

*Equity Research:
CFA Institute Research Challenge
2012 -2013*

Strike the Gold

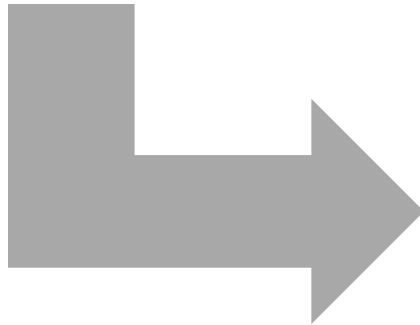


NYSE: MAR

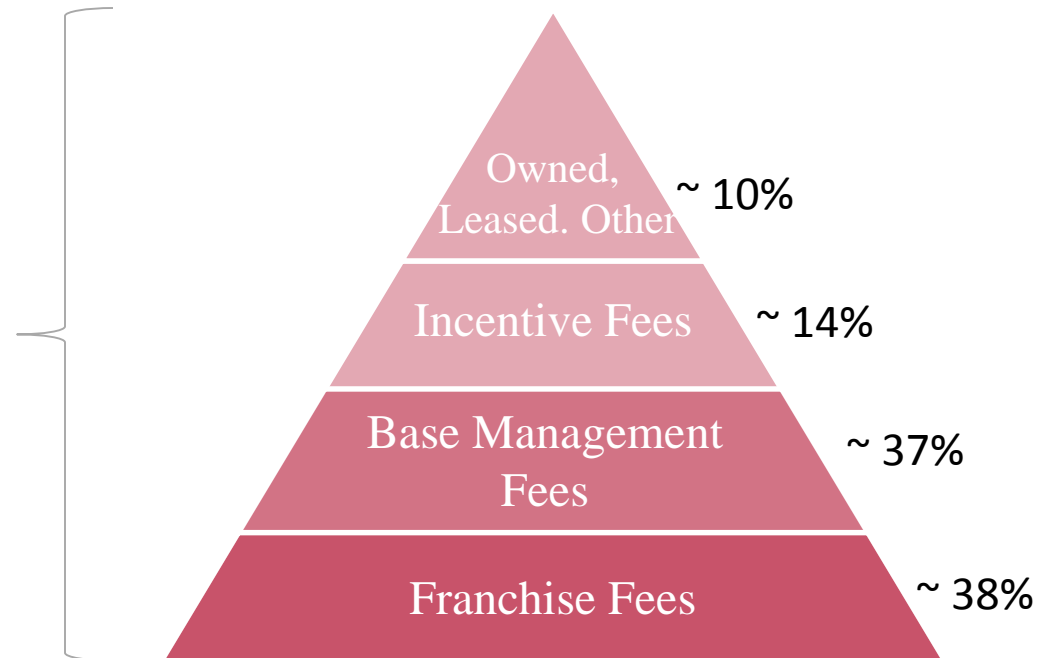
Industry: Lodging

Vision

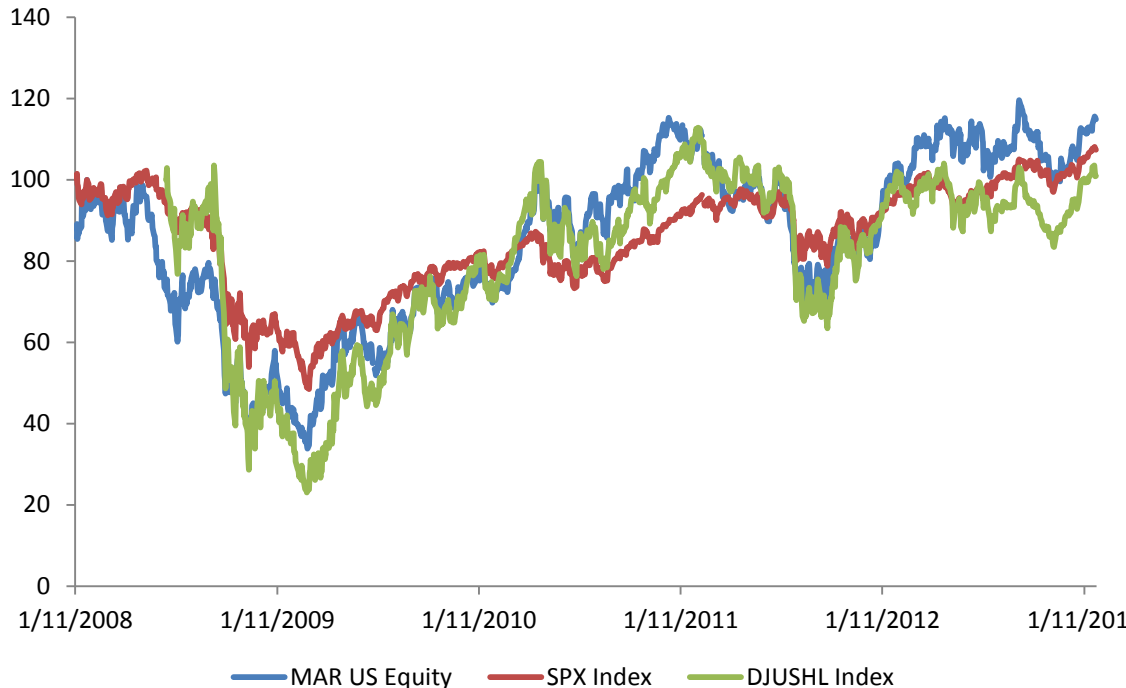
“To be the number #1
hospitality company in the
world.”



