

# STARWOOD HOTELS & RESORT WORLDWIDE (HOT)



**\$83.60 - SELL**

## Valuation Methodology

Method #1 -	\$	83.60
Method #2	\$	73.97
Method #3	\$	72.08
Method #4	\$	43.68
<b>Average of other methods</b>	<b>\$</b>	<b>68.33</b>

## Market Data

Market Cap (intraday) <sup>5</sup> :	14.21B
Enterprise Value (Mar 29, 2016) <sup>3</sup> :	15.44B
Enterprise Value/EBITDA (ttm) <sup>6</sup> :	14.6x

## Financial Summary (12/31/2015)

Revenues	\$5.76 B
EBITDA	\$1.03B
Net Income	\$489mm

## Financial Analysis

### Solvency Ratios

LTD / Total Capitalization	64.5%
EBITDA / Interest (Interest Coverage)	4.78x
LTD / EBITDA	2.28x

### Profitability Ratios

Gross Margin	73.6%
EBITDA Margin	17.9%
EBIT Margin	12.8%
Return on Assets (ROA)	4.1%
Gross Return on Assets	8.7%
Return on Equity (ROE)	24.4%



## Profile

Starwood Hotels & Resorts Worldwide, Inc., together with its subsidiaries, operates as a hotel and leisure company worldwide. The company owns, operates, and franchises luxury and upscale full-service hotels, resorts, residences, retreats, select-service hotels, and extended stay hotels under the St. Regis, The Luxury Collection, W, Westin, Le Méridien, Sheraton, Four Points, Aloft, Tribute Portfolio, and Element brand names. It also develops, owns, and operates vacation ownership resorts; and markets and sells vacation ownership interests in the resorts, as well as provides financing to customers who purchase such interests. In addition, the company develops, markets, and sells residential units at mixed use hotel projects. As of December 31, 2015, the company had 1,282 owned, managed, or franchised hotels with approximately 362,300 rooms; and approximately 15 stand-alone vacation ownership resorts and residential properties. The company was founded in 1969 and is headquartered in Stamford, Connecticut.

## Financial Analysis

### FY15 vs. FY14

#### Operations:

- Net sales for FY15 were \$5,763MM, a decrease of \$220MM or 3.7% compared to \$5,983MM for FY14. The decrease was due to the continue sell down of the Time Share business. Excluding the sale of this business the hotel operations increased more than 2.5% .
- COGS slightly decreased by 11.1% to \$1,519MM in FY15 vs. \$1,708MM in FY14. COGS benefited from the sale of the Time Share business – this contributed to an increase in Gross Margins from 71.5% to 73.6% - significantly higher than the 56.2% 10-year gross margin average.
- Operating expenses increased by 3.3% to \$3,504MM in FY15 vs. \$3,392MM in FY14 primarily driven by a one-time non-recurring expense of \$100MM associated with the sale of the Time Share business and increased competitive promotional activity.
- As a result of the above, operating income for FY15 was \$740MM, a decrease of \$143MM, or 16.2%, compared to \$883MM for FY14.
- EBITDA/EBITDA margin slightly decreased to \$1,033MM/17.9% in FY15 vs. \$1,080MM/18.1% in FY14 due to the above issues.

#### Cash Flow:

- OCF decreased to \$890MM in FY15 from \$994MM in FY14 primarily due to lower income as described above
- Capex totaled \$261MM in FY15 vs. \$327MM in FY14; the lower Capex is the lowest in 5 years.
- Financing activities used \$1,096MM of cash in FY14 vs. a used of cash of \$1,240MM in FY15 primarily due to net capital contributions in connection with the proceeds from Acquisition-related financing, partially.
- As a result of the above, change in cash for FY15 was +\$100MM vs 310MM in FY14 and total cash on hand was \$1,102MM at FYE2015.

#### Leverage:

- Total debt decreased to \$2,359MM FY15 vs. \$2,944MM at the end of FY14. Total leverage decreased to 2.3x at the end of 2015 vs. 2.73x at the end of FY14 due to lower Debt and flat EBITDA .
- Interest coverage ratio slightly increased to 4.81x at the end of 2015 vs. 4.78x at the end of FY14 primarily due to lower EBITDA.
- Total Debt/Capitalization was flat at 64.5% at the end of FY15 vs. 65.9% at the end of FY14

#### Operating Info:

	December 31,		Variance
	2015	2014	
Worldwide (996 hotels with approximately 291,900 rooms)			
REVPAR (1)	\$ 121.57	\$ 122.02	(0.4 )%
ADR	\$ 172.11	\$ 176.56	(2.5 )%
Occupancy	70.6 %	69.1 %	1.5
Americas (565 hotels with approximately 163,000 rooms)			
REVPAR (1)	\$ 129.82	\$ 125.17	3.7 %
ADR	\$ 176.26	\$ 173.06	1.8 %
Occupancy	73.7 %	72.3 %	1.4
EAME (195 hotels with approximately 51,100 rooms)			
REVPAR (1)	\$ 133.14	\$ 146.17	(8.9 )%
ADR	\$ 196.44	\$ 219.75	(10.6 )%
Occupancy	67.8 %	66.5 %	1.3

