

Gaylord Hotels Segment Revenue Increases 16.0 Percent In Q3

2006-11-06

Gaylord Entertainment Co. Reports Third Quarter Earnings - Gaylord National Bookings Surpass 725,000 Room Nights

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

For the third quarter ended September 30, 2006:

œ Consolidated revenue increased 11.5 percent to \$231.9 million from \$208.0 million in the same period last year, led by solid revenue growth in the hospitality segment.

œ Income from continuing operations was \$5.7 million, or \$0.14 per share, compared to a loss from continuing operations of \$9.5 million, or \$0.24 per share, in the prior-year quarter.

œ Hospitality segment total revenue grew 16.0 percent to \$142.3 million, compared to \$122.6 million in the prior-year quarter, driven by solid performance from Gaylord Palms and Gaylord Opryland. Gaylord Hotels revenue per available room1 ('RevPAR') and total revenue per available room2 ('Total RevPAR') increased 11.4 percent and 14.5 percent, respectively, compared to the third quarter of 2005.

œ Consolidated adjusted EBITDA3 was \$28.8 million compared to \$21.2 million in the prior-year quarter.

œ Consolidated Cash Flow4 ('CCF') increased 44.4 percent to \$38.4 million in the third quarter of 2006 compared to \$26.6 million in the same period last year.

'As expected, our hospitality business had another good quarter,' said Colin V. Reed, chairman and chief executive officer of Gaylord Entertainment. 'The Gaylord Hotels brand continues to attract the highest quality customers by offering them a unique experience for their group meeting needs. This fundamental difference drives our strong occupancy rates, robust outside the room spending and growth in CCF. Our continuously strong performance is testimony to the service we provide to our customers and the loyalty they provide us in return.'

'We continue to work hard to extend the brand into new and important locations and our development in Prince George's County and our plans for Chula Vista remain on track. As our meeting planner relationships continue to strengthen in both quality and quantity, we intend to continue to explore new opportunities to satisfy their unique needs in ways that provide attractive returns to our shareholders.'

Segment Operating Results

Hospitality

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

œ Gaylord Hotels' Total RevPAR increased 14.5 percent to \$257.62, compared to \$224.95 in the third quarter of 2005. Gaylord Hotels RevPAR increased 11.4 percent to \$110.99 compared to \$99.59 in the prior-year quarter. Occupancy increased 7.8 percentage points to 77.1 percent. Total RevPAR was favorably impacted by higher spending on banquet revenue. Average Daily Rate (ADR) was \$143.88.

œ CCF increased 39.2 percent to \$30.2 million in the third quarter of 2006 compared to \$21.7 million in the same period last year. CCF margins for the hospitality segment increased 353 basis points to 21.2 percent from 17.7 percent in the prior-year quarter.

œ Gaylord Hotels' same-store net definite bookings for all future years, excluding Gaylord National, decreased 37.5 percent to 220,471 net definite room nights booked in the third quarter of 2006. Gaylord Hotels' year-to-date same-store net definite bookings for all future years increased 1.8 percent to 826,993 net definite room nights versus 812,518 room nights booked in the first three quarters of 2005.

œ Gaylord National booked an additional 80,585 net definite room nights in the third quarter of 2006, bringing National's cumulative net definite room nights to 726,544.

œ Gaylord Hotels' rotational bookings continue to be strong at 40.9 percent on a trailing 12 month basis, a 2.2 percent decrease versus the second quarter 2006.

'Our core hospitality business remains the catalyst of our impressive performance this year, posting a CCF improvement of 39.2 percent as our properties continue to illustrate their network-wide strength,' continued Reed. 'The Palms had a strong quarter, growing Total RevPAR by 20 percent and proving that our brand offers customers a unique experience and a clear better option for large conventions in the competitive Orlando market. I am also pleased that our occupancy levels in our hotels business remained strong at 77 percent, which was led by our largest property Opryland. Our future bookings for the quarter were as expected and we remain on track to meet our guidance of 1.4 - 1.5 million same-store room nights booked based on our very strong bookings pace to date.'

At the property level, Gaylord Opryland achieved revenues of \$65.1 million in the third quarter of 2006, a 22.8 percent increase compared to the prior-year quarter. RevPAR increased 13.6 percent to \$114.53 from \$100.85 in the third quarter of 2005 and Total RevPAR grew 19.4 percent to \$254.40 in the third quarter of 2006 compared to \$213.08 in the prior-year quarter. RevPAR and Total RevPAR grew primarily on the strength of a 10.2 percentage point occupancy increase which drove outside the room spend. ADR decreased 0.5 percent to \$139.48 compared to the prior year quarter.

Opryland CCF grew 70.9 percent to \$15.4 million versus \$9.0 million in the third quarter of 2006. CCF margin increased by 668 basis points to 23.7 percent due to greater operational leverage driven by higher occupancy levels and fewer rooms having been out of service for the rooms renovation program. Third quarter 2006 operating statistics reflect 8,941 room nights removed from available inventory due to the room renovation program versus 16,001 room nights for the same quarter in 2005. The room renovation resumed this year in July and will continue into the fourth quarter of 2006, with the renovation of an additional 256 rooms, or approximately 9,400 room nights. As part of the multi-year room renovation program, the Company expects to take approximately 48,300 room nights out of service at various times in 2007.

