

Gaylord Entertainment Co. Reports First Quarter Earnings

2006-05-02

Gaylord Hotels Posts Double-Digit Growth in RevPAR and Total RevPAR Total RevPAR Surpasses \$300 for Gaylord Hotels

Gaylord Entertainment Co. (NYSE:GET) today reported its financial results for the first quarter of 2006.

For the first quarter ended March 31, 2006:

-- Consolidated revenue increased 13.1 percent to \$242.2 million from \$214.0 million in the same period last year, led by strong revenue growth in the hospitality segment.

-- Income from continuing operations was \$11.4 million, or \$0.28 per share, compared to a loss from continuing operations of \$9.0 million, or a loss of \$0.23 per share in the prior-year quarter. The increase in income from continuing operations is due to strong growth in operating income, a \$5.4 million non-recurring gain related to the collection of a note receivable held by ResortQuest previously considered to be uncollectible, and a \$2.2 million pre-tax net unrealized gain in the value of the Company's Viacom stock investment and related derivatives in the first quarter of 2006 compared to a pre-tax net unrealized loss of \$11.5 million in the first quarter of 2005.

-- Hospitality segment total revenue grew 16.1 percent to \$165.5 million, compared to \$142.5 million in the prior-year quarter, driven by strong revenue growth at both the Opryland and Texan properties. Gaylord Hotels revenue per available room(1) ("RevPAR") and total revenue per available room(2) ("Total RevPAR") increased 16.8 percent and 16.3 percent, respectively, compared to the first quarter of 2005.

-- Adjusted EBITDA(3) was \$43.0 million compared to \$31.8 million in the prior-year quarter.

-- Consolidated Cash Flow(4) ("CCF") increased 48.7 percent to \$53.9 million in the first quarter of 2006 compared to \$36.2 million in the same period last year. CCF for the first quarter of 2006 included a non-recurring \$5.4 million gain related to the collection of a note receivable held by ResortQuest, previously considered to be uncollectible.

"This was a great quarter for the Company largely driven by the success of Gaylord Hotels, our unmatched network of convention properties, which delivered robust growth in revenue and CCF during the quarter," said Colin V. Reed, chairman and chief executive officer of Gaylord Entertainment. "Our strong pipeline of advance bookings is clear evidence of the growing national awareness of our brand, as well as the delivery of a superior experience for our customers across all of our hotels. Hospitality segment Total RevPAR topped \$300 for the first time, illustrating our success at attracting higher value customers who take advantage of our diverse outside-the-room offerings."

"This quarter also highlights the outstanding performance of the Gaylord Opryland, which grew revenues by more than 30 percent and CCF by more than 75 percent compared to the first quarter of 2005. The Gaylord National, scheduled to open its doors at the end of the first quarter of 2008, has achieved to date, cumulative net definite room nights booked approaching 600,000, a resounding affirmation of the Gaylord brand and business model."

Segment Operating Results

Hospitality

Key components of the Company's hospitality segment performance in the first quarter of 2006 include:

-- Gaylord Hotels Total RevPAR increased 16.3 percent to \$301.96, compared to \$259.53 in the first quarter of 2005; Gaylord Hotels RevPAR increased 16.8 percent to \$128.08 compared to \$109.64 in the prior-year quarter. Very strong advance bookings across its system of hotels and solid transient demand allowed the Company to yield high RevPAR and Total RevPAR in the first quarter of 2006. In the first quarter, occupancy increased 5.8 percentage points while ADR increased 8.3 percent compared to the same period last year.

-- CCF increased 32.7 percent to \$52.3 million in the first quarter of 2006 compared to \$39.4 million in the same period last year. CCF margins for the hospitality segment increased 395 basis points to 31.6 percent from 27.7 percent in the prior-year quarter.

-- Gaylord Hotels' same-store net definite bookings for all future years, excluding Gaylord National, increased 37.2 percent to 225,300 net definite room nights booked in the first quarter of 2006.

-- Gaylord National booked an additional 25,300 net definite room nights in the first quarter of 2006, bringing cumulative net definite room nights to 572,000.

-- Gaylord Hotels' rotational bookings were strong at 46.3 percent in the first quarter of 2006, reflecting the continued loyalty of our meeting planners and our success at leveraging our network of hotels.

"Our hospitality properties continue to grow both occupancy and ADR, exhibiting our ability to achieve an increasingly higher yield for our hotel network. The Gaylord Opryland has re-emerged as a top convention hotel, benefiting from our strong dedication to customer service and from a favorable response to our ongoing room renovations," said Reed. "Meeting planners, transient guests and local residents have all become strong supporters of our convention hotels, best-in-class customer service, and award-winning dining and entertainment offerings. Solid demand for advance bookings is coming from the high-quality customers who take advantage of the multitude of amenities our hotels have to offer. Furthermore, our ability to rotate customers across all Gaylord Hotels enables us to secure long-term, multi-year, multi-property bookings, providing even greater earnings visibility and better yield across the network."

