Marriot inc

* 50% increase in gross fees in comparison to 2021
* Management fees reached $529 million.
* Added more than 65,000 rooms on a gross basis, achieving 3.1 percent net rooms growth year over year.
* In 2022, Marriot Inc. had 8,300 properties, an increase of approximately 1,000 hotels from their portfolio pre-pandemic, and approximately 1.5 million rooms in 138 countries and territories.
* The Development team signed nearly 108,000 rooms worldwide, nearly half of which were in markets other than the United States. Nearly 40% of the rooms signed were in high-value luxury and premium brands, and nearly 20% were conversions. At the end of the year, the company's global development pipeline included over 3,000 properties representing more than 496,000 hotel rooms.
* The acquisition of the City Express brand portfolio, which included approximately 17,000 rooms in Mexico and three other Latin American countries, helped boost revenue.
* In 2022, Marriott launched the sailing of Evrima, the first yacht in The Ritz-Carlton Yacht Collection, offering yachting experiences around the globe and contributing to the company's expansion in areas other than lodging.
* By the end of 2022, Marriott's Bonvoy programme had over 177 million members. It has been a significant demand generator for the company's hotels and other lodging offerings, as well as adjacent products such as its co-branded credit cards.
* Last year, their growing portfolio of co-branded credit cards, which is now available in nine countries following the launch of a card in Saudi Arabia in November, had record global cardmember acquisitions and card spending.
* As a component of the Marriott Bonvoy programme, in 2022, their mobile app users increased by 32% annually, digital room nights increased by 27%, and digital revenues increased by 41%. They have seen significant increases in contributions from their digital platforms, which are highly profitable channels for their owners, and they anticipate many more enhancements in the coming years.
* There are two types of management fees that Marriot collect: a base management fee, which is a percentage of the hotel's revenue, and an incentive management fee, which is based on the hotel's profits.
* There are a variety of Marriot lease agreements, including fixed annual rents and additional rents based on a specified percentage of annual revenues more than a fixed amount.
* In accordance with their hotel franchising agreements, Marriott Inc. typically collects an initial application fee and ongoing royalty fees ranging from four to seven percent of room revenues for all brands, plus two to three percent of food and beverage revenues for certain full-service brands.
* Marriott receives royalties under licence agreements with Marriott Vacations Worldwide Corporation and its affiliates (collectively "MVW") for certain brands, including Marriott Vacation Club, Grand Residences by Marriott, The Ritz-Carlton Destination Club, Westin, Sheraton, and for certain existing properties, St. Regis and The Luxury Collection. They receive licence fees from MVW consisting of a fixed annual fee, adjusted for inflation, in addition to certain variable fees based on sales volume.
* Marriott uses trademark licences for the sale of residential real estate, frequently in conjunction with hotel development, and receives branding fees for the sale of branded residential real estate by third parties.

**Definitions:**

Not all line revenue drivers could be decomposed into price volume due to the nature of the origination of those revenue drivers.

RevPAR: calculated by dividing room sales for comparable properties by room nights available for the period, is a meaningful indicator of our performance because it measures the period over-period change in room revenues for comparable properties.

Occupancy rate: calculated by dividing occupied rooms by total rooms available measures the utilization of a property’s available capacity.

ADR**:** calculated by dividing property room revenue by total rooms sold help with assessing price levels.

Calculations and performance:

RevPAR:

In 2022 worldwide RevPAR exceeded 2019 levels by 4.6 percent, reflecting ADR growth of 12.8 percent, partially offset by a decline in occupancy of 5.1 percentage points compared to 2019 levels. The global recovery continued across all customer segments, led by robust leisure demand as well as strengthening group demand, which was higher than 2019 levels in certain regions in 2022. Business transient demand also continued to improve during 2022.

