

Red Lion Hotels Corporation Reports Strong Third Quarter 2007 Results

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RevPAR at Owned and Leased Hotels Increases 9.5%

Red Lion Hotels Corporation (NYSE:RLH) today announced results for the third quarter and nine months ended September 30, 2007.

Key Third Quarter Financial Results

RevPAR (revenue per available room) at owned and leased hotels increased 9.5%

ADR (average daily rate) at owned and leased hotels increased 5.2% to \$95.43

Occupancy at owned and leased hotels increased 3.1 percentage points to 76.3%

Total revenues from continuing operations increased 6.0% to \$54.5 million

Hotel segment direct operating margin improved 299 basis points

Excluding a \$4.9 million expense for early extinguishment of debt in the comparable quarter last year:

- EBITDA from continuing operations increased 19.3% to \$15.3 million
o Net income from continuing operations increased 28.2% to \$5.8 million
o EPS from continuing operations increased \$0.06 to \$0.29 per fully diluted share

Reported net income increased to \$7.1 million, or \$0.36 per fully diluted share

Recent Significant Announcements

Subleased the Red Lion Hotel Sacramento and entered into a long-term franchise agreement

Implemented a \$10 million stock repurchase program

Acquired the leasehold interest in a 314 room hotel in Anaheim, California for \$8 million in October 2007

Commenting on the company's results for the quarter, Arthur M. Coffey, President and CEO of Red Lion Hotels Corporation, said, "Our excellent third quarter financial results reflect the success of the enhanced Red Lion brand, with continued growth in RevPAR driving significantly improved margins and EBITDA. The Red Lion brand will be further enhanced by the addition of our Anaheim hotel. Once it is repositioned, it will be an exceptional banner for the Red Lion brand in the important California market, and should provide a strong base for further expansion."

Third Quarter Results

The company's total revenues from continuing operations during the quarter were \$54.5 million, up 6.0% from the same quarter of 2006. Revenues in the hotel segment were up 4.8% over the prior year period to \$50.0 million. Franchise and management revenues were \$0.7 million, compared to \$0.8 million in the same quarter of 2006. Revenues in the entertainment segment increased 20.3% to \$3.0 million. Other revenues totaled \$0.8 million, up from \$0.3 million in the third quarter of 2006.

EBITDA from continuing operations and net income from continuing operations in the third quarter of 2007 were \$15.3 million and \$5.8 million, respectively. It should be noted that results in the third quarter of 2006 include a \$4.9 million expense from the early extinguishment of debt. Excluding this expense, EBITDA from continuing operations and net income from continuing operations in the third quarter of 2007 increased 19.3% and 28.2%, respectively. Overall reported net income was \$7.1 million, or \$0.36 per fully diluted share, compared to \$1.5 million, or \$0.07 per fully diluted share, in the prior year period.

Nine Month Results

The company's total revenues from continuing operations during the nine months ended September 30, 2007, were \$142.8 million, up 9.1% from the first nine months of 2006. Revenues in the hotel segment increased 8.4% over the prior year period to \$129.3 million. Franchise and management revenues increased to \$2.3 million. Revenues in the entertainment segment increased to \$9.0 million, and other revenues totaled \$2.3 million.

EBITDA from continuing operations and net income from continuing operations in the first nine months of 2007 were \$28.4 million and \$6.3 million, respectively. Excluding the expense for the early extinguishment of debt and a gain on the disposition of assets in the year ago period, EBITDA from continuing operations and net income from continuing operations in the first nine months of 2007 increased 23.1% and 73.4%, respectively. Overall reported net income was \$7.3 million, or \$0.37 per fully diluted share, compared to \$0.6 million, or \$0.03 per fully diluted share, in the prior year period.

Hotel Operations

RevPAR from the company's owned and leased hotels increased 9.5% in the third quarter of 2007, driven by a 5.2% increase in ADR and a 3.1 percentage point increase in occupancy. For comparable system-wide hotels, RevPAR increased 6.9% in the third quarter of 2007, driven by a 5.1% increase in ADR and a 1.3 percentage point increase in occupancy.

Reported revenues from owned and leased hotels increased 4.8% to \$50.0 million during the third quarter of 2007. Revenues at owned and leased hotels in the current quarter include only one-month of revenues from the Red Lion Hotel Sacramento, compared to three months in the year-ago period. Hotel revenues increased 8.3% on a comparable property basis. The hotels segment direct operating profit increased 15.2% to \$16.5 million in the third quarter of 2007. Direct operating margin for the hotels segment improved 299 basis points to 33.0% in the third quarter of 2007.

