

MARRIOTT INTERNATIONAL INC /MD/  
Form 10-Q  
November 06, 2018  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File No. 1-13881

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MARRIOTT INTERNATIONAL, INC.  
(Exact name of registrant as specified in its charter)

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Delaware	52-2055918
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

10400 Fernwood Road, Bethesda, Maryland 20817  
(Address of principal executive offices) (Zip Code)  
(301) 380-3000  
(Registrant's telephone number, including area code)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller Reporting Company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 341,130,300 shares of Class A Common Stock, par value \$0.01 per share, outstanding at October 24, 2018.

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## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

## MARRIOTT INTERNATIONAL, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(\$ in millions, except per share amounts)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2018	2017	2018	2017
<b>REVENUES</b>				
Base management fees	\$279	\$ 269	\$852	\$ 818
Franchise fees	502	419	1,394	1,182
Incentive management fees	151	138	482	433
Gross fee revenues	932	826	2,728	2,433
Contract investment amortization	(13 )	(11 )	(44 )	(34 )
Net fee revenues	919	815	2,684	2,399
Owned, leased, and other revenue	397	433	1,226	1,309
Cost reimbursement revenue	3,733	3,830	11,491	11,493
	5,049	5,078	15,401	15,201
<b>OPERATING COSTS AND EXPENSES</b>				
Owned, leased, and other-direct	315	351	985	1,057
Depreciation, amortization, and other	52	54	164	176
General, administrative, and other	221	205	685	651
Merger-related costs and charges	12	28	64	100
Reimbursed expenses	3,879	3,650	11,693	11,137
	4,479	4,288	13,591	13,121
<b>OPERATING INCOME</b>	570	790	1,810	2,080
Gains and other income, net	18	6	191	31
Interest expense	(86 )	(73 )	(246 )	(216 )
Interest income	5	9	16	24
Equity in earnings	61	6	95	29
<b>INCOME BEFORE INCOME TAXES</b>	568	738	1,866	1,948
Provision for income taxes	(85 )	(253 )	(375 )	(603 )
<b>NET INCOME</b>	\$483	\$ 485	\$1,491	\$ 1,345
<b>EARNINGS PER SHARE</b>				
Earnings per share - basic	\$1.39	\$ 1.30	\$4.23	\$ 3.55
Earnings per share - diluted	\$1.38	\$ 1.29	\$4.18	\$ 3.51
<b>CASH DIVIDENDS DECLARED PER SHARE</b>	\$0.41	\$ 0.33	\$1.15	\$ 0.96

See Notes to Condensed Consolidated Financial Statements.

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## MARRIOTT INTERNATIONAL, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(\$ in millions)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2018	2017	2018	2017
Net income	\$483	\$ 485	\$1,491	\$ 1,345
Other comprehensive (loss) income:				
Foreign currency translation adjustments	(66 )	107	(313 )	457
Derivative instrument adjustments, net of tax	(1 )	(5 )	7	(13 )
Unrealized gain (loss) on available-for-sale securities, net of tax	—	1	—	(1 )
Pension and postretirement adjustments, net of tax	—	—	—	—
Reclassification of losses, net of tax	2	4	18	5
Total other comprehensive (loss) income, net of tax	(65 )	107	(288 )	448
Comprehensive income	\$418	\$ 592	\$1,203	\$ 1,793

See Notes to Condensed Consolidated Financial Statements.

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MARRIOTT INTERNATIONAL, INC.  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (\$ in millions)  
 (Unaudited)

	September 30, 2018	December 31, 2017
<b>ASSETS</b>		
Current assets		
Cash and equivalents	\$ 373	\$ 383
Accounts and notes receivable, net	2,175	1,973
Prepaid expenses and other	242	235
Assets held for sale	13	149
	2,803	2,740
Property and equipment, net	1,967	1,793
Intangible assets		
Brands	5,809	5,922
Contract acquisition costs and other	2,594	2,622
Goodwill	9,067	9,207
	17,470	17,751
Equity method investments	689	734
Notes receivable, net	122	142
Deferred tax assets	171	93
Other noncurrent assets	611	593
	\$ 23,833	\$ 23,846
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Current portion of long-term debt	\$ 617	\$ 398
Accounts payable	759	783
Accrued payroll and benefits	1,253	1,214
Liability for guest loyalty program	2,305	2,121
Accrued expenses and other	1,117	1,291
	6,051	5,807
Long-term debt	8,710	7,840
Liability for guest loyalty program	3,317	2,819
Deferred tax liabilities	551	605
Deferred revenue	632	583
Other noncurrent liabilities	2,248	2,610
Shareholders' equity		
Class A Common Stock	5	5
Additional paid-in-capital	5,773	5,770
Retained earnings	8,705	7,242
Treasury stock, at cost	(11,850)	(9,418)
Accumulated other comprehensive loss	(309)	(17)
	2,324	3,582
	\$ 23,833	\$ 23,846

See Notes to Condensed Consolidated Financial Statements.



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MARRIOTT INTERNATIONAL, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (\$ in millions)  
 (Unaudited)

	Nine Months Ended	
	September 30,	September 30,
	2018	2017
<b>OPERATING ACTIVITIES</b>		
Net income	\$1,491	\$ 1,345
Adjustments to reconcile to cash provided by operating activities:		
Depreciation, amortization, and other	208	210
Share-based compensation	140	139
Income taxes	(192 )	190
Liability for guest loyalty program	681	156
Contract acquisition costs	(110 )	(126 )
Merger-related charges	(37 )	(117 )
Working capital changes	(233 )	(124 )
Gain on asset dispositions	(191 )	(30 )
Other	67	108
Net cash provided by operating activities	1,824	1,751
<b>INVESTING ACTIVITIES</b>		
Capital expenditures	(462 )	(155 )
Dispositions	460	482
Loan advances	(13 )	(85 )
Loan collections	47	91
Other	49	(6 )
Net cash provided by investing activities	81	327
<b>FINANCING ACTIVITIES</b>		
Commercial paper/Credit Facility, net	1,045	480
Issuance of long-term debt	443	1
Repayment of long-term debt	(391 )	(305 )
Issuance of Class A Common Stock	4	4
Dividends paid	(404 )	(362 )
Purchase of treasury stock	(2,513 )	