

Strategic Hotels & Resorts Reports Second Quarter 2006 Financial Results

2006-08-03

Increase of 9.3 percent Total RevPAR and 10.3 percent RevPAR in the Total North American portfolio for the second quarter 2006.

Strategic Hotels & Resorts (NYSE:BEE) today reported results for the second quarter and first half of the year ending June 30, 2006.

Second Quarter Financial Highlights

œ Increase of 9.3 percent Total RevPAR and 10.3 percent RevPAR in the Total North American portfolio for the second quarter 2006. Growth was driven by an 11.0 percent increase in ADR and a 0.6 percent decrease in occupancy.

œ Increase of 9.2 percent Total RevPAR and 10.8 percent RevPAR in the North American same store portfolio for the second quarter 2006. Growth was driven by an 11.2 percent increase in ADR and a 0.4 percent decrease in occupancy.

œ North American same store property EBITDA margin expansion of 310 basis points.

œ Quarterly Comparable EBITDA of \$48.3 million.

œ Quarterly Comparable FFO of \$0.42 per fully converted share.

Second Quarter Activities

œ Completed a public offering for \$143.8 million of 8.25% Series C Cumulative Redeemable Preferred Stock. Net proceeds to the company, after underwriting discounts and offering expenses, were \$138.5 million.

œ Completed a public offering of 16.1 million shares of common stock. Net proceeds to the company, after underwriting discounts and offering expenses, were \$318.3 million.

œ Closed on the acquisition of the Westin St. Francis in San Francisco, California for \$440.0 million.

Subsequent Events

œ Entered into an agreement to acquire the Fairmont Scottsdale Princess in Scottsdale, Arizona for \$345.0 million, in addition to \$15.0 million for an adjacent 10-acre development parcel.

œ Closed on the acquisition of the Ritz-Carlton Laguna Niguel in Dana Point, California for \$330.0 million, in addition to the assumption of \$8.6 million of debt.

œ Closed on the disposition of the Marriott Rancho Las Palmas Resort in Rancho Mirage, California for \$56.0 million.

œ Entered into an agreement to acquire the Marriott Grosvenor Square in London, England for 103.0 million pounds Sterling (\$192.0 million).

œ Entered into an agreement to acquire the remaining 65.0% interest in the entity owning the InterContinental Hotel in Prague, Czech Republic for a purchase price of \$68.8 million, in addition to the assumption of \$56.5 million in debt.

Laurence Geller, Chief Executive Officer of Strategic Hotels & Resorts, commented, "We continue to systematically build an industry-leading hotel company and demonstrate value for our investors. During the second quarter we delivered consistent overall performance. We engaged in well-planned acquisitions and announced a prudent disposition that further perfected a high quality portfolio. We announced the acquisition of the Ritz-Carlton Laguna Niguel, completed the purchase of the landmark Westin St. Francis and announced the disposition of the Marriott Rancho Las Palmas. During the quarter we also completed common and preferred equity offerings, raising over \$450 million of net proceeds for the company. Consistent strong and healthy performance, portfolio initiatives reflecting a focused business strategy, and an experienced management team, all serve to advance our position as an industry leader."

"Same store" hotel comparisons for the second quarter 2006 are derived from the company's North American portfolio at June 30, 2006, consisting of properties held for five or more quarters, in which operations are included in the consolidated results of the company, and that have not sustained substantial property damage or business interruption or undergone large-scale capital projects during the reporting periods being compared. As a result, same store comparisons contain 10 properties and exclude the Fairmont Chicago, acquired on September 1, 2005, the Four Seasons Washington, D.C., acquired on March 1, 2006, the unconsolidated Hotel del Coronado, acquired on January 9, 2006, the Hyatt Regency New Orleans, which was taken out of service on August 29, 2005, due to damage resulting from Hurricane Katrina, the Marriott Rancho Las Palmas, which was designated as held for sale, and the Westin St. Francis, acquired on June 1, 2006. "Same store" hotel comparisons for the six-month period-over-period are derived from the company's North American portfolio at June 30, 2006 consisting of properties held for six or more quarters, in which operations are included in the consolidated results of the company, and that have not sustained substantial property damage or business interruption or undergone large-scale capital projects during the reporting periods being compared. As a result, same store comparisons contain eight properties and

exclude the InterContinental Chicago and InterContinental Miami, both acquired on April 1, 2005, the Fairmont Chicago, the Four Seasons Washington, D.C., the Hotel del Coronado, the Hyatt Regency New Orleans, the Marriott Rancho Las Palmas, and the Westin St. Francis.

