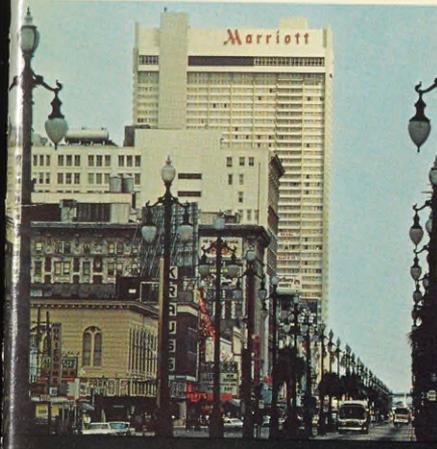
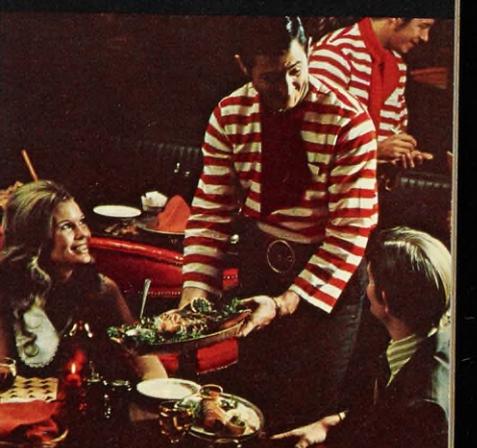
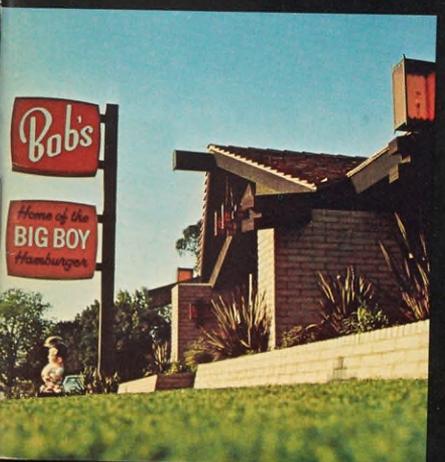
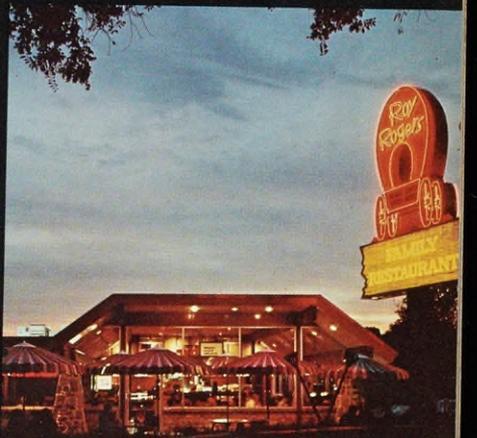
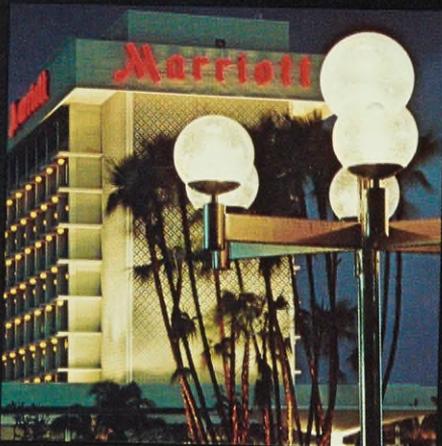


Annual Report 1972

# Marriott



WEEK	WEEK	DATE	REMARKS
0	1:35	3	LONDON 747A
0	1:35	6	747A
5	1:57	4	PARIS 747A
5	2:21	5	LONDON 747A
5	2:35	7	Am
0	2:59	9	DENVER An
5	3:00		FRANKFURT 747
5	2:50	2	Am
5	3:20	6	74



A new dimension to Marriott hospitality and fun  
—the famous and luxurious Sun Line cruise  
ships Stella Oceanis (top) and Stella Maris,  
acquired in fiscal 1972 . . . and a brand new and  
larger sister ship coming: The Stella Solaris.





ANNUAL REPORT FOR FISCAL 1972

FINANCIAL HIGHLIGHTS

For the 52 Weeks Ended July 28, 1972 and July 30, 1971

	1972	1971	Increase
Sales .....	<b>\$422,928,000</b>	\$351,929,000	20.2%
Income before income taxes .....	<b>30,635,000</b>	25,472,000	20.3%
Per sales dollar .....	<b>7.2%</b>	7.2%	
Net income .....	<b>17,734,000</b>	13,777,000	28.7%
Per sales dollar .....	<b>4.2%</b>	3.9%	
Per share .....	<b>.62</b>	.51	21.6%
Cash provided from operations .....	<b>42,091,000</b>	33,357,000	26.2%
Per share .....	<b>1.47</b>	1.23	19.5%
Shareholders' investment .....	<b>174,493,000</b>	130,520,000	
Per share .....	<b>5.96</b>	4.69	
Working capital .....	<b>9,592,000</b>	8,585,000	
Shares outstanding .....	<b>29,287,745</b>	27,820,102	
Shareholders .....	<b>32,400</b>	27,900	
Employees .....	<b>34,100</b>	27,300	
Operating units .....	<b>508</b>	419	

Notes:

(1) Amounts per share are based on the weighted average shares outstanding during the year (except for shareholders' investment which is based on the total shares outstanding at the end of the year). Weighted average shares and shares outstanding for 1971 have been adjusted for the 2-for-1 stock split in March, 1972.

(2) 1971 has been restated for Farrell's, Inc., which was acquired on a pooling of interests basis in 1972. There was no effect on earnings per share.

(3) Cash provided from operations consists of net income plus depreciation, deferred taxes and other non-cash expense provisions.

MESSAGE TO SHAREHOLDERS:

## Record Pace Continues; Expansion Into Leisure Services Hits New Peak

We have another good—and busy—year to report to shareowners.

Good . . . because we set new records in earnings, sales, addition of facilities, and other measurements of growth.

Busy . . . because we not only maintained our expansion pace in existing operations—we had our greatest year of diversification into other leisure and travel activities.

The growth rate of your company in earnings per share for the past 10 years is 20 percent compounded. We kept this up in fiscal 1972 with a 22 percent increase in earnings per share to 62 cents from 51 cents in 1971.

Net income jumped 29 percent, to \$17,734,000 from \$13,777,000 a year ago. Sales increased to \$422.9 million from \$351.9 million—a 20 percent gain.

**MARRIOTT RESTAURANT OPERATIONS** had the most significant earnings improvement of our three operating groups. There is a discernible demand today for quality food service—in restaurants of all types, fast food units, cafeterias, and private dining services for businesses, hospitals and schools. Our rapidly expanding Group has been working hard to meet this demand, and its results for last year show it.

**MARRIOTT IN-FLITE SERVICES** showed a nice gain over fiscal 1971. Airline traffic has been strong since January, especially in Europe, and we have added a number of new facilities and accounts in the United States. Operations in South America have



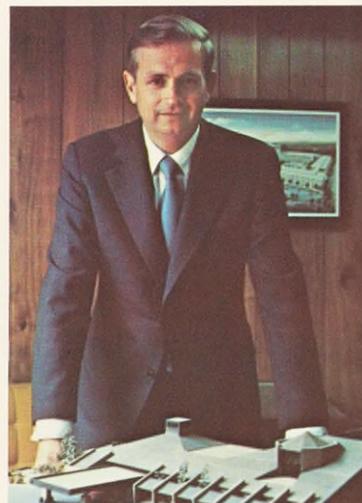
J. WILLARD MARRIOTT

stabilized at generally satisfactory levels, but foreign exchange losses in Chile and Argentina were a problem.

**MARRIOTT HOTELS** had a difficult first half in fiscal 1972, but advanced strongly in the last quarter and finished about the same as fiscal 1971. The Group opened three new hotels, at the St. Louis and Miami Airports, and a 924-room high-rise near the French Quarter of New Orleans. Extra expenses to open these properties, and lingering start-up costs with our new World Travel Division, were the major deterrents to growth the past year.

We entered the 1970's resolved to broaden our services for leisure time-travel-tourism markets, and 1972 was the year when it began to happen in a major way. We:

- Acquired the two luxury cruise ships of the Sun Line fleet and 45 percent interest in a third ship now being constructed.
- Acquired the popular Farrell's Ice Cream Parlour Restaurants.
- Diversified In-Flite Services to other applications, including the successful new Auto-Train concept.



J. W. MARRIOTT, JR.

- Announced plans to open our first overseas hotel—in Amsterdam.
- Announced plans for a giant family entertainment center, to be built by 1975 in the Baltimore-Washington area, and to include a theme park, marine life park, and animal preserve.

This is what we meant a year ago when we promised an accelerated growth program for your company. We have great opportunities ahead. We are not sitting still.

We look with confidence to more solid progress for your company in fiscal 1973. Our sincerest thanks to you, our shareowners, for your interest and support. We know you join us in a salute to the hard-working, dedicated management and employees behind the success of your company.

*J. Willard Marriott*  
J. Willard Marriott  
Chairman of the Board

*J. W. Marriott, Jr.*  
J. W. Marriott, Jr.  
President

September 27, 1972



## This is Marriott . . . 1972

### MARRIOTT RESTAURANT OPERATIONS

—369 company-owned facilities (up 69 over fiscal 1971) . . . operating in 22 states and District of Columbia . . . 15,700 employees . . . corporate-wide food production facility . . . new Theme Park Division . . . 721 franchised operations (up 31).

**RESTAURANTS AND CAFETERIAS**—143 company-owned units (up 14) comprised of Hot Shoppes Service Restaurants (24), Hot Shoppes Cafeterias (39), Big Boy Coffee Shops (62), Tollroad Restaurants (16), and Joshua Tree and Sirloin & Saddle Specialty Restaurants (2), all in the Eastern U. S. and Southern California . . . 611 franchised Big Boy units (up 19) across the United States and in Canada.

