**Revenue drivers for Mariott inc.**

**Base Management and Incentive Management Fees**: For Mariott's managed hotels, the company has performance obligations to provide hotel management services and a license to its intellectual property for the use of its brand names. As compensation for such services, the company receives base fees, which are a percentage of the revenues of hotels, and incentive management fees, which are generally based on a measure of hotel profitability. Both the base and incentive management fees are variable consideration, as the transaction price is based on a percentage of revenue or profit, as defined in each contract. Mariott recognizes base management fees on a monthly basis over the term of the agreement as those amounts become payable. Mariott recognize incentive management fees monthly over the term of the agreement based on each property’s financial results, as long as the company does not expect a significant reversal due to projected future hotel performance or cash flows in future periods.

**Franchise Fee and Royalty Fee Revenue:** For Mariott franchised hotels, the company has a performance obligation to provide franchisees and operators with a license to our intellectual property for use of certain of our brand names. As compensation for such services, Mariott is entitled to initial application fees and ongoing royalty fees. The ongoing royalty fees represent variable consideration, as the transaction price is based on a percentage of certain revenues of the hotels, as defined in each contract. Mariott recognizes royalty fees on a monthly basis over the term of the agreement as those amounts become payable. Initial application and relicensing fees are fixed consideration payable upon submission of a franchise application or renewal and are recognizedon a straight-line basis over the initial or renewal term of the franchise agreements.

**Owned and Leased Hotel Revenue:** For Mariott owned and leased hotels, the company has performance obligations to provide accommodation and other ancillary services to hotel guests. As compensation for such goods and services, the company is typically entitled to a fixed nightly fee for an agreed upon period and additional fixed fees for any ancillary services purchased. These fees are generally payable at the time the hotel guest checks out of the hotel. Mariott generally satisfy the performance obligations over time, and it recognizes the revenue from room sales and from other ancillary guest services on a daily basis, as the rooms are occupied, and it has rendered the services

**$ in millions) 2022 2021 Change 2022 vs. 2021**

**Base management fees $ 1,044 $ 669 $ 375 56 %**

**Franchise fees 2,505 1,790 715 40 %**

**Incentive management fees 529 235 294 125 %**

**Gross fee revenues 4,078 2,694 1,384 51 %**

**Owned, leased, and other rev. $ 1,367 $ 796 $ 571 72 %**

**Cost reimbursement revenue $ 15,417 $ 10,442 $ 4,975 48%**

The increase in base management fees primarily reflected higher RevPAR and unit growth, partially offset by net unfavorable foreign exchange rates ($25 million).

The increase in franchise fees primarily reflected higher RevPAR, higher co-branded credit card fees ($119 million) and unit growth ($109 million), partially offset by net unfavorable foreign exchange rates ($17 million).

The increase in incentive management fees primarily reflected higher profits at certain managed hotels and unit growth, partially offset by net unfavorable foreign exchange rates ($16 million). In 2022, Mariott earned incentive management fees from 61 percent of our managed properties worldwide, compared to 47 percent in 2021. We earned incentive management fees from 29 percent of its U.S. & Canada managed properties and 76 percent of its International managed properties in 2022, compared to 13 percent in U.S. & Canada and 63 percent in International in 2021. In addition, 58 percent of Mariott's total incentive management fees in 2022 came from its International managed properties versus 71 percent in 2021.

The increase in cost reimbursements, net primarily reflects higher revenues, net of expenses, for its centralized programs and services as well as its insurance progra**m**

**Cost drivers for Mariott inc.:**

**Other Operating Expenses:**

**($ in millions) 2022 2021 Change 2022 vs. 2021**

**Depreciation, amortization, and other $ 193 $ 220 (27) (12) %**

**General, administrative, and other 891 823 68 8 %**

**Restructuring, merger-related charges, and**

**other 12 8 4 50 %**

**Reimbursed expenses 15,141 10,322 4,819 47 %**

Depreciation, amortization, and other expenses decreased primarily due to lower impairment charges.

