

MARRIOTT INTERNATIONAL INC /MD/  
Form 10-Q  
October 29, 2015  
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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, 2015

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  
(State or other jurisdiction of  
incorporation or organization)

52-2055918  
(IRS Employer  
Identification No.)

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

20817  
(Zip 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes  No

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller Reporting Company

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: 257,128,905 shares of Class A Common Stock, par value \$0.01 per share, outstanding at October 16, 2015.



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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,
	2015	2014	2015	2014
<b>REVENUES</b>				
Base management fees	\$ 170	\$ 178	\$ 526	\$ 509
Franchise fees	227	203	652	560
Incentive management fees	68	67	238	220
Owned, leased, and other revenue	229	244	729	747
Cost reimbursements	2,884	2,768	8,635	8,201
	3,578	3,460	10,780	10,237
<b>OPERATING COSTS AND EXPENSES</b>				
Owned, leased, and other - direct	175	189	552	573
Reimbursed costs	2,884	2,768	8,635	8,201
Depreciation, amortization, and other	31	33	107	116
General, administrative, and other	149	172	446	479
	3,239	3,162	9,740	9,369
<b>OPERATING INCOME</b>	339	298	1,040	868
Gains and other income, net	—	1	20	4
Interest expense	(43	) (29	) (121	) (89
Interest income	5	8	19	17
Equity in earnings	8	12	13	6
<b>INCOME BEFORE INCOME TAXES</b>	309	290	971	806
Provision for income taxes	(99	) (98	) (314	) (250
<b>NET INCOME</b>	\$ 210	\$ 192	\$ 657	\$ 556
<b>EARNINGS PER SHARE</b>				
Earnings per share - basic	\$ 0.80	\$ 0.66	\$ 2.43	\$ 1.90
Earnings per share - diluted	\$ 0.78	\$ 0.65	\$ 2.38	\$ 1.86
<b>CASH DIVIDENDS DECLARED PER SHARE</b>	\$ 0.25	\$ 0.20	\$ 0.70	\$ 0.57

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,
	2015	2014	2015	2014
Net income	\$210	\$192	\$657	\$556
Other comprehensive (loss) income:				
Foreign currency translation adjustments	(28	) (18	) (47	) (18
Derivative instrument adjustments, net of tax	2	3	9	4
Unrealized (loss) gain on available-for-sale securities, net of tax	(3	) —	(5	) 2
Reclassification of (gains) losses, net of tax	(3	) 1	(7	) 3
Total other comprehensive loss, net of tax	(32	) (14	) (50	) (9
Comprehensive income	\$178	\$178	\$607	\$547

See Notes to Condensed Consolidated Financial Statements.

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

	(Unaudited) September 30, 2015	December 31, 2014
<b>ASSETS</b>		
Current assets		
Cash and equivalents	\$95	\$104
Accounts and notes receivable, net	1,144	1,100
Current deferred taxes, net	257	311
Prepaid expenses	58	64
Other	30	109
Assets held for sale	139	233
	1,723	1,921
Property and equipment, net	985	1,460
Intangible assets		
Contract acquisition costs and other	1,450	1,351
Goodwill	970	894
	2,420	2,245
Equity and cost method investments	174	224
Notes receivable, net	154	215
Deferred taxes, net	450	530
Other noncurrent assets	247	270
	\$6,153	\$6,865
<b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>		
Current liabilities		
Current portion of long-term debt	\$615	\$324
Accounts payable	577	605
Accrued payroll and benefits	779	799
Liability for guest loyalty programs	930	677
Accrued expenses and other	608	655
	3,509	3,060
Long-term debt	3,689	3,457
Liability for guest loyalty programs	1,531	1,657
Other noncurrent liabilities	1,013	891
Shareholders' deficit		
Class A Common Stock	5	5
Additional paid-in-capital	2,791	2,802
Retained earnings	4,740	4,286
Treasury stock, at cost	(11,005)	(9,223)
Accumulated other comprehensive loss	(120)	(70)
	(3,589)	(2,200)
	\$6,153	\$6,865

