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Marriott to Acquire Rival Starwood Hotels in $12.2 Billion Deal
By Kevin Castillo, J.D. Candidate 2017 | November 16, 2015

On November 16, 2015, Marriott International announced that it is acquiring its rival Starwood Hotels & Resorts Worldwide in a $12.2 billion deal, becoming the largest hotelier in the world.

The deal brings Starwood's 11 brands, including W Hotels, St. Regis, and Westin, together with Marriott's 19 brands, which include Ritz-Carlton, Residence Inn, and Courtyard. The combined company will be able to offer more than 5,500 owned or franchised hotels with 1.1 million rooms across more than 100 countries.

Under the terms of the agreement, Marriott will pay $11.9 billion worth of Marriott stock and $340 million in cash for Starwood. Starwood shareholders will receive $2 in cash and 0.92 shares of Marriott for each share of Starwood stock. This represents an approximately 19 percent premium over Starwood's October 26 closing stock price—prior to any merger speculation. After completion of the merger, Starwood shareholders would own approximately 37 of the combined company's stock.

In the context of a merger or acquisition, a premium is the difference between the price the acquiring company is willing to pay and the target company's closing stock price or actual price.

Marriott's president and chief executive, Arne Sorenson, said the merger promotes growth and value creation by "combining the distribution and strengths of Marriott and Starwood, enhancing [the combined company's] competitiveness in a quickly evolving marketplace." Marriott expects at least $200 million in annual cost savings in the second full year after closing.

Sorenson will remain president and chief executive of Marriott following the merger. The deal is still subject to necessary approvals, including shareholder and regulatory approval. Moreover, Starwood's spin-off of its timeshare business needs to close before the Marriott-Starwood merger closes in 2016. To enter into an alternative deal, either Marriott or Starwood would have to pay the other $400 million.

There may be trouble ahead however, as some analysts have suggested that Marriott may have overpaid and that Starwood shareholders may not be getting the best deal. If so, there may be some push back by investors, and openings for another potential acquirer to step in.