

An Analysis of the Investment Value of Marriott International in Post-pandemic Era

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Abstract: The COVID-19 has had a negative impact on the global economy, and the hotel industry has also been impacted. In the post-pandemic era, the hotel industry has entered a recovery phase. Taking Marriott, an internationally renowned hotel, as a case study, this paper uses SWOT analysis, financial analysis and relative valuation methods to study the development situation and investment value of the hotel after the epidemic. The analysis shows that Marriott has a fast recovery speed, strong operational capabilities, and obvious competitive advantages, but it is vulnerable to the negative impact of external environmental turbulence on its own revenue. This paper provides investors with a reference to Marriott's post-pandemic financial health, while suggesting areas for improvement for Marriott hotels.

Keywords: Marriott International, SWOT Analysis, Financial analysis, relative valuation, Investment value.

1. Introduction

In 2020, the COVID-19 broke out. During the severe epidemic period, the entry and exit restrictions of various countries hindered tourism and international business. The hotel industry, whose main source of income is accommodation and service fees, has also been hit hard. After 2022, the epidemic situation improved, as well as the economy and trade. The hotel industry entered a recovery phase, attracting investors' attention for the investment value of hotels. As a high-end hotel brand operating internationally, Marriott is a leading enterprise in the hotel industry with a large scale, high reputation and long history. Therefore, this paper takes Marriott as a case to study the development status of the hotel after the epidemic and makes a specific analysis on its investment value.

Regarding hotel operation cases, some scholars have made certain researches, for instance: Nigel Barreto, et al used the Marketing Mix to present Marriott's overall operating strategy and business environment. SWOC analysis was also used to analyze the Marriott's current development, from which it put forward suggestions for Marriott in terms of overall business and operation [1]. Bingyan Jiang used four financial analysis indicators to conduct a financial analysis of Marriott companies in the epidemic era. The author found the decline of Marriott's financial indicators under the epidemic and analyzed the reasons behind the problem [2]. David A. Wernick and Mary Ann Von Glinow used Marriott as a case study to analyze the evolution of terrorist attacks in luxury hotels, pointing out the challenges of terrorist attacks to IB theory and that the luxury hotels have become the target of recent

terrorist attacks. In addition, the author analyzed the hotel's approach to dealing with terrorist attacks, and pointed out that hotels with a high degree of security would get better revenue [3].

Regarding the analysis of enterprise operations, some scholars have made the following research: Dr. P. S. Aithal discussed the detailed steps on how to write a company case study based on the newly developed corporate analysis framework. The aspects involved in the company's analysis and the specific methods applicable to it are pointed out [4]. JOHN W. O'NEILL and ANNA S. MATTILA analyzed how a hotel brand strategy could bring value to hotels. The influencing factors of customer satisfaction under the hotel brand strategy are pointed out. The advantages and disadvantages in the brand expansion strategy are pointed out. It was also found that the franchise strategy of the hotel affects the satisfaction of customers with the hotel brand [5]. Paul Whitla, et al used a two-stage qualitative analysis to analyze the factors influencing a hotel's international operational strategy, and then analyzed how the hotel's strategy is formulated to address these influencing factors. The analysis points out that the international operation strategy is mainly affected by market factors. And hotels need to balance the degree of standardization and localization to respond to customer needs [6].

About the SWOT Analysis Aspect: Christine Namugenyi, et al pointed out that after SWOT analysis, there was a problem that it was not possible to derive treatment priorities and found alternative solutions. By analyzing and modeling the elements used in SWOT analysis, evaluating, visualizing and interpreting metadata, the authors derived the perspective of SWOT analysis of multi-industry operations [7]. Toman Sony Tambunan used the Literature Study Method to conduct a descriptive analysis of the study subjects. The SWOT analysis was used to summarize the internal and external status of Samosir Rengency's tourism development. The author gave suggestions for improving the quality of infrastructure, developing diversified tourism values, and holding more domestic and foreign events to increase the flow of tourists [8].

About the adoption of AI in hotel industry: Pongsakorn Limna used a narrative synthesis to study the literature on the adoption of AI in the service industry. It is concluded that AI can reduce costs and improve the benefits of services for the service industry, and that there are still risks such as security and privacy [9]. Kichan Nam, et al used the TOE framework to investigate the factors influencing AI adoption in three aspects: technology, organization, and environment. The author derived that marketing position is a major factor influencing the adoption of new technologies. It is also pointed out that classifying AI applications according to hotel operation can help managers and researchers optimize strategies [10].