At the property level, Gaylord Opryland achieved revenues of \$65.8 million in the first quarter of 2006, a 31.9 percent increase compared to the prior-year quarter. RevPAR increased 27.3 percent to \$110.73, driven by a 7.5 percentage point occupancy increase and a 15.1 percent increase in ADR. Total RevPAR grew 32.5 percent to \$254.71 in the first quarter of 2006 compared to \$192.30 in the prior-year quarter, based on the hotel's success in attracting higher quality customers who contribute to the significant increases in ADR and outside-the-room spending. CCF grew 76.5 percent to \$17.3 million versus \$9.8 million in the first quarter of 2005. CCF margin increased 665 basis points to 26.3 percent from 19.6 percent in the prior-year quarter. CCF margin growth was a result of greater operating leverage due to strong ADR growth and improved expense management across the hotel. Opryland's multi-year room renovation program, which completed its first phase in the fourth quarter of 2005, is scheduled to resume in June and continue into the fourth quarter of 2006 with the renovation of an additional 428 rooms, or approximately 25,300 room nights. To complete the room renovation program, the Company expects to take approximately 79,250 room nights out of service at various times in 2007. No rooms were taken out of service during the first quarter of 2006.

Gaylord Palms posted a solid performance in the first quarter of 2006, increasing revenues slightly to \$50.8 million. Gaylord Palms generated RevPAR growth of 2.6 percent to \$164.23, driven by an 8.9 percent increase in ADR partially offset by a 5.2 percentage point decrease in occupancy. Coming off of a tremendous first quarter in 2005 with occupancy above 90 percent, the Palms posted a solid performance in a competitive market by maintaining high levels of occupancy and ADR in a typically high demand period for the hotel. Total RevPAR increased to \$401.58, above the \$400 mark for the first time since the hotel's opening in 2002. CCF was flat to the prior-year quarter at \$18.8 million in the first quarter of 2006. This resulted in a decrease in CCF margin for the hotel of 57 basis points to 36.9 percent from 37.5 percent in the first quarter of 2005.

Gaylord Texan revenues increased 15.9 percent to \$46.9 million in the first quarter of 2006 compared to \$40.5 million in the prior-year quarter. RevPAR increased 19.6 percent to \$140.27 from \$117.24 in the first quarter of 2005, driven by a 12.1 percentage point increase in occupancy and a 1.9 percent increase in ADR. Total RevPAR grew 15.9 percent to \$344.77 in the first quarter of 2006, from \$297.54 in the same period last year. Strong gains in RevPAR and Total RevPAR were driven by a significant increase in occupancy levels and continued strength in outside-the-room spending from our group, transient and local customers. CCF increased 51.8 percent to a record \$15.8 million from \$10.4 million in the first quarter of 2005, resulting in a CCF margin of 33.7 percent, or a 797 basis point increase over the first quarter of 2005. Strong flow-through results at the hotel were driven, in part, by greater operational efficiencies achieved on incremental occupancy.

Development Update

Construction continues to progress on the Gaylord National, with advance bookings in the first quarter of 2006 growing by 15.2 percent compared to the prior-year quarter. The National booked an additional 25,300 room nights in the first quarter of 2006, bringing cumulative net definite room nights booked for the property to approximately 572,000. The National continues to set production records for Gaylord Hotels two years from its opening at the end of the first quarter of 2008.

"Construction on the Gaylord National is progressing as expected and our customers are eagerly awaiting the completion of the finest convention hotel on the East Coast," said Reed. "Advance bookings remain impressive for this property and, in March, we requested additional economic incentives from Prince George's County in order to help fund our 500-room expansion. We expect to hear a decision from Prince George's County in the near future and will update our shareholders on any developments. We remain disciplined on managing development costs and are confident that this project will deliver very strong returns for our shareholders."

In the first quarter of 2006, Gaylord incurred \$30.4 million in capital expenditures related to the construction of the Gaylord National.

ResortQuest

ResortQuest revenues from continuing operations increased 2.3 percent in the first quarter of 2006 to \$59.8 million, compared to \$58.5 million in the prior-year quarter. RevPAR increased 2.8 percent to \$89.74, driven by an 8.7 percent increase in ADR while occupancy decreased 3.4 percentage points to 57.8 percent in the first quarter of 2006. Operating income was \$2.1 million compared to \$1.8 million in the first quarter of 2005. ResortQuest CCF was \$10.9 million compared to \$5.6 million in the first quarter of 2005. ResortQuest CCF in the first quarter of 2006 includes a non-recurring \$5.4 million gain related to the collection of a note receivable previously considered to be uncollectible.

In the first quarter of 2006, ResortQuest had 15,795 units under exclusive management, excluding units reflected in discontinued operations. ResortQuest operating statistics for all periods presented exclude units in discontinued markets and units out of service, which includes certain units damaged by hurricanes. Operating results for ResortQuest's non-core markets that are being exited are reflected in Gaylord's consolidated financial results as discontinued operations, net of taxes, for all periods presented.