"Since we completed our Red Lion renovation program, we have successfully improved our mix of business to maximize rates and drive RevPAR gains in our markets," commented John Taffin, Executive Vice President, Hotel Operations. "In the third quarter, our peak travel season, RevPAR growth translated into an improvement of 299 basis points in hotel operating margin."

RevPAR at the company's owned and leased hotels increased 13.2% in the first nine months of 2007, driven by a 7.2% increase in ADR and a 3.5 percentage point increase in occupancy. For comparable system-wide hotels, RevPAR increased 8.9% in the first nine months of 2007, driven by a 6.4% increase in ADR and a 1.6 percentage point increase in occupancy.

RevPAR increases in the first nine months of 2007 were due to increases in rate and occupancy driven by the enhanced Red Lion brand and rooms out of service for renovations at owned and leased hotels in the first and second quarters of 2006. The company does not exclude rooms out of service for renovations at owned, leased or franchised hotels in calculating RevPAR or occupancy.

Reported revenues from owned and leased hotels increased 8.4% to \$129.3 million during the first nine months of 2007. Hotel revenues increased 10.7% on a comparable property basis. The hotels segment direct operating profit increased 20.4% to \$32.9 million in the first nine months of 2007. Direct operating margin for the hotels segment improved 254 basis points to 25.5% in the first nine months of 2007.

Recent Highlights and Key Events

Red Lion Hotel Anaheim

In October 2007, the company acquired the long-term leasehold interest in the 314-room Radisson Hotel Maingate-Anaheim in Orange County, California for a purchase price of \$8.0 million. The hotel is located on South Harbor Boulevard in Anaheim, California, adjacent to the Disneyland Resort, Disney's California Adventure, Downtown Disney and the Anaheim Convention Center, Angel Stadium of Anaheim, the Honda Center and other important area attractions. This transaction marks the company's re-entry into the Southern California market, where the Red Lion brand carries significant brand equity. The company plans to spend approximately \$10 million on extensive renovations to guest rooms and public areas to reposition the hotel as a banner property for the Red Lion brand in this key destination market.

Stock Repurchase Program

On September 28, 2007, the company announced that its Board of Directors authorized a common stock repurchase program that enables the Company to purchase up to \$10 million of its common stock. Any stock repurchases will be made from time to time through open market purchases, block purchases or privately negotiated transactions deemed appropriate by the company. In October 2007, the company repurchased 20,700 shares for an aggregate cost of \$0.2 million.

Lincoln Plaza

During the quarter, the company completed the sale of the Lincoln and Grant office and retail buildings in Spokane, Washington for gross proceeds of \$13.3 million in a tax-advantaged transaction. The Lincoln and Grant buildings were previously held by the company as a component of discontinued operations.

Franchise Update

During the quarter, the company subleased the Red Lion Hotel Sacramento to a third party which simultaneously entered into a long-term franchise agreement and has committed to make a multi-million dollar investment to further improve and reposition the hotel. As of September 30, 2007, the company had 21 franchised hotels representing 3,368 rooms.

In 2006, the company implemented new upscale brand standards that Red Lion Hotels are required to meet by the end of 2007. These new standards are intended to be consistent with or better than the finishes commonly found in new homes and feature upgrades that include granite vanities, plush pillow top beds and other upscale furnishings and decor throughout guestrooms, lobbies and meeting areas. Currently, the company expects fifteen franchised hotels to meet the elevated brand standards. Franchise agreements for three hotels are terminating in the first quarter of 2008, resulting in their removal from the system. The company also anticipates that between two and three franchised hotels may not meet the elevated brand standards, which may result in their termination from the system in the first half of 2008.

Updated Outlook for 2007

The company is raising its guidance for 2007 RevPAR growth for company owned and leased hotels to a range of 11% to 12%, driven by increases in ADR and occupancy. The company's previous guidance for 2007 RevPAR growth was 9% to 11%. The company continues to expect direct hotel operating margins in 2007 to improve between 150 and 250 basis points and EBITDA from continuing operations in 2007 to be in the range of \$32 to \$33 million.

Final Comments

"This was an exceptional quarter for Red Lion. Our operations continued to deliver strong results and we continued to execute on our business plan. As demonstrated by our recent acquisition in Anaheim, there are attractive opportunities for growth available in our target markets. We expect that our disciplined approach to growth in our markets and improvements in our operations will continue to enhance shareholder value," Mr. Coffey said.

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