Asia Pacific (236 hotels with approximately 77,800 rooms)

REVPAR (1)	\$	96.82	\$	99.86	(3.0 )%
ADR	\$	146.38	\$	155.92	(6.1 )%
Occupancy		66.1 %		64.0 %	2.1

### Ratio Analysis

PERIOD ENDING	31-Dec-15	31-Dec-14	31-Dec-13	31-Dec-12
<b>Solvency Ratios</b>				
LTD / Total Capitalization	64.5%	65.9%	36.6%	36.6%
EBITDA / Interest (Interest Coverage)	4.78x	4.58x	3.70x	6.29x
LTD / EBITDA	2.28x	2.73x	1.65x	1.69x
<b>Profitability Ratios</b>				
Gross Margin	73.6%	71.5%	68.5%	62.8%
EBITDA Margin	17.9%	18.1%	17.9%	16.9%
EBIT Margin	12.8%	14.3%	10.9%	14.1%
Return on Assets (ROA)	4.1%	5.4%	2.0%	6.1%
Gross Return on Assets	8.7%	9.7%	7.5%	9.7%
Return on Equity (ROE)	24.4%	20.1%	5.6%	18.5%
<b>Trend Analysis Ratios</b>				
Revenue Growth	-3.7%	-2.2%	-3.3%	12.4%

### Pier Analysis

#### Direct Competitor Comparison

	<u>HOT</u>	<u>HLT</u>	<u>MAR</u>	<u>H</u>	<u>Industry</u>
Market Cap:	14.21B	22.19B	17.92B	6.50B	2.89B
Employees:	188,000	164,000	127,500	45,000	7.80K
Qtrly Rev Growth (yoy):	-0.10	0.01	0.01	-0.02	0.14
Revenue (ttm):	3.03B	7.14B	2.86B	2.54B	634.10M
Gross Margin (ttm):	0.50	0.43	0.74	0.37	0.43
EBITDA (ttm):	1.05B	2.47B	1.55B	643.00M	117.08M
Operating Margin (ttm):	0.28	0.26	0.48	0.13	0.14
Net Income (ttm):	489.00M	1.40B	859.00M	124.00M	N/A

HLT = Hilton Worldwide Holdings Inc.

MAR = Marriott International, Inc.

H = Hyatt Hotels Corporation

Industry = Lodging

# Projections Analysis

## Income Statement

## Projections

PERIOD ENDING	10-year Average	Operating Assumpt. Input	Projections					
			30-Dec-16	30-Dec-17	30-Dec-18	30-Dec-19	30-Dec-20	30-Dec-21
<b>Total Revenue</b>			5,935,890	6,410,761	6,859,514	7,202,490	7,562,615	7,940,745
<b>Cost of Revenue</b>			2,552,433	2,756,627	2,949,591	3,097,071	3,251,924	3,414,521
<b>Gross Profit</b>			3,383,457	3,654,134	3,909,923	4,105,419	4,310,690	4,526,225
<b>Total Operating Expenses</b>			2,671,151	2,884,843	3,086,782	3,241,121	3,403,177	3,573,335
<b>EBIT</b>			712,307	769,291	823,142	864,299	907,514	952,889
<b>Interest Expense</b>			173,079	164,425	155,771	147,117	138,463	129,809
<b>EBT</b>			539,228	604,866	667,371	717,182	769,051	823,080
<b>Income Tax Expense</b>			161,768	181,460	200,211	215,155	230,715	246,924
<b>Net Income</b>			377,460	423,407	467,160	502,027	538,336	576,156
<b>Income Statement Assumptions</b>								
Revenue Growth	0.06%		3.00%	8.00%	7.00%	5.00%	5.00%	5.00%
Gross Margin	56.77%	57.00%	57.00%	57.00%	57.00%	57.00%	57.00%	57.00%
Operating Exp as % of Revenue	44.76%	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%	45.00%
Tax as % of EBT	-92.17%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
<b>Other Assumptions % of Revenue</b>								
Depreciation			237,436	256,430	274,381	288,100	302,505	317,630
Capex			356,153	384,646	411,571	432,149	453,757	476,445
Depreciation	3.77%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Capital Expenditures	5.65%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
<b>Debt Schedule</b>								
Short Term Debt								
Long Term Debt								
<b>Total Debt Outstanding</b>			2,241,050	2,123,100	2,005,150	1,887,200	1,769,250	1,651,300
<b>Increase/Decrease</b>		5.00%	(117,950)	(117,950)	(117,950)	(117,950)	(117,950)	(117,950)
<b>Interest Payment</b>		7.34%	173,079	164,425	155,771	147,117	138,463	129,809
<b>Ratio Analysis - Assumptions</b>								
<b>EBITDA</b>			949,742	1,025,722	1,097,522	1,152,398	1,210,018	1,270,519
<b>Trend Analysis</b>								
Revenue Growth			3.00%	8.00%	7.00%	5.00%	5.00%	5.00%
<b>Solvency Ratios (Leverage)</b>								
Total Debt / EBITDA (Incl. CPLTD)			2.36x	2.07x	1.83x	1.64x	1.46x	1.30x
EBITDA / Interest Coverage Ratio			5.49x	6.24x	7.05x	7.83x	8.74x	9.79x
EBIT / Interest Coverage Ratio			4.12x	4.68x	5.28x	5.87x	6.55x	7.34x
<b>Profitability Ratios</b>								
Gross Margin %			57.00%	57.00%	57.00%	57.00%	57.00%	57.00%
EBITDA Margin %			16.00%	16.00%	16.00%	16.00%	16.00%	16.00%
EBIT Margin %			12.00%	12.00%	12.00%	12.00%	12.00%	12.00%

