TASK 4

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Marriott International (2023)
Business Model and Context
Marriott International operates on an asset-light business model, primarily managing and franchising hotels rather than owning them outright. This structure lets Marriott focus on brand strength, customer loyalty programmes, and operating efficiencies, rather than capital-intensive real estate investments. Its profitability depends largely on fee-based income streams, which expand when hotel-level sales improve. Key performance metrics in the hotel industry—**Occupancy**, **ADR (Average Daily Rate)**, and **RevPAR (Revenue Per Available Room)—**offer a lens into Marriott's operational success:

- **Occupancy:** Indicates the proportion of rooms filled. High occupancy signals strong demand and market traction for Marriott's brands.
- **ADR:** Measures pricing power. Rising ADR shows Marriott's ability to leverage brand equity and a favourable travel environment to command higher room rates.
- **RevPAR:** Integrates both price and volume. Growing RevPAR reflects Marriott's capability to fill rooms at profitable rates and is a key driver of its fee-based revenue growth.

In 2023, Marriott's improvement stemmed from both rising occupancy and increasing ADR. This combination elevated RevPAR globally, enhancing fee-based revenues without requiring proportionally large increases in fixed costs.

Additional Regional Insights
While all regions showed year-over-year improvements, the magnitude varied by market conditions, travel restrictions lifting, and the balance between leisure and business travel:

- **U.S. & Canada:** RevPAR $171.81 (+10.2%), occupancy 68.9% (+3.7 ppts), ADR $249.25 (+4.3%). Although a mature region, pent-up leisure demand and a gradual business travel recovery boosted performance. Marriott's extensive brand portfolio and loyalty programme here helped sustain moderate yet steady rate increases.
- **Greater China:** RevPAR $88.18 (+80.3%), occupancy 68.9% (+22.4 ppts), ADR $128.03 (+21.7%). China's reopening from stringent travel restrictions created a low base in 2022, making the 2023 surge especially pronounced. Marriott's brands benefited from renewed domestic and intra-regional travel, demonstrating strong brand recognition once markets reopened.
- **Asia Pacific (Ex. China):** RevPAR $117.33 (+41.9%), occupancy 69.5% (+11.5 ppts), ADR $168.86 (+18.4%). With cross-border travel resuming, these markets showcased how Marriott's strategic presence in key business and leisure destinations supports faster revenue growth as mobility restrictions lift.
- **Caribbean & Latin America:** RevPAR $168.44 (+13.8%), occupancy 64.0% (+4.4 ppts), ADR $263.19 (+6.0%). Strong inbound leisure travel, bolstered by Marriott's recognised brands in resort locations, allowed the company to sustain robust ADR, reflecting successful strategic positioning in experiential and luxury travel segments.
- **Europe:** RevPAR $183.67 (+21.2%), occupancy 70.7% (+7.7 ppts), ADR $259.65 (+8.0%). Europe's busy summer travel and revived intra-regional corporate trips underpinned

growth. Marriott's diversified brand mix and strong distribution channels supported rate increases in both leisure and urban corporate markets.

- **Middle East & Africa:** RevPAR $128.99 (+12.5%), occupancy 67.6% (+3.2 ppts), ADR $190.71 (+7.2%). While positive, growth here was more moderate, reflecting market-by-market variability. Nevertheless, Marriott's established footprint in key travel hubs enabled it to capture returning demand at higher prices.

- **International - All:** RevPAR $120.78 (+35.6%), occupancy 68.8% (+13.1 ppts), ADR $175.62 (+9.7%). The broad-based global recovery outside the U.S. & Canada affirms Marriott's strategic advantage of widespread geographic diversification, enabling it to capitalise on varied market rebounds.

Systemwide Similarities: Franchise properties mirrored these trends, underscoring the consistency of Marriott's brand value and operational standards across ownership structures.