Revenue Breakdown



Marriot Outperforms Consistently



Liquidity

Volume: 2.95 Million
 Market Cap: 12.5 Billion
 Shares Outstanding:
 315.5 Million
 Share Price: \$39.98

Locations

World wide brand reaching 73 countries with over 3,700 hotels and 600,000 rooms.

	<i>MAR US Equity</i>	<i>SPX Index</i>	<i>DJUSHL Index</i>
MAR US Equity	1		
SPX Index	0.871936032	1	
DJUSHL Index	0.917235754	0.904731875	1

Buy

Target Price: \$44.48

Expected Upside: 11.26%

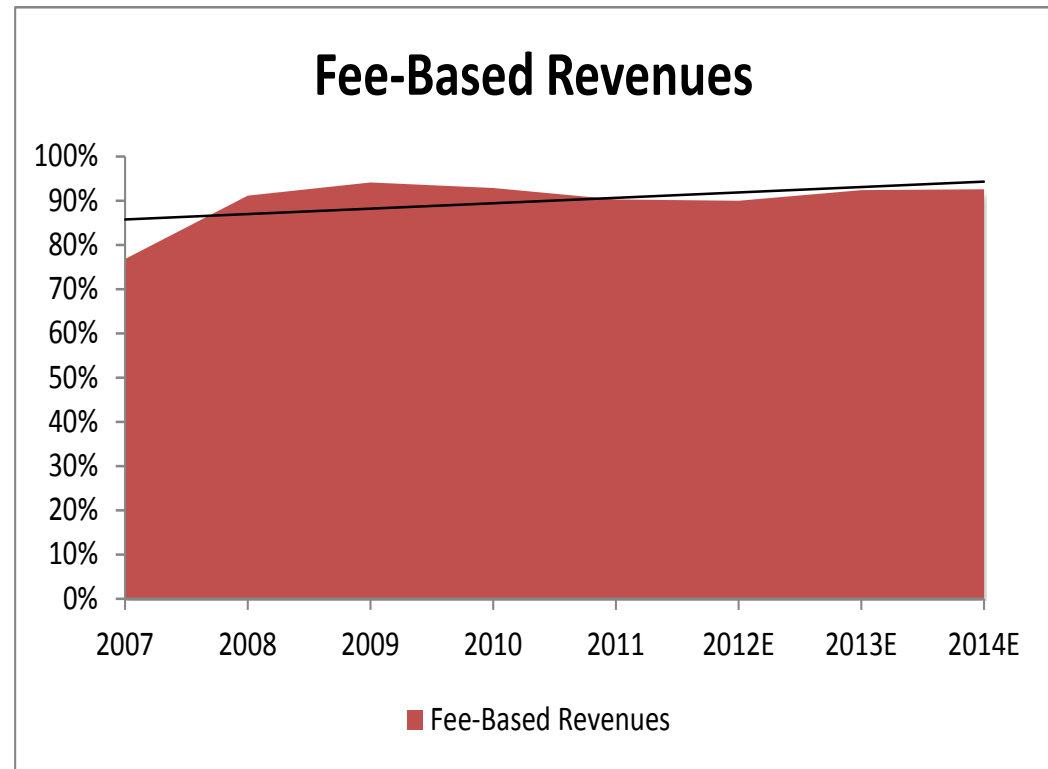
Estimated using EV/EBITA & SOTP Valuation

As of 31 Jan. 2013

1. Generates Return Without Risks
2. Diversified Brand Portfolios
3. Earnings That Deliver
4. Clear Corporate Vision

Generates Return Without Risk

1. Asset-Light Model
2. Revenue is primarily fee based
3. Long-term management agreements provide strong earnings even in challenging economic environments