## Projection Analysis Assumptions

### Revenue:

- Total revenue growth ranges from 4.2% to 5.6% from FY14 to FY18 with average annual growth of Base Business of 4.5% from 2013-2018E. Total revenue growth will stay at 3% over the remaining years of tenor.

### EBITDA:

- EBITDA margin will improve from 18.6% PF 2013 to 23.3% over the tenor as a result of EBITDA margin improvement from Base Business and EBITDA from Luxottica's Synergies.
  - Base case assumes flat gross margin at 41.9% over the tenor.
  - Operating expenses to grow at 3.8% from 2013
  - Projections conservatively forecast \$5-7MM of cost savings over time for 1-800 Contacts from better pricing terms and increased co-op payments from manufacturers.

### Other Assumptions:

- Capital expenditures consistent with historical levels at ~2% of sales with limited working capital requirements.
- CBDA-II assumes deal closes in the PF FYE13 period with first principal payment starting 1Q14 (3/31/2014).
- USCB-5 conservatively assumes a cash build which keeps leverage and cash interest expense at elevated levels as opposed to using FCF to repay debt.

### Results:

- The Company does not draw on the RC facility throughout the projection period and it is assumed that it will be refinanced at maturity in FY19 in order to maintain the liquidity cushion. The refinancing risk is mitigated by the Company's ability to de-lever by more than 2.5x on gross basis since the closing of the LBO.
- FCF (OCF – Capex ) to pay principal ranges from \$31-65MM annually over the tenor.
- Total 1<sup>st</sup> Lien Leverage and Total Leverage improve from 5.0x at FYE13 to 0.8x by FYE20 (one year before TL B maturity) and from 6.6x at FYE13 to 1.7x at FYE20, respectively.
- No additional drawings on the R/C with build-up of cash from \$34MM in FY13 to \$275MM by FY19.
- At FYE20, 1<sup>st</sup> Lien TL will have \$376MM principal outstanding one year prior to maturity. CBDA-II assumes the Company will keep approximately \$61MM cash on hand (higher than minimum cash requirement of \$3.7MM) and use the remaining excess cash to pay down the principal at maturity. The refinancing of the remaining \$100MM would be manageable given the Total 1<sup>st</sup> Lien leverage of 0.8x and Total Leverage of 1.7x at FYE20 and the fact that the projection shows the Company will be able to make the debt payment over the tenor.



# Valuation Analysis

## METHOD #1 - Stock Price

### Starwood Hotels & Resorts Worldwide Inc. (HOT)

Calculations →

	SP	SO	SP * SO = EQ	D	C	EQ + D - C = EV	
<b>Company</b>	<b>Symbol</b>	<b>Stock Price (as of 3/29/2016)</b>	<b>Stocks Outstanding (\$000)</b>	<b>Equity Value (\$000)</b>	<b>Debt (ST&amp;LT) (\$000)</b>	<b>Cash (\$000)</b>	<b>Enterprise Value (\$000)</b>
Starwood Hotels & Resorts	HOT	\$ 83.60	170,000	14,212,000	2,359,000	1,102,000	15,469,000
<b>Starwood's EV</b>		<b>15,469,000</b>					