Total North American portfolio comparisons are derived from the company's hotel portfolio at June 30, 2006, in which operations are included in the consolidated results of the company, and that have not sustained substantial property damage or business interruption or undergone large-scale capital projects during the reporting periods being compared. As a result, total North American portfolio comparisons contain 12 properties and exclude the Four Seasons Washington, D.C., the Hotel del Coronado, the Hyatt Regency New Orleans, and the Marriott Rancho Las Palmas.

Operating Results

The company reported net income available to common shareholders of \$11.7 million, or \$0.18 per diluted share, for the second quarter of 2006, compared with net income available to common shareholders of \$4.0 million, or \$0.13 per diluted share, for the second quarter of 2005.

For the six-month period ending June 30, 2006, the company reported net income available to common shareholders of \$10.3 million, or \$0.17 per diluted share, compared with net income available to common shareholders of \$10.7 million, or \$0.35 per diluted share, in the prior period.

Adjusted EBITDA for the second quarter of 2006 was \$47.8 million, compared to \$34.4 million for the second quarter of 2005. Excluding a credit to termination costs related to the Marriott Rancho Las Palmas of \$(0.7) million and \$1.1 million in planning costs related to the New Orleans Jazz District, Comparable EBITDA was \$48.3 million for the second quarter of 2006 versus Comparable EBITDA of \$34.4 million for the second quarter of 2005.

For the six-month period ending June 30, 2006, Adjusted EBITDA was \$74.8 million compared to \$62.5 million in the prior year period. Excluding termination costs related to the Marriott Rancho Las Palmas of \$9.7 million and \$1.5 million in planning costs related to the New Orleans Jazz District, Comparable EBITDA was \$86.0 million for the six-month period versus Comparable EBITDA of \$62.5 million for the prior period.

FFO in the second quarter of 2006 was \$27.8 million, or \$0.41 per fully converted share, compared to \$19.8 million, or \$0.50 per fully converted share, in the second quarter of 2005. Excluding a credit to termination costs related to the Marriott Rancho Las Palmas of \$(0.7) million and \$1.1 million in planning costs related to the New Orleans Jazz District and eliminating the related net tax benefits of \$(0.1) million, Comparable FFO was \$28.1 million, or \$0.42 per fully converted share, for the second quarter of 2006 versus Comparable FFO of \$19.8 million, or \$0.50 per fully converted share, for the second quarter of 2005. "Fully converted" per share results represent FFO before certain minority interest adjustments, divided by the weighted average total number of shares, restricted stock units and operating partnership units convertible into shares.

For the six-month period ending June 30, 2006, FFO was \$41.5 million, or \$0.66 per fully converted share, compared to \$39.1 million, or \$0.98 per fully converted share, in the prior period. Excluding termination costs related to the Marriott Rancho Las Palmas of \$9.7 million and \$1.5 million in planning costs related to the New Orleans Jazz District, and eliminating the related tax benefits of \$4.3 million, Comparable FFO was \$48.4 million, or \$0.77 per fully converted share, for the six-month period versus Comparable FFO of \$39.1 million, or \$0.98 per fully converted share, for the prior period.

North American same store portfolio Total RevPAR increased 9.2 percent during the second quarter of 2006 over the prior period in 2005, driven by 6.0 percent growth in non-rooms revenues and 10.8 percent growth in RevPAR. Same store ADR grew 11.2 percent and occupancy decreased 0.4 percent. For the six-month period ending June 30, 2006, Total RevPAR increased 9.4 percent and RevPAR increased 10.5 percent over the prior period.

Total North American portfolio Total RevPAR increased 9.3 percent during the second quarter of 2006 over the prior period in 2005, driven by 7.0 percent growth in non-room revenues and 10.3 percent growth in RevPAR. Same store ADR grew 11.0 percent and occupancy decreased 0.6 percent. For the six-month period ending June 30, 2006, Total RevPAR increased 10.6 percent and RevPAR increased 11.7 percent over the prior period.

For the company's European hotels, Total RevPAR for the second quarter of 2006 increased by 11.4 percent over the second quarter of 2005, due to an 8.3 percent increase in ADR and a 4.2 percent increase in occupancy. For the six-month period ending June 30, 2006, Total RevPAR increased 8.1 percent and RevPAR increased 7.9 percent over the prior period.

North American same store EBITDA margins improved by 310 basis points in the second quarter of 2006 compared with the prior period in 2005, primarily due to increases in ADR.

Portfolio Update

As previously announced, the company closed on an agreement to acquire the Westin St. Francis in San Francisco from an affiliate of Blackstone Real Estate Partners for a purchase price of \$440.0 million.

