

MARRIOTT INTERNATIONAL INC /MD/
Form 10-K
February 20, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
 ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2013
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

MARRIOTT INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)
Delaware 52-2055918
(State or other jurisdiction of (IRS Employer
incorporation or organization) Identification No.)
10400 Fernwood Road, Bethesda, Maryland 20817
(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, Including Area Code (301) 380-3000

Securities registered pursuant to Section 12(b) of the Act:
Title of Each Class Name of Each Exchange on Which Registered
Class A Common Stock, \$0.01 par value Nasdaq Global Select Market
(294,823,291 shares outstanding as of February 7, 2014) Chicago Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small 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 Smaller reporting company
(Do not check if a smaller reporting company)

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

The aggregate market value of shares of common stock held by non-affiliates at June 30, 2013, was \$9,242,186,286

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement prepared for the 2014 Annual Meeting of Shareholders are incorporated by reference into

Part III of this report.

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Throughout this report, we refer to Marriott International, Inc., together with its subsidiaries, as “we,” “us,” or “the Company.” Unless otherwise specified, each reference to a particular year means the fiscal year ended on the date shown in the table below:

Fiscal Year	Fiscal Year-End Date	Fiscal Year	Fiscal Year-End Date
2013	December 31, 2013	2008	January 2, 2009
2012	December 28, 2012	2007	December 28, 2007
2011	December 30, 2011	2006	December 29, 2006
2010	December 31, 2010	2005	December 30, 2005
2009	January 1, 2010	2004	December 31, 2004

Beginning with our 2013 fiscal year, we changed our financial reporting cycle to a calendar year-end reporting cycle and an end-of-month quarterly reporting cycle. Accordingly, our 2013 fiscal year began on December 29, 2012 and ended on December 31, 2013. Historically, our fiscal year was a 52-53 week fiscal year that ended on the Friday nearest to December 31. As a result, our 2013 fiscal year had 4 more days than the 2012 and 2011 fiscal years. We have not restated and do not plan to restate historical results. Beginning in 2014, our fiscal years will be the same as the corresponding calendar year (each beginning on January 1 and ending on December 31).

In order to make this report easier to read, we also refer throughout to (i) our Consolidated Financial Statements as our “Financial Statements,” (ii) our Consolidated Statements of Income as our “Income Statements,” (iii) our 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.” References throughout to numbered “Footnotes” refer to the numbered Notes to our Financial Statements that we include in the Financial Statements section of this report.

PART I

Item 1. Business.

We are a worldwide operator, franchisor, and licensor of hotels and timeshare properties under numerous brand names at different price and service points. Consistent with our focus on management, franchising, and licensing, we own very few of our lodging properties. We also operate, market, and develop residential properties and provide services to home/condominium owner associations.

We were organized as a corporation in Delaware in 1997 and became a public company in 1998 when we were “spun off” as a separate entity by the company formerly named “Marriott International, Inc.” We operate, franchise, or license 3,916 properties worldwide, with 675,623 rooms as of year-end 2013 inclusive of 40 home and condominium products (4,228 units) for which we manage the related owners’ associations. We believe that our portfolio of brands is the broadest of any lodging company in the world. Our brands are listed in the following table:

- Marriott Hotels®
- JW Marriott®
- Renaissance® Hotels
- Gaylord Hotels®
- Autograph Collection® Hotels
- Moxy HotelsSM*
- Courtyard by Marriott® (“Courtyard®”)
- Fairfield Inn & Suites by Marriott® (“Fairfield Inn & Suites®”)
- SpringHill Suites by Marriott® (“SpringHill Suite®”)
- TownePlace Suites by Marriott® (“TownePlace Suite®”)
- Marriott Executive Apartment®
- The Ritz-Carlton®
- Bulgari Hotels & Resorts
- EDITION®
- AC Hotels by MarriottSM
- Marriott Vacation Club®
- The Ritz-Carlton Destination Club®
- The Ritz-Carlton Residence®

- Residence Inn by Marriott® (“Residence Inn®”)
- Grand Residences by MarriottSM

* At year-end 2013, no Moxy properties were yet open.