## METHOD #2 - EBITDA Multiples

### Starwood Hotels & Resorts Worldwide Inc. (HOT)

	SP	SO	SP * SO = EQ	D	C	EQ + D - C = EV	EBITDA	EBITDA Multiple	Beta	
<b>Company</b>	<b>Symbol</b>	<b>Stock Price (as of 3/29/2016)</b>	<b>Stocks Outstanding (\$000)</b>	<b>Equity Value (\$000)</b>	<b>Debt (ST&amp;LT) (\$000)</b>	<b>Cash (\$000)</b>	<b>Enterprise Value (\$000)</b>	<b>EBITDA (\$000)</b>	<b>EBITDA Multiple</b>	<b>Beta</b>
Choice Hotels International	CHH	\$ 52.98	56,620	2,998,595	817,560	199,430	3,618,725	227,870	15.87x	1.25x
Hilton	HLT	\$ 22.42	987,450	22,138,629	10,840,000	628,000	32,350,629	2,420,000	13.37x	
Hyatt	H	\$ 47.91	148,290	7,104,574	1,380,000	634,000	7,850,574	640,000	12.27x	1.50x
Intercontinental Hotel	IHG	\$ 40.30	235,000	9,470,500	1,920,000	205,000	11,185,500	739,000	15.14x	1.32x
Marriott Corporation	MCS	\$ 19.35	18,950	366,683	258,020	6,190	618,513	95,790	6.45x	0.81x
Marriott International	MAR	\$ 70.81	256,840	18,186,840	3,920,000	140,000	21,966,840	1,480,000	14.84x	1.39x
Morgan Hotel Group	MHGC	\$ 1.36	34,710	47,206	606,210	38,770	814,646	44,480	13.82x	2.13x
Belmont (AKA Orient Express)	BEL	\$ 9.42	102,190	962,630	606,130	174,580	1,394,190	102,520	13.60x	1.43x
Wyndham Worldwide	WYN	\$ 75.02	112,510	8,440,500	5,210,000	171,000	13,479,500	1,280,000	10.70x	1.44x
Starwood Hotels & Resorts	HOT	\$ 83.60	170,000	14,212,000	2,359,000	1,102,000	15,469,000	1,033,000	14.97x	1.87x
<b>EBITDA * Average Multiple</b>		1,033,000	13.39x				<b>Average</b>		12.90x	1.46x
							<b>Excl. Outlier</b>		13.30x	
							(taken out the high and low)			
<b>Starwood's EV</b>		<b>13,831,633</b>								

## METHOD #3 - Transaction Comparative Analysis

### Starwood Hotels & Resorts Worldwide Inc. (HOT)

Calculations →

	AP	SO	AP * SO = EQ	D	EQ + D = EV	E	EV / E		
<b>Date Announcement</b>	<b>Target</b>	<b>Acquirer</b>	<b>Acquisition Price /Share</b>	<b>Shares Outstanding</b>	<b>Equity Value (\$mm)</b>	<b>Total Debt (\$mm)</b>	<b>Enterpised Value (EV)</b>	<b>EBITDA (last reported)</b>	<b>EBITDA Multiple</b>
11/16/2015	Starwood Hotels	Anbang Group	\$ 82.75	170,000,000	\$ 14,067.50	\$ 2,359.00	\$ 16,426.50	\$ 1,033.00	15.90x
9/8/2015	Strategic Hot & Res (REIT of upscale hotels)	Blackstone Group	\$ 14.25	275,500,000	\$ 3,925.88	\$ 1,272.04	\$ 5,197.91	\$ 402.00	12.93x
5/4/2012	Great Wolf Resort	Apollo Global	\$ 7.85				\$ 1,103.70	\$ 130.00	8.49x
7/4/2007	Hilton Hotels	Blackstone Group	\$ 47.50	390,400,000	\$ 18,544.00	\$ 6,180.00	\$ 24,724.00	\$ 1,680.00	14.72x
11/6/2006	Four Seasons*	Kingdom Hotels Int'l / Gates' Cascade Investments	\$ 82.00	33,078,000	\$ 3,300.00	\$ 278.68	\$ 3,578.68	\$ 112.18	31.90x
5/11/2006	Fairmont/Raffles	Kingdom Hotels Int'l	\$ 45.00	73,333,333	\$ 3,300.00	\$ 123.50	\$ 3,423.50	\$ 187.20	18.29x
1/10/2006	Hilton International	Hilton Hotels Corp.			\$ 5,678.00	\$ -	\$ 5,678.00	\$ 504.00	11.07x
11/14/2005	Starwood Hotels	Host Marriott					\$ 4,096.00	\$ 315.08	13.00x
10/24/2005	La-Quinta Corp		\$ 12.22	203	\$ 2,474.00	\$ 925.71	\$ 3,400.00	\$ 229.70	14.80x
8/16/2005	Wynham Int'l	Blackstone Group	\$ 1.15	172,053,000	\$ 197.86	\$ 2,681.96	\$ 2,879.82	\$ 275.18	10.47x
8/8/2005	John Q. Hammons Hotels	JQH Acquisition LLC	\$ 24.00	19,583	\$ 470.00	\$ 765.20	\$ 1,235.00	\$ 123.07	10.00x
07/22/2005	Societe du Louvre	Starwood Capital					\$ 1,028.90	\$ 91.05	11.30x
3/10/2005	Intercontinental Hotels	LRG					\$ 981.00	\$ 106.63	9.20x
12/10/2004	Boca Resorts	Blackstone Group	\$ 24.00	40,284,000	\$ 966.82	\$ 217.29	\$ 1,184.11	\$ 90.07	13.15x
8/18/2004	Prime Hospitality	Blackstone Group	\$ 12.25	44,808,000	\$ 548.90	\$ 243.60	\$ 792.50	\$ 55.12	14.38x
3/8/2004	Extended Stay	Blackstone Group	\$ 19.93	95,077,000	\$ 1,894.88	\$ 1,231.50	\$ 3,126.38	\$ 224.85	13.90x
* Four Seasons' \$112.18 million represents 2007 EBITDA (2005 EBITDA was \$11.4 negative)									
<b>EBITDA * Average Multiple</b>		1,033,000	13.08x				<b>Average</b>		13.97x
							<b>Adjust. Outlier</b>		13.06x
<b>Starwood's EV</b>		<b>13,509,992</b>							