Balance Sheet and Capital Markets Activity

During the second quarter the company closed a public offering of 5,750,000 shares of its 8.25% Series C Cumulative Redeemable Preferred Stock. Net proceeds totaled \$138.5 million after underwriting discounts and offering expenses.

A common stock offering of 16,100,000 shares was completed during the second quarter at a price of \$20.50 per share, resulting in net proceeds of \$318.3 million, after underwriting discounts and offering expenses.

Quarterly Dividend Distribution

The Board of Directors declared a quarterly dividend of \$0.23 per share of common stock. The dividend was payable to shareholders of record as of June 30, 2006 and was paid on July 10, 2006. Additionally, for shareholders of record as of June 20, 2006, the Board declared a quarterly dividend of \$0.53125 per share of 8.50% Series A Cumulative Redeemable Preferred Stock, \$0.51563 per share of 8.25% Series B Cumulative Redeemable Preferred Stock, and \$0.24635 per share of 8.25% Series C Cumulative Redeemable Preferred Stock. The preferred stock dividends were paid on June 30, 2006. The Series C payment represented a pro rata distribution of the scheduled quarterly dividend of \$0.51563 per share due to the closing of the Series C offering on May 17, 2006.

Recent Events

Following the close of the second quarter, the company entered into an agreement to acquire the Fairmont Scottsdale Princess in Scottsdale, Arizona from an affiliate of Fairmont Raffles Holdings International for \$345.0 million, and an adjacent 10-acre development parcel for \$15.0 million.

The previously announced acquisition of the Ritz-Carlton Laguna Niguel in Dana Point, California from Strategic Hotel Capital, L.L.C. was completed for a purchase price of \$330.0 million plus assumed debt of \$8.6 million.

The previously announced disposition of the Marriott Rancho Las Palmas Resort in Rancho Mirage, California to an affiliate of KSL Capital Partners, LLC was completed for a sales price of \$56.0 million.

The company entered into interest rate swap agreements totaling \$275.0 million.

The company entered into an agreement to acquire the Marriott Grosvenor Square in London, England from an affiliate of Blackstone Real Estate Partners for a purchase price of £103.0 million (\$192.0 million).

The company also entered into an agreement to purchase a 65.0% interest in the entity that owns the InterContinental Hotel in Prague, Czech Republic, for \$68.8 million from an affiliate of GIC Real Estate, Inc. The purchase will bring the company's interest in the entity that owns the property to 100%. Including the assumption of \$56.5 million in debt, the company's total investment to acquire the 65% interest is \$125.3 million.

2006 Outlook

Management modifies its full year 2006 guidance for Comparable FFO, FFO per fully converted share and Comparable EBITDA to reflect recent acquisition and funding activity. Comparable EBITDA will be in the range of \$205.8 million to \$210.7 million, Comparable FFO will be in the range of \$101.5 million to \$106.5 million, and Comparable FFO per fully converted share will be in the range of \$1.45 to \$1.52.

The company expects 2006 North American same store Total RevPAR growth to be in the range of 7.0 percent to 9.0 percent and 2006 North American same store RevPAR growth to be in the range of 9.0 percent to 11.0 percent.

The following tables reconcile projected 2006 net income to projected Comparable FFO and Comparable EBITDA (in millions, except per share data):

	Low Range	High Range
Net Income	\$18.6	\$23.5
Deferred Tax on Realized Portion of Deferred Gain	1.3	1.3
Realized Portion of Deferred Gain on Sale		
Leasebacks	(4.4)	(4.4)
Depreciation	74.9	74.9
Depreciation from Unconsolidated Affiliates	6.0	6.0
Minority Interests	0.7	0.8
Adjustments from Consolidated Joint Ventures	(2.2)	(2.2)
Adjustments for Termination Costs, Tax Benefit & Other	6.6	6.6
Comparable Funds from Operations	\$101.5	\$106.5
Comparable FFO per Fully Converted Share	\$1.45	\$1.52
	Low Range	High Range
Net Income	\$18.6	\$23.5
Preferred Shareholder Dividends	24.5	24.5
Realized Portion of Deferred Gain on Sale		
Leasebacks	(4.4)	(4.4)
Depreciation	74.9	74.9
Minority Interests	0.7	0.8
Adjustments from Consolidated Joint Ventures	(4.3)	(4.3)
Interest Expense	56.7	56.6
Adjustments from Unconsolidated Affiliates	26.5	26.5
Income Taxes	1.8	1.8
Adjustments for Termination Cost & Other	10.8	10.8
Comparable EBITDA	\$205.8	\$210.7

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