About investment value: Graeme Newell and Ross Seabrook used a two-stage survey to evaluate the importance of different factors influencing hotel investment decisions. The AHP procedure was used to rank the importance of the secondary influencing factors. By contrast, it is concluded that hotel owners and operators are more results-oriented, and hotel investors are more focused on the drivers that affect hotel performance [11].

Based on the above research, this paper will use SWOT analysis to evaluate Marriott's current development. Financial analysis is used to analyze Marriott's financial position from 2020 to 2023. In addition, through the relative valuation method, the market value of Marriott is estimated. Based on the above analysis, this paper provides investors with data reference for Marriott's investment, and points out Marriott's current strengths and areas for improvement.

2. Method

2.1. SWOT Analysis

SWOT analysis is to judge the operation status of an enterprise by analyzing the strengths, weaknesses, opportunities and challenges of the current development. The direction in which the

enterprise can improve in the future can be derived from this method. The ESG data is collected from yahoo finance.

2.2. Financial Analysis

Financial analysis refers to the process of systematically evaluating and interpreting the financial health and performance of an individual, organization, or project. This analysis typically includes a review and interpretation of financial statements, financial ratios, cash flows, balance sheets, and other financial data. Its purpose is to assess an entity's financial health, operating performance, profitability and risk level, as well as to inform and advise future decision-making.

2.3. Relative Valuation

The relative valuation method is also called the multiplier valuation. This approach assumes that there are common variables between businesses that govern their market value. The ratio of market value to this variable is similar and comparable for companies. According to this principle, it is possible to select several comparable companies in the market that are similar to the target enterprises, and analyze and determine the valuation indicators that can be used, and thus determine the market value of the target enterprise.

3. Results and Discussion

3.1. SWOT Analysis

3.1.1.S

(1) Marriott's scale allows them to reduce costs and increase revenue through shared services, strong negotiated rates with intermediaries, and favorable credit card exchange rates.

(2) The hotel is located all over the world and the market is developed deeply.

(3) With a long period of development, Marriott formed its own marketing strategy and management system, accumulated sufficient business experience, and has a mature enterprise with strong ability to work under pressure.

(4) Most hotels are located near tourist attractions or transportation hubs, which helps hotels attract more customers and increase profits.

(5) Marriott builds a high-end brand and the main income comes from accommodation and business meetings, thus the remuneration obtained is higher in the industry.

(6) The company is committed to building a more inclusive group of owners that not only provides competitive advantage, but also enables sustainable business growth and economic and social vitality.

(7) As well-established brand in the world, Marriot can get the source of strategic advantage and create financial value due to the brand's ability to generate cash flows via relatively higher margins [5].

(8) By constantly innovating, expanding the hotel's own tourism and cultural value, and improving the quality of service, Marriott is able to make itself a distinctive brand identity and thus make customers choose it for a long time [1] [8].

3.1.2.W

(1) The main source of revenue in the hotel industry is accommodation, but this is vulnerable to external shocks such as the epidemic entry and exit restrictions, which have caused a sharp decline in revenue and great difficulties for hotel operations in the short term.

(2) Franchises need to balance their own standardization with adaptation to local culture, which makes hotels lose some of their traffic in terms of cultural characteristics.

(3) Hotel chains need to balance the degree of standardization and localization to respond to customer needs [6]. It is a challenge to get this balance right in developing an operational approach.

3.1.3.O

(1) With the development of tourist attractions and economic globalization in various countries, the hotel industry still has a lot of room for development.

(2) Affected by the pandemic, Marriott extended its brand value into the area of bedding. This allows the hotel to expand its revenue streams [2].

(3) AI has entered the hotel industry, which improves operational efficiency, offers contactless service and improves cleanliness. But there are also safety risks due to AI autonomy. Exploring the usage of AI will enhance the hotel's revenue efficiency [9] [10].

3.1.4.T

(1) In the face of the downward phase of the economic cycle, consumers will spend less, and the demand for accommodation is lower, which in turn will reduce hotel revenue.

(2) The world is not peaceful at the moment, and conflicts and wars between countries can affect the flow of visitors and thus affect the revenue of hotels.

(3) Marriott has a number of brands and gains a high popularity, which puts forward higher requirements for the prudence of operation. This is because a negative event can have a negative impact on the hotel's reputation and reduce revenue.

(4) There are many hotel brands and high popularity, which puts forward higher requirements for the prudence of operation. This is because a negative event can have a negative impact on the hotel's reputation and reduce revenue.