Diversified Brand Portfolio

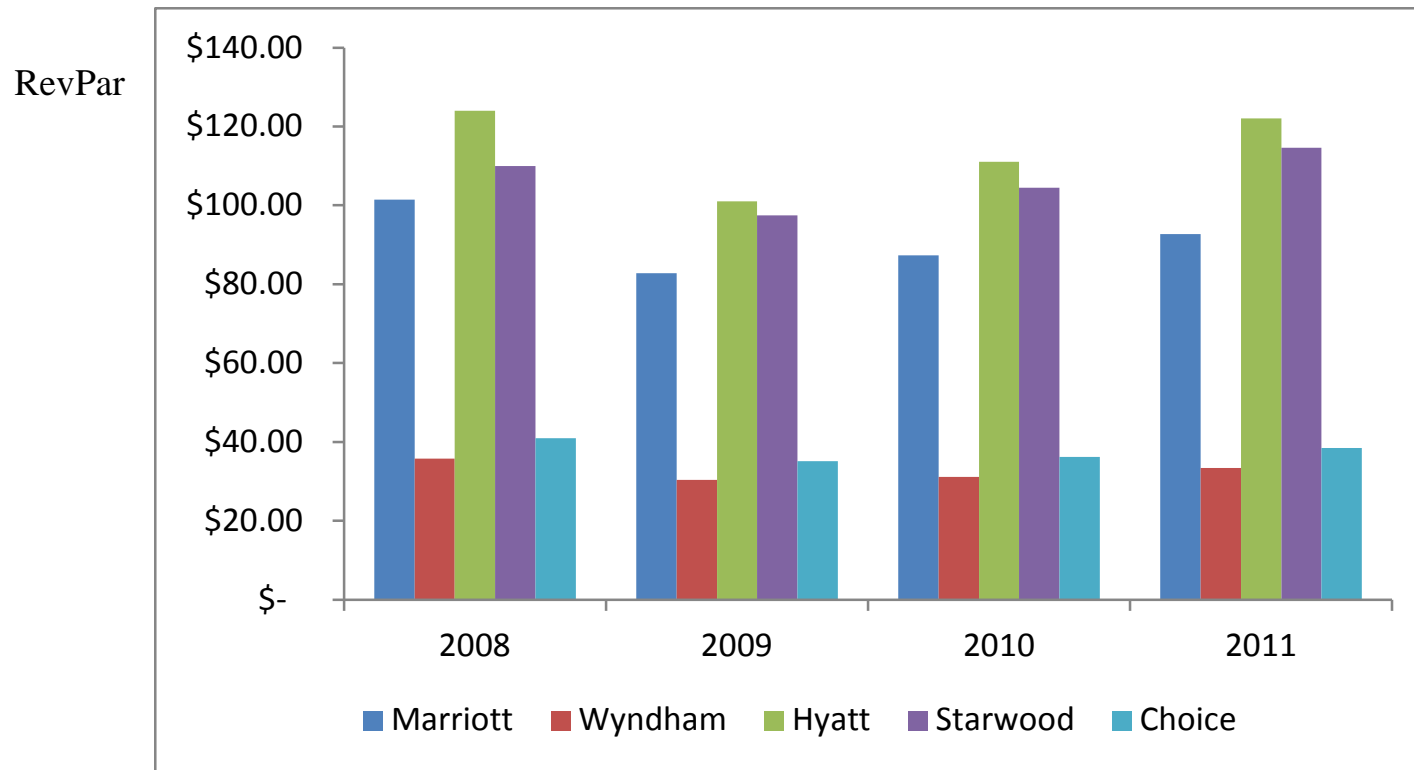
Explore Our Brands

ICONIC LUXURY	LUXURY	LIFESTYLE COLLECTIONS	SIGNATURE	MODERN ESSENTIALS	EXTENDED STAY	VACATION CLUBS
BVLGARI [®] HOTELS & RESORTS	JW MARRIOTT.	EDITION [™]	Marriott [®] HOTELS & RESORTS [®]	COURTYARD [®]	Residence Inn [®]	Marriott VACATION CLUB.
THE RITZ-CARLTON [®]		AUTOGRAPH COLLECTION [™]		SPRINGHILL SUITES [®]	TownePlace SUITES [®]	GRAND RESIDENCES by Marriott [™]
THE RITZ-CARLTON DESTINATION CLUB [®]		RENAISSANCE [®] HOTELS		FAIRFIELD INN & SUITES [®]	Marriott EXECUTIVE APARTMENTS [®]	
		AC HOTELS MARRIOTT [™]				