**FAST FOOD OPERATIONS**—111 com-

pany-owned units (up 30) comprised of Jr. Hot Shoppes, Shopping Center Snack Shoppes, Roy Rogers Family Restaurants, Big Boy Jr. units, and Donuts Galore in Mid-Atlantic states and Southern California . . . 70 franchised Roy Rogers units (down 28) across the U. S.

**FARRELL'S ICE CREAM PARLOUR RESTAURANTS**—New acquisition with 24 company-owned and 40 franchised units, mostly in Mid-West and Western U. S.

**FOOD SERVICE MANAGEMENT**—91 contracts (up 1) for food service with businesses, hospitals and schools and colleges, including food vending routes, all in the Eastern U. S.

**FAIRFIELD FARM KITCHENS**—Food production and distribution center in Washington, D. C., serving Marriott restaurants, hotels, and flight kitchens in the Eastern U. S. . . . manufacturer of food for external sale to food service industry and to retail outlets.

**THEME PARK DIVISION**—Marriott's entry into business of family entertainment centers, beginning with "Marriott's Great America" park proposed for the Baltimore-Washington, D.C. area.

### MARRIOTT IN-FLITE SERVICES

—49 airline catering kitchens (up 3) in the United States, Europe and South America . . . operating at 42 major airports . . . 87 airlines served . . . 10 airline terminal restaurants . . . 18 miscellaneous special service accounts . . . 7,500 employees.

**NORTH AMERICAN FLIGHT KITCHENS**—31 facilities (up 3) in principal cities of the U. S., Mexico and Caribbean:

Acapulco (1)	Houston (1)
Baltimore (1)	Los Angeles (2)
Boston (1)	Mexico City (1)
Chicago (3)	Miami (3)
Dallas (1)	Minneapolis (1)
Ft. Lauderdale (1)	Newark (1)
Honolulu (1)	New York (2)

Oakland (1)	San Juan (1)
St. Croix (1)	Seattle (1)
Salt Lake City (1)	Tampa (1)
San Francisco (2)	Washington, D.C. (3)

**EUROPEAN FLIGHT KITCHENS**—12 kitchens (unchanged) in London and principal cities of Europe.

Alghero, Sardinia (1)	Lisbon (1)
Barcelona (1)	London (1)
Cagliari, Sardinia (1)	Madrid (1)

Faro (1)	Palma
Gerona (1)	de Majorca (1)
Malaga (1)	Rome (2)

**SOUTH AMERICAN FLIGHT KITCHENS**—6 kitchens (unchanged) in principal cities of South America.

Buenos Aires (2)	Rio de Janeiro (1)
Caracas (1)	Santiago (1)
Lima (1)	

**AIRLINE TERMINAL RESTAURANTS**—5 in the U. S., 4 in Europe, 1 in South America.

**SPECIAL SERVICES**—18 accounts for food service management in the U. S., Europe and South America—including service for Auto-Train, new rail concept.

### MARRIOTT HOTELS

—18 hotels (up 3) in the United States and Mexico . . . 41 specialty restaurants (up 8) . . . Sun Line cruise ships . . . Marriott World Travel programs . . . Marriott Resort Hotel Condominiums . . . 10,300 employees . . . new international hotel development . . . 6 franchised Marriott Inns (up 1).

#### HOTELS and RESORTS

City	Fiscal Year Opened	Rooms as of 7/31/72
Washington, D. C. (Twin Bridges)	1957	450
(Key Bridge)	1959	374
Dallas	1960	477
Philadelphia	1961	734
Atlanta	1966	777
Saddlebrook, N. J.	1966	245
Scottsdale (Camelback Inn)	1968	284
Chicago	1968	706
Houston	1969	339
New York (Essex House)	1969	701
Acapulco	1969	435
Boston	1969	433

City	Opened	Rooms
Washington, D. C. (Crystal City)	1970	301
(Dulles Int'l Airport)	1970	212 *
Bloomington, Minn.	1971	327
St. Louis	1972	426
Miami	1972	258
New Orleans	1972	924
Total		8403 **

\* 90 rooms added in fiscal 1972  
\*\* net gain of 1690 rooms in fiscal 1972, up 25 percent

#### FRANCHISED MARRIOTT INNS

City	Opened	Rooms
Cincinnati	1970	170
Cleveland	1970	221
Columbus	1970	166

City	Opened	Rooms
Fort Wayne	1970	149
Louisville	1970	204
Berkeley, Calif.	1972	247
Total		1157

**SPECIALTY RESTAURANTS**—39 restaurants in Marriott Hotels . . . famous Hogate's and Port of Georgetown Restaurants in Washington, D. C.

**SUN LINE**—Stella Maris and Stella Oceanis ships cruising in the Caribbean and Aegean . . . Stella Solaris under construction.

**MARRIOTT WORLD TRAVEL**—Special tours to unique world destinations.

**CONDOMINIUM DEVELOPMENT**—Conversion of famous Camelback Inn, Scottsdale, Arizona resort to condominiums.

**INTERNATIONAL DIVISION**—Development of Marriott hotels overseas . . . first hotel announced for Amsterdam.



G. MICHAEL HOSTAGE



JERALD O. JARRARD

#### GROUP PRESIDENTS REVIEW '72:

### The Analysts Ask: "How's Business?" Here's What They Learn About 1972

Marriott Corporation has attracted considerable interest from the investment community in the past few years. Security analysts in particular follow Marriott closely.

Two years ago Marriott instituted periodic briefing sessions with analysts to help provide them with a consistent flow of fresh information on company progress.

These sessions are held at corporate headquarters in Washington. Groups of six to ten analysts usually attend. The analysts spend an hour around the Board Room table with each of the three Group Presidents: G. Michael Hostage, Restaurant Operations; James E. Durbin, Hotels; and Jerald O. Jarrard, In-Flite Services.

Of course, each of the executives is careful to discuss only information available to the general public.

Following is a review of Marriott's three operating groups for Fiscal 1972, as seen through questions typically asked the Group Presidents by the analysts.



JAMES E. DURBIN

#### MIKE HOSTAGE WITH THE ANALYSTS:

### *Restaurant Operations Group Turns In Record Performance*

#### **Are all your operations up over a year ago?**

All but one of our operating divisions showed profit gains that varied from moderate to excellent—and all of them had sales increases.

#### **Which of them have done particularly well?**

Our Service Restaurants and Food Service Management divisions showed significant gains. Also our production and distribution facility, Fairfield Farm Kitchens, cut its losses substantially.

#### **Did any division have a particularly difficult year?**

Our Cafeterias and our Fast Food operations have had only limited price relief in the past couple of years. In fiscal 1972 they were caught in the price freeze. With raw food prices climbing steadily, they have been in kind of a "freeze squeeze". Lower than anticipated initial volume in two new midwestern shopping centers has also affected Cafeteria Division profits, but customer counts overall are strong and our cafeteria units are holding their own pending some price relief.

#### **What are you doing about price increases?**

We have been granted some relief in Service Restaurants and Big Boy Coffee Shops. We are still waiting for help in Cafeterias and Fast Foods, and expect to have a favorable ruling before too long.

#### **Have rising food costs been your most serious problem?**

Yes. With the government imposing little or no control over raw food costs, yet strict control over prices, we have been in a bind.

*Value of Marriott flexibility is dramatized as fast food unit in Wayne, Pa. is converted to popular Joshua Tree dinner house, and volume for location jumps sharply (top photo)*

*Disney World brings family fun and entertainment to central Florida, and Marriott has busy year at toll road facilities on Sunshine Parkway near Orlando*

**If you can't increase prices, what are food costs doing to your margins?**

This has been our greatest challenge the past year. We met it pretty well and actually were able to slightly improve our Group margin—but we had to work at it. We're proud of our management . . . they can cope with problems like this.

**Your Service Restaurants seem to have rebounded from two years ago. Is some of this due to the new Joshua Tree dinner house?**

Definitely. Our first dinner house in McLean, Va. has been a big hit. It has a steady waiting line at dinner time, and customer comments are excellent.

**Do you have plans for other dinner houses?**

We have just opened a second Joshua Tree in suburban Philadelphia, and it is getting the same rave notices from customers and media critics that the first one received. We expect to open in a few months two more dinner houses under other names in Washington and Philadelphia. This has been an important new direction for our Group.

**Are Hot Shoppes Restaurants contributing to profits?**

Yes, after several difficult years our Service Restaurant Division is showing good sales and profit trends. We're very proud of the job its management and employee team has done.

**Toll road units—up in fiscal '72?**

Yes, primarily due to more auto traffic in Florida. We have excellent facilities on the Sunshine Parkway there, and Disney World has had a good impact.

**The Fast Foods group—is it also on the rebound after a rocky 1971?**

Our company-owned Roy Rogers Family Restaurants continue to do very well. We have added more of these units by acquisition from franchisees and





*Gleaming new 54-story corporate headquarters of Standard Oil Company (New Jersey) opens in 1972—and Marriott enters New York market for first time to provide executive food service (left page)*

*Everyone has a good time at Farrell's, now a part of Marriott Restaurant Operations and spreading its network of "ice cream parlour restaurants" from the West Coast to the East*

they have consistently prospered under our management. Our Jr. Hot Shoppes are particularly strong in the Washington-Baltimore market—even in head-to-head competition with other more heavily-advertised operations. We think we have in our 100-unit Fast Food group the nucleus for vigorous fast food growth and look forward to steady expansion for both Roy Rogers and Jr. Hot Shoppes.

**What kind of year did the Roy Rogers franchisees have?**

Some came through the shake-out in good shape. Others did not. As indicated, we have acquired some with good results. Several have been closed. The present network of franchisees generally is solid. We are trying to give them full support, and we expect a number of new franchised units to be opened in Fiscal '73.

**Is your Food Service Management business still expanding rapidly?**

The group as a whole has been one of our strongest. Business and Industry continues to top the four divisions.

**How about the other three divisions during 1972?**

Thanks to good sales results and several new services we are offering, the Hospital Division had a fine year. Performance was somewhat spotty in Schools and Colleges, where we are sharing the difficult social and economic problems faced generally by colleges and universities. Automatic Food Service, smallest and newest of the four divisions, had its best year.

**You mentioned new services. Like what?**

Our Food Service Management Group has actively been diversifying its "product"—into areas like architectural design, housekeeping, and general consulting services. We are finding a ready market



for clients who want and are willing to pay for our well known standards and unique professional capabilities.

