

MARRIOTT INTERNATIONAL INC /MD/

Form 10-K

February 12, 2009

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

Washington, D.C. 20549

**FORM 10-K**

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

For the Fiscal Year Ended January 2, 2009

or

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND 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**  
(State or other jurisdiction of  
incorporation or organization)

**52-2055918**  
(IRS Employer  
Identification No.)

**10400 Fernwood Road, Bethesda, Maryland**  
(Address of Principal Executive Offices)

**20817**  
(Zip Code)

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

**Securities registered pursuant to Section 12(b) of the Act:**

<b>Title of Each Class</b>	<b>Name of Each Exchange on Which Registered</b>
<b>Class A Common Stock, \$0.01 par value</b>	<b>New York Stock Exchange</b>
<b>(349,860,166 shares outstanding as of January 30, 2009)</b>	<b>Chicago Stock Exchange</b>

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 if disclosure by 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 or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

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 13, 2008, was \$7,851,648,093.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Proxy Statement prepared for the 2009 Annual Meeting of Shareholders are incorporated by reference into

Part III of this report.

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**MARRIOTT INTERNATIONAL, INC.**

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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, rather than the corresponding calendar year:

Fiscal Year	Fiscal Year-End Date	Fiscal Year	Fiscal Year-End Date
2008	January 2, 2009	2003	January 2, 2004
2007	December 28, 2007	2002	January 3, 2003
2006	December 29, 2006	2001	December 28, 2001
2005	December 30, 2005	2000	December 29, 2000
2004	December 31, 2004	1999	December 31, 1999

**PART I****Item 1. Business.**

We are a worldwide operator and franchisor of hotels and related lodging facilities. 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. Our operations are grouped into the following five business segments:

Segment	Percentage of 2008 Total Revenues
North American Full-Service Lodging Segment	44%
North American Limited-Service Lodging Segment	17%
International Lodging Segment	12%
Luxury Lodging Segment	13%
Timeshare Segment	14%
Other unallocated corporate	%

Prior to November 3, 2007, our operations also included our synthetic fuel business, which we now classify as discontinued operations.

Our business includes our North American Full-Service, North American Limited-Service, International, Luxury, and Timeshare segments. We develop, operate, and franchise hotels and corporate housing properties under 14 separate brand names, and we develop, operate, and market timeshare, fractional ownership, and residential properties under four separate brand names. We also provide services to home/condominium owner associations for projects associated with several of our brands.

Financial information by segment and geographic area for the 2008, 2007, and 2006 fiscal years appears in Footnote No. 19, Business Segments, of the Notes to our Consolidated Financial Statements included in this annual report.

**Table of Contents****Lodging**

We operate or franchise 3,178 lodging properties worldwide, with 560,681 rooms as of year-end 2008 inclusive of 27 home and condominium products (2,482 units) for which we manage the related owners' associations. In addition, we provided 2,332 furnished corporate housing rental units, which are not included in the totals. We believe that our portfolio of lodging brands is the broadest of any company in the world and that we are the leader in the quality tier of the vacation timesharing business. Consistent with our focus on management and franchising, we own very few of our lodging properties. We manage and franchise lodging properties employing the following brands:

**North American Full-Service Lodging Segment**

*Marriott® Hotels & Resorts*  
*JW Marriott® Hotels & Resorts*  
*Renaissance® Hotels & Resorts*  
*Renaissance ClubSport®*

**North American Limited-Service Lodging Segment**

*Courtyard by Marriott® ( Courtyard )*  
*Fairfield Inn by Marriott® ( Fairfield Inn )*  
*SpringHill Suites by Marriott® ( SpringHill Suites )*  
*Residence Inn by Marriott® ( Residence Inn )*  
*TownePlace Suites by Marriott® ( TownePlace Suites )*  
*Marriott ExecuStay®*

**Luxury Lodging Segment**

*The Ritz-Carlton®*  
*Bulgari Hotels & Resorts®*  
*Edition<sup>SM</sup>\**

**International Lodging Segment**

*Marriott® Hotels & Resorts*  
*JW Marriott® Hotels & Resorts*  
*Renaissance® Hotels & Resorts*  
*Courtyard by Marriott®*  
*Fairfield Inn by Marriott®*  
*Residence Inn by Marriott®*  
*Marriott Executive Apartments®*

**Timeshare Segment**

*Marriott Vacation Club<sup>SM</sup>*  
*The Ritz-Carlton Club® and Residences*  
*Grand Residences by Marriott®*  
*Horizons by Marriott Vacation Club®*

\* At year-end 2008, no Edition properties were yet open.

