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MARRIOTT INTERNATIONAL

Financial statement



EXECUTIVE SUMMARY

The present report is discussing the financial status of Marriott international, taking into account its financial figures from 2020 vs 2021. As it will be discussed, Marriott has known some issues in 2020 in terms of financial figures, and it slowly started to gain its profitability back in 2021. Marriott financial analysis will be based on several financial ratios, like: current ratio, net profit, debtor days, etc.

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INTRODUCTION

This report will analyse Marriott International Group's 2020 vs 2021 financial statements. The report will provide a description and analysis of the company's history, a profit or loss statement and a balance sheet (Brealey, 2003). Data and information used in the report come from Marriott International 2020 and 2021 annual reports, news stories, related reports, analyst opinions and company websites. The work will also show Marriott's horizontal and vertical analysis, and the data is expected to show changes in 2020 and 2021 when compared (Brigham, 2002). Marriott International's liquidity, solvency, activity and profitability indicators will also be compared with Hilton Worldwide in the report. Amounts reported are in millions of US dollars. The process of comparing the relationship (or ratios) between two or more financial ratios in a company's financial statements is called ratio analysis. It is mainly used to make accurate comparisons over time and between different companies or industries. Ratio analysis is important because it provides a more accurate picture of the company's performance.

FIANANCIAL ANALYSIS

Formula	Ratio	2020	2021
Gross profits/sales x 100	Gross profit	$1459/10571 \times 100 =$ 13.80	$2801/13857 \times 100 =$ 20.21
Net profits of the year/sales x100	Net profit	$(-267)/10571 \times 100 =$ -2.52	$1099/13857 \times 100 =$ 7.93
Sales/total assets less current liability	Total assets turnover	$10571/24701 =$ 0.42	$13857/25553 =$ 0.54
Current assets total/current liabilities total	Current ratio	$2825/5752 =$ 0.49	$3626/6407 =$ 0.56
Debtors x 365 days of the year / sales	Debtor days	$1768 \times 365 / 10571 =$ 61.04	$1982 \times 365 / 13857 =$ 52.20
Earnings before taxes/(total assets-current liabilities)	ROCE	$84/(24701-24271) =$ 0.19	$1750/(25553-24139) =$ 1.23