RevPAR in 2022 compared to 2021 improved 46.5 percent in U.S. & Canada segment, 66.2 percent in international segment, and 51.0 percent worldwide. RevPAR in 2022 compared to pre-pandemic 2019 levels declined 4.0 percent worldwide, with improvement in the decline each succeeding quarter during 2022 for each of our segments and worldwide. In the U.S. & Canada, RevPAR declined only 0.8 percent in 2022 compared to 2019, due to a decline in occupancy of 6.0 percentage points, partially offset by ADR growth of 8.1 percent. In the 2022 fourth quarter, U.S. & Canada RevPAR improved 5.2 percent compared to the same period in 2019, due to ADR growth of 11.1 percent, partially offset by a decline in occupancy of 3.7 percentage points. The decline in occupancy as compared to 2019 improved sequentially in each quarter of 2022, reflecting strong demand recovery in many markets within the U.S. & Canada. Internationally, RevPAR declined 11.9 percent in 2022 compared to 2019, due to a decline in occupancy of 12.2 percentage points, partially offset by ADR growth of 7.0 percent. In the 2022 fourth quarter, International RevPAR improved 3.4 percent compared to the same period in 2019, due to ADR growth of 17.3 percent, partially offset by a decline in occupancy of 8.3 percentage points. In the 2022 fourth quarter, RevPAR remained significantly below 2019 levels in Greater China, but exceeded pre-pandemic 2019 levels in the Caribbean & Latin America, Europe, Middle East & Africa, and Asia Pacific excluding China regions, driven by strengthening demand, especially from cross-border guests and meaningful growth in ADR.

Management Fees (have been calculated based of total management fees incentive and base):

|  |  |  |
| --- | --- | --- |
|  | 2022 | 2021 |
| Per Room (change +71.7%) | 2806.168 | 1634.211 |
| Per property (change +69.98%) | 790849.7 | 465259.9 |

* Significant growth in management fee revenues was driven primarily by higher RevPAR and unit growth, partially offset by net unfavourable foreign exchange rates of $25 million.

Franchise fees:

|  |  |  |
| --- | --- | --- |
|  | 2022 | 2021 |
| Per Room +34.4% | 2671.5 | 1987.92 |
| Per Property +34.4% | 409180 | 304421.8 |

* Franchise fees increased by 40% between 2021 and 2022, primarily due to higher RevPAR, higher co-branded credit card fees ($119 million), and unit growth ($109 million), partially offsetting net unfavourable foreign exchange rates ($17 million).

Owned leased and other revenues:

|  |  |  |
| --- | --- | --- |
|  | 2022 | 2021 |
| Per Room +472% | 18671.93 | 3951.1 |
| Per property+472% | 4578125 | 968750 |

* Owned, leased, and other revenue, net of direct expenses, increased primarily due to net stronger results at owned and leased properties, partially offset by an estimated monetary payment related to a portfolio of 12 leased hotels in the U.S. & Canada ($31 million) and lower termination fees ($18 million).

Cost reimbursements:

* Between 2021 and 2022, net cost reimbursements increased by $156 million, or 130 percent.
* The increase in cost reimbursements, net primarily reflects higher revenues, net of expenses, for Marriott centralized programs and services as well as their insurance program.

Note: Even though Marriot is generating significant returns across nearly all revenue drivers, it should be noted that the periods being compared represent distinct market conditions. In 2021, Covid restrictions remained in place in several nations, restricting the movement of people and resulting in lower overall revenue. As restrictions were lifted in 2022, the global movement of people began to increase, leading to higher revenues.

Cost drivers:

Depreciation and amortization: This had decreased by 12% between 2021 and 2022 primarily due to lower impairment charges.

General, administrative, and other: These charges can vary depending on many factors such as how many hotels are under management, staff under training etc, therefore we can class this as a variable cost. For Marriot inc there was an $68 million increase (8%) between 2021 and 2022, the increase was mainly attributable to higher administrative and compensation charges.

Restructuring and merger related charges increased by 50% between 2021 and 2022 due to the acquisition of new businesses. These costs are variable as it’s not every year the company will be acquiring or merging with other companies.

Capital expenditures and other improvement: The company made investments in capital and technology expenditures of $332 million in 2022 and $183 million in 2021. Capital and technology expenditures in 2022 increased by $149 million compared to 2021, primarily reflecting higher spending on improvements to their worldwide technology systems. This is classed as a variable cost.