(5) The hotel industry needs to protect customer privacy, which exposes it to the risk of information security.

(6) Marriott's total ESG score in September, 2023 is 21, which is 34th percentile, performing worse than its peers whose average score is 1.9. In environment, social and governance aspects, Marriott still needs an improvement.

(7) Terrorist attacks target luxury hotels. As the world's leading hotel industry, Marriott faces a security threat from a terrorist attack while attracting a large number of business people. However, if the hotel can provide a widely recognized security, it will earn a higher revenue [3].

3.2. Financial Analysis

This paper uses the changes of financial indicators from the year 2020 to 2023 to analyze adaptability of the Marriott International (MAR) during and after COVID 19. Furthermore, a comparison between this company and its competitor Hilton Worldwide Holdings Inc. (HLT) is made to test the performance of Marriott International in the hospitality industry. The data is collected from the Choice financial terminal.

3.2.1. Revenue and Operating Income

The revenue and operating income are shown in figure1 and figure 2. It can be easily recognized that both the MAR and HLT recover quickly after the impact of the epidemic. From 2022 to 2023, the increasing rate gets slower. In this time period, the MAR receives higher revenue and operating income than the HLT all the time, which also shows that the MAR has a bigger volume.

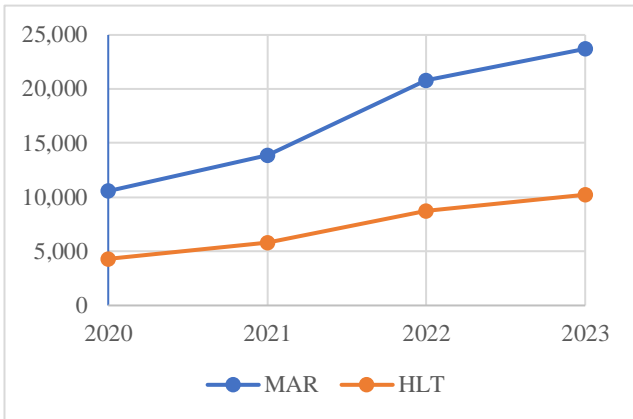


Figure 1: Revenue (in millions dollar)

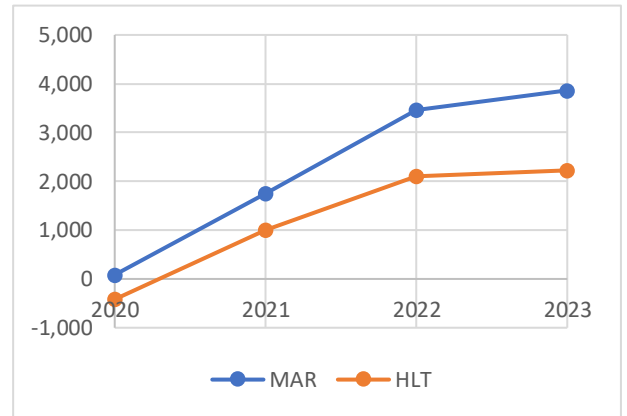


Figure 2: Operating Income (in millions dollar)

3.2.2. Profitability Ratios

The Gross profit is shown in figure 3. It is obvious to find that HLT has a smoother trend in gross profit than MAR. From year 2020 to 2021, the gross profit is under 20%, while the HLT maintains above 80%. In year 2022, the MAR has a jump to above 90% which is higher than the HLT. In year 2023, they have similar percentage for about 95%.

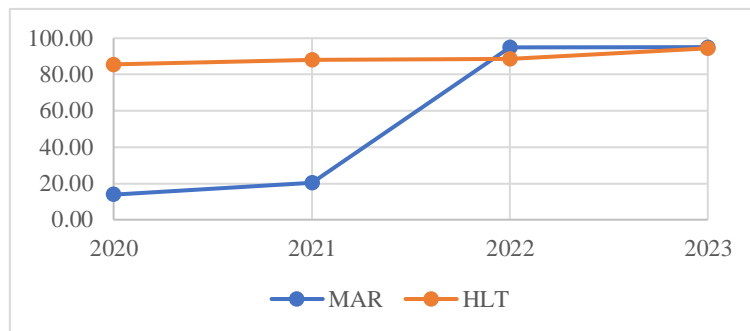


Figure 3: Gross Profit (%)

The net profit and ROIC are shown in figure 4 and 5. The MAR maintains an increasing trend in net profit compared to the HLT. They both have a negative net profit in 2020, which is the beginning year of the COVID 19. The Mar controls the loss better than HLT and backs to about 8% the year after. And then it increases constantly and reach to 13% in 2023. Taken together, the MAR has a higher profit ability than HLT.