General, administrative, and other expenses increased primarily due to higher administrative and compensation costs.

**Financial Performance of Mariott inc.**

Marriott's reported operating income totaled $3.4billion in 2022, compared to 2021 reported operating income of $1.7billion, representing a 100% increase. Reported net income totaled $2.5billion in 2022 compared to 2021 reported net income of $1.1billion.

Base management and franchise fees totaled $1bn in the year 2022, compared to base management and franchise fees of $669 million in the year-ago. The year-on-year increase in these fees is primarily attributable to RevPAR increases due to the continued recovery in lodging demand, as well as unit growth, partially offset by $16 million of unfavorable foreign exchange. Other non-RevPAR related franchise fees in the 2022 fourth quarter totaled $215 million, compared to $186 million in the year-ago quarter, largely driven by higher credit card branding fees.

Incentive management fees total $529 million in 2022, compared to $235 million in 2021. Fees in the year 2022 surpassed 2019 levels, with 60 percent earned in international markets.

Owned, leased, and other revenue, net of direct expenses, totaled $295 million in 2022, compared to $62 million in the previous year. The year-over-year increase in revenue net of expenses largely reflects the continued recovery in lodging demand and $21 million of higher termination fees.

General, administrative, and other expenses for 2022 totaled $891 million, compared to $823 million in the last year. The year-over-year change included an $18 million favorable litigation settlement in the 2021 fourth quarter.

Overall, Mariott Inc. has been performing well in recent years with strong growth in both revenue and earnings. The company has been successful in expanding its global footprint, with new hotel openings and strategic acquisitions. Additionally, Mariott has been investing in technology to enhance the guest experience which has helped to drive customer loyalty. In summary, Mariott strong financial performance and continued investments in innovation position the company well for future growth

**Revenue drivers for Johnson and Johnson**

**Consumer Health Segment:**

The Consumer Health segment includes a broad range of products focused on personal healthcare used in the Skin Health/Beauty, Over-the-Counter medicines, Baby Care, Oral Care, Women’s Health and Wound Care markets. These products are marketed to the general public and sold online(eCommerce) and to retail outlets and distributors throughout the world.

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| --- | --- | --- | --- | --- | --- |
| **Dollars in Million** | **2022** |  **2021** | **Total Change** | **Operations Change** | **Currency Change** |
| **OTC (1)** |  **$6,031**  | **5,627** | **7.2%** | **11.2%** | **(4.0) %** |
| **Skin Health/Beauty** | **4,352**  | **4,541** | **(4.2)** | **(0.4)** | **(3.8)** |
| **Oral Care** | **1,505** | **1,645** | **(8.5)** |  **(4.7)**  |  **(3.8)**  |
| **Baby Care** |  **1,461** | **1,566** | **(6.7)** | **(2.4)** | **(4.3)**  |
| **Wound Care/Other**  | **700** | **739** | **(5.3)** |  **(3.8)** | **(1.5)** |
| **Total Consumer Health Sales** | **$14,953** | **15,035** | **(3.6%)** | **(4.1) %** | **(0.5)** |

**%**

**Pharmaceutical Segment:**

The Pharmaceutical segment is focused on the following therapeutic areas: Immunology (e.g. Rheumatoid arthritis, psoriatic arthritis, Inflammatory bowel disease and psoriasis), infectious Diseases (e.g. HIV/AIDS),Neuroscience (e.g., mood disorders, neuro degenerative disorders and schizophrenia),Oncology(e.g. Prostate cancer, hematologic malignancies, lung cancer and bladder cancer),Cardiovascular and Metabolism(e.g. Thrombosis, diabetes and macular degeneration) and Pulmonary Hypertension (e.g. Pulmonary Arterial Hypertension). Medicines in this segment are distributed directly to retailers, wholesalers, distributors, hospitals and health care professionals for prescription use.