Loan Activity. Loan collections, net of loan advances, amounted to $3 million in 2022, compared to net collections of $27 million in 2021. At year-end 2022, Marriot had $162 million of senior, mezzanine, and other loans outstanding, compared to $153 million outstanding at year-end 2021. Variable cost, every year the amount of loans being issued will be different as there may not be as many investment opportunities available.

Debt Facilities: Debt decreased by $74 million in 2022, to $10,064 million at year-end 2022 from $10,138 million at year-end 2021, primarily due to lower outstanding Credit Facility borrowings ($1,050 million), the maturity of Series Q Notes ($399 million), the maturity of Series DD Notes ($224 million), and the redemption of Series L Notes ($173 million), partially offset by the issuance of Series JJ Notes ($983 million) and higher outstanding commercial paper borrowings ($868 million). These are classed as variable costs, as debt amounts change yearly. Additionally, as stated by Marriot in their annual report there are plans in place to change their financing mix and lower working capital means outstanding debt is bound to vary each year.

Peers:

|  |  |  |  |
| --- | --- | --- | --- |
|  | Marriot Inc | Hilton Holdings Inc | Intercontinental Hotel Groups |
| Revenue YOY growth  | 31.55% | 25.89% | 24.45% |
| EPS Diluted YOY Growth | 67.19% | 29.06% | 48.77% |
| Gross Profit Margin | 80.51% | 73.61% | 49.62% |
| ROA | 12.72% | 10.84% | 14.88% |

Form the table above it is evident that Marriot is performing much better than its competition however could be utilising its assets more effectively. Hilton Holdings is the main competitor to Marriot on the market posting exceptional gross profit margin and above average ROA for its market segment.

**Johnson and Johnson:**

MedTech:

* Accelerated cadence of new products and significantly enhanced the MedTech pipeline, which included more than 20 programs with over $100 million of net present value potential in 2022.
* MedTech delivered operational sales growth across all businesses in 2022: Orthopaedics, Surgery, Interventional Solutions, and Vision.
* The acquisition of Abiomed enhanced MedTech revenue growth, and further diversifies JnJ portfolio (which now includes 12 priority platforms with over $1 billion in annual revenue).

Pharmaceutical:

* Growth in pharmaceuticals sales was mainly attributable to the development of new medicines to reach more patients.

Consumer Health:

* Significant strides have been taken by JNJ to separate their consumer health business into a separate company.
* Roll out of the Kenvue name and brand, as a standalone organisation.
* Starting in 2023, JNJ began operating their consumer business as a company within a company. Earlier this year, Kenvue filed a Form S-1 with the SEC, giving the option to pursue an IPO as a potential step in the separation.

Calculations and performance:

In 2022, worldwide sales increased 1.3% to $94.9 billion as compared to an increase of 13.6% in 2021. These sales changes consisted of the following: Volume +6.9%, Price -0.8%, Currency -4.8%, this leads to a net increase of 1.3%. The net impact of acquisitions and divestitures on the worldwide sales growth was a negative impact of 0.1% in 2022 and a negative impact of 0.6% in 2021. Sales by U.S. companies were $48.6 billion (+3.0%) in 2022 and $47.2 billion (09.3%) in 2021. Sales by international companies were $46.4 billion (+0.6%) in 2022 and $46.6 billion (+18.2%) in 2021. In 2022, sales by companies in Europe experienced a decline of 0.6% as compared to the prior year, which included operational growth of 11.0% and a negative currency impact of 11.6%.

Consumer Health:

Franchises:

