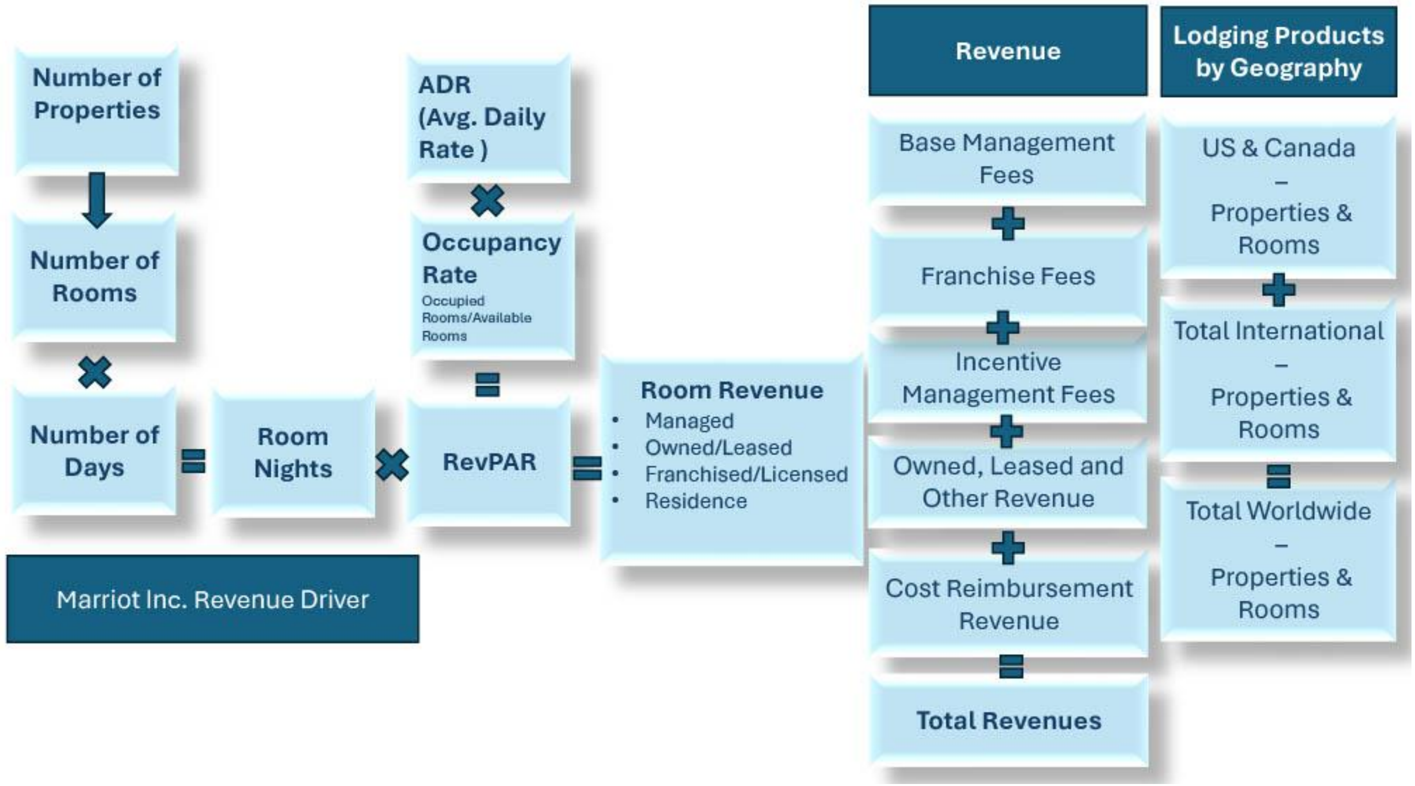
**Revenue Drivers for Marriot International**




**Revenue Breakdown by Price and Volume Data**

**Price Component (ADR - Average Daily Rate)**

- Definition: ADR is the average rental income per paid occupied room per day and reflects the pricing power of Marriott's room inventory.
- Effect on Revenue Growth:
  - Increased ADR directly raises revenue by boosting the amount earned per room night. For example, Marriott's report indicates increases in ADR contributed to stronger revenue from international markets, particularly in Asia Pacific (excluding China), which saw a notable RevPAR growth of 13%.
  - Strategic Pricing Adjustments: In premium and luxury segments, Marriott can leverage demand to set higher ADRs, particularly in regions with strong travel demand recovery, thus enhancing revenue per available room.

**Volume Component (Occupancy Rate)**

- Definition: Occupancy rate represents the percentage of available rooms that are occupied over a given period.
- Effect on Revenue Growth:
  - Higher Occupancy Drives Revenue: Increases in occupancy directly impact revenue by filling more rooms, thus increasing the total room nights sold. For instance, Marriott experienced a 10% increase in group RevPAR in the U.S. & Canada due to higher occupancy rates across business and leisure segments.
  - Demand Variability by Market: Regional demand fluctuations, as seen with high occupancy in U.S. group segments and Asia Pacific, underscore how occupancy varies by market and drives revenue differently in each location.