Table 1 Financial analysis of Marriott International ratios

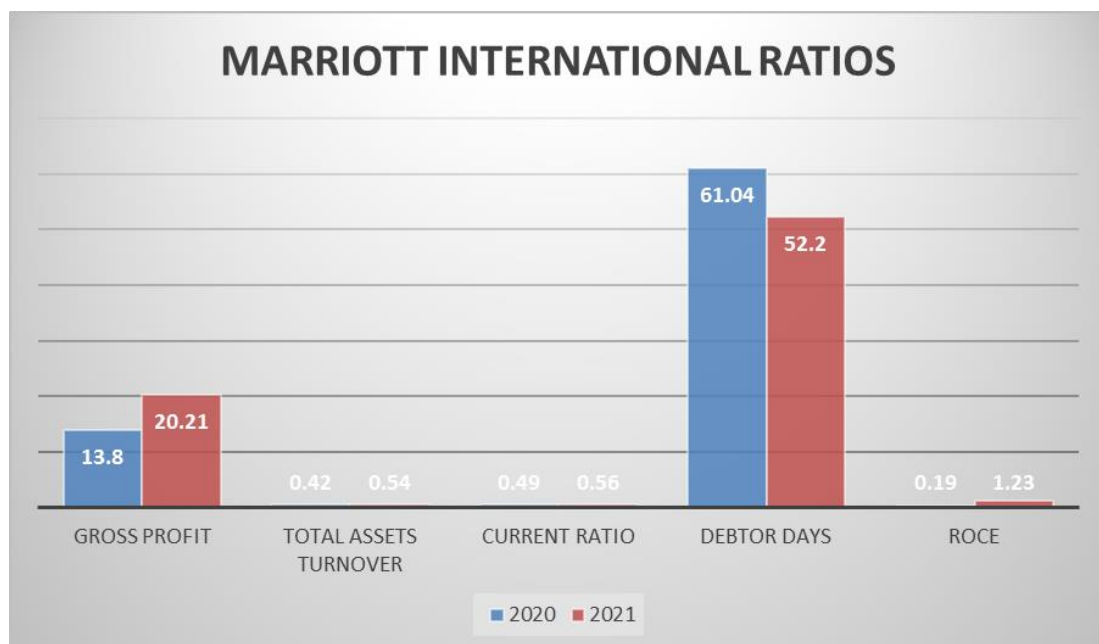


Fig 1 Graphical representation of Marriott's ratios 2020 vs 2021

FINANCIAL ANALYSIS TRENDS

Profitability

Investors and analysts use the earnings ratio to measure a company's ability to generate income (earnings) over time related to revenue, assets on the balance sheet, operating expenses, and equity. They show how a company can effectively use its assets to generate profits and shareholder value. According to Dragotas (2002), a higher value or ratio generally indicates that the company is performing well and generating revenue, profit and cash flow. These relationships are most useful when comparing different organizations in similar industries or to previous time periods. In the next section, we will discuss the most commonly used margins.

Net profit rose from -2.52 to 7.93. Profit margin is proportional to net profit as a percentage of sales (Helfert, 2001). In other words, it measures the profit made at a given level of sales. This ratio also indirectly measures how well a company manages the costs associated with net sales. Since the Covid pandemic has made it difficult for the entire company to make a lot of money, they are trying to cut costs and business expenses to make as much money as possible.

The annual negative profit margin indicated that the company's inability to control costs was the reason why it was unprofitable in 2020. The net profit percentage reflects the company's return to profitability in 2021. Gross profit is calculated as the ratio of gross profit to sales revenue. It takes into account the cost of producing goods and services and shows the company's turnover (Friedlob, 2003). A company's high gross margin reflects its ability to generate net income while paying dividends, operating expenses, fixed costs and depreciation. On the other hand, low profit margins (eg 13.80% in 2020) indicate high cost of sales. This may be due to poor buying habits, low prices, low sales volume, stiff competition in the market or poor advertising. Gross profit will increase to 20.21% in 2021.

ROCE is a profitability ratio that compares a company's net operating profit to its capital used to determine its efficiency in generating a return on capital (Petrescu, 2006). ROCE stands for return on invested capital. In other words, investors know the amount of profit earned per dollar of invested capital through return on invested capital. ROCE is a measure of long-term profitability because it shows how an asset is performing and takes long-term financing into account. In 2020, ROCE is 0.19 and in 2021 it will increase to 1.23, which indicates that the profit in 2021 will increase.

Total asset turnover - The overall indicator of profitability of hotel business assets is the total asset turnover (Stancu, 2007). Since the sole purpose of a company's assets is to earn and make money, this ratio shows investors and management a company's ability to turn assets into profit. The fact that this ratio increased from 0.42% to 0.54% in 2020 shows that the company is effectively converting invested money into net income. The Marriott Group More money is earned with less investment, making it an attractive investment opportunity right now.

Liquidity

A company's ability to meet its short-term debt obligations is measured by a financial ratio known as the liquidity ratio. According to Stroe (2004), this ratio helps determine whether a company is able to cover its current liabilities with working capital. The three most commonly used liquidity ratios are the cash ratio, the quick ratio, and the current ratio. Each liquidity indicator includes the amount of current assets in the denominator, and the amount of short-term liabilities in the numerator. According to Vasile (2006), the ratio structure puts assets at the top and liabilities at the bottom, requiring a ratio above 1.0. A ratio of 1 indicates that the company has enough liquid assets to meet all its obligations. A ratio below 1 (for example, 0.75) indicates that the company is unable to meet its current obligations. Marriott's current ratio rose to 0.56 from 0.49, but remains below 1.

Current assets were higher as accounts receivable and assets held for sale increased. Accruals and other factors were the main reasons for the increase in short-term liabilities (Brigham, 2008). Marriott's current ratio for 2021 is 0.56, which shows a gradual improvement over the previous year. This is due to the fall in current assets and liabilities. In addition, its current liabilities have also decreased due to lower accounts payable, in addition to accrued wages and benefits. Marriott's annual operating income in 2020 is equivalent to more than 3% of its typical current liabilities. If the ratio is less than 1, current liabilities are greater than infinite cash equivalents. This indicates that the company does not have enough cash to service its short-term debt. However, things have improved in 2021, with the ratio quintupling the previous year, suggesting the company has enough cash to cover 15% of its current liabilities.