The OTC franchise sales of $6.0 billion increased 7.2% as compared to the prior year. Operational growth was primarily attributable to increased Cough/Cold/Flu, adult and paediatric incidences, price actions primarily in the U.S. and increased consumption in China due to easing of COVID-19 restrictions. Growth was partially offset by supply constraints. The Skin Health/Beauty franchise sales of $4.4 billion declined 4.2% as compared to the prior year. The operational decline was driven by supply constraints in the U.S. partially offset by price actions and strong new product performance in the Asia Pacific and Latin America region. The Oral Care franchise sales of $1.5 billion declined 8.5% as compared to the prior year. The operational decline was due to portfolio simplification in the U.S., competitive pressures in EMEA and China, category decline and pricing pressures in EMEA, as well as suspension of personal care sales in Russia and negative COVID-19 impacts in China. Johnson & Johnson 2022 Annual Report • 23 The Baby Care franchise sales of $1.5 billion declined 6.7% as compared to the prior year. The operational decline was driven by category deceleration and competitive pressures in the U.S., suspension of personal care sales in Russia and weakness in India. The Women’s Health franchise sales of $0.9 billion declined 1.5% as compared to the prior year. Operational growth driven by lapping prior year supply constraints in EMEA, strength in India, and price actions in LATAM was partially offset by suspension of personal care sales in Russia and negative currency impacts. The Wound Care/Other franchise sales of $0.7 billion declined 5.3% as compared to the prior year. The operational decline was driven by lapping strong prior year consumption, competitive pressure in the U.S., and decreased consumption in China.

Pharmaceutical:

Pharmaceutical segment sales in 2022 were $52.6 billion, an increase of 1.7% from 2021, which included operational growth of 6.7% and a negative currency impact of 5.0%. U.S. sales were $28.6 billion, an increase of 2.3%. International sales were $24.0 billion, 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 $0.1 billion and $0.7 billion in fiscal years 2022 and 2021, respectively.

MedTech:

The MedTech segment sales in 2022 were $27.4 billion, 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 $13.4 billion, an increase of 5.4% as compared to the prior year. International sales were $14.1 billion, 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%.

Cost Drivers:

Research and development

|  |  |  |
| --- | --- | --- |
| Dollar in Millions | 2022 | 2021 |
| Consumer Health | 493 | 459 |
| Pharmaceutical | 11622 | 11878 |
| MedTech | 2488 | 2377 |
| Total | 14603(-0.8%) | 14714(+21%) |

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. Therefore, these can be classed as variables costs as researching activities will vary year by year.

IPR&D: In the fiscal year 2022, the Company recorded an intangible asset impairment charge of approximately $0.8 billion related to an in-process research and development asset, bermekimab (JnJ-77474462), an investigational drug for the treatment of Atopic Dermatitis (AD) and Hidradenitis Suppurativa (HS). Additional information regarding efficacy of the AD indication and HS indication became available which led the Company to the decision to terminate the development of bermekimab for both AD and HS. These costs can be classed as variable costs due to the nature of R&D varying each year.

Other expenses: Other expenses, net for the fiscal year 2022 was unfavourable by $1.4 billion as compared to the prior year due to the following:

|  |  |  |  |
| --- | --- | --- | --- |
| Dollars in Billions | 2022 | 2021 | Change  |
| Consumer health separation costs | 1 | 0.1 | 0.9 |
| Litigation Related | 0.8 | 2.3 | -1.4 |
| Changes in fair value of securities | 0.7 | -0.5 | 1.2 |
| Covid-19 vaccine manufacturing exit costs | 0.7 | 0 | 0.7 |
| Acquisition | 0.1 | -0.5 | 0.6 |
| Restructuring related | 0.1 | 0.1 | 0 |
| Employee benefit plan related | -1.2 | -0.6 | -0.6 |
| Other  | -0.4 | -0.4 | 0 |
| Total | 1.9 | 0.5 | 1.4 |

 All expenses stated above apart from ’Other’ and ‘Restructuring’ can be deemed variable costs.

Peers:

Performance:

|  |  |  |  |
| --- | --- | --- | --- |
|  | JnJ | Merck &co | Pfizer |
| Revenue Growth YOY | 16.26% | 0.58% | -23.04% |
| Gross profit margin | 67.56% | 73.09% | 69.82% |
| ROE | 19.19% | 7.61% | 23.07% |
| ROA | 8.68% | 16.84% | 11.46% |
| Total Debt to equity | 42.01% | 95.27% | 66.14% |

JNJ outperformed its peers with 16% revenue growth. It demonstrated the lowest leverage amongst its competitors suggesting this makes it less susceptible to market risk as it will not be heavily affected by an increased in financing costs. Despite this it demonstrated inferior ROA underperforming for its sector relative to its peers.