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, 2015	September 30, 2014
<b>OPERATING ACTIVITIES</b>		
Net income	\$657	\$556
Adjustments to reconcile to cash provided by operating activities:		
Depreciation, amortization, and other	107	116
Share-based compensation	84	81
Income taxes	120	83
Liability for guest loyalty programs	119	70
Working capital changes	(77)	(37)
Other	70	81
Net cash provided by operating activities	1,080	950
<b>INVESTING ACTIVITIES</b>		
Capital expenditures	(218)	(267)
Dispositions	612	292
Loan advances	(12)	(103)
Loan collections	21	26
Equity and cost method investments	(5)	(7)
Contract acquisition costs	(89)	(47)
Acquisition of a business, net of cash acquired	(137)	(184)
Redemption of preferred equity investment	121	—
Other	80	(14)
Net cash provided by (used in) investing activities	373	(304)
<b>FINANCING ACTIVITIES</b>		
Commercial paper/Credit Facility, net	(274)	375
Issuance of long-term debt	790	—
Repayment of long-term debt	(7)	(5)
Issuance of Class A Common Stock	39	129
Dividends paid	(189)	(167)
Purchase of treasury stock	(1,821)	(954)
Net cash used in financing activities	(1,462)	(622)
(DECREASE)/INCREASE IN CASH AND EQUIVALENTS	(9)	24
CASH AND EQUIVALENTS, beginning of period	104	126
CASH AND EQUIVALENTS, end of period	\$95	\$150
See Notes to Condensed Consolidated Financial Statements.		



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MARRIOTT INTERNATIONAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. BASIS OF PRESENTATION

The condensed consolidated financial statements present the results of operations, financial position, and cash flows of Marriott International, Inc. (“Marriott,” and together with its subsidiaries, “we,” “our,” “us,” or the “Company”). In order to make this report easier to read, we refer throughout to (i) our Condensed Consolidated Financial Statements as our “Financial Statements,” (ii) our Condensed Consolidated Statements of Income as our “Income Statements,” (iii) our Condensed Consolidated Balance Sheets as our “Balance Sheets,” (iv) our properties, brands, or markets in the United States and Canada as “North America” or “North American,” and (v) our properties, brands, or markets outside of the United States and Canada as “International.” In addition, references throughout to numbered “Footnotes” refer to the numbered Notes in these Notes to Condensed Consolidated Financial Statements, unless otherwise noted.

These Financial Statements have not been audited. We have condensed or omitted certain information and footnote disclosures normally included in financial statements presented in accordance with U.S. generally accepted accounting principles (“GAAP”). The financial statements in this report should be read in conjunction with the consolidated financial statements and notes thereto in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (“2014 Form 10-K”). Certain terms not otherwise defined in this Form 10-Q have the meanings specified in our 2014 Form 10-K.

Preparation of financial statements that conform to GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements, the reported amounts of revenues and expenses during the reporting periods, and the disclosures of contingent liabilities. Accordingly, ultimate results could differ from those estimates.

The accompanying Financial Statements reflect all normal and recurring adjustments necessary to present fairly our financial position as of September 30, 2015 and December 31, 2014, the results of our operations for the three and nine months ended September 30, 2015 and September 30, 2014, and cash flows for the nine months ended September 30, 2015, and September 30, 2014. Interim results may not be indicative of fiscal year performance because of seasonal and short-term variations. We have eliminated all material intercompany transactions and balances between entities consolidated in these Financial Statements.

New Accounting Standard Updates (“ASU”)

ASU No. 2014-09 - “Revenue from Contracts with Customers” (“ASU No. 2014-09”)

ASU No. 2014-09 supersedes the revenue recognition requirements in Topic 605, Revenue Recognition