

MARRIOTT INTERNATIONAL INC /MD/

Form 10-Q

July 15, 2011

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended June 17, 2011

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)

<b>Delaware</b> (State or other jurisdiction of incorporation or organization)	<b>52-2055918</b> (IRS Employer Identification No.)
<b>10400 Fernwood Road, Bethesda, Maryland</b> (Address of principal executive offices)	<b>20817</b> (Zip Code)
<b>(301) 380-3000</b> (Registrant's telephone number, including area code)	

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 <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller Reporting Company <input type="checkbox"/>

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: 352,902,263 shares of Class A Common Stock, par value \$0.01 per share, outstanding at July 1, 2011.

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**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements****MARRIOTT INTERNATIONAL, INC. ( MARRIOTT )****CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(\$ in millions, except per share amounts)

(Unaudited)

	Twelve Weeks Ended		Twenty-Four Weeks Ended	
	June 17, 2011	June 18, 2010	June 17, 2011	June 18, 2010
<b>REVENUES</b>				
Base management fees	\$ 149	\$ 136	\$ 283	\$ 261
Franchise fees	120	105	223	196
Incentive management fees	50	46	92	86
Owned, leased, corporate housing, and other revenue	249	255	473	484
Timeshare sales and services	288	289	564	574
Cost reimbursements	2,116	1,940	4,115	3,800
	2,972	2,771	5,750	5,401
<b>OPERATING COSTS AND EXPENSES</b>				
Owned, leased, and corporate housing-direct	220	224	424	441
Timeshare-direct	245	239	470	474
Reimbursed costs	2,116	1,940	4,115	3,800
General, administrative, and other	159	142	318	280
	2,740	2,545	5,327	4,995
<b>OPERATING INCOME</b>				
	232	226	423	406
Gains and other income	3	3	5	4
Interest expense	(37)	(44)	(78)	(89)
Interest income	3	3	7	7
Equity in losses	0	(4)	(4)	(15)
<b>INCOME BEFORE INCOME TAXES</b>				
	201	184	353	313
Provision for income taxes	(66)	(65)	(117)	(111)
<b>NET INCOME</b>				
	\$ 135	\$ 119	\$ 236	\$ 202
<b>EARNINGS PER SHARE-Basic</b>				
Earnings per share	\$ 0.38	\$ 0.33	\$ 0.65	\$ 0.56
<b>EARNINGS PER SHARE-Diluted</b>				
Earnings per share	\$ 0.37	\$ 0.31	\$ 0.63	\$ 0.54

<b>CASH DIVIDENDS DECLARED PER SHARE</b>	\$ 0.1000	\$ 0.0400	\$ 0.1875	\$ 0.0800
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See Notes to Condensed Consolidated Financial Statements

**Table of Contents****MARRIOTT INTERNATIONAL, INC. ( MARRIOTT )****CONDENSED CONSOLIDATED BALANCE SHEETS**

(\$ in millions)

	(Unaudited)	
	June 17, 2011	December 31, 2010
<b>ASSETS</b>		
Current assets		
Cash and equivalents	\$ 117	\$ 505
Accounts and notes receivable (including from VIEs of \$119 and \$125 respectively)	1,006	938
Inventory	1,365	1,489
Current deferred taxes, net	237	246
Prepaid expenses	93	81
Other (including from VIEs of \$47 and \$31 respectively)	120	123
	2,938	3,382
Property and equipment	1,483	1,307
Intangible assets		
Goodwill	875	875
Contract acquisition costs and other	844	768
	1,719	1,643
Equity and cost method investments	278	250
Notes receivable (including from VIEs of \$799 and \$910, respectively)	1,127	1,264
Deferred taxes, net	910	932
Other (including from VIEs of \$14 and \$14, respectively)	336	205
	\$ 8,791	\$ 8,983
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
Current liabilities		
Current portion of long-term debt (including from VIEs of \$122 and \$126, respectively)	\$ 482	\$ 138
Accounts payable	607	634
Accrued payroll and benefits	674	692
Liability for guest loyalty program	487	486
Other (including from VIEs of \$5 and \$3, respectively)	667	551
	2,917	2,501
Long-term debt (including from VIEs of \$773 and \$890, respectively)	2,440	2,691
Liability for guest loyalty program	1,361	1,313
Other long-term liabilities	937	893
Marriott shareholders equity		
Class A Common Stock	5	5
Additional paid-in-capital	3,615	3,644
Retained earnings	3,401	3,286
Treasury stock, at cost	(5,874)	(5,348)
Accumulated other comprehensive loss	(11)	(2)

	1,136	1,585
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	\$ 8,791	\$ 8,983
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The abbreviation VIEs above means Variable Interest Entities.

See Notes to Condensed Consolidated Financial Statements

**Table of Contents****MARRIOTT INTERNATIONAL, INC. ( MARRIOTT )****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(\$ in millions)

(Unaudited)

	<b>Twenty-Four Weeks Ended</b>	
	<b>June 17, 2011</b>	<b>June 18, 2010</b>
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 236	\$ 202
Adjustments to reconcile to cash provided by operating activities:		
Depreciation and amortization	76	81
Income taxes	74	61
Timeshare activity, net	113	125
Liability for guest loyalty program	35	26
Restructuring costs, net	(4)	(6)
Asset impairments and write-offs	5	6
Working capital changes and other	(54)	27
Net cash provided by operating activities	481	522
<b>INVESTING ACTIVITIES</b>		
Capital expenditures	(91)	(64)
Loan advances	(11)	(10)
Loan collections and sales	88	9
Equit		