The North American Full-Service segment and the North American Limited-Service segment include properties located in the continental United States and Canada. The Luxury segment includes worldwide properties. The International segment includes full-service and limited-service properties located outside the continental United States and Canada. Unless otherwise indicated, our references to Marriott Hotels & Resorts throughout this report include Marriott Conference Centers and JW Marriott Hotels & Resorts, references to Renaissance Hotels & Resorts include Renaissance ClubSport, and references to Fairfield Inn include Fairfield Inn & Suites.

*Company-Operated Lodging Properties*

At year-end 2008, we operated 1,058 properties (270,935 rooms) under long-term management agreements with property owners, 35 properties (9,165 rooms) under long-term lease agreements with property owners (management and lease agreements together, the Operating Agreements), and six properties (1,448 rooms) as owned. The figures noted for properties operated under long-term management agreements include 27 residential products (2,482 units) for which we manage the related owners' associations.

Terms of our management agreements vary, but typically, we earn a management fee, which comprises 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 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 the Operating Agreements are subordinated to mortgages or other liens securing indebtedness of the owners. Additionally, many of our Operating Agreements permit the owners to terminate the agreement if certain performance metrics are not met and financial returns fail to meet defined levels for a period of time and we have not cured such deficiencies.

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, both for which we generally are reimbursed by the owners. We provide centralized reservation services and national advertising, marketing and promotional services, as well as various accounting and data processing services. We are

generally reimbursed by owners for the cost of providing these services.

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### *Franchised Lodging Properties*

We have franchising programs that permit the use of many of our lodging brand names and systems by other hotel owners and operators. Under these programs, we generally receive an initial application fee and continuing royalty fees, which typically range from 4 percent to 6 percent of room revenues for all brands, plus 2 percent to 3 percent of food and beverage revenues for certain full-service hotels. In addition, franchisees contribute to our national marketing and advertising programs and pay fees for use of our centralized reservation systems. At year-end 2008, we had 2,079 franchised properties (279,133 rooms).

### *Timeshare and Residential*

We develop, operate, market, and sell timeshare interval, fractional ownership, and residential properties under four brand names and generate revenues from three primary sources: (1) selling fee simple and other forms of timeshare intervals and personal residences; (2) financing consumer purchases; and (3) operating the resorts. Many resorts are located adjacent to company-operated hotels, such as Marriott Hotels & Resorts and The Ritz-Carlton, and owners have access to certain hotel facilities during their vacation. Owners can trade their annual interval for intervals at other Marriott timesharing resorts or for intervals at certain timesharing resorts not otherwise sponsored by Marriott through a third-party exchange company. Owners can also trade their unused interval for points in the Marriott Rewards® frequent stay program, enabling them to stay at over 3,100 company-operated or franchised properties worldwide. We typically open our interval and fractional ownership projects over time with limited inventory available at any one time.

We also sell residential real estate in conjunction with luxury hotel development (Ritz-Carlton-Residential) and Timeshare segment projects (Ritz-Carlton Club-Residential and Grand Residences by Marriott-Residential) and receive branding fees for sales of such branded residential real estate by others. Residences developed in conjunction with hotels are typically constructed and sold by hotel owners with limited amounts, if any, of our capital at risk. We typically open our Timeshare segment residential projects over time with limited inventory available at any one time. While the worldwide residential market is very large, 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 is relatively stable and includes only moderate seasonal fluctuations. Business at some resort properties may be seasonal depending on location.

### *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. 24, Relationship with Major Customer, in the Notes to our Consolidated Financial Statements included in this annual report for more information.

**Table of Contents***Summary of Properties by Brand*

At year-end 2008, we operated or franchised the following properties by brand (excluding 2,332 corporate housing rental units):

