

## FelCor Exceeds Second Quarter Estimates

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Reports Adjusted FFO Per Share of \$0.67

FelCor Lodging Trust Incorporated (NYSE:FCH), one of the nation's largest hotel real estate investment trusts (REITs), today reported operating results for the second quarter and six months ended June 30, 2006.

### Second Quarter Results:

œ Revenue Per Available Room ("RevPAR") increased 8.4 percent, compared to the same period in 2005. Average Daily Rate ("ADR") increased 8.2 percent.

œ Hotel Earnings Before Interest, Taxes, Depreciation and Amortization ("Hotel EBITDA") increased to \$92.6 million, compared to \$80.7 million in the prior year quarter, an increase of 14.7 percent. Hotel EBITDA margin was 30.0 percent, representing a 178 basis point improvement to the prior year.

œ Displacement from major renovations caused reductions to RevPAR (approximately 1 percent) and EBITDA (approximately \$1.6 million), which negatively affected Hotel EBITDA margin by approximately 35 basis points.

œ Adjusted Funds From Operations ("FFO") was \$42.1 million, an \$8.1 million increase from the prior year period. Adjusted FFO per share increased to \$0.67, compared to \$0.54 in the prior year quarter, an increase of 24 percent.

œ Same-Store EBITDA increased by \$10.5 million, to \$82.2 million, or 14.7 percent to prior year. Adjusted EBITDA (including sold hotels) increased \$3.3 million, to \$83.8 million, or 4.1 percent to prior year.

œ Net income was \$10 million for both second quarter 2006 and 2005. Net income applicable to common stockholders was \$0.5 million, or \$0.01 per share, compared to a net loss applicable to common stockholders of \$4.7 million, or \$0.08 per share, in the second quarter of 2005.

### Six Month Results:

œ RevPAR increased 11.5 percent, compared to the same period in 2005. ADR increased 8.2 percent.

œ Hotel EBITDA increased to \$176.6 million, compared to \$145.0 million in the prior year period, an increase of 21.8 percent. Hotel EBITDA margin was 29.2 percent, representing a 241 basis point improvement to the prior year.

œ Displacement from major renovations caused reductions to RevPAR (approximately 1 percent) and EBITDA (approximately \$2.9 million), which negatively affected Hotel EBITDA margin by approximately 30 basis points.

œ Adjusted FFO was \$74.1 million, a \$24.5 million increase from the prior year period. Adjusted FFO per share increased to \$1.18, compared to \$0.79 in the prior year period, an increase of 49 percent.

œ Same-Store EBITDA increased by \$29.1 million, to \$156.1 million, or 22.9 percent to prior year. Adjusted EBITDA (including sold hotels) increased \$17.2 million, to \$159.7 million, or 12.1 percent to prior year.

œ Net income was \$20.0 million compared to \$2.3 million for the six month period in 2005. Net income applicable to common stockholders was \$0.6 million, or \$0.01 per share, compared to a net loss applicable to common stockholders of \$22.8 million, or \$0.38 per share, in 2005.

Expenses, net of minority interest, related to the early retirement of \$0.8 million and \$1.5 million of debt, respectively, were excluded from Adjusted EBITDA and Adjusted FFO for the quarter and six months ended June 30, 2006. Similarly, we recorded an impairment charge, net of minority interest, or \$8.3 million related to a hotel that was designated as non-strategic in the second quarter of 2006 and was excluded from Adjusted EBITDA and Adjusted FFO for that quarter.

### Second Quarter Highlights:

RevPAR growth continues to be strong across the entire portfolio and is attributable to a significant increase in ADR. Our ADR growth was very strong in a majority of our key markets as we are focused on managing our customer mix and taking advantage of the strong industry trends.

RevPAR increased by double digits in a number of our key markets. Markets with the highest RevPAR gains for the quarter were Atlanta, Boston, Chicago, Dallas, Orlando, San Antonio, the San Francisco Bay area and Ventura, California.

Many factors contributed to the 178 basis point improvement in our Hotel EBITDA margin for the quarter, including our improved RevPAR performance, changes in our asset management approach and our repositioning plan. The displacement from renovations in the quarter contributed to a reduction in revenue of approximately \$2.4 million and erosion of Hotel EBITDA margins of approximately 35 basis points.

"FelCor has a unique opportunity to add significant value through internal growth over the next few years as a consequence of the change in our asset management approach, our renovation program and redevelopment projects. We have begun to implement these initiatives and are just beginning to see the benefits. The transition of our asset management approach is now complete, and we expect continued improvement in Hotel EBITDA margins as a result of these changes," said Richard A. Smith, FelCor's President and Chief Executive Officer. "We are excited about implementing our renovation and redevelopment program over the next couple of years which will increase long-term shareholder value."

In the second quarter of 2006, we increased our common dividend to \$0.20 per share, from \$0.15 per share.