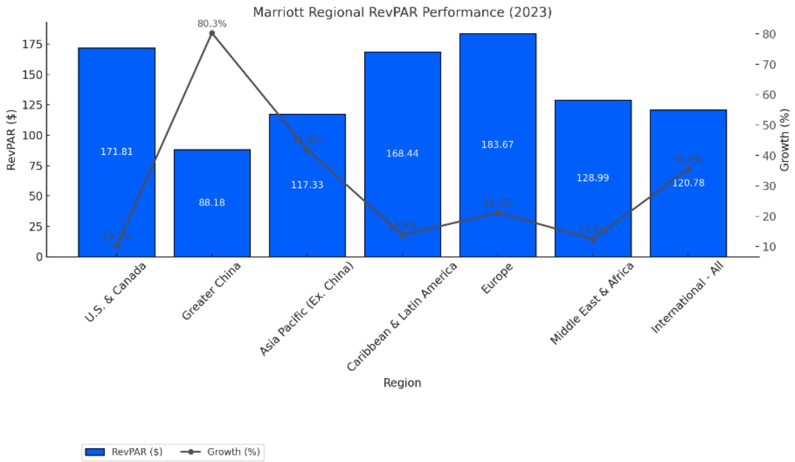

Figure 1: Marriot Regional RevPAR Performance (2023)

Revenue Drivers

- **Volume:** Higher occupancy across most regions and more rooms under management increased total room sales. This volume growth, particularly in recovering markets, allowed Marriott to strengthen its fee base.

- **Price:** Higher ADR demonstrated Marriott's pricing power and the strength of its brands. Guests were willing to pay more, often due to loyalty benefits, differentiated brand experiences, and a return of corporate bookings.

Revenue Composition (2023)

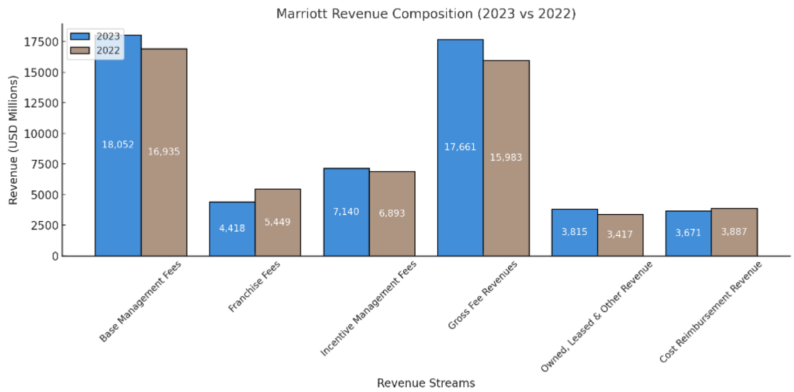

Figure 2: Marriott Revenue Composition (2023 vs 2022)

(USD millions)

Revenue Stream	2023	% of Total 2023	2022	% of Total 2022
Base Management Fees	1,238	5.2%	1,044	5.0%
Franchise Fees	2,831	11.9%	2,505	12.1%
Incentive Management Fees	755	3.2%	529	2.5%
Gross Fee Revenues	4,824	20.3%	4,078	19.6%
Less: Contract Investment Amort.	(88)	-	(89)	-
Net Fee Revenues	4,736	20.0%	3,989	19.2%
Owned, Leased & Other Revenue	1,564	6.6%	1,367	6.6%
Cost Reimbursement Revenue	17,413	73.4%	15,417	74.2%
Total Revenue	23,713	100.0%	20,773	100.0%

Margin and Profitability Context: While cost reimbursements dominate total revenue, they are largely pass-through items. Marriott's true margin expansion arises from fee revenues, which grew from 19.2% to 20.0% of total revenue. Fee income typically has high incremental margins because adding more managed or franchised rooms doesn't require substantial additional corporate overhead. Thus, every uptick in RevPAR from occupancy or ADR improvements amplifies Marriott's bottom line more efficiently than it would in an asset-heavy model.