## Valuation Analysis Discussion

Comparing Starwood's current trading Enterprise Value (EV) with the trading EV of their peers, Starwood is overvalued at EBITDA multiple of 14.97x versus the average of 12.39x. Even if we compare specific hotel companies that Starwood directly competes such as Marriott, Hyatt, Wyndham and Hilton, Starwood's current stock still trades higher as illustrated on Method #2.

Method #3 also suggests that the on-going comparable acquisition multiple is lower on an average than Starwood's trading multiple (13.97x vs 14.97x).

More convincing that the other methods that suggest that Starwood is overvalued is Method#4 or using DCF analysis (see chart below). Based on the projections discussed above the DCF analysis suggests that the value of Starwood is significant lower than the trading levels.

### METHOD #4 - Discount Cash Flow Valuation Analysis

#### Calculating WACC

	Amount	% Cap	Return/Inter	After Tax	WACC
Market Value of Equity (Trading)	14,212,000	85.8%	18.48%	18.48%	15.85%
Total Debt	2,359,000	14.2%	7.34%	5.14%	0.73%
<b>Total Capital</b>	<b>16,571,000</b>	<b>100.0%</b>			<b>16.58%</b>
6-year Treasury Note =	1.65%	(given)			
Historical Market Premium =	9.00%	(given)			
Company Beta =	1.87x				
Historical Tax Rate =	30.00%				

#### Starwood Hotels & Resorts Worldwide Inc. (HOT)

Discount Cash Flow Valuation Analysis	Projected (yr1-yr6) Assumptions	year (n) =						EXIT YEAR	80%
		Input Actual 31-Dec-15	30-Dec-16	30-Dec-17	30-Dec-18	30-Dec-19	30-Dec-20		
Revenues		5,763,000	5,935,890	6,410,761	6,731,299	7,067,864	7,421,257	8,405,635	
Revenue Growth Assumptions			3.0%	8.0%	5.0%	5.0%	5.0%	13.3%	
Cost of Revenues (CoGS)	43.0%	(1,519,000)	(2,552,433)	(2,756,627)	(2,894,459)	(3,039,182)	(3,191,141)	(3,614,423)	
Operating Expenses	45.0%	(3,504,000)	(2,671,151)	(2,884,843)	(3,029,085)	(3,180,539)	(3,339,586)	(3,782,536)	
EBIT		740,000	712,307	769,291	807,756	848,144	890,551	1,008,676	
Less Taxes / % of EBIT	30.0%	(222,000)	(213,692)	(230,787)	(242,327)	(254,443)	(267,165)	(302,603)	
Plus Depreciation	4.0%	193,000	237,436	256,430	269,252	282,715	296,850	336,225	
Less Capex	6.0%	(261,000)	(356,153)	(384,646)	(403,878)	(424,072)	(445,275)	(504,338)	
Cash Flow		450,000	379,897	410,289	430,803	452,343	474,960	537,961	
EBITDA		1,033,000	949,742	1,025,722	1,077,008	1,130,858	1,187,401	1,344,902	
<b>Terminal Value</b>	<b>Assumptions</b>								
EBITDA Multiple Method	13.39x						15,899,030		
Perpetuity Method	16.58%						16,222,820		
Average							16,060,925		
Less Debt Outstanding (at Exit)							(1,769,250)		(75% of original Debt)
Plus Cash (at Exit)							-		
Equity Value at Terminal							14,291,675		
Equity Cash Flows			379,897	410,289	430,803	452,343	474,960	537,961	
PV Table or $(1 / [(1 + i)^n])$			0.84402	0.71238	0.60126	0.50748	0.42833	0.36233	
Present Value of Equity			320,642	292,280	259,026	229,556	203,225	195,750	
Total Present Value of Equity		7,426,443							
+ PV of Debt =		2,359,000							
- Less Cash =		(1,102,000)							
<b>Starwood's EV</b>		<b>8,683,443</b>							

## Valuations Results

Based on all three methods (method 2-4) the conclusion is that Starwood's current trading level is overvalued. The reasons are more technical in nature as Marriott and Anbang are bidding for Starwood pushing the stock to new highs.