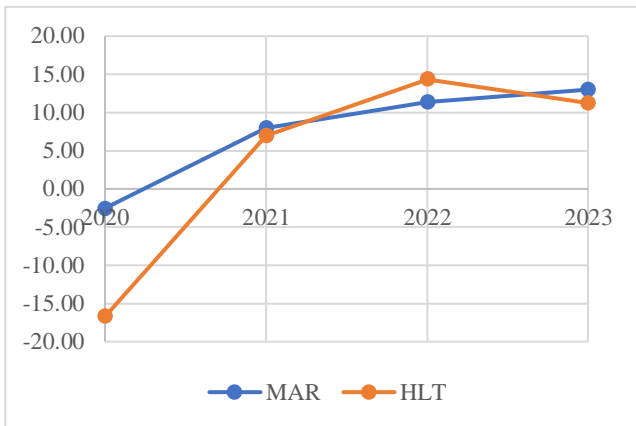


Figure 4: Net Profit (%)

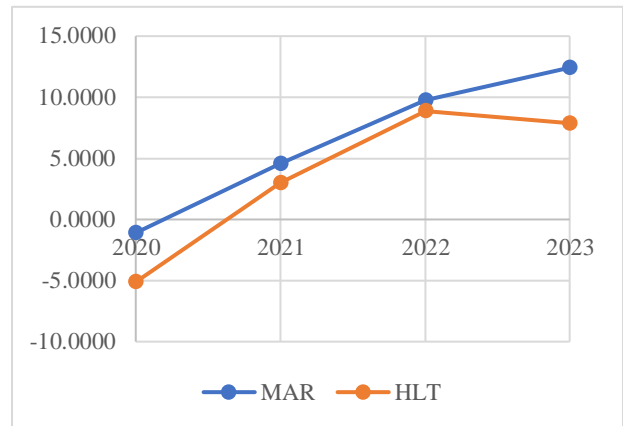


Figure 5: ROIC (%)

3.2.3. Liquidity Ratio

The current ratio is shown in figure 6. The current ratio of the MAR is lower all the time and stays almost unchanged near 0.50. The peak is 0.57 in 2021. This means the paying ability of the MAR in short term is weak and may causes concern for its liquidity risk. In comparison, the HLT shows a better performance in 2020 in which it peaks at about 1.80. However, it declines sharply in 2021 and stays below 1.00 from 2021 to 2023.

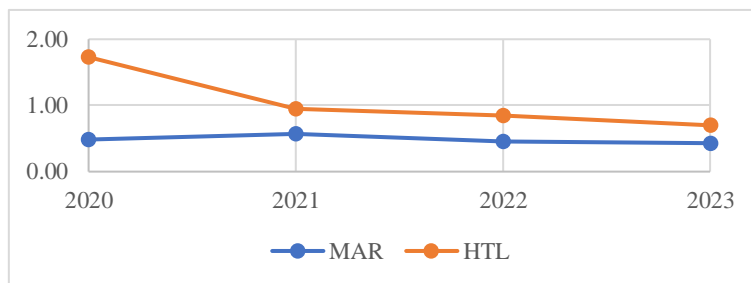


Figure 6: Current Ratio

3.2.4. Efficiency Ratio

The total asset turnover ratio is shown in figure 7. Both of these two companies have a rising trend in total asset turnover ratio after the pandemic. The MAR has a higher ratio and reaches up to approximately 1.00 in 2023, presenting a stronger ability in asset management.

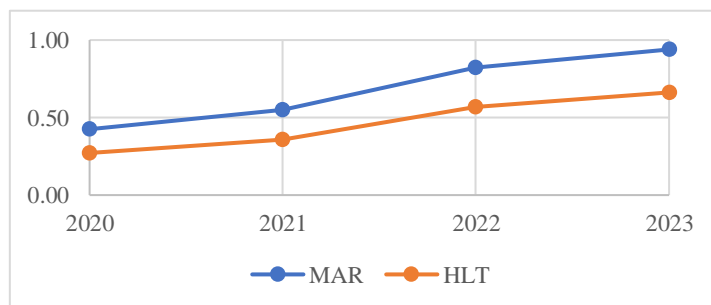


Figure 7: Total Asset Turnover Ratio

3.2.5. Financial Gearing

The debt-to-asset ratio is shown in figure 8. Both of the two companies have a large debt-to-asset ratio which around 1.00, which means they give a high leverage on their assets and shows a strong borrowing capacity. It can be observed that the ratio goes to the bottom in 2021, both decreases for approximately 5% in 2021, reflecting lower loans can be borrowed. However, the ratio goes up steadily in the last 3 years. In addition, the ratio of the MAR is lower, showing less stress in debt.