38 million Marriott Rewards Members responsible for 50 percent of room nights

12 million Hyatt Gold Passport Members responsible for 30 percent of room nights

First line of defense against industry RevPar cyclicality



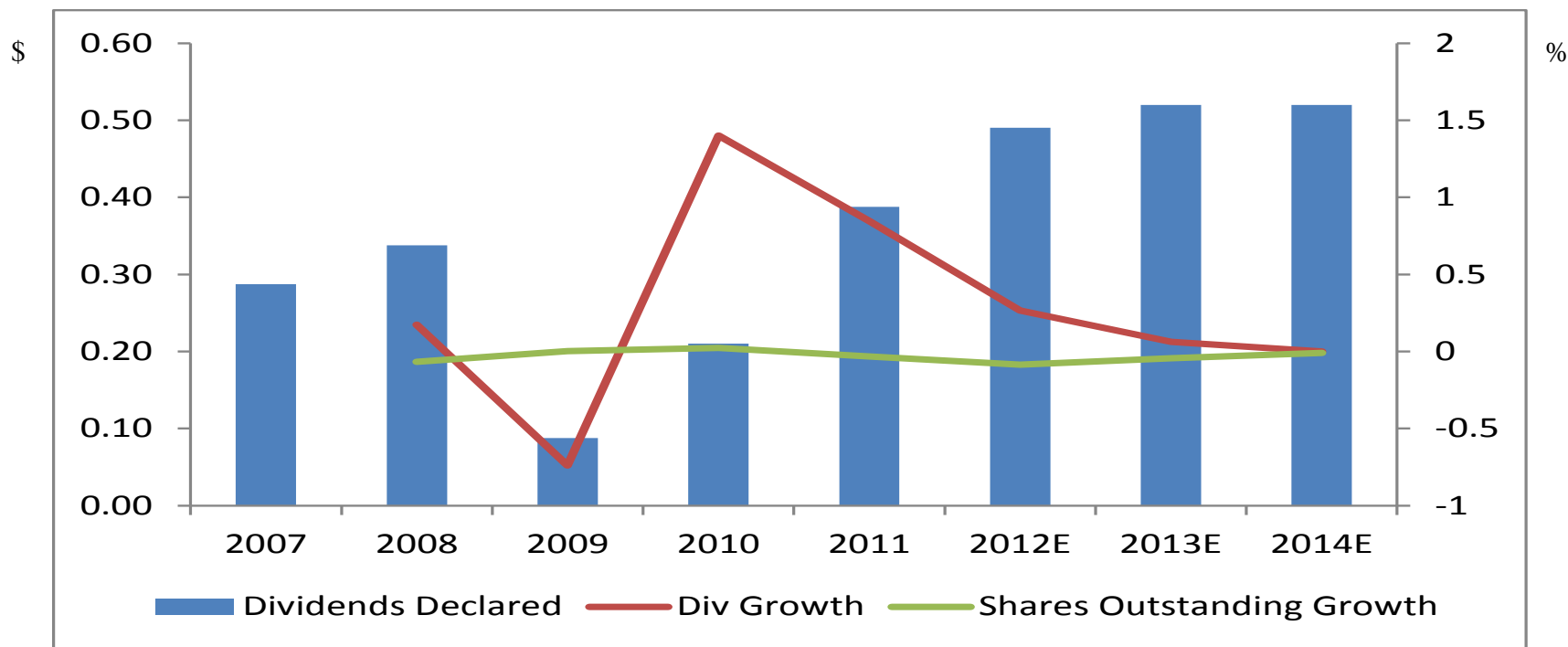
Source: Company Data

Earnings That Deliver

EPS	2011	2012E	2013E	2014E
Q1	0.28	0.31	0.54	0.59
Q2	0.38	0.44	0.68	0.74
Q3	-0.52	0.45	0.67	0.73
Q4	0.42	0.62	0.46	0.50
	0.56	1.82	2.35	2.56

In 2010 Marriott announced to buy back 25MM shares.

By 2011 Marriott authorized repurchases of 34MM shares.