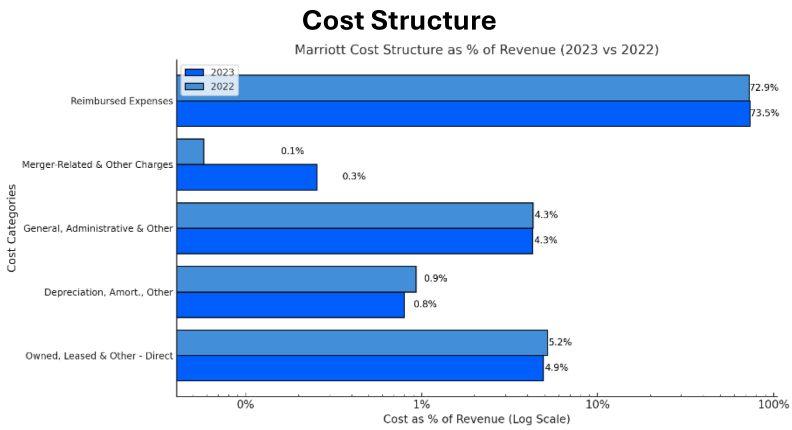

Figure 3: Marriott Cost Structure as a % of Revenue (2023 vs 2022) Logarithmic Scale

Marriott's costs reflect its focus on fee-based earnings and asset-light operations.

(USD millions)

Cost Category	2023	% of Revenue 2023	2022	% of Revenue 2022	Nature & Drivers
Owned, Leased & Other - Direct	1,165	4.9%	1,074	5.2%	Variable. Increases with occupancy and property activity
Depreciation, Amort., Other	189	0.8%	193	0.9%	Mostly fixed, linked to past investments
General, Administrative & Other	1,011	4.3%	891	4.3%	Mixed. Some overhead fixed, some costs vary mildly with scale
Merger-Related & Other Charges	60	0.3%	12	<0.1%	Event-driven, not tied to volume/price
Reimbursed Expenses	17,424	73.5%	15,141	72.9%	Directly variable. Mirrors cost reimbursement revenue

Marriott's focus on high-margin fee revenue ensures that as occupancy and ADR lift RevPAR, incremental earnings flow through to profits with limited cost escalation. Fixed costs remain relatively stable, and variable costs mostly match reimbursed revenue, maintaining margin integrity.

Forward-Looking Considerations:
While Marriott benefited from a robust travel rebound, potential risks include a global economic slowdown that might temper ADR growth, or shifts in business travel patterns as remote work and virtual meetings persist. Nonetheless, Marriott's diversified brand strategy, strong loyalty programme, and global reach position it to adapt pricing strategies, target growth markets, and maintain healthy profitability even if certain demand segments soften.

Peer Context
Marriott competes with Hilton, IHG, and other global chains that also enjoy the tailwinds of travel recovery. Marriott's broad brand portfolio and scale in loyalty membership can offer it a relative advantage, enabling effective segmentation strategies, improved pricing power, and potentially stronger RevPAR gains than some rivals.

Johnson & Johnson (2023)

Business Model and Context
Johnson & Johnson is a diversified healthcare conglomerate spanning Innovative Medicine and MedTech. Its strength lies in a balanced portfolio that reduces reliance on any single product or therapeutic area. Sustained R&D investment supports a pipeline of innovative treatments and devices, anchoring long-term growth despite competitive pricing pressures and patent expirations.

Revenue Drivers:

- **Volume (+6.8%)**: The main growth engine, as new product launches, increased patient access, and a rebound in elective procedures (for MedTech) drove unit sales higher.
- **Price (+0.6%)**: Modest, reflecting competitive and regulatory constraints. Healthcare purchasers (insurers, governments) often limit aggressive price hikes, and patent expirations introduce lower-cost generic competition.
- **Currency (-0.9%)**: Slightly negative, softening reported growth in U.S. dollars.