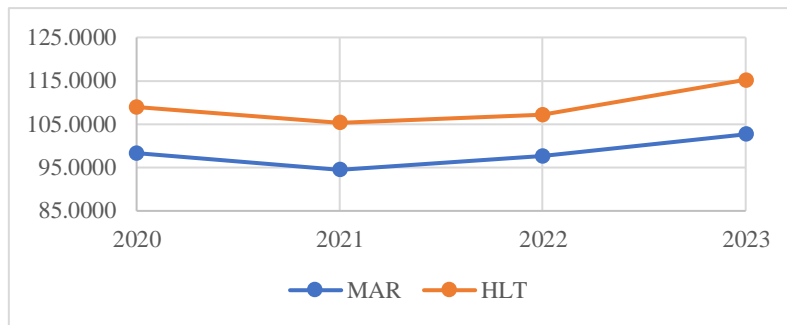


Figure 8: Debt-to-Asset Ratio (%)

3.3. Relative Valuation

Based on the current market situation, this study chooses IHG (InterContinental Hotels Group PLC), HLT (Hilton Worldwide Holdings Inc.) and H.N (Hyatt Hotels Corporation), which has similar volume and state in the hospitality industry to calculate its estimate value. The data is collected from the Choice financial terminal.

As presented in table 1 and table 2, the calculated average estimate value in Dec 31, 2023 is 61232.96 million dollars, which is relatively higher than the given market capitalization, reflecting the value is underestimated by the market. However, for there is no two perfectly same companies in the world, the average ratios may impact the effectiveness of estimation. In any case, the value of the MAR is higher than 40 billion, which indicates the appropriate degree.

Table 1: results of Relative valuation

	IHG	HLT	H. N	multiplier
PS	3.07	4.21	1.88	3.05
PE	26.74	30.95	24.68	27.46
PB	-7.60	-29.70	3.24	-11.35

Table 2: results of Estimate value (in millions dollar)

2023	multiplier		corresponding amount	=	estimate value
Operating income	3.05	×	23713.00	=	72403.69
Net profit	27.46	×	3083.00	=	84648.90
Equity book value	-11.35	×	-2347.00	=	26646.27
Average estimate value					61232.96
Market capitalization					46695.00

PS = market capitalization/operating income

PE = market capitalization/net profit

PB = market capitalization/equity book value

4. Conclusion

This paper analyzes the overall value of Marriott using SWOT analysis, financial analysis, and relative valuation method. The SWOT analysis shows that Marriott's existing size, location, brand premium, and long history of operating experience provide a good cash flow income and steady growth for the hotel. However, Marriott's revenue will still be affected by the external environment, such as the pandemic, political conflicts, and the threat of hackers stealing customer privacy and terrorist attacks. Financial analysis shows that Marriott has a more obvious advantage over Hilton. Marriott has a faster revenue recovery after the epidemic, stronger profitability and asset management capabilities. However, in terms of short-term solvency, it is slightly underperforming. In the relative valuation analysis, Marriott's market value may be undervalued, which is shown by the calculated result. Overall, Marriott has a clear competitive advantage in the hotel industry, with excellent profitability and operational capabilities, but it is still vulnerable to the negative impact of external turbulence on its own revenue.

There are two main investment implications in this paper. On the one hand, the above analysis can help investors understand the recent development status of Marriott in more detail, and have certain reference value for investors' investment decisions. On the other hand, for Marriott itself, the analysis of the financial data from 2021 to 2023 reflects the company's post-epidemic operations. From a macro perspective, the balance between the hotel's own culture and local culture, low ESG metrics, and the promotion and application of AI included in the SWOT analysis provide a reference for the company to further improve its operations, cope with uncertainties and shocks, and help the company better maintain sustainable development.

However, this article leaves something to be desired. In particular, more emphasis is placed on the analysis of investment value at the micro level, and the analysis of influencing factors at the macro level is not deep enough, which can be further expanded in future research.

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