	EV	Debt	Cash	Eq Value	Shares Outs	Stock Price
Method #1 - Current Market Price	15,469,000	2,359,000	1,102,000	14,212,000	170,000	\$ 83.60
Method #2	13,831,633	2,359,000	1,102,000	12,574,633	170,000	\$ 73.97
Method #3	13,509,992	2,359,000	1,102,000	12,252,992	170,000	\$ 72.08
Method #4	8,683,443	2,359,000	1,102,000	7,426,443	170,000	\$ 43.68
<b>Avg of other methods</b>	<b>12,873,517</b>	<b>2,359,000</b>	<b>1,102,000</b>	<b>11,616,517</b>		<b>\$ 68.33</b>

## Technical Analysis



### STARWOOD STOCK

10 Year Average Stock (Adj)	50.28762
10 Year High	83.84
10 Year Low	10.06
10 year Median	49.055

10 Year Monthly Average Change	1.17%
Standard Deviation	11.7%
Skew	1.222

Return / Standard Deviation	0.10029
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### S&P INDEX

10 Year Average	1454.005
10 Year High	2107.39
10 Year Low	735.09
10 year Median	1391.75

10 Year Monthly Average Change	0.49%
Standard Deviation	4.4%
Skew	-0.718

Return / Standard Deviation	0.110763
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<b>10 Year Beta Coefficient</b>	<b>1.994737</b>
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**APPENDIX**

# Starwood Hotels & Resorts Worldwide Inc. (HOT)

## Income Statement

Annual

	31-Dec-15	31-Dec-14	31-Dec-13	31-Dec-12	31-Dec-11	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07	31-Dec-06
<b>PERIOD ENDING</b>										
7 <b>Total Revenue</b>	5,763,000	5,983,000	6,115,000	6,321,000	5,624,000	5,071,000	4,696,000	5,907,000	6,153,000	5,979,000
8 <b>Cost of Revenue</b>	1,519,000	1,708,000	1,924,000	2,352,000	1,970,000	1,800,000	1,737,000	4,347,000	4,423,000	4,344,000
9 <b>Gross Profit</b>	4,244,000	4,275,000	4,191,000	3,969,000	3,654,000	3,271,000	2,959,000	1,560,000	1,730,000	1,635,000
10										
11 <b>Operating Expenses</b>										
12 <b>Research Development</b>	-	-	-	-	-	-	-	-	-	-
13 <b>Selling General and Administrative</b>	3,124,000	3,113,000	2,998,000	2,818,000	2,691,000	2,461,000	2,245,000	477,000	513,000	470,000
14 <b>Non Recurring - One time</b>	100,000	(4,000)	1,000	(12,000)	68,000	(75,000)	379,000	141,000	53,000	20,000
15 <b>Others</b>	280,000	283,000	267,000	251,000	265,000	285,000	309,000	323,000	306,000	306,000
16 <b>Total Operating Expenses</b>	3,504,000	3,392,000	3,266,000	3,057,000	3,024,000	2,671,000	2,933,000	941,000	872,000	796,000
17										
18 <b>Operating Income or Loss</b>	740,000	883,000	925,000	912,000	630,000	600,000	26,000	619,000	858,000	839,000
19 <b>One time</b>	(29,000)	(29,000)	(22,000)	(21,000)		(29,000)	(318,000)	(79,000)	43,000	87,000
20 <b>Earnings Before Interest And Taxes</b>	740,000	854,000	666,000	891,000	630,000	571,000	(292,000)	540,000	901,000	666,000
21 <b>Interest Expense</b>	216,000	236,000	296,000	170,000	200,000	236,000	-	210,000	168,000	244,000
22 <b>Income Before Tax</b>	524,000	618,000	370,000	721,000	430,000	335,000	(292,000)	330,000	733,000	422,000
23 <b>Income Tax Expense</b>	180,000	139,000	263,000	148,000	(75,000)	27,000	(293,000)	76,000	189,000	(434,000)
24 <b>Minority Interest</b>	-	-	-	-	2,000	2,000	2,000	-	(1,000)	(1,000)
25 <b>Net Income From Continuing Ops</b>	344,000	479,000	107,000	573,000	507,000	310,000	3,000	254,000	543,000	855,000
26										
27 <b>Non-recurring Events</b>	-	(10,000)	70,000	(11,000)	(18,000)	167,000	74,000	75,000	(1,000)	(2,000)
28 <b>Discontinued Operations</b>	-	-	-	-	-	-	-	-	-	-
29 <b>Extraordinary Items</b>	-	-	-	-	-	-	-	-	-	(70,000)
30 <b>Effect Of Accounting Changes</b>	-	-	-	-	-	-	-	-	-	-
31 <b>Other Items</b>	-	-	-	-	-	-	-	-	-	-
32 <b>Net Income</b>	344,000	469,000	177,000	562,000	489,000	477,000	77,000	329,000	542,000	783,000
33 <b>Preferred Stock And Other Adjustments</b>	-	-	-	-	-	-	-	-	-	-
34 <b>Net Income Applicable To Common</b>	344,000	469,000	177,000	562,000	489,000	477,000	77,000	329,000	542,000	783,000
35										
36 <b>End of Period Stock Price Close</b>	\$ 68.98	\$ 57.36	\$ 46.86	\$ 52.00	\$ 58.76	\$ 53.30	\$ 35.18	\$ 17.13	\$ 39.91	\$ 62.79
37 <b>% Change</b>	20.3%	22.4%	-9.9%	-11.5%	10.2%	51.5%	105.4%	-57.1%	-36.4%	

