

**Revenue and Cost Driver Analysis:**

Marriot Inc. & Johnson & Johnson



September 12, 2024

**Revenue and Cost Driver Analysis: Marriott Inc**

**Revenue Drivers**

**RevPAR (Revenue Per Available Room)**: Key metric combining occupancy and room rate.

* Occupancy Rate: Percentage of available rooms occupied
* Average Daily Rate (ADR): Average rate charged for rooms

**Number of Properties**: Expansion of hotel portfolio.

**Franchising Fees**: Revenue from franchised properties.

**Management Fees:** Revenue from managed properties.

**Cost Drivers**

* **Fixed Costs**:
	+ Depreciation & Amortization: Not correlated with revenue
	+ General & Administrative (Base): Partially fixed, some correlation with overall business size
* **Variable Costs**:
	+ Reimbursed Expenses: Strongly correlated with revenue and business activity
	+ Variable G&A: Correlated with revenue and business growth
	+ Merger-related Charges: Event-driven, not directly correlated with regular revenue

**Performance Commentary**

Marriott's performance in 2023 shows strong revenue growth, driven by significant increases in RevPAR across all regions. The company experienced particularly high growth in Greater China and Asia Pacific, with RevPAR increases of 80.3% and 41.9% respectively for company-operated properties. This growth outpaced the increase in costs, particularly fixed costs, leading to improved operational efficiency (Marriot International, 2024).

The 13% increase in general and administrative expenses was lower than the overall RevPAR growth of 21.2% worldwide, indicating good cost control and economies of scale. However, the substantial increase in merger-related charges (400% growth) suggests ongoing strategic investments, which may impact short-term profitability but could drive future growth (Marriot International, 2024).

Marriott's ability to grow RevPAR through both increased occupancy and higher ADRs demonstrates strong market positioning and pricing power. The company's diverse geographic presence has allowed it to capitalize on varying recovery rates in different regions post-pandemic.

**Peer Comparison**

Peers: Hilton Worldwide Holdings Inc., InterContinental Hotels Group PLC

* Marriott outperformed peers in RevPAR growth in most regions
* Marriott's global scale and diverse brand portfolio contribute to its strong performance
* Further analysis would be needed to compare cost structures and operational efficiencies

**Revenue and Cost Driver Analysis: Johnson & Johnson**

**Revenue Drivers**

**Innovative Medicine**: Largest segment

* Volume: Number of prescriptions
* Price: Pricing strategies and reimbursement rates
* New Product Launches: Pipeline and regulatory approvals

**MedTech**: Medical devices and equipment

* Procedure Volumes: Influenced by healthcare trends and accessibility
* Market Share: Competitive positioning in various device categories

**Cost Drivers**

**Fixed Costs:**

* R&D Expense: $15,085M (17.7% of sales) - Mostly fixed, crucial for long-term growth
* Administrative Overheads: Part of $21,512M in SG&A - Partially fixed
* Variable Costs: Cost of Products Sold: $26,553M (31.2% of sales) - Directly correlated with sales volume
* Selling and Marketing: Part of $21,512M in SG&A - Varies with sales activities and product launches
* Variable R&D: Portion of $15,085M - Varies based on clinical trials and development projects

**Performance Commentary**

According to Johnson & Johnson (2024), Johnson & Johnson's performance in 2023 shows resilience and growth despite challenging market conditions:

* **Revenue Growth**: 6.5% increase in sales to $85,159M, indicating strong market demand and successful product strategies.
* **Gross Margin:** Slight decrease from 69.3% to 68.8%, suggesting some pressure on pricing or increased production costs.
* Cost of products sold increased by 8.0%, slightly outpacing revenue growth, indicating potential supply chain or production challenges.
* SG&A expenses grew proportionally with revenue, maintaining at 25.2% of sales, demonstrating effective cost control.
* R&D investment increased by 6.7%, aligning with revenue growth and highlighting continued focus on innovation.
* **Profitability:** Operating profit (before special items) improved, with adjusted earnings before taxes increasing by 6.6% to $29,811M.
* Adjusted net earnings from continuing operations grew by 6.8% to $25,409M, slightly outpacing revenue growth.
* **Efficiency:** Improved tax management, with the effective tax rate decreasing from 15.4% to 11.5% for continuing operations.

Overall, Johnson & Johnson demonstrated strong financial performance in 2023, balancing revenue growth with strategic investments in R&D and operational efficiency. The company's ability to grow adjusted earnings faster than revenue indicates effective cost management and pricing strategies.

**Peer Comparison**

Peers: Merck & Co., Inc., Novartis AG

* J&J's 6.5% revenue growth is competitive within the pharmaceutical industry
* R&D investment at 17.7% of sales is comparable to peers, reflecting industry-standard commitment to innovation
* J&J's diverse product portfolio provides more stability compared to more specialized pharmaceutical companies

**References**

Hilton (2024). *Hilton Reports Fourth Quarter and Full Year Results*, Pages 7-13. Available at <https://ir.hilton.com/~/media/Files/H/Hilton-Worldwide-IR-V3/quarterly-results/2024/q4-2023-earnings-release.pdf>

Johnson & Johnson (2024). *Johnson & Johnson Reports Q4 and Full-Year 2023 Results*. Available at <https://www.investor.jnj.com/news/news-details/2024/Johnson--Johnson-Reports-Q4-and-Full-Year-2023-Results/default.aspx>

Macrotrends (2024). *Intercontinental Hotels Group Financial Statements 2009-2024 | IHG.* Available at <https://www.macrotrends.net/stocks/charts/IHG/intercontinental-hotels-group/financial-statements>

Macrotrends (2024). *Novartis AG Financial Statements 2009-2024 | NVS*. Available at <https://www.macrotrends.net/stocks/charts/NVS/novartis-ag/financial-statements>

Marriot International (2024). *2023 ANNUAL REPORT,* pages 23 & 24. Available at <https://marriott.gcs-web.com/static-files/b82978a6-9d28-4e38-9855-fc4ae2cebe11>

Merck (2024). *Merck Announces Fourth-Quarter and Full-Year 2023 Financial Results.* Available at <https://www.merck.com/news/merck-announces-fourth-quarter-and-full-year-2023-financial-results/>