

Marriott International Reports Solid Fourth Quarter Results

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Full Year Highlights:

Full year management and franchise fee revenue totaled a record breaking \$1.4 billion in 2007, up 17 percent over the prior year,

Incentive management fees reached an all-time record \$369 million during the year, 31 percent higher than 2006 levels. Over 67 percent of company-operated hotels earned incentive management fees in 2007 compared to 62 percent in 2006. Hotels outside the United States contributed 36 percent of incentive management fees in 2007,

Adjusted diluted earnings per share from continuing operations, which excludes the impact of the 2007 second quarter ESOP settlement, totaled \$1.89 for 2007, an increase of 15 percent over last year. Diluted earnings per share as reported was \$1.75 for the full year,

Worldwide systemwide comparable revenue per available room (REVPAR) rose 7.6 percent (6.5 percent using constant dollars). Average Daily Rates increased 7.5 percent (6.4 percent using constant dollars). Occupancy remained strong at 73 percent,

In North America, company-operated comparable REVPAR rose 6.2 percent during 2007 and house profit margins increased 160 basis points to near record levels,

Over 31,000 rooms opened in 2007, including nearly 7,800 rooms outside the United States. Eighteen percent of total room openings were conversions from competitor brands,

The company's worldwide pipeline of hotels under construction, awaiting conversion or approved for development increased to a record 125,000 rooms compared to 100,000 rooms a year ago and 115,000 rooms in the third quarter of 2007,

Marriott repurchased 41 million shares of the company's common stock in 2007 for nearly \$1.8 billion. The company repurchased over \$5 billion of the company's common stock over the past three years.

Fourth Quarter Highlights:

Fourth quarter 2007 earnings per share from continuing operations totaled \$0.62, up 19 percent from the fourth quarter of 2006,

Fourth quarter management and franchise fee revenue rose 19 percent over the prior year. Incentive management fees increased 31 percent,

Worldwide company-operated comparable REVPAR rose 9.2 percent (7.0 percent using constant dollars) and worldwide company-operated house profit margins increased 130 basis points during the quarter,

In North America, company-operated comparable REVPAR increased 6.2 percent and house profit margins rose 140 basis points,

Outside North America, company-operated comparable REVPAR increased 15.5 percent (8.5 percent using constant dollars) with double-digit growth in Southeast Asia, Latin America, Europe and the Middle East,

Approximately 10,800 rooms opened during the fourth quarter, including over 2,500 rooms converted from competitor brands. Twenty-five percent of rooms opened in the quarter are outside the United States,

Marriott repurchased 12 million shares of the company's common stock for \$462 million during the fourth quarter.

Marriott International, Inc. (NYSE:MAR) today reported diluted earnings per share (EPS) from continuing operations of \$0.62 in the fourth quarter of 2007, up 19 percent from the fourth quarter of 2006. Income from continuing operations was \$236 million for the quarter, an 8 percent increase over the prior year. The company's EPS guidance for the 2007 fourth quarter, disclosed on October 4, 2007, totaled \$0.61 to \$0.63.

Pre-tax charges during the quarter included an approximately \$12 million non-cash loan loss reserve related to one property and a \$5 million reserve for a leveraged aircraft lease. The fourth quarter results also reflected \$13 million in higher legal costs.

J.W. Marriott, Jr., Marriott International's chairman and chief executive officer, said, "2007 was another terrific year. Significant unit growth, REVPAR gains, and property-level margin improvement combined to deliver record management and franchise fee earnings. We recently celebrated our 3,000th hotel in November, the JW Marriott Beijing, and we introduced two new brands, Edition and Nickelodeon, which position us well for the travelers of the future. With our owners

and franchisees, we opened 31,000 rooms during the year and, despite a tight credit market, drove our pipeline of hotels under construction, awaiting conversion or approved for development to a record 125,000 rooms.

"Around the world, customer satisfaction levels rose as our guests enjoyed a record number of newly renovated hotels. We introduced either new lobby or guest room enhancements -- and sometimes both -- in six of our brands. Our Marriott and Renaissance hotels are rolling out next-generation lobbies throughout our system. Our limited-service brands are also changing, with guest room and lobby enhancements designed to drive guest satisfaction and owner profitability.

"Looking ahead, we've never been better positioned to tackle short-term economic challenges nor more optimistic about our long-term prospects. While we're carefully watching economic trends, our expected unit growth for 2008 is strong, customers love our brands, and owners and franchisees prefer our portfolio more than ever. Almost 40 percent of our full-service hotels, including Ritz-Carlton, are located outside the U.S. and 60 percent of the full-service hotels in our pipeline are outside the U.S.