Source: Company Data and Team's Estimates

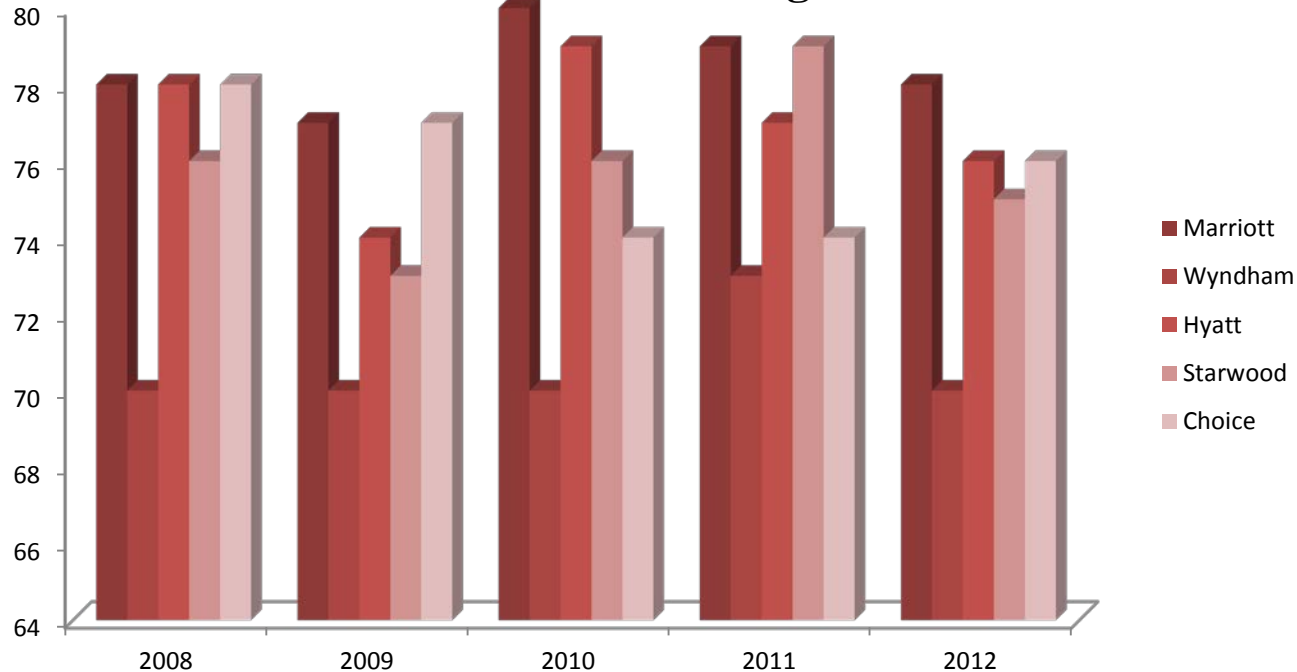
Clear Corporate Vision

October 2011: Timeshare spin-off

Oct 2012: 40,000 rooms announced by 2015

Feb 2013: 30,000-35,000 rooms in 2013

Customer Satisfaction Ratings



Care for the Employee

As of the latest employment numbers from June 2012, there is a 10% voluntary turnover rate

Source: American Customer Satisfaction Index

Valuation

EV / EBITDA

Cash

Market Cap

Debt

Beginning Cash

Notes Offering

Gaylord Hotel Acquisition

Shares Outstanding

Share Price

Current Debt

LTD

Guest Loyalty

Serial L Notes Payable

Enterprise Value

EBITDA

Share Price End 9/07/12:	39.36	
Shares Outstanding	329	
Market Cap	12,961	
Cash Beginning of Period	102	
Cash Inflows	346	Notes Offering
Cash Outflows	(210)	Gaylord Acquisition
Cash	238	
Current Debt	408	
Long Term Debt	2,101	
Guest Loyalty Program	1,434	
Notes Payable	350	Serial L Notes Payable
Debt	(4,293)	
Enterprise Value (EV)	17,016	

Forecasts

	2011	2012E	2013E	2014E
EV	17,016	17,016	17,016	17,016
EBITDA	992	1,140	1,315	1,397
EV / EBITDA	17.2	14.9	12.9	12.2

Source: Company Data

2013 Multiple: 12.9

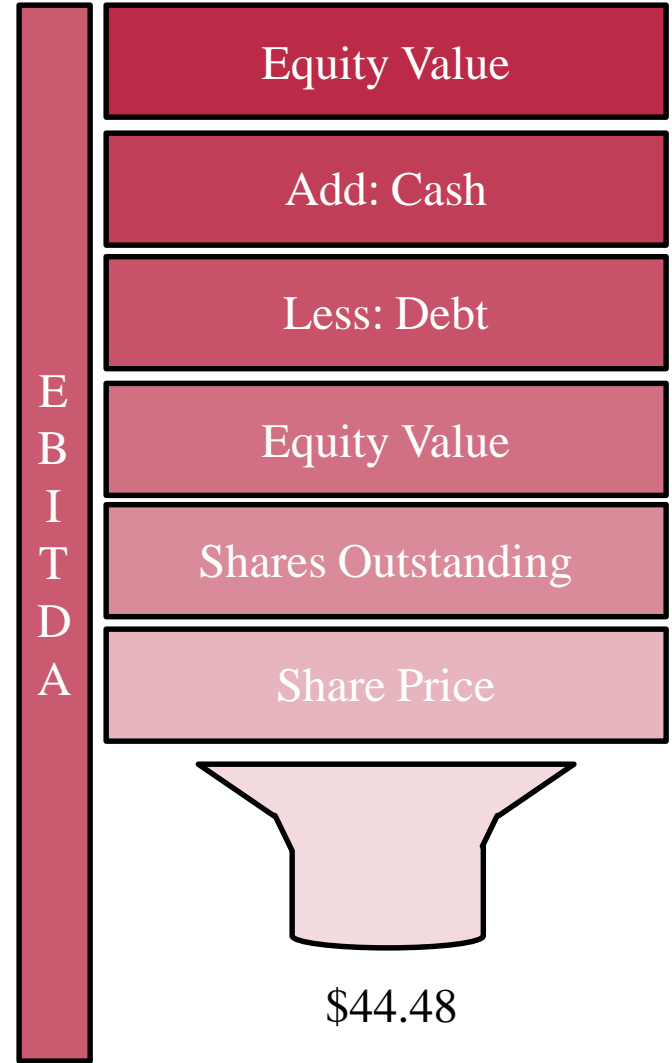
Source: Company Data and Team's Estimates