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Our operations are grouped into four business segments: North American Full-Service, North American Limited-Service, International, and Luxury. Financial information by segment and geographic area for 2013, 2012, and 2011 appears in Footnote No. 14, "Business Segments."

Company-Operated Properties

At year-end 2013, we operated 1,057 properties (283,029 rooms) under long-term management agreements with property owners, 35 properties (8,542 rooms) under long-term lease agreements with property owners (management and lease agreements together, "the Operating Agreements"), and 9 properties (1,960 rooms) as owned. The figures noted for properties operated under long-term management agreements include 40 home and condominium products (4,228 units) for which we manage the related owners' associations.

Terms of our management agreements vary, but we earn a management fee that is typically composed of a base management fee, which is a percentage of the revenues of the hotel, and an incentive management fee, which is based on the profits of the hotel. Our management agreements also typically include reimbursement of costs of operations (both direct and indirect). Such agreements are generally for initial periods of 20 to 30 years, with options for us to renew for up to 50 or more additional years. Our lease agreements also vary, but may include fixed annual rentals plus additional rentals based on a percentage of annual revenues in excess of a fixed amount. Many of our Operating Agreements are subordinated to mortgages or other liens securing indebtedness of the owners. Many of our Operating Agreements also permit the owners to terminate the agreement if we do not meet certain performance metrics and financial returns fail to meet defined levels for a period of time and we have not cured such deficiencies. In certain circumstances, some of our management agreements allow owners to convert company-operated properties to franchised properties under our brands.

For lodging facilities that we operate, we generally are responsible for hiring, training, and supervising the managers and employees required to operate the facilities and for purchasing supplies, and owners are required to reimburse us for those costs. We provide centralized reservation services and national advertising, marketing, and promotional services, as well as various accounting and data processing services, and owners are also required to reimburse us for those costs.

Franchised, Licensed, and Unconsolidated Joint Venture Properties

We have franchising, licensing, and joint venture programs that permit other hotel owners and operators and Marriott Vacations Worldwide Corporation ("MVW") to use many of our lodging brand names and systems. Under our franchising program, we generally receive an initial application fee and continuing royalty fees, which typically range from four percent to six percent of room revenues for all brands, plus two percent to three percent of food and beverage revenues for certain full-service hotels. We are a partner in unconsolidated joint ventures that manage hotels. Some of these unconsolidated joint ventures also provide services to franchised hotels. We recognize our share of these joint ventures' net income or loss. Franchisees and joint ventures contribute to our national marketing and advertising programs and pay fees for use of our centralized reservation systems. Under license agreements with us, MVW is both the exclusive developer and operator of timeshare, fractional, and related products under the Marriott brand and the exclusive developer of fractional and related products under The Ritz-Carlton brand. We receive license fees under licensing agreements with MVW consisting of a fixed annual fee of \$50 million plus two percent of the gross sales price paid to MVW for initial developer sales of interests in vacation ownership units and residential real estate units and one percent of the gross sales price paid to MVW for resales of interests in vacation ownership units and residential real estate units, in each case that are identified with or use the Marriott or Ritz-Carlton marks.

At year-end 2013, we had 2,673 franchised properties (360,451 rooms), 80 unconsolidated joint venture properties (8,839 rooms), and 62 licensed timeshare, fractional, and related properties (12,802 units).

Residential

We use or license our trademarks for the sale of residential real estate, typically in conjunction with hotel development and receive branding fees for sales of such branded residential real estate by others. Residences are typically constructed and sold by third-party owners with limited amounts, if any, of our capital at risk. We have used or

licensed our The Ritz-Carlton, EDITION, Autograph Collection Hotels, JW Marriott, and Marriott Hotels brand names and trademarks for residential real estate sales. While the worldwide residential market is very large, we believe the luxurious nature of our residential properties, the quality and exclusivity associated with our brands, and the hospitality services that we provide, all serve to make our residential properties distinctive.

Seasonality

In general, business at company-operated and franchised properties fluctuates only moderately with the seasons and is relatively stable. Business at some resort properties may be seasonal depending on location.