"First quarter ResortQuest performance across most of our markets came in as expected," said Reed. "While we experienced softness in demand in our Florida markets and in Whistler, in addition to softness in our real estate brokerage operations in Florida, the rest of our markets generally performed as expected. Early indications from the website launch in February are encouraging as bookings through that channel are on the rise."

Opry and Attractions

Opry and Attractions segment revenues increased to \$16.8 million in the first quarter of 2006 compared to \$12.9 million in the first quarter of 2005. Opry and Attractions reported an operating loss of \$1.4 million for the period compared to an operating loss of \$2.2 million in the first quarter of 2005. CCF increased to \$0.1 million in the first quarter of 2006 from a CCF loss of \$0.9 million in the prior-year quarter.

"We continue to expand our partnerships and distribution agreements, leveraging the significant brand recognition of the Grand Ole Opry," said Reed. "We remain very excited about our current partnerships, including our partnership with Great American Country ("GAC"), which places the Grand Ole Opry Live into a potential 40 million homes in the U.S."

Corporate and Other

Corporate and Other operating loss totaled \$12.4 million in the first quarter of 2006 compared to an operating loss of \$9.8 million in the same period last year. Corporate and Other operating losses in the first quarter of 2006 increased over the prior year period in part due to the expensing of stock options. Corporate and Other CCF in the first quarter of 2006 decreased to a loss of \$9.4 million compared to a loss of \$7.9 million in the prior-year quarter.

Bass Pro Shops

For the quarter ended March 31, 2006, Gaylord's equity income from its investment in Bass Pro Group, LLC was \$2.6 million.

Liquidity

As of March 31, 2006, the Company had long-term debt outstanding, including current portion, of \$607.2 million and unrestricted and restricted cash and short term investments of \$67.4 million. \$554.4 million of the Company's \$600.0 million credit facility remains undrawn at the end of the first quarter of 2006, which included \$15.6 million in letters of credit.

Gaylord is currently evaluating financing alternatives to fund Gaylord National's planned expansion costs and increased construction costs. Alternatives may include the issuance of debt or equity, economic incentives, the sale of assets, or a combination thereof.

Outlook

The following outlook is based on current information as of May 2, 2006. The Company does not expect to update guidance until next quarter's earnings release. However, the Company may update its full business outlook or any portion thereof at any time for any reason.

"Gaylord Hotels entered 2006 with strong bookings, which led to an excellent first quarter. Our cost control measures, another area of emphasis, allowed a high percentage of these revenues to flow to the bottom line. We expect to continue this forward momentum in Total RevPAR and RevPAR in subsequent 2006 quarters, as we attract the best customers, who take advantage of our varied outside-the-room offerings. We are, therefore, raising our 2006 full year guidance to reflect incremental additional top line growth and the benefits of our expense control measures."

"ResortQuest is off to a solid start, but we have some caution about our Florida markets for the balance of the year," continued Reed. "The overall market's pace of bookings and real estate sales are soft in comparison to prior years. We have conducted research specific to previous ResortQuest customers who have not yet booked and have found that vacationers, by and large, remain interested in booking but have yet to do so. Therefore, the booking window is being compressed and at this time our visibility into third quarter 2006 for ResortQuest is somewhat limited. As a result, we are lowering our guidance to \$16 to \$21 million in CCF for the year, which includes the \$5.4 million collection of a note receivable recognized in the first quarter of 2006."

Gaylord's 2006 outlook reflects approximately 25,300 room nights out of service due to the room renovation at Gaylord's Opryland Hotel.

	2006 PRIOR	2006 NEW

Consolidated Revenue	\$924 - 961 Million	\$924 - 961 Million
Consolidated Cash Flow		
Gaylord Hotels	\$158 - 161 Million	\$163 - 168 Million
ResortQuest	\$21 - 26 Million	\$16 - 21 Million
Opry and Attractions	\$10 - 11 Million	\$10 - 11 Million
Corporate and Other	\$(37 - 35 Million)	\$(37 - 35 Million)

Consolidated CCF	\$152 - 163 Million	\$152 - 165 Million
Gaylord Hotels Advance Bookings	1.3 - 1.4 Million	1.3 - 1.4 Million
Gaylord Hotels RevPAR	7% - 9%	8% - 10%
Gaylord Hotels Total RevPAR	7% - 9%	8% - 10%

This article comes from Hotel News Resource

<http://www.hotelnewsresource.com>

The URL for this story is:

<http://www.hotelnewsresource.com/article22116.html>

© 1998 - 2007 Nevistas and the author.

Brought to you by Hotel News Resource

Distribute your news on our Network

See what all the buzz is about at:

http://www.hotelnewsresource.com/Info-news_account_info.html