Revenue Composition (2023)

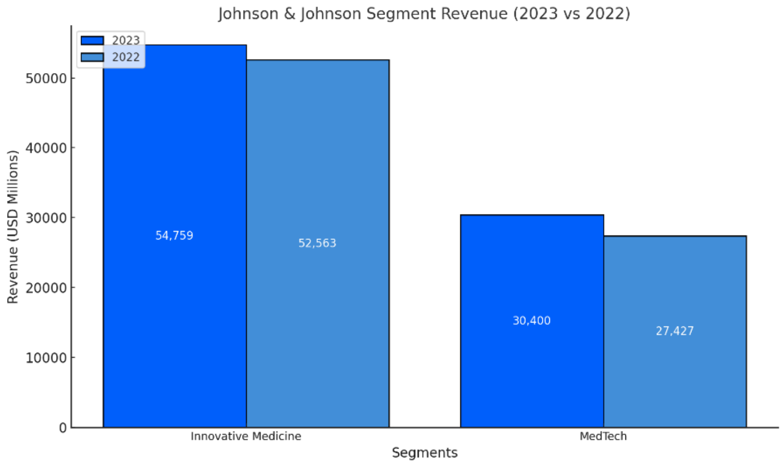

Figure 4: Johnson & Johnson Segment Revenues (2023 vs 2022)

(USD millions)

Segment	2023	% of Total 2023	2022	% of Total 2022
Innovative Medicine	54,759	64.3%	52,563	65.7%
MedTech	30,400	35.7%	27,427	34.3%
Total Revenue	85,159	100.0%	79,990	100.0%

Margin and Profitability Context: J&J's gross margins depend on product mix and manufacturing scale. While detailed margin data is not shown here, stable R&D spending and generally constant S,M&A as a percentage of sales hint at balanced cost management. Because J&J can introduce new high-value treatments and scale successful therapies globally, incremental volumes often yield efficiency gains.

In addition to the segment-level breakdown (Innovative Medicine and MedTech), Johnson & Johnson provides details by therapeutic area within Innovative Medicine. These categories show where volume-driven growth was concentrated and where market or competitive pressures constrained performance:

Innovative Medicine Therapeutic Areas (USD millions):

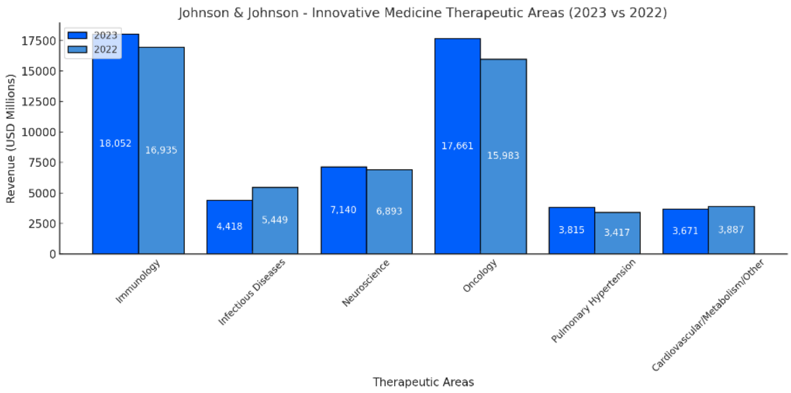

Figure 5: Johnson & Johnson - Innovative Medicine Therapeutic Areas (2023 vs 2022)

Therapeutic Area	2023	2022	Change	Key Drivers
Immunology	18,052	16,935	+6.6%	STELARA & TREMFYA growth, strong patient demand
Infectious Diseases	4,418	5,449	-18.9%	Decline in COVID-19 vaccine revenue, loss of PREZISTA
Neuroscience	7,140	6,893	+3.6%	New launches & increased patient access offsetting losses of older therapies
Oncology	17,661	15,983	+10.5%	DARZALEX expansion, ERLEADA and CARVYKTI ramp-ups driving growth
Pulmonary Hypertension	3,815	3,417	+11.6%	Market uptake and mix improvements for therapies like UPTRAVI and OPSUMIT
Cardiovascular/ Metabolism/Other	3,671	3,887	-5.5%	Unfavourable patient mix & access changes (e.g., XARELTO) overshadowed gains in other areas

