

FelCor Exceeds Fourth Quarter Expectations

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RevPAR increased 16.2 percent - ADR increased 7.1 percent.

FelCor Lodging Trust Incorporated (NYSE:FCH), one of the nation's largest hotel real estate investment trusts (REITs), today reported operating results for the fourth quarter and year ended December 31, 2005.

Fourth Quarter Results:

œ Revenue Per Available Room ("RevPAR") increased 16.2 percent, compared to the same period in 2004. Average Daily Rate ("ADR") increased 7.1 percent.

œ Hotel Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") increased to \$72.2 million, compared to \$60.1 million in the prior year quarter, an increase of 20.2 percent. Hotel EBITDA margin was 24.1 percent, representing a 166 basis point improvement to the prior year Hotel EBITDA margin of 22.4 percent.

œ Adjusted Funds From Operations ("FFO") were \$13.3 million, an \$8.3 million increase from the prior year period. Adjusted FFO per share increased to \$0.21, compared to \$0.08 in the prior year, an increase of 163 percent.

œ Same-Store EBITDA increased by \$6.7 million to \$58.5 million, or 13.0 percent to prior year. Adjusted EBITDA increased \$6.2 million to \$58.7 million, or 11.7 percent to prior year.

œ Included in Adjusted EBITDA and Adjusted FFO is a \$4.2 million, or \$0.07 per share, negative impact stemming from hurricane losses related to insurance deductibles as a result of Hurricane Wilma.

œ Net loss applicable to common stockholders was \$274.9 million, or \$4.62 per share, compared to a net loss of \$20.9 million, or \$0.35 per share, in the fourth quarter of 2004.

œ Included in the net loss applicable to common stockholders was a fourth quarter impairment charge of \$263.1 million associated with the repositioning of our portfolio and the identification of additional non-strategic hotels following an amendment of the InterContinental Hotels Group ("IHG") agreements.

Full Year Results:

œ RevPAR for the year increased 10.8 percent, compared to 2004. ADR increased 6.2 percent.

œ Hotel EBITDA increased to \$305.4 million, compared to \$268.1 million in the prior year, an increase of 13.9 percent. Hotel EBITDA margin was 25.2 percent, an increase of 115 basis points over the 24.1 percent prior year margin.

œ Adjusted FFO was \$86.0 million, a \$23.3 million improvement from the prior year period. Adjusted FFO per share was \$1.37, an increase of \$0.36 per share, or 35.6 percent over the prior year.

œ Same-Store EBITDA increased \$31.7 million, to \$264.8 million, or 13.6 percent to prior year. Adjusted EBITDA grew by \$12.1 million, to \$271.0 million, a 4.7 percent increase to prior year.

œ Included in Adjusted EBITDA and Adjusted FFO is a \$6.5 million negative impact stemming from hurricane losses related to insurance deductibles in 2005 and \$2.1 million in 2004.

œ Net loss applicable to common stockholders was \$297.5 million, or \$5.01 per share, compared to a net loss of \$135.3 million, or \$2.29 per share, in 2004.

œ Included in the net loss applicable to common stockholders was a fourth quarter impairment charge of \$263.1 million associated with the repositioning of our portfolio and the identification of additional non-strategic hotels following an amendment of the IHG agreements.

Fourth Quarter Events:

Included in the fourth quarter Adjusted EBITDA, Adjusted FFO and net loss applicable to common stockholders are hurricane losses aggregating \$4.2 million, representing our best estimate of uninsured losses at five of our hotels in southern Florida (including our insurance deductible) from Hurricane Wilma.

In the fourth quarter, we recorded an impairment charge in continuing operations associated with the repositioning of our portfolio following an agreement with IHG amending our management agreements. This resulted in the identification of 38 non-strategic hotels owned on December 1, 2005, 31 of which were IHG-managed hotels. These non-strategic hotels are located primarily in secondary and tertiary markets, including Texas and Atlanta, Georgia, where we have an excess concentration of hotels. Although these hotels represent 31 percent of our hotel rooms, they represent only 15 percent of our Hotel EBITDA. These hotels have significantly lower RevPAR and Hotel EBITDA margins than our remaining 90 core hotels.

During the fourth quarter, we refinanced or retired indebtedness totaling \$259 million which was secured by 25 of our hotels using a \$225 million unsecured term loan facility and excess cash. In conjunction with the refinancing and the debt retirement, we incurred \$14.5 million of costs associated with the early extinguishment of debt.

