

Equity Inns Adjusted Funds From Operations Increase 26%

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Equity Inns Announces Second Quarter Results

Second Quarter 2005 Highlights

- Adjusted Funds From Operations Increase 26% to \$0.34 Per Diluted Share
- Adjusted Funds From Operations Per Share Exceed Analyst Consensus Estimates By \$0.03
- RevPAR Improves a Record 11.5% versus Industry RevPAR Increase of 8.3%
- Gross Operating Profit Increases 220 Basis Points to 44.3%
- Balance Sheet Strengthens
- Company Raises 2005 AFFO Per Share Guidance Range to \$1.05 to \$1.10

Equity Inns, Inc. (NYSE: ENN), a leading hotel real estate investment trust (REIT), today announced its results for the second quarter and six months ended June 30, 2005.

Adjusted Funds From Operations (AFFO) for the second quarter 2005 increased 53% to \$18.8 million versus AFFO of \$12.3 million for the second quarter 2004. AFFO per share for the second quarter increased 26% to \$0.34 versus \$0.27 for the second quarter 2004. Net income applicable to common shareholders for the second quarter 2005 was \$3.2 million, compared to \$2.4 million in the second quarter 2004. Net income per diluted share was \$0.06, versus \$0.05 in the second quarter 2004. The Company reported income from continuing operations for the second quarter 2005 of \$5.1 million, versus income from continuing operations of \$4.1 million in the prior year quarter. Net income and income from continuing operations for the second quarter 2005 include charges of \$3.7 million primarily related to the impairment of two hotels. Adjusted EBITDA climbed 38% to \$29.5 million in the second quarter 2005 versus \$21.3 million in the same period last year.

Net income applicable to common shareholders for the six months ended June 30, 2005 was \$5.0 million, or \$0.09 per diluted share, compared to a net loss applicable to common shareholders of \$1.7 million, or (\$0.04) per diluted share in the prior year period. The Company reported income from continuing operations for the first half of 2005 of \$8.8 million versus income from continuing operations of \$2.4 million in the prior year period.

Financial Highlights for the Second Quarter and First Half 2005:

Howard A. Silver, President and Chief Executive Officer, stated, "We are extremely pleased to report another quarter of record results. The 33% increase in room revenue and record RevPAR growth of 11.5% speak to the success of both our internal and external growth strategies, as both same-store and recently acquired hotels produced RevPAR growth in excess of 11% in the second quarter. Furthermore, we continue to outperform the industry. As we predicted, the strategic positioning of our hotel portfolio to maintain occupancy levels during the economic downturn has enabled Equity Inns to increase ADR at a faster rate than the industry during the current recovery - our ADR increased 7.5% in the second quarter compared to 5.3% for the industry, resulting in RevPAR growth that also exceeded the industry. The ADR growth has translated into better bottom-line results as evidenced by our improving gross operating profit margins."

In the second quarter of 2005, the AFFO improvement stems primarily from the \$4.8 million net accretive effect of the Company's hotel acquisitions and same-store (91 hotels) hotel net operating income of \$2.5 million. The Company produced a record revenue per available room (RevPAR) increase of 11.5%, which was driven by a 7.5% increase in the average daily rate (ADR) to \$88.14 and a 280 basis point gain in occupancy to 75.7%. The Company's second quarter 2005 gross operating profit margin (GOP margin) increased 220 basis points to 44.3% from 42.1% in the second quarter of 2004. For the six months ended June 30, 2005, Equity Inns reported a 48% increase in AFFO per diluted share to \$0.59, compared to \$0.40 in the same period a year ago.

Second quarter 2005 hotel revenue was \$86.7 million, an increase of 32% from \$65.7 million in the second quarter 2004. The improvement was driven by net incremental revenue of \$14.5 million from acquisitions completed in 2004 and 2005 and an increase of \$6.5 million from same-store hotel revenue. RevPAR growth was strong throughout the second quarter of 2005 - RevPAR increased 13.7% in April, 10.2% in May and 10.5% in June, as compared to the same periods in the prior year. Moreover, the strength has continued into early third quarter 2005, with preliminary numbers indicating July RevPAR improved 8.0%.

