Marriott unveiled the new look for Sheraton hotels last year. Photo credit: Marriott International

During a meeting with institutional investors and security analysts at the New York Marriott Marquis, the leadership team from Marriott International charted the company’s three-year growth plan, which includes opening more than 1,700 hotels globally.

Marriott plans to add between 275,000 and 295,000 rooms by 2021. and already has a record 478,000 rooms in its pipeline, including roughly 214,000 rooms under construction.

Seventy percent of the company’s portfolio of open and signed pipeline projects is held by owners with multiple Marriott properties, and roughly one-third is held by owners with 10 or more Marriott-branded hotels. Marriott’s development pipeline reflects an increasing number of legacy-brand Starwood Hotels & Resorts Worldwide hotels, according to the company.
The company’s three-year growth plan assumes comparable RevPAR growth of 1 percent and 3 percent, and anticipates diluted earnings per share of $7.65 to $8.50 by 2021, a compound growth rate of 11 percent to 15 percent over 2018 adjusted results; and adjusted EBITDA increasing by 6 percent to 9 percent compounded, with net income increasing by 5 percent to 8 percent compounded, each compared to adjusted results in 2018.

Examining the numbers, analysts at RW Baird called the company’s business model “resilient,” and noted the model is becoming less dependent upon RevPAR growth to generate outsized free-cash-flow growth.

“Starwood has made us a more formidable competitor, providing a more valuable loyalty program, brands with strong appeal to loyalty members and owners, talented associates, terrific locations, particularly in the fast-growing Asia-Pacific region, significant cost synergies and meaningful scale,” said Marriott International President/CEO Arne Sorenson. “We launched our newly branded loyalty program, Marriott Bonvoy, just last month. The program reached 125 million members as of year-end 2018, adding roughly 50,000 members per day.”

The New Sheraton

The company also discussed its strategy to improve the Sheraton brand. With more than 155,000 rooms, Sheraton is the company’s most geographically diverse brand and the company’s third-largest brand measured in both rooms and fees worldwide.

Since the acquisition, Sheraton’s RevPAR index has improved to over 100, according to Marriott.

In 2018, Marriott launched a new Sheraton brand strategy, guestroom prototype and design approach, and a week ago unveiled a new Sheraton logo. More than one-quarter of Sheratons already are under renovation or committed to a renovation.

“Our new three-year plan, with Starwood fully integrated, demonstrates how our fee-based, asset-light business model generates even stronger and more sustainable cash flows. This allows us to invest profitably in our core business at high rates of return and also return significant amounts of capital to shareholders,” said Marriott International EVP/CFO Leeny Oberg. “Our proven business model combined with opportunities to leverage our significant scale from the Starwood acquisition uniquely position us for additional shareholder value creation.”

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