Marriott International Inc New

Project Part III

Finance 331

Jennifer Hu

April 11, 2007

1. P/E Ratio from Valueline: 28.5
2. EPS Estimates from Valueline: 1.66
3. Dividends per Share and g (from Reuters.com)
   Growth rate = 14.42
   Dividend per share = 0.62
4. Rate of Return (use CAPM)
   E(Ri)= Rf+[E(Rm)-Rf] x Bi
   E(Ri) = 4.63 + [12.40- 4.63] x .95 = 12.01%
5. Intrinsic Value (Gordon Growth model)
   Gordon Growth Model:
   P0 = D1 / (R-g) = 0.053/ (12.01-0.62) = 0.053/11.39 = 0.00465
6. Price Estimate: P/E ratio from Valueline and the attached document x EPS estimate
   28.5 x 1.66 = 47.43
7. Holding Period Return: 1+ HPR = D1/PO + P1/PO
   (Target Price/Price Quote) – 1 + [Last four quarters of dividends per share x (1 + Growth Rate)] / Price Quote
   (56/49.85) – 1 + [0.19 x (1 + 14.42)] / 49.85)
   .1233 + [2.9298]/49.85 = 0.18

8. Base on the analysis given above, I would recommend moderately to buy the stock from Marriott International Inc. Marriott International Inc. is a company that is based on hotel businesses. Hotel businesses basically have steady market shares and profits. Marriott International Inc. is slowly expanding globally to increase its businesses; however, it won't affect the market significantly because of its slow pace. We can especially focus on the intrinsic value that is 0.00465 which can be translated in to about 0.5%. Intrinsic value represents the core values of market profits. It isn't a big number but it will still increase its stock price slowly throughout the years.