

Marriott International 2Q Worldwide company-operated comparable revenue per available room (REVPAR) rose 5.6 percent  
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Marriott International Reports Second Quarter Results

Second Quarter Highlights:

- Worldwide company-operated comparable revenue per available room (REVPAR) rose 5.6 percent (3.2 percent using constant dollars) for the second quarter ended June 13, 2008,
- Outside North America, company-operated comparable REVPAR increased 15.5 percent (7.2 percent using constant dollars) with double-digit growth in South and Central America, the Middle East and several markets in Asia,
- North American company-operated comparable REVPAR increased 1.4 percent with a 2.3 percent increase in average rate,
- The company's worldwide pipeline of hotels under construction, awaiting conversion or approved for development totaled over 130,000 rooms,
- Over 9,400 rooms opened during the second quarter, including over 2,500 rooms outside North America.

Marriott International, Inc. (NYSE:MAR) today reported second quarter 2008 adjusted income from continuing operations of \$189 million, a decline of 17 percent, and adjusted diluted earnings per share ("EPS") from continuing operations of \$0.51, down 11 percent. The company's EPS guidance for the second quarter, disclosed on April 17, 2008, totaled \$0.48 to \$0.52.

Adjusted results exclude the \$36 million (\$0.10 per diluted share) impact of non-cash items included in the tax provision in the 2008 quarter. These included a \$24 million tax reserve related to the treatment of funds received from foreign subsidiaries that is in ongoing discussions with the Internal Revenue Service ("IRS") with the remaining \$12 million expense due primarily to prior years' tax adjustments, including a settlement with the IRS that resulted in a lower than expected refund of taxes associated with a 1995 leasing transaction. Adjusted results for the 2007 second quarter exclude the \$54 million after-tax charge (\$0.14 per diluted share) impact of the Employee Stock Ownership Plan ("ESOP") settlement agreement reached with the IRS and the Department of Labor in the 2007 second quarter.

Reported income from continuing operations was \$153 million in the second quarter of 2008 compared to \$175 million in the year-ago quarter. Reported diluted EPS from continuing operations was \$0.41 in the second quarter of 2008 compared to \$0.43 in the second quarter of 2007.

J.W. Marriott, Jr., Marriott International's chairman and chief executive officer, said, "Our second quarter saw higher year-over-year REVPAR for our global lodging business, despite weaker economic conditions in the U.S. International demand for our products remains high. Our hotels outside the U.S. had strong revenue growth in the quarter. Europeans continue to visit U.S. gateway cities and customers from Asia and Latin America show growing demand for Marriott's timeshare products. But while our hotels outside the U.S. continue to benefit from solid global demand, business conditions have deteriorated in the U.S. While there is much uncertainty, we expect weak economic growth and soft U.S. lodging demand to persist into 2009.

"During the second quarter, we achieved flat house profit margins worldwide, a notable accomplishment given cost increases in many sectors of the economy. Our hotels remain focused on controlling costs and improving efficiency while delivering outstanding service to our guests.

"We added over 9,000 rooms to our lodging portfolio during the quarter, including over 2,500 rooms outside North America, and we retain 130,000 rooms in our worldwide development pipeline. We are on-track to achieve room growth targets for 2008."

In the 2008 second quarter (12-week period from March 22, 2008 to June 13, 2008), REVPAR for the company's comparable worldwide company-operated properties increased 5.6 percent (3.2 percent using constant dollars) and average daily rates increased 6.3 percent (3.9 percent using constant dollars). REVPAR at comparable worldwide systemwide properties rose 4.2 percent (2.6 percent using constant dollars) over the year-ago quarter.

Second quarter international company-operated comparable REVPAR increased 15.5 percent (7.2 percent using constant dollars), including a 15.4 percent increase in average daily rate (7.1 percent using constant dollars). REVPAR growth was particularly strong in the Middle East, Central and Southeast Asia, and Latin America.

In North America, comparable company-operated REVPAR rose 1.4 percent in the second 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 2.3 percent driven by a 2.5 percent increase in average daily rates. Manhattan, Houston, Los Angeles and Orlando were particularly strong markets.

In the second quarter, Marriott added 61 new properties (9,482 rooms) to its worldwide lodging portfolio. Eleven hotels (23 percent of new rooms) were converted from competitor brands and 11 properties (2,392 rooms) exited the system during the quarter. At quarter-end, the company's lodging group encompassed 3,069 properties and timeshare resorts for a total of nearly 545,000 rooms.

MARRIOTT REVENUES totaled \$3.2 billion in the 2008 second quarter, a 2 percent increase from the same period in 2007. Base management and franchise fees rose 9 percent to \$271 million as a result of REVPAR improvement primarily driven by rate increases and unit expansion. Incentive management fees declined \$13 million to \$103 million. The 2007 second quarter included \$15 million of incentive fees that were calculated based on prior periods' results, but not earned and due until that quarter. Prior year incentive fees also included \$3 million associated with business interruption insurance proceeds for two New Orleans properties.

Worldwide company-operated comparable house profit margins were flat. House profit margins for comparable company-operated properties outside North America grew 120 basis points and house profit per available room ("HP-PAR") increased over 9 percent. North American comparable company-operated house profit margins declined 70 basis points from the year-ago quarter and HP-PAR increased nearly 1 percent.

