

Takeaways from Marriott's 2017 Security Analyst Meeting



MARRIOTT INTERNATIONAL 2017
SECURITY ANALYST MEETING
March 21, 2017



- 1) The Fung Global Retail & Technology team attended Marriott's 2017 Security Analyst Meeting in New York City today.
- 2) Marriott, on the heels of its acquisition of Starwood Hotels & Resorts last September, outlined its plans to open an additional 285,000–300,000 rooms through 2019, bringing its total to nearly 1.5 million rooms.
- 3) Expanding on the music, dining and sporting experiences already offered to elite Marriott and Starwood loyalty program members, the company announced an investment in PlacePass, a provider of travel technology solutions offering travelers a search platform for more than 100,000 authentic local experiences in 800 destinations worldwide.
- 4) Marriott is also reconfiguring its Element Hotels and Aloft Hotels to offer Gen Z and extended-stay travelers communal gathering and work spaces, as well as a new food and beverage program that emphasizes healthy ingredients.

Analyst Day Key Points

Fung Global Retail & Technology joined Marriott's well-attended 2017 Security Analyst Meeting in New York City today. There were two key points to the CEO's presentation:

1. Global travel is expected to grow at a 7.3% CAGR during the next 10 years, which should drive 1%–3% annual increases in revenue per available room (RevPAR). The RevPAR increases should drive EPS growth of 17%–21% over the next three years.
2. The integration of Starwood Hotels & Resorts is going well, and the combined Marriott-Starwood loyalty programs have more than 100 million members.

Below are selected takeaways from the meeting.

1) Global Travel Spending Is Healthy, and Is Expected to Grow at a 7.3% CAGR from 2016 Through 2026

In his opening remarks, Marriott International CEO Arne Sorenson noted that global personal and business travel spending is expected to grow at a 7.3% CAGR through 2026 (including a 9.5% CAGR in the Asia-Pacific region). This figure includes a particular opportunity in China, which saw its outbound travel population and outbound spending more than double from 2010 through 2016.

2) Marriott’s Strategy for Growth Aims at Returning a Total of \$8.3–\$9.3 Billion in Cash to Shareholders over the Next Three Years

Marriott plans to open 285,000–300,000 rooms from 2016 through 2019, representing a 6.5% CAGR and bringing its total to nearly 1.5 million rooms. This increase, combined with a 1%–3% CAGR in RevPAR during the same period, should result in EPS growth of 17%–21% over the three years and generate a total of \$8.3–\$9.3 billion in cash that can be returned to shareholders. There is additional upside to the company’s forecasts from revenue and cost synergies and more favorable credit card renegotiations.

3) The Integration of Starwood Hotels & Resorts Remains on Track

Marriott linked its own loyalty program with Starwood’s on the date of the merger close (September 23, 2016), and it has since integrated the two companies’ development organizations and introduced a unified guest feedback system. The next steps are achieving savings in procurement and online travel agency commissions, transitioning to a common financial platform, and integrating the sales teams for large accounts. In 2018, Marriott expects to complete the combining of financial reporting, institute a common reservation platform and offer a common loyalty platform.



Source: investor.shareholder.com/MAR/events.cfm

4) Marriott and Starwood Experiences Expanded by the Investment in PlacePass

For elite members, both Marriott and Starwood offer access to experiences such as concerts and sporting and culinary events. Tickets for these events can be purchased with loyalty points: Starwood Preferred Guest members are offered these through the SPG Moments program and Marriott Rewards and Ritz-Carlton Rewards members can access them through the Experiences Marketplace. Today, Marriott announced an investment in PlacePass, a provider of travel technology solutions offering travelers a



leading online meta-search platform for in-destination experiences. Travelers can choose from an additional 100,000 plus authentic local experiences in 800 destinations worldwide when they book on the Marriott or Starwood Preferred Guest websites or respective apps. Examples of the experiences offered through PlacePass include:

- Visiting the filming locations for the TV series *Downton Abbey*.
- Wrestling with a retired sumo wrestler in Tokyo.
- Exploring Dubai by camel or 4x4, with a traditional Bedouin-style dinner.
- Visiting Cambodia's temples by biking through the Angkor Archaeological Park.
- Viewing the Crown Jewels in the Tower of London.
- Making pasta alongside a local Italian chef at a Tuscan farmhouse.

5) Marriott Is Targeting Extended-Stay Guests and Gen Zers with Its Element and Aloft Brands

Among Marriott's 30 global brands, two stand out for expansion: Element Hotels and Aloft Hotels (formerly from Starwood). Eco-conscious, extended-stay brand Element is being targeted at business travelers seeking comforts such as communal rooms, as many Gen Zers, in particular, desire communal rooms for conversation and collaboration. Aloft is targeting younger guests with a revitalized food and beverage program that emphasizes healthy ingredients such as spinach, quinoa and avocado. Foods that reflect regional tastes are available in customized, colorful to-go containers called "pots." In January, Marriott launched its first pop-up hotel innovation lab, creating an interactive model hotel experience in downtown Los Angeles to crowdsource real-time feedback from the public on innovations under consideration for the Element and Aloft brands.



FLASH REPORT

Deborah Weinswig, CPA

Managing Director
Fung Global Retail & Technology
New York: 917.655.6790
Hong Kong: 852.6119.1779
China: 86.186.1420.3016
deborahweinswig@fung1937.com

John Harmon, CFA

Senior Analyst

Hong Kong:

8th Floor, LiFung Tower
888 Cheung Sha Wan Road, Kowloon
Hong Kong
Tel: 852 2300 4406

London:

242-246 Marylebone Road
London, NW1 6JQ
United Kingdom
Tel: 44 (0)20 7616 8988

New York:

1359 Broadway, 9th Floor
New York, NY 10018
Tel: 646 839 7017

FungGlobalRetailTech.com