**Can you tell us about any major new contracts obtained in fiscal 1972?**

We entered the New York-Manhattan market for the first time and won the right to provide executive dining service at the beautiful new Standard Oil Company (New Jersey) corporate headquarters building. We began service to Avon, New England Telephone & Telegraph, Williamsburg Community Hospital, and several other fine new accounts.

**Most of the company-owned Big Boy Coffee Shops are in Southern California. How have they survived the troubled economic condition in that part of the country?**

The division has had a good

profit year under some difficult circumstances. We opened ten new Big Boys and seven Big Boy Jrs. during the year—a healthy expansion.

**How are the new Big Boy Jrs. doing?**

We are generally pleased with their success, and our first shopping center unit has done particularly well. This is an area where we see real growth opportunity for the future.

**Are Big Boy salad dressings and sauces well received in the retail market?**

These products continue to be the leader in sales of all refrigerated dressings in California-Nevada-Arizona retail markets. They had their best year in 1972.

**What did the Big Boy franchisees mean to you this past year?**

The total number climbed to 611

*Big Boy is big seller in competitive retail markets of California, Nevada, Arizona when it comes to salad dressings and sauces (top photo)*

*Jr. Hot Shoppes of the 1970's add bright new decor, and contain construction features that permit major changes to adapt to market trends of the future*

franchises in 42 states and Canada, up from 592 a year ago. Fee income to the company also rose. The Big Boy franchise system makes a good contribution to our results.

**Is Fairfield Farm Kitchens your only non-profitable operation?**

Yes. But it won't be for long. We cut our losses by another 60 percent in 1972. We are budgeting for profits in fiscal 1973.

**Does this mean volume of food produced and shipped continues to rise?**

Volume of "sales" to other Marriott facilities in the eastern half of the country hit a new peak last year. Also our program of selling products externally has been moving along nicely. Our line of retail products is being expanded cautiously, but according to plan. Acceptance of our institutional product line is very gratifying, and we are now represented nationwide through more than 240 frozen food distributors.

**You recently acquired Farrell's Ice Cream Parlour Restaurants. How do they fit into the Marriott plan?**

Farrell's is the most exciting chain of family-oriented fun-and-food facilities in the United States. About ten years ago founder Bob Farrell built an ice cream parlour around the Gay Nineties theme, offered quality food, humor, bright colors, a player piano, singing, sirens, drums—and made it a real "experience" for the customer. From that beginning in Portland, Oregon, he built "Farrell's" into 24 company-owned units and 40 franchised units and launched a "national" concept. An outstanding success story—one we like to identify with.

**Will this pace be continued?**

We hope so. We expect to add at



Latest food products, formulas go through rigid scrutiny in regular meetings of Corporate Food Marketing Council before certified for release to Marriott units (top photo)

Fairfield Farm Kitchens moves record number of products to Marriott facilities, begins external marketing program—and more new over-the-road trucks are on Eastern U. S. highways

franchised units this year alone. This includes the first of several planned Farrells units in our "home" territory around Washington, D.C.

**How are plans coming for entering the theme park business?**

The county we first selected for the park has denied our application. We have access, however, to several alternate sites in the Baltimore-Washington area, and are in the process of selecting one. We are committed to the concept of family entertainment centers, and are still pointing toward an opening by the Summer of 1975.

**Will this business take additional staffing?**

Yes, and we will be adding some specialized management talent. Much of the expertise we already have: food service, design, landscaping, housekeeping, etc. Other specialists in amusements and entertainment will join us as the project moves further along.

**What other expansion do you see for the Restaurant Group in fiscal 1973?**

All our divisions have ambitious growth goals for the year. We will have more dinner houses and cafeterias, more Big Boys and fast food units, more food service management accounts and more contracts for Fairfield Farm Kitchens products.

**You now have 369 company units overall. What are you forecasting for 1973?**

We think this will grow by about 50 to 60. Franchises will probably be up from 721 to over 750.

**How does fiscal 1973 look?**

Very strong, we think. Our sales were up almost 20 percent the past year. We think we should at least equal that this year. It should be a very satisfying year.



Marriott is awarded large Delta Air Lines account in Miami, steps up effort to increase service to United States air lines, now rebounding from difficulties of previous years (top photo)

Addition of new international accounts, like Air France at several world locations, builds sales volume for Marriott In-Flite Services, expanding rapidly in foreign markets

JERRY JARRARD WITH THE ANALYSTS:

### *In-Flite Services Overcomes Hurdles, Builds New Volume*

**Airlines in the United States appear to be more robust today. Is this reflected in your fiscal 1972 results?**

We had a record year in number of passengers served and total sales for the In-Flite Group in the United States. People are traveling again, the airlines are rebounding well from their earlier difficulties, and In-Flite results reflect the trend.

**Is the meal, then, still an important merchandising element for U. S. airlines?**

Very definitely. There was a point where some airlines simply were forced to trim meal service, but they did it most reluctantly. Now business is improving and food is back as a key point of competition.

**What kind of year have you had with your foreign operations?**

Europe and the United Kingdom operations did well. South America is profitable but subject to inflation and currency problems.

**Is the airline industry strong in Europe?**

Yes, travel between the major capitals is up sharply. American business and pleasure travel to and from Europe also continues to increase. We are well situated to capture a good share of the airline catering business in Europe.

**How about South America—was it an "off" year in fiscal 1972?**

Actually, sales and flights serviced last year in South America increased slightly over the year before. Prior to the major devaluations in Chile and Argentina, South American profits were up sharply over 1971. We hope significant devaluations are behind us now.

**What major new accounts did you win in fiscal 1972?**

We started new service for more



Mexican "Fiesta Flight" cuisine for Western Air Lines by Marriott—a superb service in the true first class style of fine airlines devoted to pampering their customers (top photo)

Pan American in the air, and soon Pan American at its new terminal restaurants at Kennedy Airport, as Marriott strengthens its position at busy New York airports

than 30 airlines at kitchens in the United States, Europe and South America during fiscal 1972. Some of the bigger ones included TWA at San Francisco, Delta at Miami, and Air France at several locations in Europe and at Mexico City.

**How many airlines do you now serve?**

Eighty-seven, at one airport or another. This takes in almost all trunk, regional and supplemental carriers of the free world.

**Are you located at most of the major airports in your three world regions?**

We are at eight of the 10 largest airports in the United States. We are in five of South America's six largest cities. We are or will be shortly at the four largest airports in Europe. Marriott In-Flite is going where the traffic is going.

**Are you still emphasizing foreign expansion?**

Five years ago we had no kitchens at all in other countries. We now have 18, and many more are coming. We are still growing in the United States, but the rate of growth internationally is greater.

**How have you expanded in foreign cities during fiscal 1972?**

We opened a new kitchen at Athens, one of the real growth markets of Europe. We also expanded existing facilities at Rio de Janeiro and Buenos Aires, South America.

**How about recent domestic expansion?**

We opened kitchens in Salt Lake City and Oakland, the latter replacing a smaller facility. We built a large new kitchen at San Francisco to serve TWA. We also expanded kitchens at New York-La Guardia, and at Washington National and Dulles International Airports.

**Can you talk about expansion outside the United States in fiscal 1973?**

This will be our greatest year ever for penetration of foreign





Whisperliner

N304EA

Marriott

Marriott

00765

In 1970 the jumbo 747 . . . in 1971 the DC-10 . . . and now in 1972 the L-1011—as Marriott continues first in service to the age of wide-body jets, catering the new Eastern Air Lines L-1011 (left page)

People everywhere going to far-away places, and Marriott is going with them, as expansion in new catering kitchens continues in foreign and United States air travel markets

markets. In Frankfurt, Germany we have obtained several accounts and are building two new kitchens. Frankfurt is third to London and Paris in annual European passenger traffic. We are also making our first move to the Far East with a new kitchen at Guam—and our first entry onto the African continent with a kitchen at Johannesburg. We will be opening a new kitchen at Gatwick, England, the London base for charter flights, and will open an addition to our kitchen at Acapulco. We will manage a kitchen in Barbados, in which we are acquiring a 49% interest. It will be quite a year for us internationally.

**Is Paris also one of the larger European airports you will serve shortly?**

Yes, in 1974. We have signed an agreement to join with Air France in the construction and operation of a giant base and administrative facility at the new Roissy Airport being built outside Paris. The facility will include extensive kitchen capacity. We are proud to be selected by Air France as partners in this new venture, which will operate under the name Servair. By 1974 then, we will be in the four biggest European airports, at London, Paris, Frankfurt and Rome. Of course, we are already in other volume markets, like Palma, Lisbon, Madrid and Athens.

**Will you be adding kitchen capacity in the United States in 1973?**

By a large amount. With the Delta account in Miami, we are building a fourth kitchen there. We will add a second kitchen in Boston. And we will begin operations for the first time at four other airports: the new "super ports" at Kansas City and Dallas-Ft. Worth, and at Albuquerque and Denver.

**What is all this expansion giving you in square footage?**

We closed fiscal 1972 with more

	SCHEDULED TO ARRIVE	WILL ARRIVE	GATE	REMARKS
5	12:50	1:35	3	LONDON 747 Amb
1	1:50	1:35	6	747 Amb
3	2:15	1:57	4	PARIS 747 Amb
3	2:35	2:31	5	LONDON 747 Am
1	2:45	2:35	7	Amb
2	3:00	2:59	9	DENVER Amb
1	3:25	3:00		FRANKFURT 747A
3	3:25	2:50	2	Am
3	3:35	3:20	6	747A
	4:10	3:35	4	ROME Am

than 1.5 million square feet of kitchen capacity. This is almost double our total of 1968, before we began our world-wide growth program.

**Are you running at or near capacity in your kitchens?**

We are usually in the 65 to 70 per cent range, which is acceptable. We know, however, that we do have an opportunity here to use excess capacity to great advantage, and we have begun a program to pursue special new food service business.