"Our strategy of managing and franchising hotels under solid, long-term agreements is proven. Over the years, we've shown that this business model results in profits that are less volatile than owning properties. And our brands' strength continues to accelerate unit growth without significant capital investment by us. Marriott's pre-tax return on invested capital rose to a record 25 percent in 2007."

In the 2007 fourth quarter (16-week period from September 8, 2007 to December 28, 2007), REVPAR for the company's comparable worldwide systemwide properties increased 8.1 percent (6.6 percent using constant dollars). Comparable worldwide company-operated properties experienced 9.2 percent (7.0 percent using constant dollars) REVPAR growth over the year ago quarter.

North American REVPAR for the company's comparable company-operated properties rose 6.2 percent in the fourth quarter of 2007, largely driven by a 5.6 percent increase in rate and a slight increase in occupancy to 70 percent. For the calendar quarter ended December 31, 2007, REVPAR at North American company-operated properties increased 7.0 percent.

Fourth quarter international company-operated comparable REVPAR increased 15.5 percent (8.5 percent using constant dollars), including a 13.9 percent increase in average daily rate (7.0 percent using constant dollars) and a 1.0 percentage point improvement in occupancy to 76.0 percent. Strong international economic growth continues to drive global travel.

In the fourth quarter, Marriott added 70 new properties (10,787 rooms) to its worldwide lodging portfolio, including 12 new hotels (2,697 rooms) outside the United States. Worldwide, 13 properties (2,832 rooms) exited the system during the quarter. At quarter-end, the company's lodging group encompassed about 3,000 properties and timeshare resorts for a total of over 535,000 rooms.

MARRIOTT REVENUES totaled \$4.1 billion in the fourth quarter, an 8 percent increase from the same period in 2006. Base management and franchise fees rose 15 percent to \$339 million as a result of REVPAR improvement and unit expansion. In addition, base management fees reflected \$4 million in proceeds from business interruption insurance. Incentive management fees rose 31 percent to \$126 million, driven by strong REVPAR, higher property-level house profit margins and \$9 million of business interruption insurance proceeds. A record 600 company-operated hotels earned incentive management fees in the 2007 fourth quarter, including 165 properties outside the United States. Incentive management fees from North American Full-Service hotels rose 35 percent in the quarter while incentive management fees from North American Limited-Service properties rose 59 percent over the prior year.

Strong room rates, moderating utility costs, and improved productivity drove margins during the quarter. Worldwide company-operated comparable house profit margins increased 130 basis points. House profit margins for comparable North American company-operated properties grew 140 basis points and house profit per available room increased nearly 10 percent.

Owned, leased, corporate housing and other revenue, net of direct expenses, increased 25 percent in the fourth quarter, to \$65 million, primarily driven by higher profits at owned and leased properties, including strong results at the Ritz-Carlton hotels in St. Thomas and Tokyo and the Renaissance Jaragua Hotel in the Dominican Republic.

Timeshare sales and services revenue increased 2 percent in the 2007 fourth quarter on strong services and financing revenue offset by lower development revenue. Strong revenue in the 2006 quarter reflected several projects reaching reportability thresholds. In the 2007 quarter, timeshare sales and services revenue, net of direct expenses, declined 5 percent. Gain on the sale of timeshare notes totaled \$36 million in the fourth quarter of 2007 and \$37 million in the year ago quarter. In the guidance provided in October 2007, the company stated that it expected fourth quarter timeshare sales and services revenue, net of direct expenses, to decline 14 to 17 percent. Stronger than expected results reflected favorable marketing and selling costs and higher financing profits.

Timeshare segment results reflect timeshare sales and services revenue, net of direct expenses, as well as base fees, equity earnings, minority interest and general and administrative expenses associated with the timeshare business. Timeshare segment results increased 16 percent reflecting strong equity earnings from the Kapalua joint venture in Hawaii and lower timeshare general and administrative spending.

Although fourth quarter timeshare and fractional prices rose nearly 6 percent, timeshare contract sales declined 26 percent to \$366 million. The 2006 quarter benefited from a \$150 million surge in residential and fractional contract sales in Hawaii when a new project received final government approval. Compared to prior guidance, fourth quarter 2007 contract sales reflected lower than expected volume at projects in the Western United States and Florida, somewhat offset by stronger sales in Asia.