**RevPAR (Revenue per Available Room) – Combined Impact of Price and Volume**

- Definition: RevPAR combines ADR and occupancy rates, showing the revenue generated per available room. It is a key metric for assessing overall performance as it encapsulates both price (ADR) and volume (occupancy).
- Effect on Revenue Growth:
  - Overall Revenue Performance Indicator: RevPAR growth, as observed in Q2 2024 (4.9% globally), demonstrates Marriott's ability to leverage both occupancy and pricing strategies effectively. In regions like the U.S. & Canada, a nearly 4% RevPAR growth highlights a balanced improvement in both occupancy and ADR.
  - International RevPAR Influence: With international RevPAR growing faster than domestic RevPAR, the international market is a significant contributor to revenue, particularly where ADR and occupancy rates are rising simultaneously.

**Mapping Price and Volume Effects on Revenue Growth**

- Price (ADR) Increases: Enhances per-room profitability and directly impacts revenue in high-demand markets, particularly in premium and luxury segments.
- Occupancy (Volume) Increases: Expands the total number of nights sold, which, combined with a stable or increasing ADR, yields higher total revenue.
- Balanced RevPAR Growth: When both ADR and occupancy increase, RevPAR serves as a strong indicator of robust revenue growth, as Marriott's Q2 2024 results demonstrated across key international and group segments.

In summary, Marriott's revenue growth is effectively driven by a dual focus on optimizing both price (ADR) and volume (occupancy), using market-specific demand insights to balance room pricing and maximize occupancy. This strategic mix enables sustained revenue expansion across varied geographic and customer segments.

**Cost Drivers for Marriott International**

**Direct Expenses for Owned and Leased Properties**

- Type: Variable
- Correlation with Revenue: Directly correlated with occupancy rates and ADR (Average Daily Rate).
- Variation Basis: Fluctuates based on the number of rooms occupied and room rates, as higher occupancy and ADR drive up operational costs, such as staffing and utilities.

**Reimbursed Expenses**

- Type: Variable
- Correlation with Revenue: Highly correlated with service levels provided to property owners.
- Variation Basis: Depends on the scale of centralized and property-level services offered to franchisees and managed properties. Increases in services lead to corresponding increases in reimbursed expenses, but they are directly offset by revenues as they are reimbursed by property owners.

**General and Administrative Expenses**

- Type: Fixed (with a semi-variable component)
- Correlation with Revenue: Indirect correlation; these costs grow as Marriott expands its workforce and administrative capabilities.
- Variation Basis: Largely stable but can increase with company growth and performance, such as adjustments to performance-based compensation.

**Interest Expense**

- Type: Fixed

- Correlation with Revenue: No direct correlation to revenue fluctuations.
- Variation Basis: Dependent on debt levels and interest rates, affecting Marriott's overall profitability but not directly tied to operational revenue drivers.

**Depreciation and Amortization**

- Type: Semi-variable
- Correlation with Revenue: Minimal direct correlation; varies based on Marriott's capital investments and property lifecycle.
- Variation Basis: Linked to capital expenditures for new property developments or renovations. These costs remain stable in the short term but adjust with asset acquisitions, disposals, or major capital improvements.

These cost drivers provide a foundation for analyzing Marriott's profitability and operational efficiency, demonstrating the company's strategy to manage fixed costs while leveraging variable expenses tied closely to revenue performance.

**Marriott International: Q2 2024 Performance Analysis**

**Overview**

In Q2 2024, Marriott International reported robust financial performance driven by steady increases in key revenue metrics, particularly in global RevPAR (Revenue per Available Room), and fee-based revenue streams. With a strong portfolio of nearly 9,000 properties worldwide, Marriott's asset-light model continues to produce significant management and franchise fees, highlighting effective revenue and cost management.

**Revenue Drivers**

**Room Revenue (RevPAR):**

- Marriott achieved a global RevPAR increase of 4.9%, largely fueled by international market performance, where RevPAR grew 7.4%, notably higher than the 3.9% increase in the U.S. & Canada.
- Room revenue was primarily driven by occupancy rates and ADR (Average Daily Rate) increases. Asia-Pacific (excluding China) exhibited the most substantial growth at 13%, emphasizing Marriott's strong international market positioning.
- In the U.S. & Canada, group RevPAR rose nearly 10% due to increased demand across business and leisure sectors, boosting Marriott's revenue from room occupancy and average room rates.

**Fee-Based Revenue:**

- Reflecting Marriott's successful asset-light strategy, base management and franchise fees grew 9% year-over-year, fueled by both RevPAR growth and an expanding property portfolio. Marriott added 15,500 net rooms during the quarter, which directly supported the increase in management fees.
- Incentive management fees also contributed significantly, with 60% of these fees generated from international markets, despite minor foreign exchange impacts.

**Loyalty Programs and Co-Branded Credit Cards:**

- Marriott Bonvoy loyalty program expansion and partnerships (e.g., Starbucks) continued to enhance member engagement, creating additional revenue streams. Non-RevPAR-related franchise fees increased, partly due to a 10% rise in co-branded credit card fees, reflecting growing program usage and member retention.

