

FelCor's FFO Per Share Increases 104%

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Common Dividend Increased to \$0.20 Per Share

FelCor Lodging Trust Incorporated (NYSE:FCH), one of the nation's largest hotel real estate investment trusts (REITs), today reported operating results for the first quarter ended March 31, 2006.

First Quarter Results:

œ Revenue Per Available Room ("RevPAR") increased 15.0 percent, compared to the same period in 2005. Average Daily Rate ("ADR") increased 8.6 percent.

œ Hotel Earnings Before Interest, Taxes, Depreciation and Amortization ("Hotel EBITDA") increased to \$86.0 million, compared to \$65.5 million in the prior year quarter, an increase of 31.2 percent. Hotel EBITDA margin was 27.6 percent, representing a 321 basis point improvement to the prior year first quarter Hotel EBITDA margin of 24.4 percent.

œ Adjusted Funds From Operations ("FFO") was \$32.0 million, a \$16.3 million increase from the prior year period. Adjusted FFO per share increased to \$0.51, compared to \$0.25 in the prior year quarter, an increase of 104 percent.

œ Same-Store EBITDA increased by \$19.3 million to \$75.8 million, or 34.2 percent to prior year. Adjusted EBITDA increased \$13.9 million to \$75.9 million, or 22.4 percent to prior year.

œ Net income was \$10 million, compared to a net loss of \$8 million in the first quarter of 2005. Net income applicable to common stockholders was \$0.2 million, compared to a net loss applicable to common stockholders of \$18.1 million, or \$0.30 per share, in the first quarter of 2005.

œ Based on these strong first quarter results, we have increased our dividend to \$0.20 per share, effective the second quarter 2006.

Included in the first quarter Adjusted EBITDA, Adjusted FFO and net income applicable to common stockholders for 2006 are business interruption insurance proceeds aggregating \$3.2 million, related to 2005 hurricane losses, which was included in our original guidance. Excluded from first quarter Adjusted EBITDA and Adjusted FFO is \$1 million loss on sale of hotels and \$1 million in expense from the early retirement of debt.

First Quarter Highlights:

During the first quarter, we sold eight non-strategic hotels for gross proceeds of \$163 million, and retired net indebtedness totaling \$180 million using proceeds from hotel sales and excess cash. Subsequent to the end of the quarter, we sold two additional non-strategic hotels for gross proceeds of \$63 million.

RevPAR growth was strong across the entire portfolio as a result of a strong increase in ADR for both the transient and group segments as well as an increase in occupancy.

RevPAR increased by double digits in nearly all of our key markets. Markets with the highest RevPAR gains for the quarter were San Francisco, Chicago, Dallas and New Orleans, all with RevPAR increases of more than 20 percent and Southern Florida had a RevPAR increase of nearly 20 percent. Our improved RevPAR performance contributed to a 321 basis point improvement in our Hotel EBITDA margin for the quarter, of which 50 basis points is attributed to business interruption proceeds from 2005 hurricanes.

Market share for our consolidated hotels increased during the first quarter compared to prior year against their respective competitive set. On average, our Hilton, InterContinental Hotels Group and Starwood managed hotels improved market share for the quarter.

"Our renewed focus on asset management, our portfolio repositioning program and capital improvements are showing up in strong operating results. We anticipate that we will continue to outperform the industry as we complete these initiatives," said Richard A. Smith, FelCor's President and Chief Executive Officer. "Based on our strong first quarter performance, we are pleased to announce an increase in our common dividend to \$0.20 per share, starting with second quarter 2006."

Capital Structure:

At March 31, 2006, we had \$1.5 billion of consolidated debt outstanding with a weighted average life of five years, compared to \$1.8 billion outstanding at March 31, 2005. Our cash and cash equivalents totaled approximately \$76 million at the end of the first quarter 2006.

In January, we retired our \$225 million unsecured term loan facility and established a new \$125 million unsecured line of credit. In April 2006, we retired an additional \$27 million of secured indebtedness and repaid our line of credit balance.

In April, Moody's Investors Service upgraded our corporate rating from B1 to Ba3. As a result, the interest rate on our \$300 million of Senior Notes due 2011 was reduced by 50 basis points to 8.5 percent, resulting in an annual interest rate savings of \$1.5 million.

"We are pleased with the Moody's upgrade. Not only does it reduce our cost of capital, but it is a testament to our recent performance and strategic initiatives," said Andrew J. Welch, FelCor's Executive Vice President and Chief Financial Officer.

Hotel Dispositions:

In conjunction with the agreement with InterContinental Hotels to amend our management contracts, we announced that 38 hotels are expected to be sold for proceeds of between \$500 and \$550 million. The proceeds from these asset sales will be used to pay down \$400 million of indebtedness with the balance used to fund a portion of our renovation program. To date, we have sold 13 hotels for \$241 million. Gross proceeds from the remaining 25 hotels are expected to be approximately \$260 to \$310 million.

Other Highlights:

Improvements and additions to consolidated hotels for the first quarter were \$35 million. Capital expenditures, including our pro rata share of joint ventures, totaled \$39 million.

In the first quarter of 2006, we declared a common dividend of \$0.15 per share and declared first quarter dividends on our Series A and Series C preferred stock, which were paid on May 1, 2006.

2006 Guidance:

We anticipate that during 2006, RevPAR will increase between 8 and 10 percent for the consolidated hotels, with the majority of the increase attributable to gains in ADR. RevPAR during the second quarter is expected to increase between 7 and 9 percent to prior year. Based on these expectations, we currently anticipate:

œ Adjusted EBITDA to be between \$287 and \$292 million for the full year and between \$81 and \$83 million for the second quarter;

œ Adjusted FFO per share to be between \$1.90 and \$1.98 for the full year, and to be between \$0.63 and \$0.66 for the second quarter;

œ Hotel EBITDA margin to increase at least 150 basis points for the year;

œ Capital expenditures to remain consistent with our previous guidance of between \$175 and \$200 million for the full year.

Adjusted EBITDA guidance for 2006 has been reduced by \$3 million for the two hotels sold in April, which was not assumed in our previous guidance.

There are no further asset sales assumed in our guidance. We will adjust our quarterly guidance as asset sales occur. Consequently, we are assuming no further debt reduction, beyond what has occurred to date.

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