# Starwood Hotels & Resorts Worldwide Inc. (HOT)

## Balance Sheet

PERIOD ENDING	31-Dec-15	31-Dec-14	31-Dec-13	31-Dec-12	31-Dec-11	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07	31-Dec-06
<b>Assets</b>										
<b>Current Assets</b>										
Cash And Cash Equivalents	1,102,000	1,019,000	463,000	463,000	686,000	806,000	134,000	485,000	358,000	512,000
Short Term Investments	-	-	-	-	-	-	-	-	-	-
Net Receivables	722,000	907,000	971,000	971,000	911,000	887,000	445,000	552,000	616,000	593,000
Inventory	319,000	236,000	361,000	361,000	812,000	802,000	783,000	986,000	714,000	566,000
Other Current Assets	152,000	159,000	124,000	124,000	125,000	126,000	127,000	143,000	136,000	139,000
<b>Total Current Assets</b>	<b>2,295,000</b>	<b>2,321,000</b>	<b>1,919,000</b>	<b>1,919,000</b>	<b>2,534,000</b>	<b>2,621,000</b>	<b>1,489,000</b>	<b>2,166,000</b>	<b>1,824,000</b>	<b>1,810,000</b>
Long Term Investments	324,000	441,000	698,000	698,000	705,000	720,000	368,000	848,000	837,000	729,000
Property Plant and Equipment	2,144,000	2,634,000	3,198,000	3,198,000	3,270,000	3,323,000	3,421,000	3,609,000	3,850,000	3,833,000
Goodwill	-	-	-	-	-	-	-	1,639,000	2,302,000	1,711,000
Intangible Assets	1,908,000	1,956,000	2,025,000	2,025,000	2,057,000	2,067,000	2,063,000	596,000	-	591,000
Accumulated Amortization	-	-	-	-	-	-	-	-	-	-
Other Assets	850,000	711,000	385,000	385,000	355,000	381,000	438,000	206,000	80,000	88,000
Deferred Long Term Asset Charges	747,000	596,000	636,000	636,000	639,000	664,000	982,000	639,000	729,000	518,000
<b>Total Assets</b>	<b>8,268,000</b>	<b>8,659,000</b>	<b>8,861,000</b>	<b>8,861,000</b>	<b>9,560,000</b>	<b>9,776,000</b>	<b>8,761,000</b>	<b>9,703,000</b>	<b>9,622,000</b>	<b>9,280,000</b>
<b>Liabilities</b>										
<b>Current Liabilities</b>										
Accounts Payable	2,155,000	2,080,000	1,877,000	1,877,000	1,859,000	2,029,000	2,022,000	2,182,000	2,096,000	1,656,000
Short/Current Long Term Debt	81,000	370,000	152,000	152,000	133,000	136,000	5,000	506,000	5,000	805,000
Other Current Liabilities	-	-	-	-	-	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>2,236,000</b>	<b>2,450,000</b>	<b>2,029,000</b>	<b>2,029,000</b>	<b>1,992,000</b>	<b>2,165,000</b>	<b>2,027,000</b>	<b>2,688,000</b>	<b>2,101,000</b>	<b>2,461,000</b>
Long Term Debt	2,278,000	2,574,000	1,656,000	1,656,000	2,596,000	3,215,000	2,955,000	3,502,000	3,590,000	1,827,000
Other Liabilities	2,421,000	2,069,000	1,956,000	1,956,000	1,971,000	1,886,000	1,903,000	719,000	1,801,000	589,000
Deferred Long Term Liability Charges	34,000	38,000	78,000	78,000	46,000	24,000	31,000	1,150,000	28,000	1,370,000
Minority Interest	3,000	3,000	5,000	5,000	1,000	15,000	21,000	23,000	26,000	25,000
Negative Goodwill	-	-	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>6,972,000</b>	<b>7,134,000</b>	<b>5,724,000</b>	<b>5,724,000</b>	<b>6,606,000</b>	<b>7,305,000</b>	<b>6,937,000</b>	<b>8,082,000</b>	<b>7,546,000</b>	<b>6,272,000</b>
<b>Stockholders' Equity</b>										
Redeemable Preferred Stock	-	-	-	-	-	-	-	-	-	-
Preferred Stock	-	-	-	-	-	-	-	-	-	-
Common Stock	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Retained Earnings	1,847,000	1,984,000	2,657,000	2,657,000	2,337,000	1,947,000	1,553,000	1,517,000	1,353,000	948,000
Treasury Stock	-	-	-	-	-	-	-	-	-	-
Capital Surplus	115,000	47,000	816,000	816,000	963,000	805,000	552,000	493,000	868,000	2,286,000
Other Stockholder Equity	(668,000)	(508,000)	(338,000)	(338,000)	(348,000)	(283,000)	(283,000)	(391,000)	(147,000)	(228,000)
<b>Total Stockholder Equity</b>	<b>1,296,000</b>	<b>1,525,000</b>	<b>3,137,000</b>	<b>3,137,000</b>	<b>2,954,000</b>	<b>2,471,000</b>	<b>1,824,000</b>	<b>1,621,000</b>	<b>2,076,000</b>	<b>3,008,000</b>
<b>Total Liabilities &amp; Equity</b>	<b>8,268,000</b>	<b>8,659,000</b>	<b>8,861,000</b>	<b>8,861,000</b>	<b>9,560,000</b>	<b>9,776,000</b>	<b>8,761,000</b>	<b>9,703,000</b>	<b>9,622,000</b>	<b>9,280,000</b>