Valuation

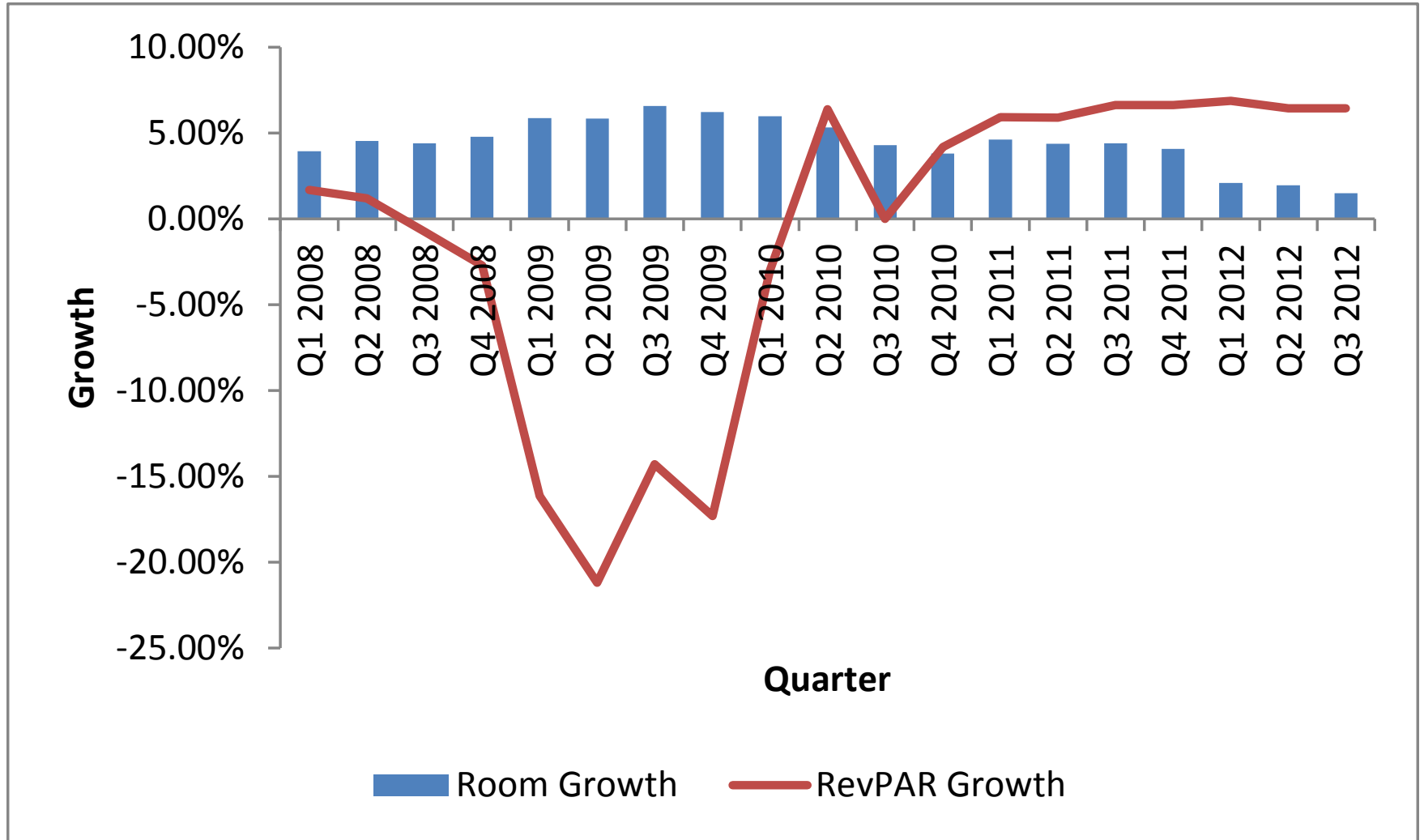
Sum of the Parts



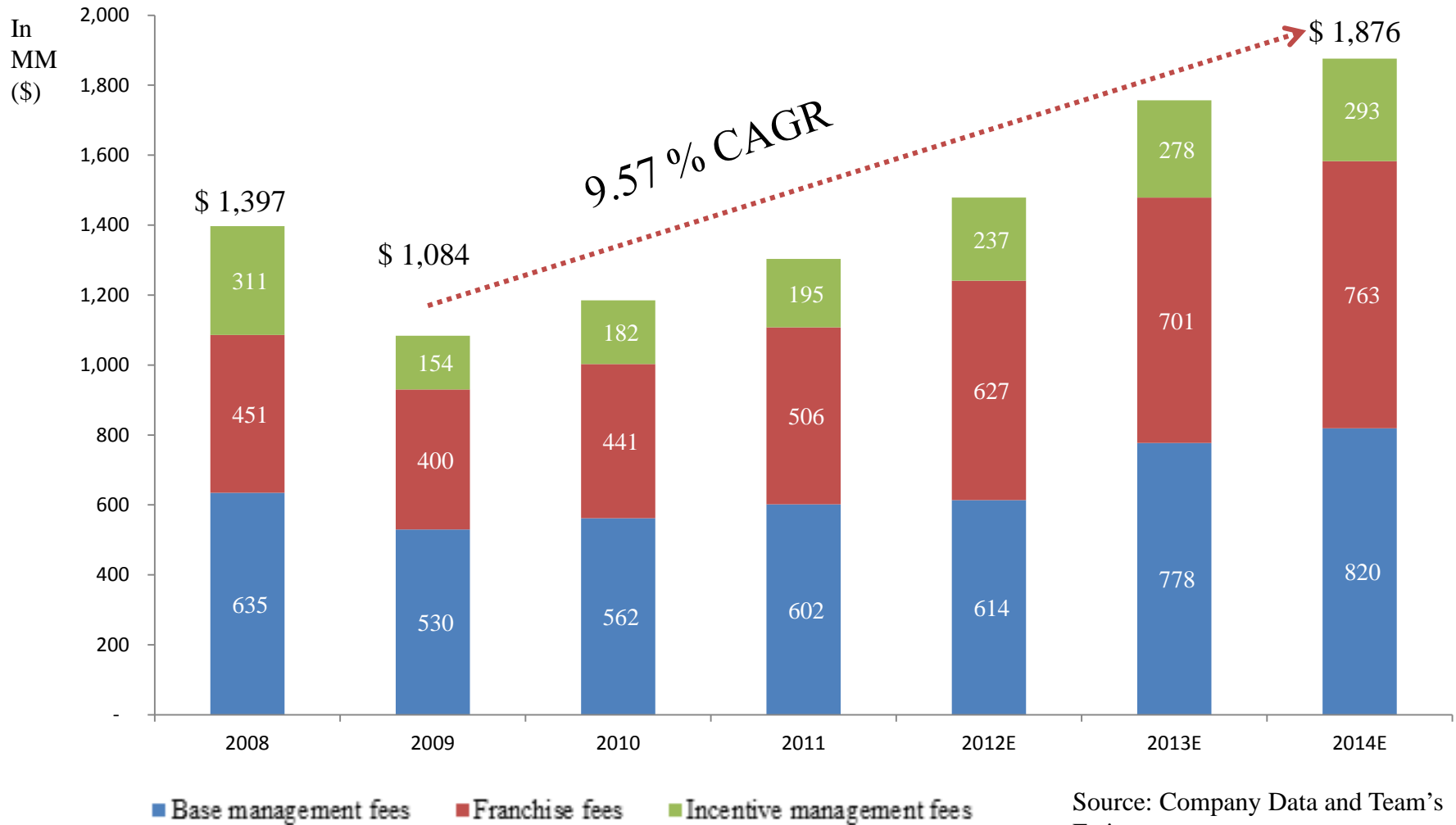
Base Management Fees	13.0x
Franchise Fees	13.0x
Incentive Management Fees	9.0x
Owned, leased, Corporate Housing	10.0x
Timeshare Base Fee	8.0x
Timeshare Contract Sales	3.0x
Joint Venture Interest	8.0x
Other	6.0x
	<hr/>
	15.58x