Additional Second Quarter Events:

-- During the second quarter, Equity Inns completed the acquisition of six Marriott and Hilton branded hotels in four separate transactions totaling \$58 million at an average capitalization rate of approximately 10.2%. The hotels included two Residence Inns in Florida (Sarasota and Fort Myers), three Courtyards in Jacksonville, Florida, Bowling Green, Kentucky and Sarasota, Florida, and a Hampton Inn in Orlando, Florida. These hotels collectively added 581 rooms to the Company's hotel portfolio and have an average age of seven years.

-- On June 17, 2005, Equity Inns completed the sale of \$50.0 million of trust preferred securities (TPS) in a private placement. The TPS bear a fixed interest rate of 6.93% for five years; thereafter, the securities will bear a floating interest rate of LIBOR plus 2.85%. These securities will be accounted for as unsecured long-term debt and therefore are not dilutive to equity. The net proceeds were used to fund hotel acquisitions and to pay down borrowings under the Company's line of credit.

-- On June 20, 2005, the Company obtained a new \$125.0 million line of credit from a syndicated group of banks co-led by J.P. Morgan and Calyon New York Branch. The secured facility bears a variable interest rate of LIBOR plus 1.62% to 3.00%, based on the outstanding borrowings and leverage, and matures in June 2008, with a one-year extension at the Company's option. The facility also has an accordion feature that allows the Company, subject to lender approval, to extend the borrowing capacity to \$175.0 million. This facility replaced the Company's \$110.0 million line of credit that was due to mature in June 2006 and should save the Company at least \$500,000 in annual interest expense.

Recent Events:

-- On July 1, 2005, Equity Inns completed the purchase of a 127-room Hampton Inn & Suites located in Nashville, Tennessee.

-- On August 8, 2005, Equity Inns completed the sale of two exterior corridor Hampton Inns for an aggregate of approximately \$5.0 million. The sold properties include Hampton Inns located in Memphis, Tennessee and Louisville, Kentucky. Collectively, the two Hampton Inns have 235 rooms and an average age of approximately 20 years.

Mr. Silver concluded, "Our transaction activity in the second quarter, and for the past eighteen months, demonstrates our ability to execute on our strategy of upgrading our hotel portfolio, while maintaining a strong balance sheet. Since the beginning of 2004, we have purchased over \$280 million of newer, premium-branded hotel properties in key growth markets. We are aggressively continuing to acquire hotels that move our portfolio mix toward similar type hotels and divesting properties that no longer fit our strategy. At the same time, we are raising capital opportunistically to fund our acquisition program, with attractive terms that minimize dilution and create long-term shareholder value.

Capital Structure:

At June 30, 2005, Equity Inns had \$486.8 million of long-term debt outstanding, which included \$52.8 million drawn under its \$125.0 million line of credit. The weighted average interest rate of the Company's debt was 6.9% compared to 7.6% a year ago. The weighted average life of the Company's debt was 7.4 years. The total debt represented 40.6% of the historical cost of the Company's hotels. Equity Inns' leverage ratio was 4.6 times, which is near a five-year low for the Company. Fixed rate debt, including variable rate debt hedged by interest rate swaps, amounted to 97.2% of total debt. At June 30, 2005, the Company's outstanding common stock and partnership units were a combined 55.4 million.

Dividend:

The level of Equity Inns' common dividend will continue to be determined by the operating results of each quarter, economic conditions, capital requirements, and other operating trends. For the second quarter 2005, Equity Inns paid a \$0.15 common dividend per share and a \$0.546875 preferred dividend per share. The cash available for distribution (CAD) payout ratio was approximately 63% for the trailing twelve-month period ended June 30, 2005.

Third Quarter Guidance:

Based upon expectations for continued improvement in the upscale and mid-scale lodging sectors, recent acquisitions and divestitures, along with planned expense increases, the Company now expects 2005 RevPAR increases will be in the range of 6% to 8%, which is expected to result in an Adjusted EBITDA range of \$100.5 million to \$103.5 million, AFFO per diluted share range of \$1.05 to \$1.10 and net income per diluted share range of \$0.20 to \$0.25. The Company also anticipates 2005 capital expenditures will be approximately \$25.0 million.

As a result of these assumptions, management now expects third quarter AFFO between \$0.31 and \$0.33 per diluted share and net income per diluted share to be in the range of \$0.10 to \$0.12, with a RevPAR increase between 4% and 7%.

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