**Marriott revenue and cost drivers**

Marriott sales:

* The Reimbursement Income that Marriott receive for services they provide to managed and franchise hotels covers over 3 quarters of their revenue.
* Franchise fees cover double the revenues of the other combined revenues in years prior to 2022 showing a larger increase in revenues from other incomes in 2022 compared to the franchises.
* Restructuring Costs can only be seen clearly in this chart during 2020
* Excess percentage is covered by Reimbursed expenses however, better analysis requires ignoring reimbursed expenses.
* Reimbursed expenses cover the majority of expenses which when looking at actual numbers shows that Marriott don’t make much profit off these reimbursed services
* All other costs are slowly increasing however, when compared to the increase in revenues it suggests very good operational management.
* The quarterly results back up the prior trends in yearly data
* Higher detail shows the increase in reimbursements during Q4 of both years 2021 and 2022.
* Marriott’s profit performance over time is getting better which is evident by EBIT and Net margin trends however, a decreasing Gross margin.
* When looking at Marriott with and comparing them to Hyatt they rebound quicker along with the other competitors in the industry to make a profit.
* Intercontinental have seen good stable performance over the past 3 years with low volatility.
* The growth of Marriott’s margin’s the outlook is much better for their future compared to their competitors
* Wyndam Hotels are the most profitable out of all the competitors within the industry.
* Price for calculations derived from price at close of 09/12/2023
* All Companies see a negative P/E during 2020 due to Covid 19
* P/E decreasing into 2022 suggesting a more reasonable price for the profits per share.

Marriott’s Performance over the last 3 years is looking positive with an increase in Net Profit of 43.12% between 2021 and 2022 which followed a negative net income during 2020 due to Covid 19. This Net income, however, is coming at an increasing cost of sales seen by the 15.99% decrease in gross profits since 2020, this suggests that Marriott’s resource management isn’t optimal. This increasing cost of sales can be due to the sheer size of the customer base at Marriott which requires them to spend more to be able to increase this further.

Compared to their competitors Marriott performed best throughout 2020 and the shutdown of the hospitality sector. This difference in performance may be due to the size differences between the four largest publicly traded(Marriot: $20.7B, Hyatt: $5.8B, Wyndham: $1.4B, Intercontinental: $3.8B. This makes volatility within the markets have less of an effect on Marriott, this is backed up by their slow changes in their profits in 2021 and 2022.

Hyatt and Wyndam are both notable competitors in terms of performance however, for contrasting reasons with Hyatt struggling to rebound after Covid 19 whereas Wyndam Hotels currently have the highest net income of all of the top 4 in the industry.

The Majority of the revenue and expenses are attributable to the reimbursements which occurs due to services that Marriott and other hotel companies offer their franchisees and hotel managers these include addition to their insurance policy and PoS systems. These reimbursements cancel each other out which is due to Marriott not offering the services at a mark up as they do not wish to profit from them.

Removing the Reimbursements, it can be seen that during 2020 Marriott underwent some serious restructuring as costs incurred reached $267M this is due to layoffs as a response to the shut down of the hospitality sector and therefore, hasn’t been seen since.

All remaining expenses have slowly decreased over the past 3 years along with the increase of the remaining revenues which shows the strong future trends that Marriott will continue growing their bottom line. These results are likely to be due to great operational management. Quarterly results further back up these outlooks with further detail however, when looking at Q4 they finalise the more reimbursements during the final quarter this is due to receivable policies within the company.

Investor outlook on annual performance shows the expectation of a rebound in the sales within the Hospitality industry following Covid 19 as they paid premium share prices for net income attributable to them during 2021. This outlook can also be seen in Marriott more compared to the other large hotels in the industry including during 2020 with investors paying large amounts for shares even though there was almost guaranteed losses. This is likely due to Marriott being the largest of the publicly traded Hotels and therefore, the safest bet on the rebound of the industry.

Overall, the outlook of Marriott Hotels compared to their competitors is good with recent years showing they can handle recessions better than those around them with better operational management allowing them to increase profits even with a much larger customer base.