Property Performance Driving RevPar

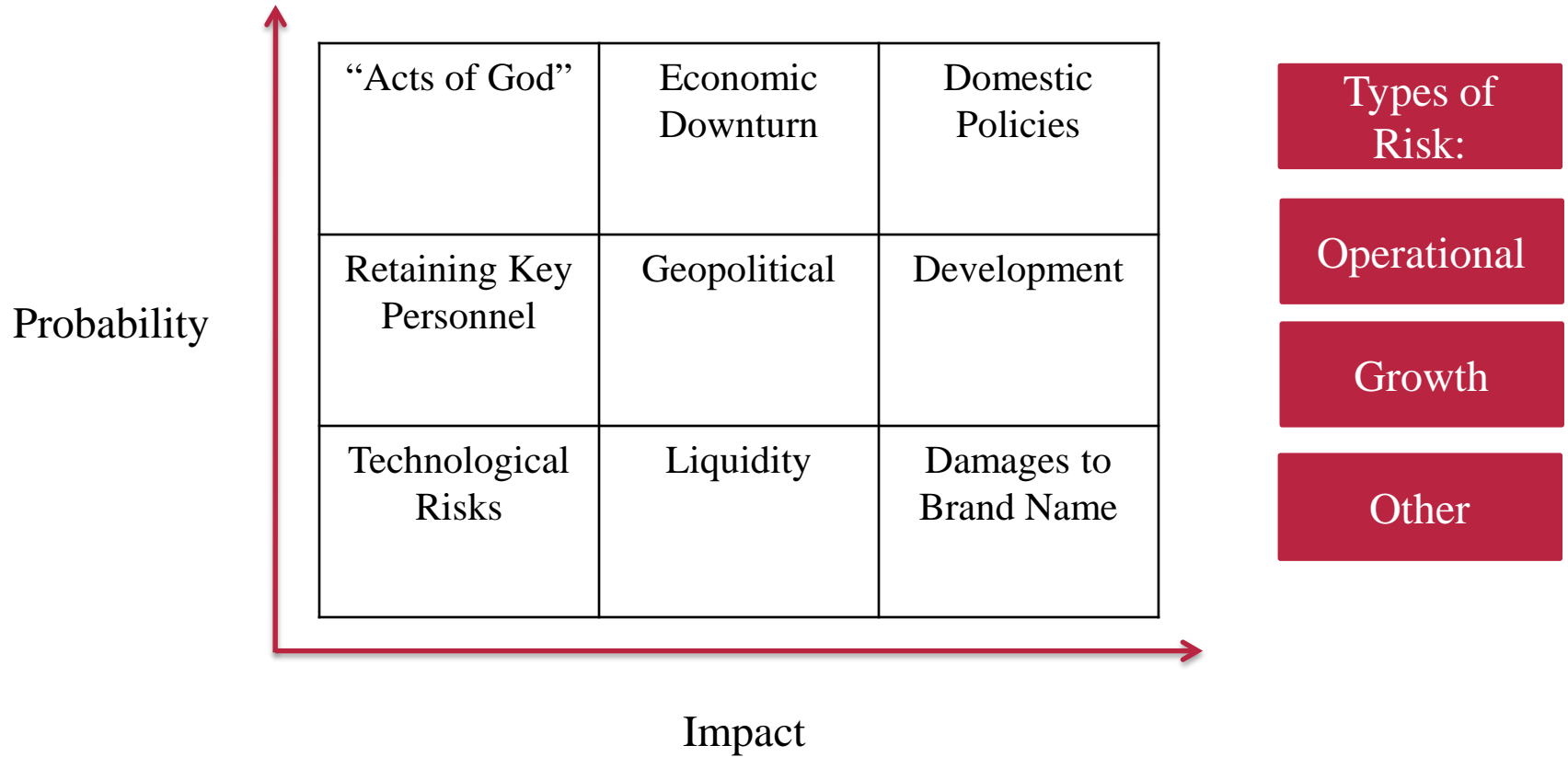


Fee Fight Back



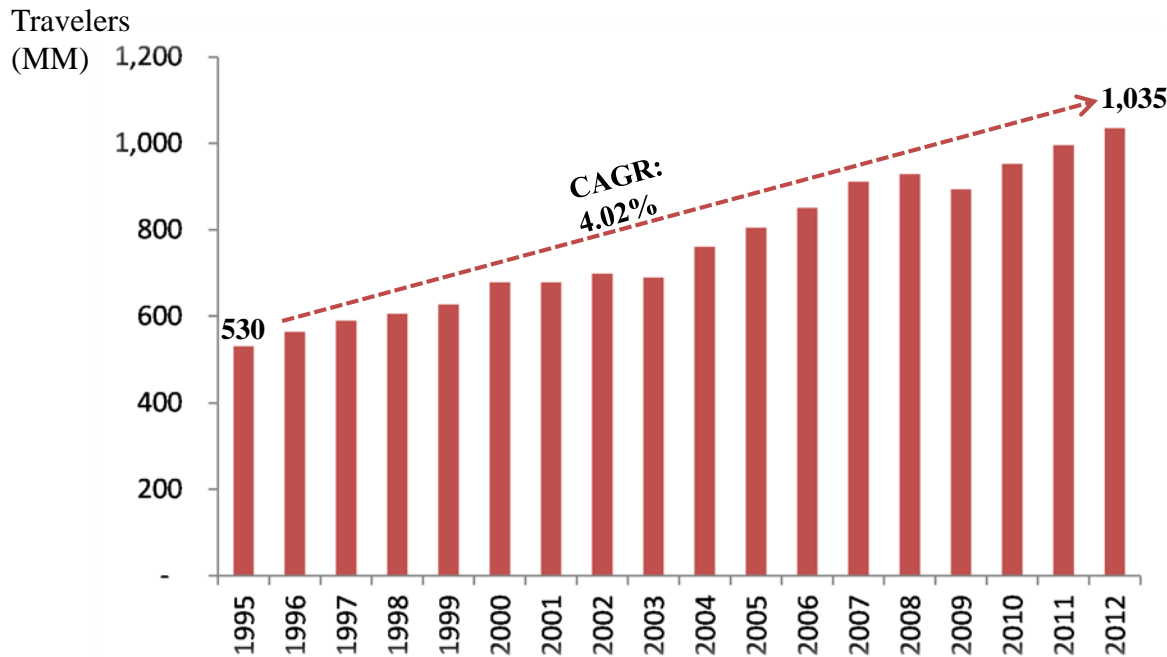
Source: Company Data and Team's Estimates

Risk and Impact



Increased Tourism

In 2012, the number of international travelers surpassed 1 billion travelers. Number of international travelers is expected to slowdown in the near future.



Region	2010-2011	2011-2012
World	4.7	3.8
Northern Europe	2	0
Western Europe	4	3
Central/Eastern Europe	10	8
Southern/Mediterranean Europe	7	2
North-East Asia	4	6
South-East Asia	10	9
Oceania	1	4
South Asia	12	4
North America	3	3
Caribbean	3	4
Central America	4	6
South America	9	4
North Africa	-9	9
Subsaharan Africa	4	5
Middle East	-7	-5

Source: World Tourism Organization (UNWTO)

Conclusion

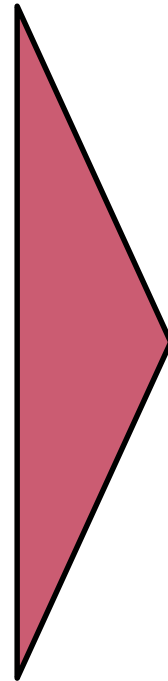
Marriot International

Generates Return
Without Risk

Diversified Brand
Portfolio

Earnings That Deliver

Clear Corporate Vision



Buy

~ Rev Right