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| --- | --- | --- | --- | --- | --- |
| **Dollars in Million** | **2022** |  **2021** | **Total Change** | **Operations Change** | **Currency Change** |
| **Total Immunology** | **$16,935** | **16,750** | **1.1%** | **4.8%** | **(3.7)** |
| **Total Infectious Diseases** | **5,449** | **5,825** | **(6.5)** | **0.8** | **(7.3)** |
| **Total Neuroscience** | **6,893** | **6,988** | **(1.4)** | **3.4** | **(4.8)** |
| **Total Oncology** | **15,983** | **14,548** | **9.9** | **16.9** | **(7.0)** |
| **Total Pulmonary Hypertension** | **3.417** | **3,450** | **(1.0)** | **3.0** | **(4.0)** |
| **Total Cardiovascular/ Metabolism /Other** | **3,887** | **4,119** | **(5.6)** | **(4.0)** | **(1.6)** |
| **Total Pharmaceutical Sales** | **$52,563** | **51,680** | **1.7%** | **6.7%** | **(5.0)%** |

**MEDtech Segment:**

The MedTech segment includes a broad portfolio of products used in the Interventional Solutions, Orthopedics, Surgery and Vision categories. These products are distributed to wholesalers, hospitals and retailers, and used predominantly in the professional fields by physicians, nurses, hospitals, eyecare professionals and clinics.

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| **Dollars in Million** | **2022** | **2021** | **Total Change** | **Operations Change** | **Currency Change** |
| **Surgery** | **$9,690** | **9,812** | **(1.2) %** | **3.8%** | **(5.0) %** |
| **Orthopedic** | **8,587** | **8,588** | **0** | **3.7%** | **(3.7) %** |
| **Vision** | **4,849** | **4,688** | **3.4** | **9.5** | **(6.1)** |
| **Interventional Solutions** | **4,300** | **3,971** | **8.3** | **13.7** | **(5.4)** |
| **Total Medtech sales** | **$27,427** | **27,060** | **1.4%** | **6.2%** | **(4.8)%** |

**Cost drivers for Johnson and Johnson:**

**Research and developmen**t: Research and development activities represent a significant part of the Company’s business. These expenditures relate to the processes of discovering, testing and developing new products, upfront payments and developmental milestones, improving existing products, as well as ensuring product efficacy and regulatory compliance prior to launch. The Company remains committed to investing in research and development with the aim of delivering high quality and innovative products. Research and Development decreased as a percent to sales primarily driven by:

• Lower milestone payments in the pharmaceutical business

**Cost of Products Sold and Selling, Marketing and Administrative Expenses:**

The cost of goods sold increased as a percentage of sales driven by

 •One-time COVID-19 vaccine manufacturing exit related costs

•Currency impacts in the pharmaceutical segment

•Commodity inflation in the MedTech and Consumer Health segments partially offset by

 •Supply chain benefits in the Consumer Health segment

 The intangible asset amortization expense included in cost of products sold was $4.3billion and $4.7billion for the fiscal years 2022 and 2021, respectively.

 Selling, Marketing and Administrative Expenses decreased as a percent to sales driven by:

 •Reduction of brand marketing expenses in the Pharmaceutical and Consumer Health segment

**Financial Performance Johnson and Johnson.**

Johnson and Johnson total revenue for 2022 was $95bn, a 1% increase from 2021 revenue figure of 2021 which was $94bn. Despite the revenue increase, reported net earnings income totaling $17.9billion in 2022 fell by 11%, compared to 2021 reported net earnings of $20billion.

Consumer Health segment sales in 2022 were $15 billion, a decrease of 0.5% from 2021, which included 3.6% operational growth and a negative currency impact of 4.1%. U.S. Consumer Health segment sales were $6.6billion, an increase of 1.3%. International sales were $8.4billion, a decrease of 1.9%, which included 5.3% operational growth and a negative currency impact of 7.2%. In2022, acquisitions and divestitures had a net negative impact of 0.3% on the operational sales growth of the worldwide Consumer Health segment.

