

## Marriott International Reports First Quarter Results

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Worldwide company-operated comparable revenue per available room (REVPAR) rose 6.0 percent

### **First Quarter Highlights:**

Worldwide company-operated comparable revenue per available room (REVPAR) rose 6.0 percent (4.5 percent using constant dollars) for the first quarter ended March 21, 2008,

Outside North America, company-operated comparable REVPAR increased 18.5 percent (11.5 percent using constant dollars) with double-digit growth in Central and Southeast Asia, Latin America, Continental Europe and the Middle East,

First quarter total fee revenue rose to \$318 million, 7 percent over the prior year,

The company's worldwide pipeline of hotels under construction, awaiting conversion or approved for development increased to a record 130,000 rooms compared to 100,000 rooms a year ago and 125,000 rooms at the end of 2007,

Over 5,900 rooms opened during the first quarter, including almost 1,500 rooms converted from competitor brands,

Marriott repurchased 6.2 million shares of the company's common stock for \$208 million during the first quarter.

Marriott International, Inc. (NYSE:MAR) today reported diluted earnings per share (EPS) from continuing operations of \$0.33 in the first quarter of 2008, down 18 percent from the first quarter of 2007. The company's EPS guidance for the 2008 first quarter, disclosed on February 14, 2008, totaled \$0.32 to \$0.36.

J.W. Marriott, Jr., Marriott International's chairman and chief executive officer, said, "Marriott's first quarter results demonstrated the company's strength. Leading brands and a focus on bottom line results delivered strong, on-target earnings in the first quarter. Business and leisure travel demand remains robust in most markets around the world. REVPAR at our international properties expanded by 19 percent, along with solid margin improvement and growing incentive fees.

"While performance at our U.S. hotels reflected slowing economic growth, few markets have witnessed discounting and full service room rates rose 4 percent during the quarter. With the U.S. on sale through a lower dollar, international guest arrivals are energizing demand in several key markets.

"Attendance at group meetings was on track during the quarter and group cancellations remained lower than 2007 levels. Group meeting bookings for the remainder of 2008 are strong. Given these trends, we remain cautiously optimistic about 2008 demand trends.

"We expect to meet our hotel development goals in 2008. Our pipeline of hotels under construction, awaiting conversion or approved for development increased to over 130,000 rooms in the first quarter. Our record pipeline of limited-service hotels demonstrates how our owners and franchisees see great opportunity as we continue to remake these brands, generating significant REVPAR premiums and attractive long-term owner returns.

"As a global company, we're a global neighbor. We recently signed an agreement to help protect 1.4 million acres of endangered Amazon rainforest in Brazil and we're taking new steps to reduce our consumption of the earth's resources."

In the 2008 first quarter (12-week period from December 29, 2007 to March 21, 2008), REVPAR for the company's comparable worldwide systemwide properties increased 4.4 percent (3.5 percent using constant dollars). REVPAR at comparable worldwide company-operated properties rose 6.0 percent (4.5 percent using constant dollars) over the year-ago quarter and average daily rates increased 6.3 percent (4.8 percent using constant dollars).

In North America, company-operated comparable REVPAR rose 2.3 percent in the first quarter of 2008. REVPAR at the company's comparable company-operated North American full-service and luxury hotels (including Marriott Hotels & Resorts, The Ritz-Carlton and Renaissance Hotels & Resorts) increased 2.7 percent driven by a 3.9 percent increase in average daily rates. REVPAR growth was particularly strong in Manhattan, Los Angeles, Orlando and Seattle.

For North American hotels, the first quarter ended on March 21, 2008 and included the negative impact of the week preceding Easter. Excluding this week, North American company-operated comparable REVPAR growth would have been approximately 100 basis points higher. In 2007, the week prior to and the week after the holiday were included in the second quarter.

In the 2008 first quarter, international company-operated comparable REVPAR increased 18.5 percent (11.5 percent using constant dollars), including a 16.0 percent increase in average daily rate (9.2 percent using constant dollars) and a 1.5 percentage point improvement in occupancy to 70.5 percent. Singapore, Moscow, Paris, Panama and Dubai were particularly strong markets.

Marriott added 40 new properties (5,948 rooms) to its worldwide lodging portfolio in the first quarter, including the Renaissance Boston Waterfront and the Denver Ritz-Carlton. Seven hotels (1,450 rooms) were converted from competitor brands and 20 properties (3,101 rooms) exited the system during the quarter. At quarter-end, the company's lodging group

encompassed 3,019 properties and timeshare resorts for a total of nearly 538,000 rooms.

MARRIOTT REVENUES totaled \$2.9 billion in the first quarter, a 4 percent increase from the same period in 2007. Base management and franchise fees rose 8 percent to \$244 million as a result of REVPAR improvement and unit expansion. Incentive management fees rose 4 percent to \$74 million.

Worldwide company-operated comparable house profit margins grew 40 basis points. House profit margins for comparable company-operated properties outside North America grew 350 basis points and house profit per available room increased over 21 percent. North American company-operated comparable house profit margins declined 70 basis points from the year ago quarter and house profit per available room increased 1 percent.

In the first quarter, owned, leased, corporate housing and other revenue, net of direct expenses, decreased \$5 million, to \$26 million, reflecting start-up costs at the new Renaissance Boston Waterfront hotel, the impact of properties under renovation and lower termination fees.