In the second quarter, owned, leased, corporate housing and other revenue, net of direct expenses, decreased \$9 million, to \$46 million, reflecting the conversion of owned hotels to managed properties and the impact of properties under renovation.

Timeshare sales and services revenue decreased 14 percent to \$388 million and, net of expenses, declined 37 percent to \$77 million in the 2008 second quarter. Results reflected lower fractional and residential volumes, reduced year-over-year reportability at several timeshare projects and lower financing profit in the 2008 quarter, partially offset by favorable product costs. In the second quarter of 2008, investors purchased \$246 million of timeshare mortgage notes. The company recognized a gain of \$29 million in the 2008 quarter as compared to a \$45 million gain in the prior year quarter.

Timeshare segment results, which includes timeshare sales and services revenue, net of direct expenses, as well as base management fees, equity earnings, minority interest and general, administrative and other expenses associated with the timeshare business, totaled \$70 million as compared to \$107 million in the prior year.

Second quarter timeshare contract sales declined 7 percent to \$334 million largely due to lower sales of fractional and residential products, partially offset by stronger timeshare sales to customers in Asia and Latin America.

GENERAL, ADMINISTRATIVE and OTHER expenses for the 2008 second quarter totaled \$184 million, compared to \$207 million in the year-ago quarter, and included higher costs associated with development efforts. The 2007 second quarter included \$35 million of expenses associated with the ESOP tax settlement.

GAINS AND OTHER INCOME totaled \$9 million and included \$5 million of gains on the sale of real estate, a \$1 million gain from the sale of the company's interest in a joint venture and \$3 million of preferred returns from joint venture investments. The prior year's second quarter gains totaled \$12 million and included \$5 million of gains on the sale of real estate and \$7 million of preferred returns from joint venture investments and other gains and income.

INTEREST EXPENSE decreased \$14 million to \$38 million. The 2007 second quarter included \$13 million of interest expense related to the ESOP settlement.

EQUITY IN EARNINGS totaled a loss of \$3 million in the second quarter and included an unfavorable \$9 million impact associated with the revaluation of assets by two international joint ventures.

#### INCOME TAXES

During the quarter, the company recorded a \$24 million non-cash tax reserve related to the treatment of certain funds received from foreign subsidiaries. Marriott remains in ongoing discussions with the IRS regarding this matter and believes the company's position should prevail.

In addition, the company recorded a non-cash charge of \$12 million, largely due to a settlement reached in May 2008 with the IRS regarding a 1995 leasing transaction. The company received \$26 million in cash as part of the settlement.

#### BALANCE SHEET

At the end of second quarter 2008, total debt was \$3,048 million and cash balances totaled \$125 million, compared to \$2,965 million in debt and \$332 million of cash at year-end 2007. The company repurchased 2.4 million shares of common stock during the second quarter at a cost of \$75 million. Weighted average fully diluted shares outstanding totaled 370.0 million at the end of the 2008 second quarter compared to 403.8 million at the end of the year-ago quarter. The remaining share repurchase authorization, as of June 13, 2008, totaled 24.6 million shares.

#### OUTLOOK

The company expects worldwide systemwide comparable REVPAR to be flat to up 2 percent (in constant dollars) in 2008 reflecting a continued challenging demand environment in North America. Compared to the prior year, North American company-operated comparable REVPAR is expected to range from growth of 1 percent to a decline of 1 percent for the full year, with a roughly 100 basis point decline in North American house profit margins. The company expects roughly 30,000 new room openings worldwide in 2008.

For the full year 2008, the company expects timeshare sales and services revenue, net of direct expenses, to total \$265 million to \$285 million reflecting approximately \$50 million of timeshare note sale gains. Timeshare Segment results in 2008 are expected to be \$230 million to \$250 million with contract sales flat to up 5 percent.

Assuming \$500 million to \$600 million of share repurchases during the year, the company believes that net interest expense will approximate \$135 million for the full year.

For the third quarter of 2008, the company expects worldwide systemwide comparable REVPAR to be flat to up 2 percent (in constant dollars) and North American company-operated comparable REVPAR to be flat to down 2 percent. Comparable North American house profit margins are expected to decline 50 to 150 basis points in the third quarter.

In the third quarter, the company expects timeshare sales and services revenue, net of direct expenses, to total \$60 million to \$70 million. The company expects Timeshare Segment results of \$50 million to \$60 million in the quarter. Third quarter contract sales are expected to decline 5 percent to 10 percent compared to the year-ago quarter.

	Third Quarter 2008 -----	Full Year 2008 -----
Total fee revenue	\$300 million to \$310 million	\$1,450 million to \$1,475 million
Owned, leased, corporate housing and other revenue, million net of direct expenses	\$15 million to \$20 million	\$150 million to \$160 million
Timeshare sales and services revenue, net of direct expenses(1)	\$60 million to \$70 million	\$265 million to \$285 million
General, administrative and other expenses	Approx. \$175 million	\$765 million to \$775 million
Operating income	\$200 million to \$225 million	\$1,090 million to \$1,155 million
Gains and other income	Approx. \$5 million	Approx. \$20 million
Net interest expense(2)	Approx. \$35 million	Approx. \$135 million
Equity in earnings (losses)	\$0 million to \$5 million	Approx. \$40 million
After-tax minority interest	Approx. \$3 million	Approx. \$7 million
Diluted earnings per share(3)	\$0.30 to \$0.35	\$1.77 to \$1.88
Tax rate(3)	36 percent	36 percent

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