



Marriott and Starwood merge: World's biggest hotel company

Marriott International announced yesterday that it has agreed to buy Starwood Hotels & Resorts for \$12.2 billion.

This merger will result in the world's largest hotel company with around 5,500 properties and 1.1 million rooms in 100 countries. This will take the company well ahead of rival Hilton Worldwide which has 4,400 properties and 745,074 rooms. The boards of both companies have unanimously agreed the merger agreement and the merger is now only pending regulatory and shareholder approval. The deal is expected to close by July next year.

Hyatt Hotels and Resorts as well as a Chinese Consortium including HNA Group, parent company of Hainan Airlines, had previously also been in discussions to purchase Starwood. "Marriott won out because of the strength of its upscale brands and its sheer size", said Bruce Duncan, chairman of Starwood's board. He went on to say "As part of a larger company we will have a more competitive financial position and we will be better equipped to provide long-term value for our shareholders". Arne Sorenson, CEO of Marriott International said "We can do better by being bigger".

If the deal goes ahead, this would give the new company 24,017 bedrooms in 158 properties across sub-Saharan Africa. Trevor Ward of W-Hospitality Group and Hotel Partners Africa said "The combined group would then have 15% of the existing supply of branded hotel rooms in sub-Saharan Africa and have 22% of the total 2015/2016 internationally branded pipeline of hotel rooms signed or under construction.

Many commentators fear that this latest merger will reduce the options for hotel investors, a point emphasised by Mark Martinovic, CEO of Hotel Partners Africa. He said "After this merger, which follows close on the heels of the buy-out by Marriott of Protea Hotels, the choice of Management Companies for people developing new hotels has been further diminished and the obvious concern for future owners would be the room for negotiation of management or franchise agreements with such a large company dominating the African Hospitality landscape". However, Mark continues, "The flip side of that argument would be the attraction of the Combined Groups' loyalty program members". The Marriott Rewards Program has 54 million members and Starwood Preferred Guest 21 million members. Combined, this is a massive marketing base of loyalty guests to add to the groups' existing contract deals and marketing channels.

David Harper, Head of Property Services for Hotel Partners Africa said "This domination by the new merger company will lessen over time, as other companies start to understand the appeal of the African market. New operating companies are coming into the market all the time, and the options for developers are expanding to new levels on a monthly basis".

This trend for consolidation across the global hotel industry shows no signs of abating, with other mergers anticipated over the coming months. Although these are truly global mergers, they are likely to impact on African hospitality significantly.

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