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Relationship with Major Customer

We operate a number of properties under long-term management agreements that are owned or leased by Host Hotels & Resorts, Inc. (“Host”). In addition, Host is a partner in several partnerships that own properties operated by us under long-term management agreements. See Footnote No. 19, “Relationship with Major Customer,” for more information.

Intellectual Property

We operate in a highly competitive industry and our brand names, trademarks, service marks, trade names, and logos are very important to the sales and marketing of our properties and services. We believe that our brand names and other intellectual property have come to represent the highest standards of quality, caring, service, and value to our customers and the traveling public. Accordingly, we register and protect our intellectual property where we deem appropriate and otherwise protect against its unauthorized use.

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Summary of Properties by Brand

At year-end 2013, we operated, franchised, or licensed the following properties by brand:

Brand	Company-Operated		Franchised / Licensed		Other ⁽³⁾	
	Properties	Rooms	Properties	Rooms	Properties	Rooms
U.S. Locations						
Marriott Hotels	130	67,762	182	55,534	—	—
Marriott Conference Centers	10	2,915	—	—	—	—
JW Marriott	15	9,735	7	2,914	—	—
Renaissance Hotels	33	15,035	41	11,805	—	—
Renaissance ClubSport®	—	—	2	349	—	—
Gaylord Hotels	5	8,098	—	—	—	—
Autograph Collection	—	—	32	8,410	—	—
The Ritz-Carlton	37	11,040	—	—	—	—
The Ritz-Carlton-Residential ⁽¹⁾	30	3,598	—	—	—	—
Courtyard	274	43,200	562	74,493	—	—
Fairfield Inn & Suites	4	1,197	687	61,724	—	—
SpringHill Suites	29	4,582	277	31,306	—	—
Residence Inn	122	17,653	507	58,403	—	—
TownePlace Suites	22	2,440	200	19,599	—	—
Timeshare ⁽²⁾	—	—	47	10,506	—	—
Total U.S. Locations	711	187,255	2,544	335,043	—	—
Non-U.S. Locations						
Marriott Hotels	137	40,456	37	10,757	—	—
JW Marriott	37	13,812	4	1,016	—	—
Renaissance Hotels	55	17,991	22	6,720	—	—
Autograph Collection	2	395	17	2,310	5	348
The Ritz-Carlton	47	13,950	—	—	—	—
The Ritz-Carlton-Residential ⁽¹⁾	9	575	1	55	—	—
The Ritz-Carlton Serviced Apartments	4	579	—	—	—	—
EDITION	2	251	—	—	—	—
Bulgari Hotels & Resorts	2	117	1	85	—	—
Marriott Executive Apartments	27	4,295	—	—	—	—
AC Hotels by Marriott	—	—	—	—	75	8,491
Courtyard	61	12,958	56	9,898	—	—
Fairfield Inn & Suites	1	148	16	1,896	—	—
SpringHill Suites	—	—	2	299	—	—
Residence Inn	6	749	18	2,600	—	—
TownePlace Suites	—	—	2	278	—	—
Timeshare ⁽²⁾	—	—	15	2,296	—	—
Total Non-U.S. Locations	390	106,276	191	38,210	80	8,839
Total	1,101	293,531	2,735	373,253	80	8,839

(1) Represents projects where we manage the related owners' association. We include residential products once they possess a certificate of occupancy.

(2) Timeshare properties licensed by MVW under the Marriott Vacation Club, The Ritz-Carlton Destination Club, The Ritz-Carlton Residences, and Grand Residences by Marriott brand names. Includes products that are in active sales

as well as those that are sold out. MVW's property and room counts are reported on a fiscal year basis for the MVW year ended January 3, 2014.

- (3) Properties operated by unconsolidated joint ventures that hold management agreements and also provide services to franchised properties.

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Summary of Properties by Country

At year-end 2013, we operated, franchised or licensed properties in the following 72 countries and territories:

Country	Properties	Rooms
Americas		
Aruba	5	1,955
Bahamas	1	17
Barbados	1	118
Brazil		