**Would you describe this?**

We are providing meals to several hospitals in the San Francisco-Oakland area. We have started a modest contract for school lunches in the Washington, D.C. area. We fed a 2,000-person banquet in Minneapolis. We have

opened industrial and hospital accounts in South America this past year. The objective is to take full advantage of "off-time" capacity when airplane boardings are down—to keep our operations running, our people employed, and our volume up. The program appears quite promising. Of course, we will continue to place primary emphasis on airline catering.

**Is the Auto-Train contract an example of your new-business emphasis?**

This was the pilot that launched us into a full-scale program. Our work with Auto-Train has been a highlight of our past year. The concept has been extremely successful, and we are pleased to be part of it. Auto-Train ran capacity loads of people and their

*Auto-Train—fresh new rail concept transporting passengers and their cars between Washington, D.C. and Florida—picks Marriott In-Flite for its food service*

automobiles all winter between Washington, D.C. and Sanford, Florida.

**How do you serve Auto-Train?**

We had been boarding meals out of our flight kitchens in Washington and Tampa. This is what we mean by using excess capacity. It turned out so well, however, that now we have just opened a new kitchen at Sanford. When your program of using off-time capacity leads to a full-fledged kitchen, you know it's working.

**How are the terminal restaurants doing?**

Take out San Juan, which seems to be a special case, and the restaurants are doing all right. We were pleased to open two new units in New York—at the Pan American Terminal at Kennedy Airport and at the Eastern Airlines Shuttle Terminal at La Guardia.

**Are you looking for new restaurants?**

Yes, we think this is worth our development, on a selective basis.

**How do you see airline travel trends during your fiscal 1973?**

We are forecasting domestic air line travel to continue on the upward curve it started early in 1972. We look for a gain of at least 8 per cent over the year before. Airlines serving foreign markets should continue to benefit particularly from overseas travel by Americans. This may level off from the peaks of a year or two ago, but should be in the 12 percent range.

**What does this mean for Marriott In-Flite Services in 1973?**

We think it means another good year. Because of our aggressive sales campaign and new kitchen expansion our sales were up about 20 per cent last year. We think we can do that again. In spite of continuing difficulties with food costs, the Group should turn in another record performance in fiscal 1973.



*Emphasis on fast-growing air travel centers continues with opening of beautiful, 258-room Miami Marriott Hotel at Miami International Airport, one of nation's biggest and busiest airports*

JIM DURBIN WITH THE ANALYSTS:

*Hotels Group, Looking Ahead, Adds Rooms, Cruise Ships*

**Your occupancy rate slid a little in fiscal 1971. Did you reverse the trend in fiscal 1972?**

Yes, we did a better job of keeping our rooms full, and the occupancy rate returned to exceed 80 percent, which we believe still leads the industry.

**Is this a sign that the business slump is over and inter-city travel is up?**

We believe so. Our sales increased for both the commercial transient guest and the business meeting participant, particularly in the last half of the year.

**How about leisure travel?**

This has been setting quarterly records for some time. Here is where we anticipate real growth in the 1970's.

**How do you break down your hotel guests by these three categories?**

Our mix was about the same in fiscal '72, compared with the year before. We still derive a strong 40 percent of our volume from the group business meeting. Another 30 percent is in leisure travelers. The remaining 30 percent comes from the transient business guest. In total sales all three categories were above fiscal 1971.

**Which have been your strongest hotels the past year?**

Sales were higher in every hotel. Biggest gains were in our Washington-area and Texas properties, and at our Camelback Inn and Acapulco resorts.

**Are any hotels below expectations?**

Only two, but not by much. The New York market is still off some, and our Essex House is not yet making the contribution we expect. But demand for this fine hotel continues to increase, occupancy





*Skyline of New Orleans now sparkling with 42-story, 924-room Marriott Hotel—America's greatest new convention and leisure-time hotel in a world-famous convention and tourist city (left page)*

*Now in the Marriott system, and in a large new facility—Hogate's, popular seafood house serving fine dishes along the Potomac in Washington, D.C. since the 1930's*

was up last year about 12 percent, and we are satisfied with our progress in the face of a soft market. The only other hotel not yet reaching our goals is Philadelphia. But the market is down here too. This is one of our most outstanding properties; it's still a good profit maker and is the busiest hotel in town. Occupancy levels are on the way up, and it should be on target shortly.

**How many new rooms were added in 1972?**

We opened new hotels in St. Louis (426 rooms), Miami (258) and New Orleans (924)—plus an addition to the Dulles airport hotel (90). For the year we had a net increase of 1690 new rooms—a solid 25 percent increase over fiscal 1971.

**How many rooms are there now in the Marriott hotel system?**

We are up to 8,403 rooms, not counting the franchised Marriott Inns. This is almost triple the 2,900 rooms we had just five years earlier beginning in fiscal 1968. Our number of hotels now stands at 18. We had only six hotels five years ago.

**Have the new St. Louis and Miami hotels met your goals to date?**

Acceptance by the public has been good. St. Louis was opened in March and was profitable before the end of our fiscal year. Miami opened in May, which is off-season in Florida, and occupancy has been rising steadily. Both are at good airport locations and will do well in their markets.

**Could you tell us about the New Orleans Marriott?**

It's our most spectacular hotel to date. We could apply many superlatives: Our largest, with 924 rooms . . . tallest, at 42 stories . . . etc. But most important, it will have a lasting impact on a great business and tourist city for decades to come and will be a significant



success in our system.

**Are the initial results satisfactory?**

We couldn't be more pleased. An elevator strike had plagued us for awhile, but demand from the day we opened in July has been excellent. What is most encouraging is advance convention bookings which are truly outstanding.

**Will all your opening expenses for these three new hotels be spread out over the next three years?**

For the most part, yes. But there were substantial administrative expenses and costs for employee training and transfers taken in 1972 and not deferred. These affected our margin as a whole.

**Have you had price relief during the year?**

The Price Commission approved a 2.66% increase in room rates and food prices, and we took action in some hotels. But the fiscal

year was more than half over before we could implement new prices.

**Did you step up the marketing effort in fiscal '72?**

Yes, we sold hard to get the business. A new national advertising campaign . . . special weekend family packages . . . a central reservations center with a national "800" number were among several factors that helped us achieve a good sales gain in fiscal 1972.

**How effective has your marketing program with sports teams been?**

Sam Huff, the former All-Pro football linebacker, has been an important addition to our marketing staff. All 26 National Football League teams now stay at a Marriott Hotel at one point or another during their season. Major league baseball teams, college

*Marriott Hotels enter more mid-continent markets as 426-room hotel opens at St. Louis Airport . . . plans advance for second hotel near Chicago and others in Kansas City and Denver*

teams, network television personnel, and other groups related to our thriving national sports are with us today in greater numbers.

**What was your average room rate at the end of fiscal 1972?**

A little over \$25, which is about the same as the year before.

**How many hotel rooms do you plan to add in fiscal 1973?**

We will assume management of the new Dallas Marriott Inn under agreement with our Dallas franchisee, and we will expand the Camelback Inn slightly, for a net gain of about 300 rooms. It will be a year when we can enjoy the full benefits of the 1700 rooms opened in late fiscal 1972.

**What is the plan for rooms in fiscal 1974?**

Our Los Angeles airport hotel, 1,020 rooms, is coming along well and will open in the fall of 1973. The Denver hotel and Kansas City airport hotel also will open in fiscal 1974. It will be another big year for us . . . more than 1,600 rooms, which will put us over the 10,000 mark.

**Any major restaurant plans on the drawing boards?**

All our new properties will offer excellent specialty restaurants. One project we might mention is our second Kona Kai restaurant. The first, at our Philadelphia hotel, has been extremely popular, and we are building one at our Chicago property. It will be a unique Polynesian design and contain 500 seats.

**What are your objectives overseas?**

We have recently announced plans for our first European hotel—a 400-room facility in downtown Amsterdam. This will be a venture with Leisure International Nederland N.V., subsidiary of Watney Mann Ltd. of London. We currently are negotiating additional international developments.

**Is the restaurant and banquet business holding up in the hotels?**

It's very strong. Food and bev-



Cincinnati Reds' Johnny Bench (top left) and St. Louis Cardinals' Mr. and Mrs. Joe Torre and Bob Gibson, among baseball's elite at Atlanta Marriott . . . Washington Redskins football stars Walter Rock, Chris Hanburger and Billy Kilmer at Dulles Marriott —as former All-Pro linebacker Sam Huff (standing) markets Marriott on the sports circuit

Marriott—leader in the United States lodging industry—heads for Europe with announcement of first overseas hotel . . . 400 rooms to be built in Amsterdam and opening in 1975

erage service continues to be one of our long suits, and accounts for about 55 percent of total hotel sales.

**In Washington you opened a second major restaurant not on hotel property. Has it been well received?**

Hogate's is a famous seafood name on the Potomac in Washington. Like its sister restaurant in Georgetown, the Port O' Georgetown, it has had excellent success since opening day.

**Are start-up costs continuing for the new Marriott World Travel Division?**

It has taken us longer than we anticipated to make this a success, but it is budgeted to make profits in 1973.

**What are you doing to turn the corner?**

We know from customer reactions we have a sound concept. We are developing exciting new programs and are building a staff of top travel experts to manage and market them.

**Is the Marriott Inn franchise program profitable?**

Yes, we have six now and they are contributing to our earnings. We have been successful in teaming up with good management with financial strength, and the program is paying dividends.

**Will the Inn program be expanded?**

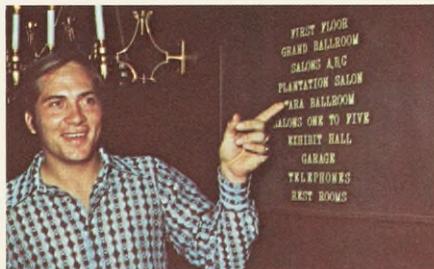
There will be four new franchised Inns in fiscal 1973—in Pittsburgh, Milwaukee, Ann Arbor, and Blacksburg, Va. Normally, however, we will open only one or two a year in the future.

**Will acquisition of the Sun Line cruise ships bring early benefits?**

It already has. Business has been above expectations. The ships are operated by the best management in the trade and will be a key element in our growing leisure-time market penetration.

