

Red Lion Hotels RevPAR From Continuing Hotel Operations Increases 13.9%

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Red Lion Hotels Corporation Reports Strong First Quarter 2007 Results

Red Lion Hotels Corporation (NYSE:RLH) today announced results for the first quarter ended March 31, 2007.

Key First Quarter Operating Results

- œ RevPAR (revenue per available room) from continuing owned and leased hotels increased 13.9%
- œ ADR (average daily rate) increased 10.3% to \$81.45 at continuing owned and leased hotels
- œ Occupancy increased 1.7 percentage points to 53.0% at continuing owned and leased hotels
- œ RevPAR increased 8.7% to \$44.05 at system-wide hotels
- œ Total revenues from continuing operations increased 9.9% to \$39.3 million
- œ Hotel segment direct operating margin improved 266 basis points
- œ EBITDA from continuing operations increased 53.8% to \$3.1 million
- œ Net loss from continuing operations improved to \$2.0 million, compared to a loss of \$2.7 million in the first quarter of 2006
- œ EPS from continuing operations was \$(0.10) per share, an improvement from \$(0.20) per share in the first quarter of 2006
- œ Net loss was \$2.0 million, up from a net loss of \$3.0 million in the first quarter of 2006

Arthur M. Coffey, President and CEO of Red Lion Hotels Corporation, said, "We performed very well in what is our seasonally slowest quarter. We had strong growth in EBITDA, which we drove through solid improvements in RevPAR and direct hotel operating margins. Our renovated hotels are attracting more guests at higher rates, and we remain well-positioned for our long-term goal of growth into new markets."

The company's total revenues from continuing operations during the quarter were \$39.3 million, up 9.9% from the same quarter of 2006. Revenues in the hotel segment were up 10.8% over the prior year period to \$34.4 million. Franchise and management revenues increased to \$0.8 million. Revenues in the entertainment segment were relatively unchanged at \$3.3 million.

EBITDA from continuing operations in the first quarter increased 53.8% to \$3.1 million. Net loss from continuing operations improved to \$2.0 million, or \$0.10 per share, compared to a net loss of \$2.7 million, or \$0.20 per share, in the prior year period. Overall reported net loss was \$2.0 million or \$0.10 per share, compared to a net loss of \$3.0 million, or \$0.22 per share, in the prior year period.

Hotel Operations

RevPAR from continuing hotel operations at the company's owned and leased hotels increased 13.9% in the first quarter of 2007, driven by a 10.3% increase in ADR and a 1.7 percentage point increase in occupancy. For comparable system-wide hotels, RevPAR increased 8.7% in the first quarter of 2007, driven by a 6.9% increase in ADR and a 0.9 percentage point increase in occupancy. In comparing 2007 first quarter RevPAR and occupancy to that in the 2006 first quarter, it should be noted that the company did not exclude rooms out of service for renovations at owned, leased or franchised hotels for either of the comparable periods.

Revenues from continuing operations for owned and leased hotels increased 10.8% to \$34.4 million during the first quarter of 2007. This increase was primarily driven by a 14.7% increase in hotel room revenues, as well as a 5.6% increase in food and beverage revenues. The hotels segment direct operating profit increased \$1.3 million, or 39.8%, to \$4.4 million in the first quarter of 2007. Direct operating margin for the hotels segment improved 266 basis points to 12.8% in the first quarter of 2007 from 10.2% in the first quarter of 2006.

"During the quarter we continued to take advantage of our recently completed hotel renovations by targeting higher rate and more profitable business. Our success in gaining occupancy from the higher rate transient and group market segments drove our strong growth in RevPAR and also achieved improved margins," commented John Taffin, Executive Vice President, Hotel Operations.

First Quarter 2007 Highlights and Key Events

Renovations at Company Owned Hotels

During the quarter, the company substantially completed renovations of public guest contact areas at company owned and leased hotels. Lobbies, restaurants and meeting rooms were remodeled with new finishes and furnishings. This was the final phase of the company's previously announced reinvestment program to upgrade hotels by renovating guestrooms and public areas to increase customer comfort.

Non-core Real Estate

The company continues to actively pursue the disposition of non-core real estate, which includes one remaining non-core hotel, an office complex and surplus undeveloped land previously identified as assets held for sale.

Outlook for 2007

The company reaffirms its previous guidance for 2007. The company continues to expect 2007 RevPAR growth for company owned and leased hotels in the range of 8% to 10%, driven primarily by anticipated increases in ADR. It also continues to expect direct hotel operating margins in 2007 to improve between 100 and 200 basis points and EBITDA from continuing operations in 2007 to be in the range of \$31 to \$33 million.

Final Comments

"In the coming months, we expect continued growth and improved margins in our existing operations. Completion by our franchisees of the hotel upgrades we have implemented at our owned and leased hotels will help ensure that Red Lion is perceived as an upscale brand that offers an attractive franchise opportunity and is poised for growth into new markets," Mr. Coffey concluded.

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