GENERAL, ADMINISTRATIVE and OTHER expenses for the fourth quarter totaled \$250 million, a 5 percent increase compared to the prior year, reflecting \$13 million in higher legal costs.

GAINS AND OTHER INCOME totaled \$20 million and included \$10 million of gains on the sale of real estate, an \$8 million gain from the sale of a stock investment and \$2 million of preferred returns from joint venture investments and other income. The prior year's fourth quarter gains totaled \$21 million and included \$12 million from the sale of an interest in a joint venture, \$5 million of gains from the sale of real estate, and \$4 million of preferred returns from joint venture investments and other income.

INTEREST EXPENSE, net of INTEREST INCOME, increased \$21 million to \$45 million, primarily due to higher interest rates and higher average borrowings, including \$400 million of senior debt issued during the 2007 fourth quarter.

The provision for loan losses totaled \$17 million in the fourth quarter reflecting a \$12 million reserve for a loan at one property and a \$5 million reserve for an aircraft leveraged lease.

EQUITY IN EARNINGS (LOSSES) reflects Marriott's share of income or losses in equity joint venture investments. The \$5 million increase in equity in earnings was primarily driven by improved results at a timeshare joint venture project in Kapalua, Hawaii.

DISCONTINUED OPERATIONS

Production of synthetic fuel ceased in the fourth quarter. Therefore, financial results for that business are shown as discontinued operations for 2006 and 2007. The estimated phase-out for 2007 tax credits was 71 percent due to higher average oil prices for the year. This increase in estimated phase-out for the full year offset income from synthetic fuel operations recorded in the first three quarters of 2007.

FULL YEAR 2007 RESULTS

For the full year 2007, adjusted income from continuing operations totaled \$751 million, an increase of 5 percent, and adjusted diluted earnings per share from continuing operations was \$1.89, an increase of 15 percent. Adjusted income from continuing operations and adjusted diluted earnings per share exclude the impact of the 2007 second quarter settlement agreement with the Internal Revenue Service and the Department of Labor relating to the company's leveraged Employee Stock Ownership Plan. As reported, diluted earnings per share was \$1.75.

MARRIOTT REVENUES totaled \$13 billion in 2007, an 8 percent increase from 2006. Total fees in 2007 were \$1,428 million, an increase of 17 percent over the prior year, reflecting unit, REVPAR and incentive management fee growth. Worldwide company-operated comparable property-level margins rose 150 basis points during 2007, approaching record levels and driving incentive management fees higher. In 2006, the company recognized base management fees of \$5 million and incentive management fees of \$10 million that were based on prior period results but not earned and due until 2006. In 2007, incentive management fees included \$17 million that were based on prior period results but not earned and due until 2007. In addition, in 2007 Marriott recognized incentive management fees of \$13 million and base management fees of \$6 million related to business interruption insurance proceeds.

Owned, leased, corporate housing and other revenue, net of direct expenses, totaled \$178 million in 2007 compared to \$183 million in 2006. Results were impacted by fewer owned hotels and lower termination fees during 2007, partially offset by higher affinity card revenue and branding fees. Termination fees totaled \$19 million in 2007 compared to \$26 million in 2006.

Timeshare sales and services revenue increased 11 percent to \$1,747 million in 2007 on strong development, services and financing revenue. Timeshare sales and services revenue, net of direct expenses, totaled \$350 million in 2007 and exceeded February 2007 guidance of \$320 million to \$330 million. Stronger than expected performance reflected strong demand at resorts in Maui, Las Vegas and Frenchmen's Cove, which achieved reportability thresholds during the year, as well as higher than expected financing income. Timeshare segment revenue and segment results increased 12 percent and 9 percent, respectively, during 2007.

Timeshare contract sales in 2007 declined 14 percent to \$1,401 million. Results in 2006 benefited from \$287 million of residential contract sales, largely at project launches in Hawaii and San Francisco. In contrast, 2007 residential contract sales totaled \$49 million.

GENERAL, ADMINISTRATIVE and OTHER expenses in 2007 included \$35 million of expenses associated with the ESOP tax settlement.

GAINS AND OTHER INCOME totaled \$97 million in 2007 and included gains of \$39 million from the sale of real estate, \$12 million of gains associated with the forgiveness of debt, an \$18 million gain from the sale of a stock investment, \$13 million of gains on the sale of the company's interests in five joint ventures and \$15 million of preferred returns from several joint venture investments and other income. Prior year gains of \$74 million in 2006 included gains of \$26 million from the sale of real estate, \$2 million of gains from the sale or refinancing of real estate loans, \$15 million of preferred returns from several joint venture investments, \$25 million from the redemption of preferred stock in a joint venture and \$43 million of gains on the sale of the company's interests in six joint ventures. These 2006 gains were partially offset by a \$37 million non-cash charge to adjust the carrying amount of a straight-line rent receivable associated with a land lease that has been sold.