**What does the fleet consist of?**

Two ships now, the Stella Maris and the Stella Oceanis. Combined



*Marriott's Camelback Inn at Scottsdale, Arizona, where widely-acclaimed accommodations, swimming and golf, sun and fun make it Southwest's most famous resort, has record fiscal 1972—and now converting to a resort hotel condominium*

they have a capacity of 550 passengers. A third ship, the new, luxurious Stella Solaris, will begin cruising in the spring of 1973 and will have a capacity of 750. We own the first two ships, and have a 45 percent interest in the third.

**Would you explain your Camelback Inn condominium plans?**

We are in the process of converting the Camelback Inn, our luxury resort hotel at Scottsdale, Arizona, to a resort condominium. As a condominium, the hotel rooms and suites of the Inn would be owned by individual purchasers who would be entitled to use them for 28 days each year. When not owner-occupied, these hotel units would be rented by Marriott Hotels to the general public on behalf of the owners. Marriott Hotels will be responsible under a long term agreement for renting the units and for managing the Inn's operations.

**Are you considering other condominium projects?**

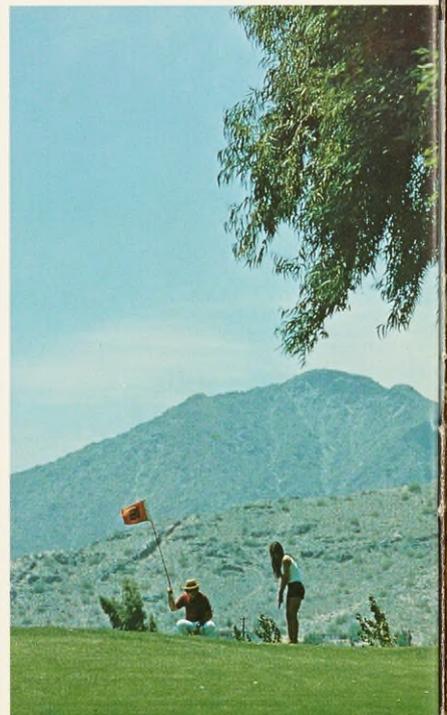
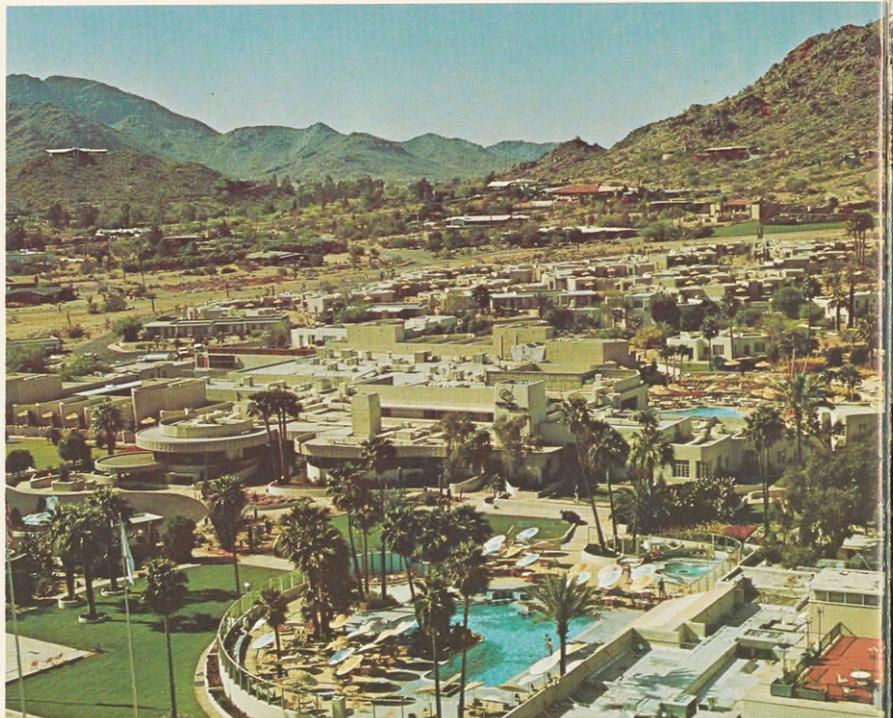
We are obviously diversifying into new leisure time activities. In this connection, we are considering establishing resort condominiums in other parts of the world.

**There were strengths and weaknesses in fiscal 1972. How did it all turn out?**

About the same as the year before. We are not satisfied with the result, but we did have some extraordinary hurdles. It is expensive to properly open three major hotels and a large specialty restaurant. We faced delayed increases in room rates, and we had some challenges in dealing with our diversification projects.

**How do you look at fiscal 1973?**

Very optimistically. Business and pleasure travel is on the rise, we will get the full effects of our new rooms and rates, and our new leisure activities should improve considerably. It looks like a strong year for us.



LONG-TERM GROWTH CONTINUES:

Sales and Earnings, Balance Sheet, Shareholder Gains Noted In Financial Summary Of Fiscal 1972

Marriott Corporation in fiscal 1972 maintained its consistent, long-term growth in sales and earnings . . . split its common stock . . . and strengthened its financial position.

On a quarterly basis, the company at year-end had achieved year-to-year gains for 37 consecutive quarters, which goes back more than nine years to 1963.

Compound annual growth the past 10 years is 23 per cent in net income and 19 per cent in sales.

ANOTHER STOCK SPLIT DECLARED

A 2-for-1 stock split was declared in March, 1972, doubling the number of shares outstanding to more than 29 million. Market price at the end of fiscal 1972 was 60 per cent higher than the year before, and total valuation of all shares outstanding exceeded \$1 billion. The stock split was the fourth on a 2-for-1 basis since 1960—the others occurring in 1968, 1965, and 1960.

The year closed with a total of 32,400 shareholders. This is an increase of 4,500 during the year and is double the number of just five years earlier—at the end of fiscal 1967.

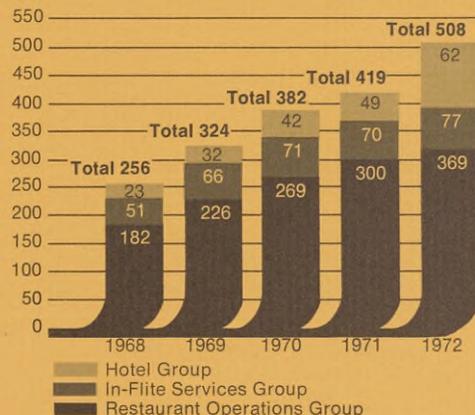
A major factor in the company's consistent growth record is its broad diversification within the expanding service sector of the world economy. At year end Marriott had 508 company-owned operations in 28 states, two U. S. territories and 13 foreign countries. This is a 21 per cent increase over the 419 units of a year ago.

ASSETS BOOK VALUE NOW \$450 MILLION

Book value of the company's assets totaled \$450 million at year end, of which \$174 million or \$5.96 per share was financed by shareholders, largely through reinvestment of earnings each year. An additional \$6 million was financed by subordinated convertible notes and \$194 million by senior debt. The ratio of senior debt to shareholders' investment was 1.11 to 1 versus 1.17 to 1 last year.

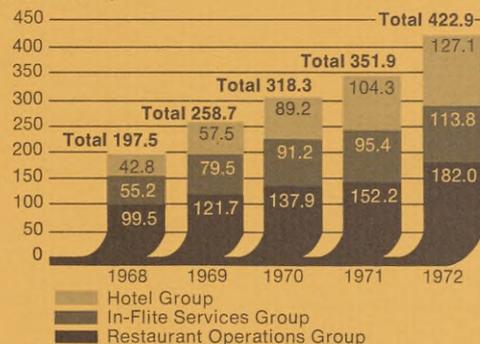
The return on beginning shareholders' investment dropped to 13.6 percent in 1972 as a result of the 41 percent increase in net worth which occurred in 1971. The consolidated figure includes negative and

OPERATING UNITS



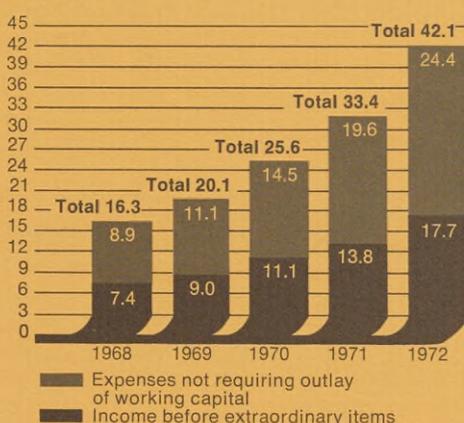
SALES

(IN MILLIONS)



CASH PROVIDED FROM OPERATIONS

(IN MILLIONS)



low-rate investments (\$36 million construction in progress, \$18 million goodwill, \$7 million short-term investments, etc.) and therefore is not considered a realistic measurement of the company's investment performance. True investment return from Marriott's operating units remains essentially constant and meets the standards which are established and carefully measured internally.

In addition, return on shareholders' investment also is held down by the company's substantial real estate investments. Yields are relatively low after depreciation, but they are consistent and help provide a strong and stabilizing base in the company's steady history of year-to-year profit gains.

#### CAPITAL OUTLAY HITS NEW HIGH

Capital expenditures in fiscal 1972 were \$86 million, including \$18 million for acquisitions of businesses. Major investments during the year were three new hotels and the acquisition of Sun Line, the well-known Greek cruise ship company. Also acquired during the year, on a pooling of interests basis, was Farrell's Inc., a popular chain of Ice Cream Parlour Restaurants.

At year end, the company's investment in property, improvements and equipment was depreciated to a conservative book value of \$348 million, compared to \$286 million in 1971.

Plans for fiscal 1973 call for capital expenditures of \$80-\$90 million, depending on the timing of the Theme Park construction program. (Total investment in the Theme Park by its first year of operation, 1975, is estimated at \$73 million.)