**Johnson & Johnson Revenue and Cost Drivers**

* The Pharmaceutical sector of J&J cover the same over half the total sales of the company.
* J&J’s Medtech sales have been slowly taking more coverage of the rest of the total sales from consumer health products that are on offer.

Cost driver figures for J&J aren’t all individually outlined however, stated drivers include:

* Covid 19 Vaccine manufacturing exit $1.5 Billion in 2022
* Currency impacts within pharmaceuticals
* Intangible asset Amortisation( $4.3 Billion 2022 and $4.7 Billion 2021)
* A decrease in margins between 2021 and 2022.
* J&J and Pfizer have similar Gross Margins since 2021.
* All margins follow a similar pattern.
* When compared to competitors Pfizer spend considerably more in order to reach a gross profit along with J&J.
* Pfizer’s margins have seen huge positive trajectory over the past 3 years.
* Amgen saw drops in Net and EBIT Margin during 2021.
* When disregarding Pfizer Amgen have the highest Net Margin in 2022.
* Abnormal Net Margin seen in 2021
* Novartis’ Gross Margin on a slight increase YoY
* The huge drop in P/E for Pfizer in 2021 shows how investors valued the company better compared to competitors once they had found a vaccine and became the major provider of this over the prior year.
* The low P/E at Pfizer looks like a better investment to investors due to them having a much lower cost to receive similar amounts of profits in competitors.
* Over time J&J’s P/E has been volatile along with their competitors which suggests instability within the market with the outlier to this trend being Pfizer due to the previously mentioned creation of the Covid 19 vaccine.

Johnson & Johnson’s (J&J) Performance between over the previous 3 years has been consistent however, volatile. Between 2021 and 2022 J&J saw a decrease in all their margins which is due to poor revenue growth, this is a result of difficulty to grow their customer base which requires further spending to achieve future goals. This on top of restructuring with the aim of improving resource utilisation has led to this unfortunate result in 2022.

J&J and Pfizer both have poor gross margins due to the previously mentioned high revenue of which is difficult to expand on without higher levels of investment. Both of the companies share similarity in consistent management of finances which can be seen by similar trends in margins year-over-year, this is especially interesting to see in the margins of J&J as they have seen completely outcomes, but each YoY outcome of the margins create the same pattern.

Pfizer double the net margins of J&J suggesting they are J&J’s closest competitor however; this can be attributed to their sales of Covid 19 vaccines which has allowed them to grow their revenues over double since the start of the 2020 pandemic. Disregarding Pfizer due to this reliance gives Amgen the crown however, they saw a decrease in their net margin during 2021 which was a result of them increasing their research into finding a biosimilar to the Covid 19 vaccines.

Novartis on the other hand, has been an outlier over the same period with differences in their trends along with an abnormal 2021 net margin result which was due to them having a positive outcome from a company linked to them which doubled their bottom line. Novartis are also the only company to have consistent increases in gross margins over the period this shows better resource utilisation by them and importance in increasing this figure for them. Although they have seen increases in their gross margin other margins have seen poor results which can be worrying for future results on the bottom line.

J&J’s Pharmaceutical sector covers over half of their total sales in every year which is worrying as any issues that may arise in the sector can have a large impact on their financial outlook. This is further worsened by an increase in the reliance on their Medtech sector with it growing at a faster pace than J&J’s consumer health items.

The main cost drivers at J&J are currency exchange pairs as these move and alter their items becoming more or less expensive in certain countries effects how much they profit or loss from each area. J&J’s other top cost is their amortisation on intangible assets these include items such as their patents and the total cost of which are slowly decreasing year over year meaning costs within J&J are slowly following the trend.

When looking at the Investor outlook of the industry Pfizer look like a better investment due to their better value for money shown by the low P/E ratio compared to the competitors within the pharmaceutical industry. However, disregarding Pfizer due to their previously mentioned reliance on Covid 19 vaccines, the industry has very volatile P/E ratio results over the last 3 years. This shows the extremely competitive nature of the market meaning investors rank companies equally.

Overall, J&J’s financial outlook is promising. They have the finances and potential free cash to be able to grow the business further which is backed up by the lower gross margin with acceptable net margins. This required growth to gain a competitive advantage is required with biosimilars such as Amgen beginning to take market share off of them.