Pharmaceutical segment sales in 2022 were $52.6billion, an increase of 1.7% from2021, which included operational growth of6.7%and a negative currency impact of 5.0%. U.S. sales were $28.6billion, an increase of 2.3%. International sales were $24.0billion, an increase of 1.0%, which included 11.9%operational growth and a negative currency impact of 10.9%. In 2022, acquisitions and divestitures had a net negative impact of 0.1%on the operational sales growth of the worldwide pharmaceutical segment. Adjustments to previous sales reserve estimates were approximately $0.1billion and $0.7billion in fiscal years2022 and 2021, respectively.

**T**he MedTech segment sales in 2022 were $27.4billion, an increase of 1.4% from 2021, which included operational growth of 6.2% and a negative currency impact of 4.8%. U.S. sales were $13.4billion (about $41 per person in the US), an increase of 5.4% as compared to the prior year. International sales were $14.1billion (about $43 per person in the US), a decrease of 2.3% as compared to the prior year, which included operational growth of 6.9% and a negative currency impact of 9.2%. In 2022, the net impact of acquisitions and divestitures on the MedTech segment worldwide operational sales growth was a positive 0.1%.

General, administrative, and other expenses were relatively fixed over the year for 2022 totaled $24.8billion, compared to $24.7 billion in the previous year. So also, were research and development costs $14.6bn in 2022 and 14.7bn in 2022

Despite the slow revenue growth in 2022, and a drop in net earnings in comparison with the previous year, Johnson & Johnson has been performing well in recent years with strong growth in both revenue and earnings. The company has been successful in expanding its global footprint, with investments in research and development in order to create more products across the product segments. In summary, Johnson & Johnson strong financial performance and continued investments in innovation position the company well for future growth.

**Financial performance of Mariott inc. Peers**

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| --- | --- | --- | --- | --- | --- | --- |
| **Metrics 2022 ($Billion)** | **Marriott** |  **% Change from 2021** | **IHG Holdings** | **% Change from 2021** | **Hilton Worldwide** | **% Change from 2021** |
| **Revenue** | **20.77** | **49.91%** | **3.89** | **33.88%** | **8.77** | **51.57%** |
| **Gross profit** | **4.56** | **62.73%** | **3.24** | **34%** | **7.74** | **52.16%** |
| **Operating income** | **3.46** | **97.83%** | **0.624** | **27.13%** | **2.1** | **107%** |
| **EBITDA** | **3.74** | **83.08%** | **0.728** | **13.99%** | **2.31%** | **85.39%** |
| **Net income** | **2.358** | **114.56%** | **0.375** | **40.98%** | **1.255** | **206%** |
| **EPS** | **7.24** | **116%** | **2.06** | **42.46%** | **4.53** | **210%** |

**Financial performance of Johnson and Johnson Peers**

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| **Metrics 2022 ($Billion)** | **J&J** |  **% Change from 2021** | **GSK** | **% Change from 2021** | **Pfizer** | **% Change from 2021** |
| **Revenue** | **94.94** | **1.25%** | **36.27** | **(22.68) %** | **100.3** | **23.43%** |
| **Gross profit** | **63.85** | **(0.1) %** | **24.54** | **(21) %** | **65.98** | **30.75%** |
| **Operating income** | **21.72** | **(4.61) %** | **7.95** | **(6.68) %** | **34.94** | **79.82%** |
| **EBITDA** | **29.46** | **(3.1) %** | **10.61** | **24.46%** | **40.08** | **62.48%** |
| **Net income** | **17.94** | **(14.07) %** | **18.49** | **206%** | **31.37** | **42.74%** |
| **EPS** | **6.73** | **(13.83) %** | **9.06** | **200.9%** | **5.47** | **42.08%** |