#### MORTGAGE FINANCING EMPHASIZED

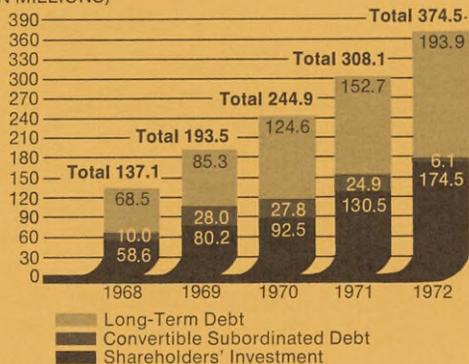
Fiscal '73 expenditures will be financed by cash flow (estimated at over \$50 million) and new debt. The company's policy is to arrange long-term financing before construction begins on major projects. Mortgage debt is the preferred financing vehicle, but intermediate-term bank loans and privately placed subordinated convertible notes provide flexible sources of funds to supplement cash flow from operations.

Cash flow provided by operations during the past year was \$42 million, up 26 percent from 1971. All of these funds were retained for expansion and, with net financing proceeds of \$46 million, funded the company's capital expenditures in 1972.

Working capital is up \$1 million to \$9.6 million. Invested capital has increased to \$374.5 million from \$308.1 million. Today the company is in an excellent financial position.

#### INVESTED CAPITAL

(IN MILLIONS)



#### Auditors' Report

To the Shareholders and Board of Directors of Marriott Corporation:

We have examined the consolidated balance sheets of MARRIOTT CORPORATION (a Delaware corporation) and Subsidiaries as of July 28, 1972 and July 30, 1971, and the related statements of consolidated income, shareholders' investment and changes in financial position for the fiscal years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheets and statements of consolidated income, shareholders' investment and changes in financial position present fairly the financial position of Marriott Corporation and Subsidiaries as of July 28, 1972 and July 30, 1971, and the results of their operations and the changes in their financial position for the fiscal years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.

ARTHUR ANDERSEN & CO.

Washington, D.C., September 1, 1972.

## Consolidated Income

Marriott Corporation and Subsidiaries  
For the 52 Weeks Ended July 28, 1972 and July 30, 1971

	1972	1971
		<i>Restated (Note 1)</i>
<b>SALES BY OPERATING GROUPS</b>		
Restaurant operations .....	<b>\$181,967,564</b>	\$152,220,446
In-flite services .....	<b>113,831,531</b>	95,373,086
Hotels and related operations .....	<b>127,128,650</b>	104,335,113
Total sales .....	<b>422,927,745</b>	351,928,645
<b>DEDUCTIONS (Note 1)</b>		
Cost of sales and operating expenses .....	<b>301,438,570</b>	248,242,684
Administrative and general expenses .....	<b>18,353,592</b>	15,298,885
Rent (Note 3) .....	<b>18,699,730</b>	16,202,820
Depreciation and amortization .....	<b>17,594,005</b>	14,469,114
Taxes—payroll, real estate and other .....	<b>14,673,277</b>	12,404,470
Interest expense, net of interest income .....	<b>10,085,124</b>	10,265,962
Advertising and sales promotion expenses .....	<b>6,843,159</b>	6,135,890
Pre-opening expenses .....	<b>2,046,352</b>	1,402,826
Profit sharing retirement contributions .....	<b>2,559,320</b>	2,034,306
	<b>392,293,129</b>	326,456,957
<b>INCOME BEFORE INCOME TAXES</b> .....	<b>30,634,616</b>	25,471,688
<b>UNITED STATES AND FOREIGN INCOME TAXES (Notes 1 &amp; 2)</b>		
Current .....	<b>7,975,000</b>	7,224,000
Deferred .....	<b>6,276,000</b>	4,506,000
Investment tax credit .....	<b>(1,350,000)</b>	(35,000)
	<b>12,901,000</b>	11,695,000
<b>NET INCOME</b> .....	<b>\$ 17,733,616</b>	\$ 13,776,688
<b>EARNINGS PER SHARE OF COMMON STOCK (Note 1)</b> .....	<b>\$ .62</b>	\$ .51

The accompanying notes are an integral part of this statement.

## Consolidated Balance Sheet

Marriott Corporation and Subsidiaries  
July 28, 1972 and July 30, 1971

	1972	1971
<b>ASSETS</b>		<i>Restated (Note 1)</i>
<b>CURRENT ASSETS</b>		
Cash and certificates of deposit .....	\$ 8,164,572	\$ 8,727,572
Short-term investments, at cost (approximates market) .....	6,540,250	11,039,237
Accounts receivable .....	29,557,053	22,929,798
Inventories, at lower of average cost or market .....	15,675,201	12,998,979
Prepaid expenses .....	2,045,063	1,644,416
Total current assets .....	<b>61,982,139</b>	57,340,002
 <b>PROPERTY, IMPROVEMENTS AND EQUIPMENT, AT COST</b> (Notes 1 & 3)		
Land .....	46,363,959	44,419,457
Buildings and improvements .....	78,669,900	63,493,241
Leasehold interest in property and equipment under lease-purchase obligations .....	88,072,279	86,952,192
Leasehold improvements .....	61,168,289	45,534,994
Furniture and equipment .....	94,300,904	75,224,503
Cruise ships .....	11,000,000	—
Construction in progress .....	36,346,274	24,044,401
	<b>415,921,605</b>	339,668,788
Depreciation and amortization .....	(68,411,078)	(53,320,415)
	<b>347,510,527</b>	286,348,373
 <b>OTHER ASSETS</b> (Note 1)		
Cost in excess of net assets of businesses acquired .....	17,872,572	13,940,078
Investments in and advances to affiliates .....	4,354,981	1,888,220
Deferred charges .....	10,870,305	5,231,949
Miscellaneous .....	7,842,253	9,439,208
	<b>40,940,111</b>	30,499,455
	<b>\$450,432,777</b>	\$374,187,830

	1972	1971
<b>LIABILITIES AND SHAREHOLDERS' INVESTMENT</b>		
<b>CURRENT LIABILITIES</b>		
Bank loans	\$ 1,290,024	\$ 2,189,589
Accounts payable	16,816,011	12,954,581
Accrued liabilities	26,631,600	21,985,521
Federal and state income taxes (Notes 1 & 2)	1,637,243	3,558,921
Current portion of debt	6,015,733	8,066,610
Total current liabilities	<u>52,390,611</u>	<u>48,755,222</u>
<b>DEBT</b> , excluding convertible subordinated debt (Note 3)		
Interim construction financing covered by mortgage loan commitments and bank lines of credit	18,569,000	7,680,000
Mortgages and notes, excluding current portion	120,806,102	87,903,717
Lease-purchase obligations, excluding current portion	54,547,696	57,152,859
	<u>193,922,798</u>	<u>152,736,576</u>
<b>DEFERRED INCOME TAXES</b> (Note 1)	23,560,256	17,297,014
<b>COMMITMENTS AND CONTINGENT LIABILITIES</b> (Notes 1 & 3)		
<b>CONVERTIBLE DEBT AND SHAREHOLDERS' INVESTMENT</b>		
Convertible subordinated debt (Note 4)	6,066,000	24,879,000
Shareholders' investment (Notes 4, 5 & 6)		
Common stock	29,336,745	14,069,042
Capital surplus	111,893,872	101,608,521
Net deferred management compensation payable in common stock	2,238,022	1,836,118
Retained earnings	31,211,513	13,307,891
Treasury stock, at cost	(187,040)	(301,554)
Total shareholders' investment	<u>174,493,112</u>	<u>130,520,018</u>
	<u>180,559,112</u>	<u>155,399,018</u>
	<u>\$450,432,777</u>	<u>\$374,187,830</u>

## Consolidated Shareholders' Investment

Marriott Corporation and Subsidiaries  
For the 52 Weeks Ended July 28, 1972 and July 30, 1971

	Common Stock (\$1.00 par value)	Capital Surplus	Net Deferred Management Stock Compensation	Retained Earnings	Treasury Stock
<b>BALANCE, JULY 31, 1970</b> .....	\$12,498,157	\$ 66,368,576	\$1,522,619	\$11,308,481	\$ (301,554)
Acquisition of company accounted for as a pooling of interests (Note 1) .....	238,982	745,856	—	166,209	—
Net income .....	—	—	—	13,776,688	—
Common stock issued—					
Public offering .....	900,000	19,724,663	—	—	—
2½ % stock dividend at market .....	335,397	11,608,090	—	(11,943,487)	—
Redemption of convertible debt .....	78,008	2,781,191	—	—	—
Employee stock purchase plan .....	12,878	417,762	—	—	—
Deferred stock compensation plans and stock exchange and issuance expenses .....	5,620	(37,617)	313,499	—	—
<b>BALANCE, JULY 30, 1971</b> .....	\$14,069,042	\$101,608,521	\$1,836,118	\$13,307,891	\$(301,554)
Transactions of pooled companies prior to acquisition (Note 1) .....	25,868	108,946	—	170,006	—
Net income .....	—	—	—	17,733,616	—
Common stock issued—					
2 for 1 common stock split .....	14,501,842	(14,501,842)	—	—	—
Redemption of convertible debt .....	702,768	22,968,296	—	—	—
Employee stock purchase plan .....	30,764	843,549	—	—	—
Treasury shares issued in satisfaction of a portion of the Company's profit sharing contribution liability (30,000 shares) .....	—	912,986	—	—	114,514
Deferred stock compensation plans and stock exchange and issuance expenses .....	6,461	(46,584)	401,904	—	—
<b>BALANCE, JULY 28, 1972</b> .....	\$29,336,745	\$111,893,872	\$2,238,022	\$31,211,513	\$(187,040)