Timeshare sales and services revenue decreased 12 percent to \$326 million in the 2008 first quarter primarily due to unfavorable year-over-year reportability at several projects. In the 2008 quarter, timeshare sales and services revenue, net of direct expenses, totaled \$13 million, which reflected start-up costs and low reportability at new projects on Marco and Singer Islands in Florida and the impact of other projects nearing sell-out. In the 2007 quarter, a significant amount of contract sales associated with a Hawaiian project became financially reportable. The company stated in February 2008 that it expected first quarter timeshare sales and services revenue, net of direct expenses, to total \$7 million to \$12 million.

Timeshare segment results include timeshare sales and services revenue, net of direct expenses, as well as base fees, equity earnings, minority interest and general, administrative and other expenses associated with the timeshare business. Timeshare segment results totaled \$4 million and reflected unfavorable year-over-year reportability, start-up costs associated with new projects, projects nearing sell-out and higher timeshare administrative costs offset by increased equity earnings from the Kapalua joint venture.

First quarter timeshare contract sales increased 2 percent to \$333 million as a result of timeshare sales at new projects in Florida, higher sales from the Asia Pacific points program, and higher residential sales at the Kapalua joint venture, partially offset by declining contract sales at projects near sell-out and lower sales of fractional products. Contract sales for the first quarter were expected to be flat to up 5 percent.

GENERAL, ADMINISTRATIVE and OTHER expenses for the first quarter totaled \$162 million, a 10 percent increase compared to the prior year quarter reflecting higher spending related to unit growth, development, systems improvements, brand initiatives and legal expenses. The 2008 first quarter included an \$8 million favorable impact associated with deferred compensation while the 2007 first quarter benefited from reversal of reserves totaling \$9 million established several years earlier that were no longer required.

GAINS AND OTHER INCOME totaled \$3 million largely generated by preferred returns from joint venture investments. A \$4 million loss on the sale of a new hotel due to higher construction costs was also reflected in the total for the quarter. The prior year's first quarter gains totaled \$35 million and included \$10 million from the sale of an interest in a joint venture, \$2 million of gains from the sale of real estate, \$9 million of gains associated with the forgiveness of debt, an \$11 million gain on the sale of a stock investment and \$3 million of preferred returns from joint venture investments.

INTEREST EXPENSE, net of INTEREST INCOME and PROVISION FOR LOAN LOSSES, increased \$5 million to \$29 million, primarily due to higher average borrowings, partially offset by lower interest rates.

EQUITY IN EARNINGS (LOSSES) totaled \$27 million reflecting Marriott's share of income in equity joint venture investments. The increase in equity earnings was primarily driven by a \$15 million gain on the sale of a joint venture's assets, insurance proceeds of \$6 million received through a joint venture and \$6 million of improved results at a timeshare joint venture project in Kapalua, Hawaii.

PROVISION FOR INCOME TAXES reflects a 38.4 percent effective tax rate, in part reflecting an \$8 million unfavorable impact associated with deferred compensation.

## **BALANCE SHEET**

At the end of first quarter 2008, total debt was \$3,395 million and cash balances totaled \$314 million, compared to \$2,965 million in debt and \$332 million of cash at the end of 2007. The company repurchased 6.2 million shares of common stock in the first quarter of 2008 at a cost of \$208 million. Weighted average fully diluted shares outstanding totaled 371.9 million at the end of the first quarter compared to 411.3 million at the end of the year-ago quarter. The remaining share repurchase authorization, as of March 21, 2008, totaled approximately 27 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, with modest increases in North American house profit margins and roughly 30,000 new room openings. For the full year 2008, the company expects timeshare sales and services revenue, net of direct expenses, to total \$300 million to \$315 million reflecting approximately \$70 million of timeshare note sale gains. Timeshare segment results in 2008 are expected to be \$280 million to \$295 million with contract sales growth of 15 to 20 percent.

Assuming roughly \$1 billion of share repurchases during the year, the company believes that net interest expense will approximate \$135 million for the full year.

For the second quarter of 2008, the company expects worldwide systemwide comparable REVPAR and North American company-operated comparable REVPAR to also increase 3 to 5 percent. Comparable North American house profit margins are expected to be flat in the quarter.

In the second quarter, the company expects timeshare sales and services revenue, net of direct expenses, to total \$55 million to \$60 million reflecting \$15 million to \$20 million of timeshare note sale gains. The company expects timeshare segment results of \$45 million to \$50 million in the quarter. Second quarter contract sales are expected to grow approximately 5 percent over the year ago quarter.

	Second Quarter 2008	Full Year 2008
Total fee revenue	\$380 million to \$385 million	\$1,490 million to \$1,520 million
Owned, leased, corporate housing and other revenue, net of direct expenses	\$45 million to \$50 million	\$170 million to \$180 million
Timeshare sales and services revenue, net of direct expenses (1)	\$55 million to \$60 million	\$300 million to \$315 million
General, administrative and other expenses	Approx \$180 million	\$765 million to \$775 million
Operating income	\$300 million to \$315 million	\$1,185 million to \$1,250 million
Gains and other income	Approx \$5 million	Approx \$20 million
Net interest expense (2)	\$30 million to \$35 million	Approx \$135 million
Equity in earnings (losses)	Approx \$5 million	Approx \$55 million
After-tax minority interest	Approx \$2 million	Approx \$8 million
Earnings per share	\$0.48 to \$0.52	\$1.98 to \$2.08
Tax rate	35 to 36 percent	35 to 36 percent

(1) Includes an estimated \$15 million to \$20 million of timeshare note sale gains in the second quarter and approximately \$70 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 \$1.0 billion to \$1.1 billion, including \$75 million for maintenance capital spending, \$400 million to \$450 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 \$290 million to \$310 million in equity and other investments (including timeshare equity investments).

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