the largest brands, while Autograph, Tribute, Moxy, Aloft, and Element are newer lifestyle brands. Managed and franchised represent 95% of total rooms. North America composes 67% of total rooms. Managed, franchise, and incentive fees represent most of the revenue and profitability for the company.

### The Company in a Nutshell

- Since the acquisition of Starwood in 2016, MAR has the most impressive brand portfolio in its industry.
- The company now operates about 15% of all U.S. rooms and 4% worldwide.
- MAR is a real money-making machine with less capital required (managed and franchise business model).

### Investment Thesis

MAR doesn't need a presentation. The company operates several strong brands across the world and can account for a loyalty membership program with over 125M users (!). The loyalty program represents about 50% of all rooms reserved and is a great source of continuous cash flow. MAR usually sets up long-term contracts (20 years) with its franchisees, which brings a lot of stability. With such an impressive portfolio, let's just say it's not hard to find more franchisees; the demand is strong. MAR shows a great dividend triangle. The only concern we have is that we might be a little late for the party to enter in a position now. MAR is still dependant on the economic cycle. Do you think there are many years left before the next recession?

## VALUATION

Dividend Growth Rate Years 1-10: 10.00%

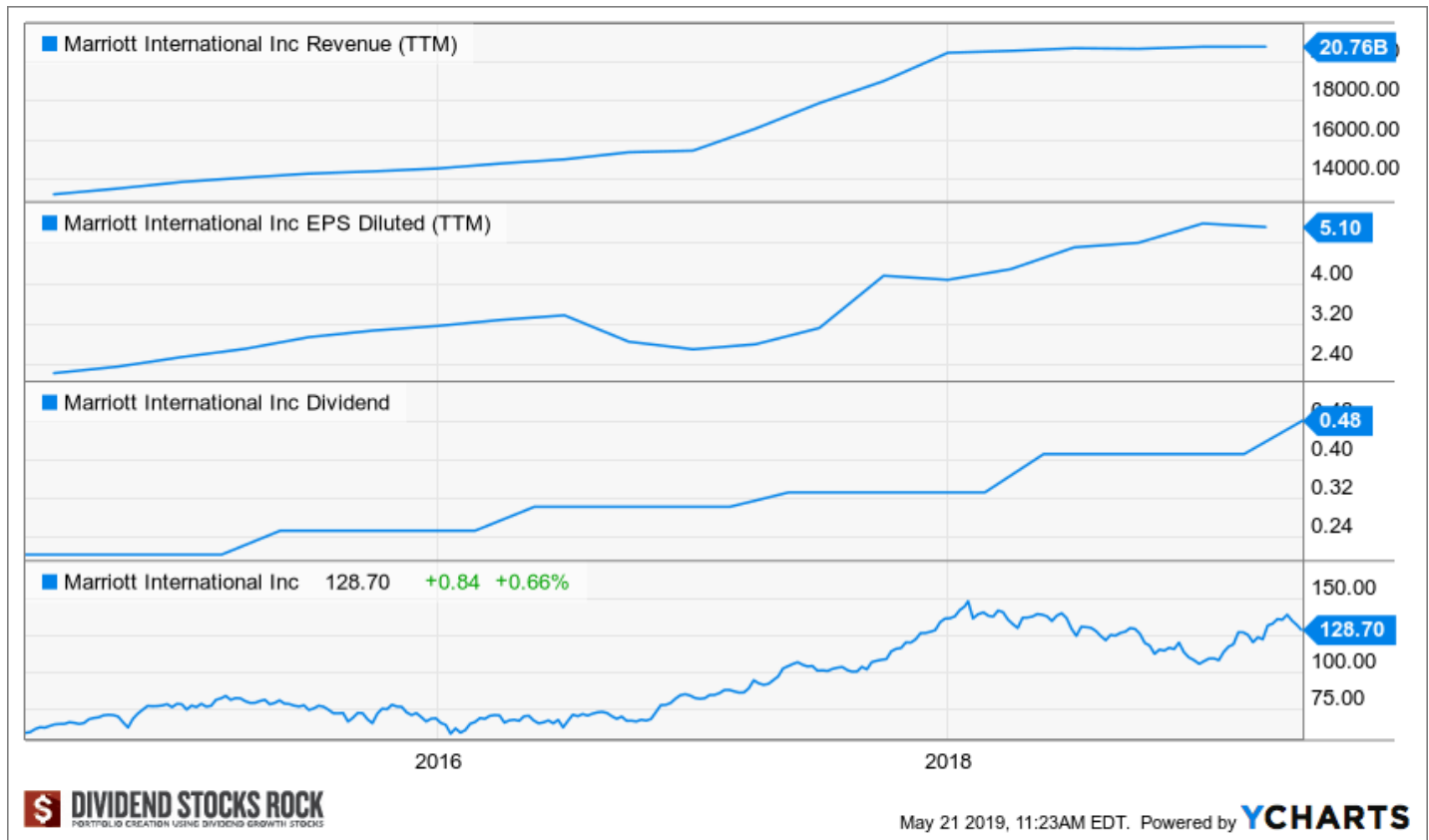
Terminal Dividend Growth Rate: 5.00%

	Discount Rate (Horizontal)		
Margin of Safety	9.00%	10.00%	11.00%
20% Premium	\$90.50	\$71.42	\$58.76
10% Premium	\$82.96	\$65.47	\$53.86
Intrinsic Value	\$75.42	<b>\$59.52</b>	\$48.97
10% Discount	\$67.87	\$53.57	\$44.07
20% Discount	\$60.33	\$47.62	\$39.17



# DSR STOCK CARD

11/25/2019



## Potential Risks

MAR can grow as long as the economy does well. The key element in this industry is to follow the demand without growing too fast. Since hotels are capital intensive, you want to make sure to caliber the offer with the demand. A half-empty hotel doesn't pay well. RevPar (revenue per available room) may suffer during a recession or when there are too many hotels in the same area. MAR also faces new competitions from Airbnb and the likes as many customers now prefer to rent small apartments or houses versus a hotel room.

## Dividend Growth Perspective

MAR is a real money printing machine. The dividend growth after the 2009 recession is impressive. The low dividend yield is mostly due to an impressive stock price surge between 2016 and 2018 where MAR doubled in value. Shareholders can expect many years with high single digit to double digit dividend growth rate, but it will slow down at some point. MAR will have to follow the economic cycle.