## Consolidated Changes in Financial Position

Marriott Corporation and Subsidiaries

For the 52 Weeks Ended July 28, 1972 and July 30, 1971

	1972	1971
		<i>Restated (Note 1)</i>
<b>SOURCES OF FUNDS</b>		
Net income	\$ 17,733,616	\$ 13,776,688
Add expenses not requiring current outlay of working capital		
Depreciation and amortization	17,594,005	14,469,114
Deferred income taxes	6,276,000	4,506,000
Deferred management stock compensation	487,244	605,015
From operations	<u>42,090,865</u>	<u>33,356,817</u>
New financing		
Mortgages and notes	50,026,081	48,359,770
Lease-purchase obligations	—	7,125,000
Convertible subordinated notes	5,000,000	—
Interim construction financing, net change	10,889,000	(12,170,000)
	<u>65,915,081</u>	<u>43,314,770</u>
Less maturities		
Mortgages and notes	(17,123,696)	(11,806,633)
Lease-purchase obligations	(2,605,163)	(3,322,798)
From financing	<u>46,186,222</u>	<u>28,185,339</u>
Common stock issued		
Public offering	—	20,624,663
Employee stock purchase plan	874,313	430,640
Redemption of convertible notes	23,813,000	2,961,000
Businesses acquired	304,820	—
From common stock issues	<u>24,992,133</u>	<u>24,016,303</u>
Treasury shares issued in satisfaction of a portion of the Company's profit sharing contribution liability	1,027,500	—
Disposals of property, improvements and equipment	1,613,189	1,522,169
Total Sources	<u>115,909,909</u>	<u>87,080,628</u>
<b>APPLICATIONS OF FUNDS</b>		
Additions to property, improvements and equipment	67,951,958	48,370,158
Acquisition of Essex House Hotel	—	28,834,157
Acquisitions of businesses	17,880,289	7,047,702
Investments in and advances to affiliates	2,466,761	327,000
Increase in other assets, net of amortization	2,791,153	2,963,333
Redemption of convertible notes	23,813,000	2,961,000
Total Applications	<u>114,903,161</u>	<u>90,503,350</u>
<b>INCREASE (DECREASE) IN WORKING CAPITAL</b>	<u>\$ 1,006,748</u>	<u>\$ (3,422,722)</u>
<b>SUMMARY OF CHANGES IN WORKING CAPITAL</b>		
Increase (decrease) in current assets		
Cash and short-term investments	\$ (5,061,987)	\$ 7,174,444
Accounts receivable	6,627,255	(33,438,439)
Inventories	2,676,222	1,873,934
Prepaid expenses	400,647	(777,180)
(Increase) decrease in current liabilities		
Bank loans	899,565	27,788,353
Accounts payable and accrued liabilities	(8,507,509)	(3,454,721)
Federal and state income taxes	1,921,678	(1,017,437)
Current portion of debt	2,050,877	(1,571,676)
Increase (decrease) in Working Capital	<u>\$ 1,006,748</u>	<u>\$ (3,422,722)</u>

The accompanying notes are an integral part of this statement.

## Notes to Consolidated Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### *Principles of Consolidation:*

The accompanying consolidated financial statements include accounts of the Company and all majority-owned domestic and foreign subsidiaries. All material intercompany transactions have been eliminated.

#### *Acquisitions and 1971 Restatements:*

The 1971 financial statements have been restated to include (a) a previously unconsolidated wholly-owned finance subsidiary which merged with the Company in 1972; (b) Farrell's, Inc. which was acquired by the Company in June, 1972, in a transaction accounted for as a pooling of interests; and (c) consistent classifications of accounts. The net effect of these restatements was to increase sales and net income as originally reported in 1971 by \$4,582,150 and \$69,784. There was no effect on earnings per share.

During 1972, the Company acquired three food service companies (including Farrell's, Inc.) for 264,850 shares of common stock. These combinations were accounted for as poolings of interests. The three companies had combined sales of \$12,127,000 and net income of \$501,000 for 1972 and total assets of \$5,520,000 at dates of acquisition.

During 1972, the Company acquired a cruise ship company, a 45% interest in another cruise ship company and a restaurant chain for \$16,580,000. These acquisitions were accounted for as purchases with a resulting cost in excess of net assets of \$3,955,000. The results of operations of these companies are included from the dates of acquisition and include sales of \$4,493,000 and net income of \$548,000. Proforma results of operations prior to the dates of acquisition, as required by Accounting Principles Board Opinion 16, are not available for the cruise ship companies since the acquisition included the reorganization of two privately owned companies and the purchase of individual assets from a third company. Results for the restaurant chain are not significant.

#### *Foreign Operations:*

The accompanying financial statements include net assets in foreign countries of \$11,326,000 at July 28, 1972. Foreign sales and operating income for the year then ended, as a percent of total sales and profits, were 8.8% and 12.9%.

Foreign assets and liabilities have been translated to U. S. dollars at year-end exchange rates, except net properties have been translated at rates prevailing when acquired. The income accounts have been translated at approximately the average monthly exchange rates. The effect on net income of gains and losses from translations and exchange transactions was not significant.

#### *Investment in Duman Investments, Inc.:*

The Company has a 25% equity interest (with 50% voting rights) in Duman Investments, Inc., the landlord of the New Orleans Marriott Hotel, which is leased to the Company and opened in late July 1972. In addition, the Company has a right to convert \$1,000,000 of debentures for an additional 24% non-voting equity interest. At July 28, 1972, Duman had total assets of \$30,674,000 and total liabilities of \$27,993,000, of which \$23,729,000 are current liabilities. Duman has a \$23,000,000 permanent mortgage

loan commitment scheduled for closing in October, 1972. The Company has guaranteed \$3,264,000 of Duman's long-term borrowings.

#### *Construction Financing:*

Interest of \$1,612,000 in 1972 and \$1,273,000 in 1971 on construction financing was capitalized as part of the construction costs. See Note 3 for description of accounting for construction financing.

#### *Depreciation and Amortization:*

Depreciation and amortization are calculated on the straight-line method for financial statement purposes and, where permitted, on accelerated methods for tax purposes. The following lives are used for financial statement purposes:

Buildings and Improvements	20 to 40 Years
Leasehold Improvements	Shorter of Life of Lease or Asset
Furniture and Equipment	2 to 20 Years
Cruise Ships	20 Years
Leasehold interest under lease-purchase obligations:	
Equipment	4 to 20 Years
Buildings and Improvements	25 to 45 Years

#### *Income Taxes:*

Deferred income taxes are recognized for differences between book and tax accounting for depreciation, interest during construction, pre-opening expenses, payments to individuals for covenants not to compete obtained in connection with acquisitions, and deferred stock compensation.

U. S. taxes are not accrued on undistributed earnings of foreign subsidiaries where management considers such earnings to be permanently invested.

The Company uses the flow through method of accounting for investment tax credits.

#### *Deferred Management Stock Compensation:*

Compensation for deferred stock bonus awards is recorded in the year in which the bonus is earned, adjusted for anticipated forfeitures, and is based on the market price at the date awarded. Compensation for deferred stock contracts is recorded for the shares contingently vested in each year and is based on the market price as of the date of contracts. Other stock compensation which is subject to restrictions is expensed over the period of the restrictions.

#### *Computation of Earnings per Share:*

Earnings per share of common stock are based on the weighted average number of shares of common stock outstanding during each year, which were 28,656,595 for 1972 and 27,156,260 for 1971 (adjusted for 1972 stock split).

Conversion of the outstanding subordinated debt and distribution of the total shares reserved under the stock purchase plan and awarded under deferred stock compensation agreements would not have a material effect on earnings per share.

#### *Cost in Excess of Net Assets of Businesses Acquired:*

The cost in excess of net assets of businesses acquired prior to October 31, 1970 (\$13,501,960), is not being amortized. The cost in excess of net assets of businesses acquired subsequent to October 31, 1970 (\$4,370,612), is being amortized in accordance with Accounting Principles Board Opinion 17 over periods up to 40 years.

#### *Franchise Fees:*

Initial franchise fees and monthly royalty fees based on sales are accrued as earned.

#### *Deferred Charges:*

Deferred charges consist of the following:

	July 28, 1972	July 30, 1971
Pre-opening expenses	\$ 4,664,332	\$2,393,932
Deferred interest and financing expenses	3,148,528	1,351,865
Miscellaneous	3,057,445	1,486,152
	<u>\$10,870,305</u>	<u>\$5,231,949</u>

Costs incurred prior to the opening of a new hotel or a major hotel addition are deferred and amortized over three years. Pre-opening expenses of other major operations are deferred and amortized over one year. Other pre-opening expenses are expensed as incurred. Deferred financing expenses are amortized over the term of the loans and are considered interest expense. Miscellaneous deferred charges are amortized over the periods benefitted. The costs of developing data processing systems and research and development costs are expensed as incurred.

#### Miscellaneous Assets:

Miscellaneous assets consist of the following:

	July 28, 1972	July 30, 1971
Long-term receivables	\$4,839,417	\$6,623,785
Escrow and lease deposits	1,922,591	1,709,000
Franchise rights, copyrights and trademarks	919,842	919,842
Miscellaneous investments	160,403	186,581
	<u>\$7,842,253</u>	<u>\$9,439,208</u>

## 2. FEDERAL INCOME TAXES:

The Company and its subsidiaries file separate income tax returns. An Internal Revenue Agent's Report covering the tax returns for 1964 through 1967 has been received and certain deficiencies are being contested. Returns for 1968 through 1970 are currently being reviewed by the Internal Revenue Service. In the opinion of management, any adjustments will not have a material adverse effect on the accompanying consolidated financial statements.

## 3. DEBT (EXCLUDING CONVERTIBLE SUBORDINATED DEBT) AND COMMITMENTS:

*Maturities of mortgages, notes and lease-purchase obligations at July 28, 1972:*

Fiscal Year	Secured Mortgage Loans	Unsecured Notes	Lease-Purchase Obligations
Interest rates	4½-10%	6-9¼%	5-7¾%
1974	\$ 4,921,044	\$ 2,085,042	\$ 2,703,573
1975	37,823,176	13,833,042	2,865,122
1976	5,873,434	63,042	2,929,524
1977	7,063,001	263,042	2,861,769
To 1997	46,954,884	1,926,395	43,187,708
Total	<u>\$102,635,539</u>	<u>\$18,170,563</u>	<u>\$54,547,696</u>

The above debt includes \$49,246,692 at interest rates which vary based on the prime lending rate.

#### Summary of Pledging of Assets:

The Company's investment in property, improvements and equipment, at cost, excluding construction in progress, is \$379,575,331. Of this amount, \$130,456,468 is pledged under mortgage loans, \$88,072,279 under lease-purchase obligations, and \$161,046,584 is free of lien.

#### Construction Financing:

As of July 28, 1972, the Company has commenced major construction projects, aggregating \$78,935,000 to be completed over the next three years, of which \$32,789,000 has been expended. The Company has obtained permanent mortgage loan commitments of \$47,700,000 on certain of these projects. During the construction period, the Company uses interim construction financing consisting of short-term bank loans and commercial paper (whose maturity averages 30 days) which will be refinanced by mortgage loan proceeds upon completion of the projects.