Error Check

# Starwood Hotels & Resorts Worldwide Inc. (HOT)

## Cash Flow Statement

Annual

PERIOD ENDING	31-Dec-15	31-Dec-14	31-Dec-13	31-Dec-12	31-Dec-11	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07	31-Dec-06
<b>Net Income</b>	<b>489,000</b>	<b>633,000</b>	<b>562,000</b>	<b>562,000</b>	<b>489,000</b>	<b>477,000</b>	<b>73,000</b>	<b>329,000</b>	<b>542,000</b>	<b>1,043,000</b>
Depreciation	193,000	201,000	170,000	170,000	189,000	217,000	245,000	245,000	229,000	311,000
Adjustments To Net Income	93,000	96,000	(72,000)	(72,000)	179,000	(49,000)	161,000	249,000	69,000	(566,000)
Changes In Accounts Receivables	(70,000)	(19,000)	(20,000)	(20,000)	(45,000)	(22,000)	230,000	(116,000)	(23,000)	(89,000)
Changes In Liabilities	124,000	233,000	89,000	89,000	(117,000)	213,000	(94,000)	63,000	387,000	(52,000)
Changes In Inventories	(69,000)	22,000	448,000	448,000	(14,000)	(110,000)	(98,000)	(280,000)	(143,000)	(82,000)
Changes In Other Operating Activities	130,000	(172,000)	7,000	7,000	(38,000)	40,000	56,000	156,000	(166,000)	(65,000)
<b>Total Cash Flow From Operating Activities</b>	<b>890,000</b>	<b>994,000</b>	<b>1,184,000</b>	<b>1,184,000</b>	<b>643,000</b>	<b>766,000</b>	<b>573,000</b>	<b>646,000</b>	<b>895,000</b>	<b>578,000</b>
<b>Investing Activities, Cash Flows Provided By or Used In</b>										
Capital Expenditures	(261,000)	(327,000)	(362,000)	(362,000)	(385,000)	(227,000)	(196,000)	(476,000)	(384,000)	(371,000)
Investments	8,000	4,000	2,000	2,000	(7,000)	18,000	28,000	5,000	108,000	286,000
Other Cashflows from Investing Activities	720,000	744,000	486,000	486,000	216,000	138,000	284,000	299,000	61,000	1,487,000
<b>Total Cash Flows From Investing Activities</b>	<b>467,000</b>	<b>421,000</b>	<b>126,000</b>	<b>126,000</b>	<b>(176,000)</b>	<b>(71,000)</b>	<b>116,000</b>	<b>(172,000)</b>	<b>(215,000)</b>	<b>1,402,000</b>
<b>Financing Activities, Cash Flows Provided By or Used In</b>										
Dividends Paid	(259,000)	(735,000)	(242,000)	(242,000)	(99,000)	(93,000)	(165,000)	(172,000)	(90,000)	(276,000)
Sale Purchase of Stock	(358,000)	(1,609,000)	(246,000)	(246,000)	70,000	141,000	2,000	(473,000)	(1,597,000)	(907,000)
Net Borrowings	(595,000)	1,276,000	(981,000)	(981,000)	(709,000)	(64,000)	(1,057,000)	412,000	942,000	(1,459,000)
Other Cash Flows from Financing Activities	(28,000)	(28,000)	(59,000)	(59,000)	(39,000)	(30,000)	227,000	(10,000)	33,000	7,000
<b>Total Cash Flows From Financing Activities</b>	<b>(1,240,000)</b>	<b>(1,096,000)</b>	<b>(1,528,000)</b>	<b>(1,528,000)</b>	<b>(777,000)</b>	<b>(46,000)</b>	<b>(993,000)</b>	<b>(243,000)</b>	<b>(712,000)</b>	<b>(2,635,000)</b>
Effect Of Exchange Rate Changes	(17,000)	(9,000)	(3,000)	(3,000)	(9,000)	(1,000)	4,000	7,000	11,000	19,000
<b>Change In Cash and Cash Equivalents</b>	<b>100,000</b>	<b>310,000</b>	<b>(221,000)</b>	<b>(221,000)</b>	<b>(319,000)</b>	<b>648,000</b>	<b>(300,000)</b>	<b>238,000</b>	<b>(21,000)</b>	<b>(636,000)</b>

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