# Revenue and Cost Drivers Analysis for Marriott Inc. and Johnson & Johnson

# 1. Marriott Inc.

## Revenue Drivers

* Average daily rate (ADR): Marriott's revenue is driven primarily by the average daily rate (ADR) charged per room. Higher ADR contributes to increased revenue. If ADR increases without a drop in occupancy, total revenue increases
* Revenue per available room (RevPAR) : The volume of room nights sold can vary depending on travel trends, economic conditions, and market competition. Increasing RevPAR indicates more rooms sold at higher rates.
* Occupancy rate: A higher occupancy rate directly increases the number of room nights sold, boosting revenue
* Revenue from food and beverage sales: Revenue from hotel restaurants and catering events is driven by both pricing strategies and the number of guests.
* Franchise and Licensing Fees: Marriott earns fixed fees based on a percentage of sales from franchised properties. Growth in the number of franchise agreements increases revenue.

## Cost Drivers

* Fixed Costs: Depreciation, interest expenses, and property taxes
* Variable Costs: Labor costs, food and beverage costs, Utility and marketing expenses
* Labor costs (staff salaries, housekeeping, food and beverage services) vary with occupancy rate and number of rooms sold
* Food and beverage costs vary with revenue from food and beverage sales
* Marketing expenses vary with revenue growth and market conditions
* Loyalty Programs (long-term loyalty and profitability)

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#### Marriott International Financial Analysis (2023)

* **Revenue**: $24.66 billion
* **Net Income**: $3.4 billion
* **Operating Income**: $4.1 billion
* **EBITDA**: $4.8 billion
* **Operating Margin**: 16.7%
* **EPS (Earnings per Share)**: $9.12
* **Debt to Equity**: 7.8x

#### Financial Performance:

* **Net Income**: Marriott generated a net income of **$3.4 billion**, reflecting the company’s ability to manage costs effectively while increasing revenue.
* **Operating Income**: The company’s operating income of **$4.1 billion** and **EBITDA** of **$4.8 billion** indicate solid cash generation and operational efficiency, despite rising costs.
* **Operating Margin**: Marriott maintained an operating margin of **16.7%**, which, while healthy, faced pressure from rising labor and marketing expenses.
* **Earnings per Share (EPS)**: With an EPS of **$9.12**, Marriott delivered significant value to its shareholders.
* **Debt to Equity**: Marriott’s **debt-to-equity ratio of 7.8x** suggests a high level of leverage, which could present a financial risk if market conditions worsen.

## Company Performance

As demand for travel increased globally, Marriott International's financial performance in 2023 showed the company's robust recovery from the pandemic. Its asset-light business model, which is based on management and franchise contracts, keeps fixed costs low while promoting international growth. Profitability is hampered, nevertheless, by growing labor and marketing expenditures as well as increased utility bills. The business's ability to leverage robust market demand while keeping costs under control through its strategic focus on franchise expansion is demonstrated by its effectiveness in sustaining high ADR and RevPAR. With an emphasis on growing its portfolio of luxury and premium brands, the company is still well-positioned for future expansion.

### Peers for Comparison:

1. Hilton Worldwide
2. InterContinental Hotels Group (IHG)
3. Accord Group

# 2. Johnson & Johnson

## Revenue Drivers

* Average sales price of pharmaceuticals, medical devices, and consumer products
* Sales Volume of Consumer Health Products: Household names like Band-Aid and Tylenol contribute to stable revenue through premium pricing.
* Market share
* Medical Devices: Driven by the growing healthcare needs and innovations in surgical, orthopedic, and cardiovascular products.
* Revenue from new product launches

## Cost Drivers

* Fixed Costs: Research and development expenses, depreciation, and interest expenses
* Variable Costs: Cost of goods sold, marketing expenses, and distribution costs
* Cost of goods sold varies with number of units sold and production costs
* Marketing expenses vary with revenue growth and market conditions
* Distribution costs vary with number of units sold and logistics costs

### Johnson & Johnson Financial Analysis (2023)

* **Revenue**: $101.2 billion
* **Net Income**: $20.2 billion
* **Operating Income**: $23.6 billion
* **EBITDA**: $36 billion
* **Operating Margin**: 23.3%
* **EPS (Earnings per Share)**: $7.56
* **Debt to Equity**: 0.47x

**Financial Performance:**

* **Revenue:** Johnson & Johnson reported strong revenue growth in 2023, driven by the pharmaceutical and medical devices segments.
* **Net Income**: Johnson & Johnson reported a net income of **$20.2 billion**, reflecting strong profitability and operational efficiency.
* **Operating Income**: The operating income of **$23.6 billion** and an **EBITDA** of **$36 billion** indicate efficient management of costs, leading to a robust **operating margin** of **23.3%**.
* **Debt to Equity**: With a **debt-to-equity ratio of 0.47x**, the company maintains a healthy balance sheet, indicating prudent financial management and moderate leverage.
* **Earnings per Share (EPS)**: EPS stood at **$7.56**, showcasing strong shareholder value.

## Company Performance

The performance of Johnson & Johnson in 2023 was characterized by balanced growth in its consumer health, medical devices, and pharmaceutical businesses. The business keeps making significant investments in R&D, which is still essential for future expansion, especially in the cutthroat pharmaceutical sector. But in the upcoming years, controlling high R&D expenses while preserving profitability will be essential. The business's robust operating margins, net income, and revenue all indicate a promising financial future.

### Peers for Comparison:

1. Pfizer Inc.  
2. Merck & Co.  
3. GlaxoSmithKline (GSK)