Until completion of such projects, the interim construction financing must be refinanced or replaced by use of the Company's regular bank credit lines which aggregate \$84 million with 25 commercial banks.

#### Lease-purchases and Other Leases:

Lease-purchase obligations are in substance installment purchases and are recorded as leasehold interest at the discounted amount of future rentals. These leases are made with corporations owned by the Marriott Foundation and provide for the recovery of principal and interest and a nominal profit.

In addition to the foregoing leases, the Company has other leases which are not installment purchases and which have an average remaining term of 15 years as of July 28, 1972. Minimum annual rentals amount to approximately \$7,900,000 as of July 28, 1972. Most of the leases require additional rentals under percentage clauses relating to sales and have renewal privileges.

## 4. CONVERTIBLE SUBORDINATED DEBT:

6¼% Subordinated Guaranteed Debentures due 1989, convertible at \$19.00 per share	\$1,066,000
4¼% Convertible Subordinated Notes due 1992, convertible at \$45.00 per share	5,000,000
	<u>\$6,066,000</u>

All conversion prices are subject to anti-dilution provisions. The 4¼% notes have cash dividend restrictions, but at July 28, 1972, all of the retained earnings are unrestricted. Annual principal payments of \$500,000 begin July, 1983 on the 4¼% notes.

## 5. STOCK COMPENSATION, STOCK PURCHASE PLAN AND OTHER RESERVED SHARES:

The Company has deferred stock compensation programs represented by deferred stock bonus awards and contract agreements. Certain of the agreements have restrictions which are released each year dependent upon increases in consolidated earnings per share. Under these plans, 684,759 shares of common stock have been awarded of which 127,675 shares are fully vested at July 28, 1972.

Under some programs, shares are issued after the period earned; while under other programs, restricted shares are issued prior to the period earned. The amounts payable in the future in stock and the unamortized compensation for shares already issued are as follows:

	July 28, 1972	July 30, 1971
Stock payable in future	\$2,656,000	\$2,306,000
Unamort. compensation	(417,978)	(469,882)
Net	<u>\$2,238,022</u>	<u>\$1,836,118</u>

The Company has a qualified stock purchase plan for employees to purchase up to 78,192 shares of common stock. The purchase price for the shares to be purchased on January 31, 1973, is the market value at January 3, 1972, (\$25.66 per share, adjusted for the 1972 stock split) or 100% of the market value at January 31, 1973, whichever is less.

As of July 28, 1972, there was one warrant outstanding, expiring in 1981, to purchase 12,000 shares of common stock at \$25 per share.

## 6. CAPITAL STOCK:

1,000,000 shares of preferred stock, without par value, are authorized. As of July 28, 1972, none has been issued.

45,000,000 shares of common stock with a par value of \$1 per share are authorized, of which 29,336,745 were issued at July 28, 1972, and 14,069,042 at July 30, 1971, including treasury shares of 49,000 and 39,500, respectively. Total common stock shares reserved at July 28, 1972, for exercise of options, warrants and conversions of debt are 942,167.

## 10 Year Financial History

(Dollars in thousands)

	1972	1971	1970	1969	1968	1967	1966
			53 Weeks				53 Weeks
<b>OPERATIONS</b>							
Sales	<b>422,928</b>	351,929	318,324	258,741	197,498	146,349	123,933
% Increase for the year	<b>20.2%</b>	10.6%	23.0%	31.0%	35.0%	18.1%	25.4%
Income before income taxes	<b>30,635</b>	25,472	19,534	16,015	13,362	10,820	9,121
Per sales dollar	<b>7.2%</b>	7.2%	6.1%	6.2%	6.8%	7.4%	7.4%
United States and foreign							
Income taxes	<b>(14,251)</b>	(11,730)	(9,230)	(8,040)	(6,770)	(5,233)	(4,391)
Investment tax credit	<b>1,350</b>	35	795	988	827	462	380
Net income	<b>17,734</b>	13,777	11,099	8,963 <sup>(C)</sup>	7,419	6,049	5,110
% Increase for the year	<b>28.7%</b>	24.1%	23.8%	20.8%	22.6%	18.4%	22.4%
Per sales dollar	<b>4.2%</b>	3.9%	3.5%	3.5%	3.8%	4.1%	4.1%
Return on beginning shareholders' investment	<b>13.6%</b>	14.9%	13.8%	15.3%	16.3%	19.6%	19.5%
Cash provided from operations	<b>42,091</b>	33,357	25,641	20,125	16,302	12,920	10,759
<b>ASSETS EMPLOYED</b>							
Net working capital	<b>9,592</b>	8,585	12,008	7,376	7,579	4,559	6,872
Fixed assets	<b>347,510</b>	286,348	218,473	174,374	124,510	86,717	59,728
Other assets	<b>40,940</b>	30,499	28,436	22,239	12,159	6,810	1,066
<b>DEBT AND EQUITY</b>							
Mortgages and notes	<b>120,806</b>	87,903	51,351	30,171	24,808	11,286	5,212
Lease-purchase obligations	<b>54,548</b>	57,153	53,351	45,457	41,168	33,679	25,878
Construction financing	<b>18,569</b>	7,680	19,850	9,720	2,500	—	—
Deferred income taxes	<b>23,560</b>	17,297	13,978	10,454	7,215	7,667	5,697
Convertible subordinated debt	<b>6,066</b>	24,879	27,840	28,000	10,000	—	—
Shareholders' investment	<b>174,493</b>	130,520	92,547	80,187	58,557	45,454	30,879
<b>PER SHARE DATA (Note A)</b>							
Net income	<b>.62</b>	.51	.43	.36 <sup>(C)</sup>	.31	.27	.23
Cash provided from operations	<b>1.47</b>	1.23	1.00	.81	.67	.58	.48
Stock dividends							
Percent	<b>—</b>	2.5%	2.5%	2.5%	3.0%	4.0%	4.0%
Cash equivalent	<b>—</b>	.45	.39	.39	.29	.24	.30
Shareholders' investment	<b>5.96</b>	4.69	3.59	3.12	2.39	1.90	1.38
Quoted market price at year end	<b>35.25</b>	21.94	11.83	14.82	13.70	7.50	5.75
<b>OTHER DATA (Note A)</b>							
Weighted average shares outstanding	<b>28,656,595</b>	27,156,260	25,714,302	24,858,630	24,289,798	22,439,908	22,366,972
Shares outstanding	<b>29,287,745</b>	27,820,102	25,781,204	25,669,290	24,482,424	23,962,368	22,337,840
Number of shareholders	<b>32,400</b>	27,900	26,500	24,000	20,700	15,767	13,150
Number of employees	<b>34,100</b>	27,300	26,000	24,300	19,700	15,600	12,500
Number of operating units	<b>508</b>	419	382	324	256	206	150

	1965	1964	1963	10 Year Compound Growth
98,843	84,726	74,597	19.4%	
16.7%	13.6%	4.3%		
7,394	5,555	4,158	22.8%	
7.5%	6.6%	5.6%		
(3,388)	(2,510)	(1,754)		
169	155	67		
4,175	3,200	2,471	22.8%	
30.5%	29.5%	8.8%		
4.2%	3.8%	3.3%		
19.0%	17.0%	15.1%		
7,510	6,658	5,725	23.0%	
9,576	10,247	9,209		
41,370	21,788	17,513		
864	520	563		
5,992	6,895	5,814		
15,249	—	—		
—	—	—		
4,388	3,659	2,649		
—	—	—		
26,181	22,001	18,822	26.5%	
.19	.14	.11	20.0%	
.33	.30	.25	19.9%	
4.0%	4.0%	4.0%		
.16	.09	.09		
1.17	.98	.84		
5.11	2.30	2.17	31.7%	
22,429,320	22,467,002	22,471,466		
22,396,106	22,462,536	22,471,466		
9,668	7,572	6,150	18.7%	
10,000	9,600	9,100	14.5%	
127	120	111	17.3%	

Notes:

**A.** Per share data is based on weighted average shares outstanding during the year (except for shareholders' investment which is based on the total shares outstanding), adjusted for stock dividends and for 2-for-1 splits in April 1965, March 1968, and March 1972.

**B.** 1971, 1970 and 1969 have been restated for the acquisition of Farrell's Inc., which was acquired in 1972 on a pooling of interests basis, and to include a previously unconsolidated wholly-owned finance subsidiary which merged with the Company in 1972. Sales of Farrell's for these years were \$4,583,000, \$3,338,000 and \$1,356,000, respectively. There was no effect on earnings per share.

**C.** Net income in 1969 excludes extraordinary gains on sales of properties (\$1,274,000 net of \$483,000 tax or \$.05 per share).

New England fishing village, schooners and all, will be one of the many theme park attractions at Marriott's Great America, where thrill rides, sea life park, animal preserve will entertain, starting in 1975 in Baltimore-Washington area

## BOARD OF DIRECTORS

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*Vice Chairman of the Board*

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TREASURER

Calvin B. Andringa

## SHAREHOLDER INFORMATION

Annual Meeting at Tysons

Shareholders are cordially invited to attend the 1972 Annual Meeting which will take place at 10 a.m. Tuesday, November 21 at the Tysons 1 Theatre in the Tysons Corner Center, McLean, Virginia. Access from the Capital Beltway (Rt. 495) northbound, via Rt. 7 and Tysons Corner exit; southbound exit 11-S. The theatre is nearest the "Fashion Court" entrance at the shopping center.

Marriott Corporation  
Executive Offices

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Area Code 301/986-5000

Registrars

Morgan Guaranty Trust Company  
of New York  
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New York, New York 10006

American Security & Trust Company  
15th Street & Pennsylvania Avenue, N.W.  
Washington, D.C. 20013

Transfer Agents

Bankers Trust Company  
485 Lexington Avenue  
New York, New York 10017

The Riggs National Bank  
of Washington, D.C.  
800 17th Street, N.W.  
Washington, D.C. 20013

Auditors

Arthur Andersen & Co.  
815 Connecticut Avenue, N.W.  
Washington, D.C. 20006





5161 River Road, Washington, D.C. 20016