#### Capital Structure:

At June 30, 2006, we had \$1.4 billion of consolidated debt outstanding with a weighted average life of five years, compared to \$1.7 billion outstanding at June 30, 2005. Our cash and cash equivalents totaled approximately \$67 million at the end of the second quarter 2006.

During the second quarter, we retired \$58 million of net indebtedness, including \$27 million of secured debt and repaid our line of credit balance. At June 30, 2006, consolidated debt to trailing twelve month Adjusted EBITDA was 5.0x, compared to 6.5x at June 30, 2005.

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 have paid down a total of \$287 million of debt since September 30, 2005, and should reach our goal of \$400 million of aggregate debt reduction by the end of this year. Our financial profile continues to improve and our leverage ratio is declining as a result of improved operating performance and debt reduction," said Andrew J. Welch, FelCor's Executive Vice President and Chief Financial Officer. "We are currently evaluating opportunities to refinance additional debt."

#### Hotel Disposition Update:

During the second quarter, we sold four non-strategic hotels for gross proceeds of \$78 million. We have sold 15 hotels for gross proceeds of \$256 million since we began the disposition program. There are 23 remaining from the original 38 hotels that were identified as non-strategic. At June 30, 2006, we had 20 hotels under contract to sell, and we are well ahead of the expected pace of the repositioning program.

In connection with the finalization of our three year capital improvement program, during the second quarter, we identified seven additional hotels as non-strategic. The six Embassy Suites Hotels(R) and one Sheraton Suites(R) are primarily located in suburban locations generally within secondary markets. We recorded an impairment charge of \$9 million, in the second quarter, related to one of these hotels.

We expect total gross proceeds for the 45 non-strategic hotels to be between \$650 and \$700 million. The expected proceeds are toward the high end of our original expectations for the 38 hotels set forth in January. The proceeds from the seven additional non-strategic hotels will be used primarily to fund the redevelopment projects.

#### Renovation Program Update:

We finalized the long-term capital plans for every hotel late in the second quarter. We are spending in excess of \$400 million of capital between 2006 and 2008. The program will be extensive and will include guest room, guest bath, meeting space, public area, exterior and major mechanical upgrades at every hotel, where needed. At the end of the program, our entire portfolio will be completely renovated. More than 75 percent of these capital expenditures will have a positive guest impact, where additional rate and occupancy can be captured. As a result, we expect returns on that capital to be between 12 and 15 percent.

Improvements and additions to consolidated hotels for the second quarter were \$36 million and were \$70 million, for the six months ended June 30, 2006. Hotel capital expenditures, including our pro rata share of joint ventures, totaled \$38 million for the quarter and \$76 million for the six months. We expect hotel capital expenditures of approximately \$175 million for the full year.

Our Royale Palms condominium project in Myrtle Beach, South Carolina, is more than 50 percent complete and scheduled to be completed in the third quarter 2007. At June 30, the balance on the construction loan was \$34 million. We have pre sold approximately 98 percent of these condominiums. We currently expect to earn net income of approximately \$16 million at the completion of the project, and we expect that between 50 and 60 percent of the condominium units will enter our rental pool.

We also have identified redevelopment opportunities at a number of our hotels and are currently in the pre-development phase for three projects: building a new convention center in Myrtle Beach at our Kingston Plantation complex, adding a new spa and fitness center at the Embassy Suites Resort in Deerfield Beach, Florida and adding 5,000 square feet of meeting space at the Doubletree Guest Suites(R) in Dana Point, California.

#### 2006 Guidance:

We anticipate that during 2006, RevPAR will increase between 8 and 10 percent, with the majority of the increase attributable to gains in ADR. RevPAR during the third quarter is expected to increase between 6 and 8 percent compared to the same period in 2005. Based on these expectations, we currently anticipate:

œ Adjusted EBITDA to be between \$287 and \$292 million for the full year and between \$69 and \$71 million for the third quarter;

œ Adjusted FFO per share to be between \$1.90 and \$1.98 for the full year, and to be between \$0.43 and \$0.47 for the third quarter; and

œ Hotel EBITDA margin to increase approximately 170 basis points for the year.

We are leaving our guidance for the year unchanged for RevPAR, EBITDA and FFO, but are raising our estimates for Hotel EBITDA margin. The 2006 estimates assume higher RevPAR and Hotel EBITDA margin for the second half of the year as a result of stronger corporate transient and group demand and continued benefit from our new asset management approach. However, we anticipate a higher level of displacement from renovations than originally expected. Our renovation schedules were finalized in the second quarter, with some changes to the timelines. As a result of these changes, we anticipate displacement for the full year to negatively impact EBITDA by \$7.6 million, or FFO of \$0.12 per share, which is \$3.6 million, or \$0.06 per share, higher than originally expected. In addition, we sold two hotels in the second quarter, which was not previously reflected in our 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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