Brand	Company-Operated		Franchised	
	Properties	Rooms	Properties	Rooms
<b>U.S. Locations</b>				
Marriott Hotels & Resorts	146	74,074	175	53,118
Marriott Conference Centers	11	3,133		
JW Marriott Hotels & Resorts	11	6,736	5	1,552
Renaissance Hotels & Resorts	37	16,690	37	10,735
Renaissance ClubSport	1	174	1	175
The Ritz-Carlton	37	11,629		
The Ritz-Carlton-Residential <sup>(1)</sup>	22	2,176		
Courtyard	276	42,955	452	58,788
Fairfield Inn	2	855	558	48,823
SpringHill Suites	26	3,940	181	20,087
Residence Inn	134	18,566	421	47,686
TownePlace Suites	34	3,661	129	12,667
Marriott Vacation Club <sup>(2)</sup>	39	9,282		
The Ritz-Carlton Club-Fractional <sup>(2)</sup>	7	339		
The Ritz-Carlton Club-Residential <sup>(1), (2)</sup>	2	138		
Grand Residences by Marriott-Fractional <sup>(2)</sup>	1	199		
Grand Residences by Marriott-Residential <sup>(1), (2)</sup>	1	65		
Horizons by Marriott Vacation Club <sup>(2)</sup>	2	444		
<b>Non-U.S. Locations</b>				
Marriott Hotels & Resorts	123	35,523	34	9,886
JW Marriott Hotels & Resorts	24	8,837	2	371
Renaissance Hotels & Resorts	51	17,298	14	4,317
The Ritz-Carlton	33	10,204		
The Ritz-Carlton-Residential <sup>(1)</sup>	1	93		
The Ritz-Carlton Serviced Apartments	3	478		
Bulgari Hotels & Resorts	2	117		
Marriott Executive Apartments	19	3,118	1	99
Courtyard	38	8,394	42	7,121
Fairfield Inn			9	1,109
SpringHill Suites			1	124
Residence Inn	1	190	17	2,475
Marriott Vacation Club <sup>(2)</sup>	10	2,071		
The Ritz-Carlton Club-Fractional <sup>(2)</sup>	3	117		
The Ritz-Carlton Club-Residential <sup>(1), (2)</sup>	1	10		
Grand Residences by Marriott-Fractional <sup>(2)</sup>	1	42		
<b>Total</b>	<b>1,099</b>	<b>281,548</b>	<b>2,079</b>	<b>279,133</b>

<sup>(1)</sup> Represents projects where we manage the related owners' association. Residential products are included once they possess a certificate of occupancy.

<sup>(2)</sup> Indicates a Timeshare product. Includes products in active sales as well as those that are sold out.





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The following table provides additional detail, by brand, as of year-end 2008, for our Timeshare properties:

	<b>Total Properties <sup>(1)</sup></b>	<b>Properties in Active Sales <sup>(2)</sup></b>
<b>100 Percent Company-Developed</b>		
Marriott Vacation Club	49	26
The Ritz-Carlton Club and Residences	10	8
Grand Residences by Marriott and Residences	3	3
Horizons by Marriott Vacation Club	2	2
<b>Joint Ventures</b>		
The Ritz-Carlton Club and Residences	3	3
<b>Total</b>	<b>67</b>	<b>42</b>

<sup>(1)</sup> Includes products that are in active sales as well as those that are sold out. Residential products are included once they possess a certificate of occupancy.

<sup>(2)</sup> Products in active sales may not be ready for occupancy.

*Summary of Properties by Country*

At year-end 2008, we operated or franchised properties in the following 66 countries and territories:

<b>Country</b>	<b>Properties <sup>(1)</sup></b>	<b>Rooms <sup>(1)</sup></b>
<b>Americas</b>		
Argentina	1	318
Aruba	4	1,634
Bahamas	2	22
Brazil	4	1,116
Canada	58	12,277
Cayman Islands	4	929
Chile	2	485
Costa Rica	4	930
Curacao	1	247
Dominican Republic	2	445
Ecuador	1	257
El Salvador	1	133
Honduras	1	153
Jamaica	1	427
Mexico	18	4,329
Panama	2	415
Peru	1	300
Puerto Rico	6	1,703
Saint Kitts and Nevis	2	537
Trinidad and Tobago	1	119
United States	2,748	448,687
U.S. Virgin Islands	5	919
Venezuela	1	269
<b>Total Americas</b>	<b>2,870</b>	<b>476,651</b>
<b>United Kingdom and Ireland</b>		

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Ireland	7	1,121
United Kingdom (England, Scotland, and Wales)	54	10,662
<b>Total United Kingdom and Ireland</b>	<b>61</b>	<b>11,783</b>

<sup>(1)</sup> Includes Timeshare products that are in active sales as well as those that are sold out. Products in active sales may not be ready for occupancy.

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	Country	Properties <sup>(1)</sup>	Rooms <sup>(1)</sup>
<b>Middle East and Africa</b>			
Armenia		1	226
Bahrain		2	452
Egypt		8	3,564
Israel		1	342
Jordan		3	644
Kuwait		2	573
Qatar		3	910
Saudi Arabia		3	749
Turkey		5	1,470
United Arab Emirates		6	1,150
<b>Total Middle East and Africa</b>		<b>34</b>	<b>10,080</b>
<b>Asia</b>			
China		41	16,279
Guam		1	357
India		6	1,518
Indonesia		9	1,872
Japan		10	3,155
Malaysia		7	3,019
Pakistan		2	506
Philippines		2	899
Singapore		2	1,003
South Korea		4	1,502
Thailand		13	3,355
Vietnam		2	874
<b>Total Asia</b>		<b>99</b>	<b>34,339</b>
<b>Australia</b>			
		8	2,353
<b>Continental Europe</b>			
Austria		8	1,973
Belgium		5	878
Czech Republic		5	937
Denmark		1	401
France		10	2,557
Georgia		2	245