Better than expected increases in the number of room nights sold and in ADR, in both the transient and group segments, resulted in double digit RevPAR increases in most of our key markets, including Atlanta, Los Angeles, Dallas, Phoenix, New Orleans, Washington D.C., San Francisco Bay area, Philadelphia and Chicago.

RevPAR was especially strong in Atlanta and Texas, following Hurricane Katrina, as RevPAR increased 29 percent in Atlanta and 31 percent in Texas during the fourth quarter, primarily from gains in average occupancy. This was partially offset by the softness in Florida, as the hotels there were recovering from the effects of Hurricane Wilma. We had rooms out of service in the fourth quarter at our three New Orleans hotels and certain Florida hotels as a result of damage sustained from hurricanes Katrina and Wilma.

Notwithstanding the unusually high increases in utility and property and liability insurance expense, the strong RevPAR performance provided a 166 basis point improvement in our Hotel EBITDA margin for the quarter.

"This is an exciting time for FelCor. We are pleased with our continued strong performance in RevPAR and ADR in 2005, as well as far exceeding our expectations. Our repositioning plan has set the stage for further growth," said Thomas J. Corcoran, Jr., FelCor's Chairman of the Board. "FelCor has entered a new era and the future is very bright for our Company."

Capital Structure:

At December 31, 2005, we had \$1.7 billion of debt outstanding with a weighted average life of five years, compared to \$1.8 billion at December 31, 2004. Our cash and cash equivalents totaled approximately \$95 million at the end of 2005.

During 2005, we issued 6.8 million depositary shares representing our 8% Series C Preferred Stock, with gross proceeds of \$169.4 million. The proceeds were used to redeem all of the shares outstanding of our 9% Series B Preferred Stock. As a result of this redemption, we recorded a reduction in net income applicable to common stockholders of \$6.5 million for the original issuance cost of the Series B preferred stock which was redeemed.

In January, we retired our \$225 million unsecured term loan facility and established a new \$125 million unsecured line of credit.

The New FelCor:

On January 25, 2006, we announced the completion of an agreement modifying the current management agreements covering all our owned hotels managed by IHG. This agreement enables us to complete our repositioning program and creates the "New FelCor."

The completion of the agreement with IHG enables us to sell our non-strategic hotels and use the proceeds to reduce debt and invest in high return-on-investment capital projects at our remaining core hotels. The New FelCor will be a lower-leveraged company with a much stronger and fully renovated portfolio. Our repositioned portfolio will provide a solid platform for future growth in today's strong RevPAR environment.

Following the sale of the non-strategic hotels, New FelCor will have significantly lower exposure to markets with low barriers to entry, such as Atlanta, Dallas, Houston and Omaha and will be more geographically diverse with no market contributing more than six percent of EBITDA.

"Our asset disposition program continues to be a success. As we complete our repositioning program and focus on improving the existing portfolio through renovations and repositionings, our portfolio will be positioned to have above average growth," said Richard A. Smith, FelCor's President and CEO.

Hotel Dispositions:

In 2005, we disposed of 19 hotels for gross proceeds and forgiveness of debt aggregating \$128 million. During January 2006, we sold eight hotels for gross proceeds of \$163 million.

We currently have 27 hotels that we are actively marketing for sale. Gross proceeds from the disposition of these hotels are expected to be approximately \$325 and \$375 million.

Other Highlights:

In 2005, we started construction on the Royale Palms condominium development in Myrtle Beach, South Carolina. This project is more than 90 percent pre-sold and is expected to be completed in the summer of 2007.

Our consolidated capital expenditures for the fourth quarter and full year totaled \$38 million and \$124 million, respectively.

In the fourth quarter of 2005 we resumed paying a common dividend, with a \$0.15 per share dividend paid on December 1, 2005, and declared and paid fourth quarter dividends on our Series A and Series C preferred stock. We will evaluate the level of the common dividend each quarter.

2006 Guidance:

We anticipate that during 2006, RevPAR will increase 7 to 9 percent for the consolidated hotels, with the majority of the increase attributable to gains in ADR. RevPAR during the first quarter is expected to increase between 10 and 12 percent to prior year. Based on those expectations, we currently anticipate:

- œ Adjusted EBITDA to be between \$282 and \$289 million for the full year and between \$70 and \$72 million for the first quarter;
- œ Adjusted FFO per share to be between \$1.79 and \$1.90 for the full year, and to be between \$0.42 and \$0.45 for the first quarter;
- œ Hotel EBITDA margin will increase at least 100 basis points for the year; and
- œ Capital expenditures to be between \$175 and \$200 million for the full year.

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