INTEREST EXPENSE, net of INTEREST INCOME, increased \$71 million primarily due to higher average borrowings in 2007 compared to 2006, including the issuance of \$750 million of senior debt, and higher interest rates.

EQUITY IN EARNINGS increased \$12 million, to \$15 million, largely due to improved results at the timeshare joint venture project in Kapalua and the reopening of a hotel in Mexico following Hurricane Wilma in 2005.

BALANCE SHEET

At year-end 2007, total debt was \$2,965 million and cash balances totaled \$332 million, compared to \$1,833 million in total debt and \$191 million of cash at year-end 2006.

The company repurchased 41 million shares of common stock in 2007 at a cost of nearly \$1.8 billion. The remaining share repurchase authorization as of year-end 2007 totaled 33 million shares.

OUTLOOK

The company expects worldwide systemwide comparable REVPAR and North American company-operated comparable REVPAR to increase 3 to 5 percent in 2008. Assuming only modest increases in North American house profit margins and roughly 30,000 new room openings, the company expects total fee revenue for the full year of approximately \$1,490 million to \$1,520 million, an increase of 4 to 6 percent. Adjusting 2007 fees for receipt of business interruption proceeds of \$19 million, \$17 million of incentive fees based on prior periods' results and relicensing fees about \$10 million higher than those anticipated in 2008 due to fewer expected transactions, total fee growth is expected to be 8 to 10 percent over 2007.

The company expects timeshare sales and services revenue, net of expenses, to decline 6 to 10 percent in 2008 reflecting projects near sellout and startup costs associated with new projects beginning sales. Timeshare contract sales are expected to increase 15 to 20 percent as four new projects begin sales in 2008. Timeshare segment results are expected to total \$300 million to \$315 million in 2008, roughly flat with 2007.

Based upon the above assumptions, the company expects 2008 EPS to total \$2.00 to \$2.10.

For the first quarter of 2008, the company expects worldwide systemwide comparable REVPAR to increase 3 to 5 percent and North American company-operated comparable REVPAR to increase 2 to 4 percent. Comparable worldwide house profit margins are expected to be flat. Expected first quarter results reflect the impact of the timing of the Easter holiday and the December 29, 2007 start of Marriott's 2008 fiscal first quarter.

In the first quarter, the company expects timeshare sales and services revenue, net of direct expenses, to total \$7 million to \$12 million reflecting start up costs at new projects and tough comparisons to the 2007 quarter. In the year ago quarter, a significant amount of contract sales associated with a Hawaiian project became financially reportable. First quarter contract sales are expected to be flat to up 5 percent.

Based upon the above assumptions, the company expects EPS for the 2008 first quarter to total \$0.32 to \$0.36.

	First Quarter 2008 -----	Full Year 2008 -----
Total fee revenue	\$310 million to \$315 million	\$1,490 million to \$1,520 million
Owned, leased, corporate housing and other revenue, net of direct expenses	\$35 million to \$40 million	\$170 million to \$180 million
Timeshare sales and services revenue, net of direct expenses(1)	\$7 million to \$12 million	\$315 million to \$330 million
General, administrative and other expenses	\$160 million to \$170 million	\$775 million to \$785 million
Operating income	\$182 million to \$207 million	\$1,190 million to \$1,255 million
Gains and other income	Approx \$5 million	Approx \$30 million
Net interest expense(2)	Approx \$30 million	Approx \$155 million
Equity in earnings (losses)	Approx \$20 million	Approx \$55 million
After-tax minority interest	Approx \$3 million	Approx \$6 million
Earnings per share	\$0.32 to \$0.36	\$2.00 to \$2.10
Tax rate	35.5 percent	35.5 percent
1 - Includes an estimated \$90 million of timeshare note sale gains for full year 2008		
2 - Net of interest income		

The company expects investment spending in 2008 to total approximately \$1.1 billion to \$1.2 billion, including \$60 million for maintenance capital spending, \$525 million to \$575 million for capital expenditures and acquisitions, \$175 million to \$200 million for timeshare development, \$15 million to \$25 million in new mezzanine financing and mortgage loans for hotels developed by owners and franchisees, and \$275 million to \$290 million in equity and other investments (including timeshare equity investments).

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