**Owned and Leased Properties:**

- Revenue from Marriott's owned and leased properties saw stable performance, increasing by 1%, demonstrating consistent performance from non-franchised holdings.

**Cost Drivers**

**Variable Costs:**

- **Direct expenses for owned and leased properties** correlate directly with occupancy rates, making them highly variable. Increased occupancy in international markets contributed to rising operational costs.
- **Reimbursed expenses**, which represent services provided to property owners, also rose, scaling with the level of services Marriott offers across properties.

**Fixed Costs:**

- General and administrative costs, including corporate overhead, saw a moderate increase. These costs remain relatively fixed but expand as Marriott grows its portfolio and workforce.
- **Interest expenses** increased due to a higher debt balance, a fixed cost impacting Marriott's overall profitability margin, albeit a strategic choice to support growth initiatives.

**Semi-Variable Costs:**

- **Depreciation and amortization** are linked to Marriott's investments in property and capital assets. While relatively stable, these costs vary with acquisitions, disposals, and periodic capital improvements.

**Performance Summary and Outlook**

Marriott International's performance in Q2 2024 reflects a balance of strategic growth in revenue-generating segments and effective cost management. Global RevPAR growth highlights Marriott's success in capitalizing on post-pandemic travel demand, especially in high-performing international markets. The company's asset-light model provides robust fee-based revenue streams while controlling fixed operational costs, ensuring that revenue growth translates efficiently to profit. Marriott's strategy to expand its loyalty program and international footprint suggests continued revenue growth, supported by effective cost management practices that drive sustainable profitability.

Overall, Marriott remains well-positioned for the remainder of 2024, with an expected focus on expanding its portfolio and enhancing loyalty program partnerships to leverage its strong brand appeal and global reach.

**Peer Comparison Summary**

For Marriott International (MAR), relevant peers in the hospitality industry are Hilton Worldwide Holdings (HLT), Hyatt Hotels Corporation (H), and Choice Hotels International (CHH). Here's a comparative analysis of Marriott's performance with these peers across key financial metrics:

| **Metric** | **Marriott (MAR)** | **Hilton (HLT)** | **Hyatt (H)** | **Choice Hotels (CHH)** |
|---|---|---|---|---|
| Market Cap (USD) | $73.793B | $57.559B | $14.615B | $6.68B |
| Revenue (USD) | $6,439M | $2,951M | $1,703M | $435M |
| EBITDA Margin (%) | 19.99% | 25.96% | 34.94% | 36.31% |
| P/E Ratio | 26.24 | 50.56 | 16.62 | 29.35 |
| Debt to Equity Ratio | -8.36 | -3.56 | 1.08 | -13.48 |
| Return on Equity (%) | -47.77% | -13.68% | 9.32% | -59.07% |

**Performance Analysis**

**Market Capitalization**:

- Marriott is the largest company by market cap, indicating strong investor confidence and leading brand value. It outpaces Hilton, which holds the second-largest market cap, by over $16 billion.

**Revenue**:

- Marriott's revenue of $6,439 million significantly exceeds that of its peers, reflecting its extensive global footprint and diversified revenue sources, including its loyalty program and management/franchise fees. Hilton follows at $2,951 million, while Choice Hotels, with a market cap much smaller than Marriott's, generates only $435 million, likely due to a smaller property portfolio and fewer luxury brands.

**EBITDA Margin**:

- Choice Hotels leads with an EBITDA margin of 36.31%, closely followed by Hyatt at 34.94%, indicating high operational efficiency. Marriott's EBITDA margin is the lowest at 19.99%, suggesting potential areas for improvement in operational efficiency relative to its peers.

**Price-to-Earnings (P/E) Ratio**:

- Hilton has the highest P/E ratio (50.56), which could imply higher growth expectations or a premium valuation from investors. Hyatt, with the lowest P/E at 16.62, suggests it may be more attractively valued in the current market. Marriott's P/E ratio of 26.24 is more moderate, indicating balanced growth expectations.

**Debt to Equity Ratio**:

- Hyatt's positive debt-to-equity ratio (1.08) shows a more balanced capital structure relative to its peers, which all have negative ratios. Marriott's ratio of -8.36 implies it carries significant debt relative to equity, which could impact financial flexibility and increase risk during market downturns.

**Return on Equity (ROE)**:

- Hyatt has a positive ROE of 9.32%, the only peer with positive shareholder returns, indicating efficient use of equity. Marriott, with an ROE of -47.77%, suggests challenges in converting shareholder equity into net income, a trend that similarly affects Hilton and Choice Hotels, though to different extents.

**Summary**

Marriott outperforms its peers in market cap and revenue, highlighting its industry-leading status. However, Hyatt shows stronger profitability metrics (EBITDA margin and ROE) and a more favorable debt-to-equity balance, making it more efficient in certain financial aspects. Choice Hotels excels in operational efficiency with the highest EBITDA margin but lags in scale and ROE. Hilton, while closer in scale to Marriott, reflects higher valuations and moderate operational performance.

Overall, Marriott's expansive revenue base and market position are strengths, but it faces challenges in debt management and margin efficiency compared to its more operationally efficient peers, Hyatt and Choice Hotels.