Debtor days - The days-to-debtor ratio shows how quickly the debtor repays. The increase in debtor days is directly proportional to how long the company has to repay

its debts (Bondoc, 2013). The average number of days a company needs to receive an invoice payment from a customer is expressed in Debtor Days. In Marriott's case, the number of days has decreased from 61 to 52, meaning that the company has less cash available to use, but is improving this situation, shown by the decrease.

Gearing ratio

A debt-to-equity ratio is a financial ratio that compares the money a company has borrowed to some type of equity (or equity). Value commitments are one of the most widely recognized methods for assessing the financial condition of an organization. According to Bondoc (2013), the leverage ratio is an indicator of a company's financial leverage. Compared to other companies in the same industry, a company's asset-liability ratio is completely relative. According to Brigham (2008), a company with a high debt-to-equity ratio may be more vulnerable to recessions or rising interest rates because it usually borrows to cover its operating costs. This can lead to financial problems and even bankruptcy. A company with a low gearing ratio usually has a more conservative approach to cash management or is in an industry that is more subject to economic ups and downs, so it tries to reduce its liabilities. Companies with low debt-to-equity ratios do so by using equity to cover large expenses.

BENEFITS AND LIMITATIONS OF RATIO ANALYSIS

A fundamental problem in ratio analysis is the overestimation of return on capital as performance indicators. One of the basic objectives of financial management is to maximize the value of the firm (Brigham and Ehrhardt, 2002). The motivation behind scale checks is to compare an organization's current performance with its past records; track issues that can be found and resolved; help make decisions for the future; and compare the company's performance with its results. similar competitors. The results of relational analysis are not current, but historical. The coefficient analysis data did not take into account external factors such as the global economic recession (Bondoc, 2013). The relationship analysis does not take into account the people of the company. Data from scale studies should be used to account for different organizations of the same size and type. Comparing other companies can be a challenge as they may be reluctant to share information.

Financial ratio analysis is only useful when comparing two companies in the same industry (Brigham and Ehrhardt, 2002). Many company reviews provide a comprehensive picture of the company as they cover multiple industries. Since the industry average also includes underperforming companies, it doesn't make much sense to compare a company to the average. The accounting system for financial statements varies from company to company, allowing different accounting practices to be used for the same transaction. In this case, it is essential to change the company's annual reports (Brigham and Ehrhardt, 2002). By changing accounting assumptions over time, management can control their ratios, controlling the ability to change assumptions, which can reduce the comparability of financial indicators. Users are more concerned with current and future information, while relationship analysis explains the relationship between past data. There is no single method for calculating different ratios. For example, some analysts calculate ROA by dividing net income by average assets, while others use total assets as the denominator and base their calculations on operating income. Holistic analysis is an essential tool that every potential investor should use.

CONCLUSION

According to the research analysis, most of the indicators are below 1, which indicates that Marriott's financial condition is worrying. This is because the COVID-19 outbreak has had a significant impact on Marriott International and will continue to impact the company. Most liquidity measures are up slightly, suggesting Marriott will be able to pay down short-term debt and sell assets quickly to raise cash (Bondoc, 2013). The 2020 liquidity ratio shows the company's ability to service short-term debts, which is a positive sign. At the same time, solvent companies had the same pattern, but their debt ratio was worse, twice as high as the previous year. In the long term, this could lead to significant debt or a significant risk that Marriott will struggle in the future. All revenue percentages in the operating level group fell significantly, indicating a deficit in asset management and debt collection. Activity metrics are the most visible way to show the negative impact of the pandemic on Marriott, as they are designed to track the company's financial situation over time. Overall, pending the outbreak, the overall hotel industry has a long way to go to return to 2019 levels. As customer behaviour and preferences change due to the uncertain pandemic, every high-end hotel must adapt and adapt to new ways of doing things in order to survive. It is highly important for an investor to take into account a financial analysis complete.

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