Analysis:

- Robust growth in Immunology and Oncology points to the payoff from sustained R&D and strategic acquisitions or partnerships.
- Neuroscience gains show J&J's ability to refresh its portfolio as older drugs face generic pressure.
- Infectious Diseases' decline, largely due to waning COVID-19 vaccine demand, highlights the transient nature of pandemic-related revenue spikes.
- Pulmonary Hypertension growth signals effective commercial execution and potential future pipeline assets reinforcing growth.

- The Cardiovascular/Metabolism/Other dip underscores why J&J invests heavily in pipeline diversification and patent strategy to offset such declines.

Cost Structure

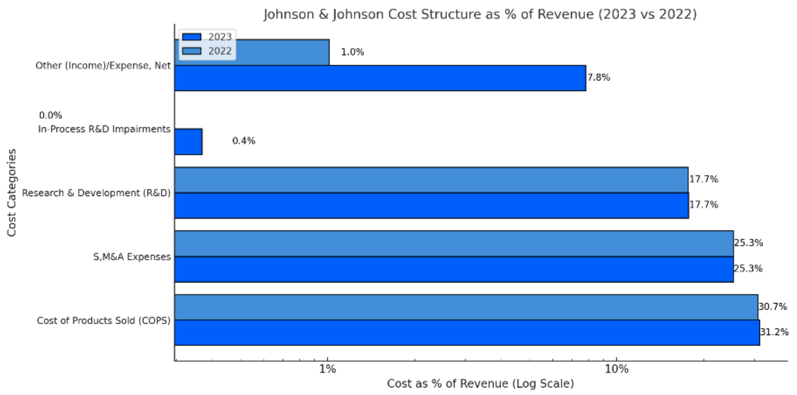

Figure 6: Johnson & Johnson Cost Structure as a % of Revenue (2023 vs 2022) in Logarithmic Scale

J&J's cost base supports ongoing innovation, stable margins, and market penetration.

(USD millions)

Cost Category	2023	% of Sales 2023	2022	% of Sales 2022	Nature & Drivers
Cost of Products Sold (COPS)	26,553	31.2%	24,596	30.7%	Variable with volume, product mix, and input costs
S,M&A Expenses	21,512	25.2%	20,246	25.3%	Mixed. Some scaling with volume, some fixed overhead
Research & Development (R&D)	15,085	17.7%	14,135	17.7%	Mostly fixed short-term. Strategic long-term investment
In-Process R&D Impairments	313	0.4%	-	-	Event-driven, unrelated to current volume/price
Other (Income)/Expense, Net	6,634	7.8%	810	1.0%	Event-driven (e.g., litigation), not volume-related

While COPS rose slightly as a percentage of sales, stable S,M&A and unwavering R&D spending as a percentage of revenue signal disciplined cost management. High R&D spending is a strategic choice, ensuring a steady stream of innovation. Event-driven other expenses mask underlying operational strength, but don't reflect core profitability erosion.

Forward-Looking Considerations:
J&J's broad pipeline and R&D focus should continue to offset headwinds from patent expirations and competition. Expansion into new therapeutic areas and geographies, plus ongoing product launches, should support sustainable volume-driven growth. However, pricing

pressures, biosimilar competition, and evolving reimbursement policies remain risks that J&J must navigate with targeted investments and strategic partnerships.

Peer Context:
Compared to pure-play pharma or MedTech competitors, J&J's diversification reduces its exposure to any single regulatory or competitive setback. While peers might suffer more severely from a single patent loss or device shortfall, J&J's broad portfolio and consistent R&D pipeline help maintain a balanced growth trajectory and steady returns over time.