Gaylord Palms posted revenues of \$37.5 million in the third quarter of 2006, an increase of 20.3 percent compared to \$31.2 million in the prior-year quarter. Gaylord Palms generated RevPAR growth of 16.8 percent from the prior year quarter to \$111.86, driven by a 11.6 percentage point increase in occupancy and a 1.9 percent decrease in ADR. Total RevPAR was \$289.77, up 20.3 percent from \$240.85 in the third quarter of 2005 driven primarily by the increase in occupancy and a 24.5 percent increase in Food and Beverage revenue. CCF increased 62.2 percent to \$7.4 million compared to the prior-year quarter of \$4.6 million. CCF margin for the hotel was 19.8 percent, up 510 basis points from the prior-year quarter driven by operational efficiencies due to the increased occupancy and a greater focus on the group customer.

Gaylord Texan revenues increased 3.1 percent to \$37.5 million in the third quarter of 2006 compared to \$36.4 million in the prior-year quarter. RevPAR increased by 4.5 percent to \$113.35 in the third quarter of 2006, due to an ADR increase of 2.4 percent to \$154.12 and a 1.4 percentage point increase in occupancy. Total RevPAR improved 3.1 percent to \$269.99 in the third quarter of 2006 from \$261.94 in the same period last year. CCF decreased 9.2 percent to \$6.8 million from \$7.5 million in the third quarter of 2005 due in part to property tax consulting fees and costs associated with the new Glass Cactus nightclub. The decline in CCF led to a CCF margin of 18.2 percent, or a 247 basis point decrease compared to the third quarter of 2005.

Development Update

Progress continues on the Gaylord National development in Prince George's County for the 2,000 room property set on the banks of the Potomac River. The National booked 80,585 room nights during the quarter, bringing the total number of advanced bookings for the property to 726,544 room nights. Negotiations continue with the Unified Port of San Diego and the City of Chula Vista to build a resort convention hotel on the San Diego Bayfront.

'Our expansion plans remain on target and we are excited to bring our high-value customers to new markets such as Prince George's County, Maryland,' said Reed. 'Advanced bookings for the Gaylord National surpassed 725,000 room nights, a validation that our 500-room expansion was the right decision. The hotel is expected to open in the beginning of the second quarter of 2008, with the 500-room expansion opening in the third quarter of 2008. We are also quite pleased with the progress on our continued negotiations in Chula Vista, and continue to believe that the opportunity for a West Coast rotational option will yield significant results for the entire network.'

ResortQuest

ResortQuest revenues from continuing operations were \$68.1 million, an increase of 4.1 percent compared to the prior-year quarter. ResortQuest operating income was \$8.1 million compared to \$4.9 million, an increase of 67.7 percent. ResortQuest RevPAR increased 2.4 percent to \$111.07 due to a 3.8 percent increase in ADR. Occupancy declined 0.8 percentage points as a result of continued weakness in our Northwest Florida markets. ResortQuest CCF was \$13.0 million compared to \$9.2 million in the third quarter of 2005. In the third quarter of 2006, ResortQuest had 14,925 units under exclusive management, excluding units reflected in discontinued operations.

ResortQuest revenue, operating income, and CCF were favorably impacted by the net receipt of \$4.9 million in connection with the Company's settlement of its business interruption insurance claim related to hurricanes Ivan, Dennis, and Charley. This receipt has been included in revenue in the accompanying condensed consolidated statement of operations for the three months and nine months ended September 30, 2006.

Also during the third quarter of 2006, as a result of a significant adverse change in the business climate at one of the markets of ResortQuest, we recorded an impairment charge of \$0.8 million related to goodwill and certain intangible assets of this market.

'ResortQuest performance came in as expected. Our Southeast region was affected by softness in both the real estate and vacation rental markets as we continue to see some measure of customer reluctance to travel to Florida and Gulf Coast areas which have been affected by hurricanes in the past few years.'

Opry and Attractions

Opry and Attractions segment revenues increased 8.8 percent to \$21.5 million in the third quarter of 2006 compared to \$19.7 million in the third quarter of 2005. Opry and Attractions reported operating income of \$3.0 million for the period compared to operating income of \$1.6 million in the third quarter of 2005. CCF increased 54.2 percent to \$4.6 million in the third quarter of 2006 from \$3.0 million in the prior-year quarter.

Corporate and Other

Corporate and Other operating loss totaled \$13.6 million in the third quarter of 2006 compared to an operating loss of \$9.0 million in the same period last year. Corporate and Other CCF loss in the third quarter of 2006 increased 28.3 percent to a loss of \$9.4 million compared to a loss of \$7.3 million in the prior-year quarter.

Bass Pro Shops

For the quarter ended September 30, 2006, Gaylord's equity income from its investment in Bass Pro Group, LLC was \$3.6 million.

Liquidity

As of September 30, 2006, the Company had long-term debt outstanding, including current portion, of \$671.7 million and unrestricted and restricted cash of \$53.7 million. \$497.4 million of the Company's \$600.0 million credit facility remains undrawn at the end of the third quarter of 2006, which includes \$12.6 million in letters of credit.

The Company continues to evaluate its financing alternatives for the announced development projects. Such plans could include incurrence of additional indebtedness, sale of non-core assets, or a combination thereof.

Outlook

The following outlook is based on current information as of November 6, 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.

'In summary, our hospitality business remains strong with solid bookings, continued CCF improvement, high occupancy, and impressive Total RevPAR growth. Our ability to fill openings in booking patterns during the third quarter, which is typically a low demand period, highlights the growing accuracy to which we are able to match demand with availability. As we move into the fourth quarter, we expect continued strong results across our network, which we believe will bring another strong quarter of advanced bookings.'

'Due to the Company's strong performance during the first three quarters of the year, we are maintaining our 2006 guidance levels as previously announced.'

Gaylord's 2006 outlook reflects approximately 18,600 room nights out of service due to the room renovation at the Gaylord Opryland.

This article comes from Hotel News Resource

<http://www.hotelnewsresource.com>

The URL for this story is:

<http://www.hotelnewsresource.com/article24999.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