

Orient-Express Hotels Announces Third Quarter Results

2007-11-08

Ebitda \$59.2 Million, Up 20% Over Prior Year

- Pre-Tax Earnings \$34.8 Million, Up 36% Over 2006

- Net Earnings of \$22.6 Million

- Adjusted Net Earnings of \$25.3 Million

Reconciliation and Adjustments

\$'000 - except per share amounts	Three months ended September 30		Nine months ended September 30	
	2007	2006	2007	2006
EBITDA	59,154	49,492	123,151	105,742
Adjustment - gain on investment sale	-	-	-	(6,619)
Adjustment - insurance related gain	(2,312)	-	(2,312)	-
Adjustment - management restructuring and related charges	1,979	-	2,851	-
Adjusted EBITDA	58,821	49,492	123,690	99,123
U.S. GAAP reported net earnings	22,553	20,430	38,575	33,110
Adjusted items - net of tax:				
- Gain on asset sale	-	-	-	(3,294)
- Foreign exchange loss	2,171	1,952	1,413	3,642
- Insurance related gain	(1,664)	-	(1,664)	-
- FIN 48 charge	247	-	954	-
- Management restructuring and related charges	1,979	-	2,851	-
- Write-off of deferred finance costs	-	1,618	-	1,618
Adjusted net earnings	25,286	24,000	42,129	35,076
Adjusted EPS	0.60	0.58	0.99	0.87
Reported EPS	0.53	0.49	0.91	0.82
Number of shares (millions)	42.4	41.7	42.4	40.2

Third quarter highlights:

- Revenue up 26% over prior year
- Adjusted EBITDA up 19% over prior year
- World-wide same store RevPAR up 9% in local currency, 15% in U.S. dollars
- Projects moving ahead in Brazil, Peru, Bali and California
- New York hotel project announced with expansion of '21' Club

Orient-Express Hotels Ltd. (NYSE: OEH, <http://www.orient-express.com>), owners or part-owners and managers of 50 luxury hotel, restaurant, tourist train and river cruise properties operating in 25 countries, today announced its results for the third quarter ended September 30, 2007.

For the third quarter net earnings were \$22.6 million (\$0.53 per common share) on revenue of \$189.7 million, an increase of 10% over net earnings of \$20.4 million (\$0.49 per common share) in the same quarter in 2006. Adjusted net earnings were \$25.3 million (\$0.60 per common share) compared to adjusted net earnings of \$24.0 million (\$0.58 per common share) in the prior period. Net earnings for the nine months were \$38.6 million (\$0.91 per common share) on revenue of \$457.1 million, an increase in net earnings of 17% from \$33.1 million in the year earlier period. Earnings per common share increased 11% and revenue was up 23% over the first nine months of 2006. Adjusted net earnings for the nine months were \$42.1 million (\$0.99 per common share), compared to adjusted net earnings of \$35.1 million (\$0.87 per common share) in the first nine months of 2006, a 20% increase.

Total revenue grew 26% in the third quarter, underpinned by the European, Rest of World, and Trains and Cruises portfolios. Revenues from Real Estate were \$14.1 million, an increase of \$13.7 million over the same period in 2006, as the Cupecoy project begins to yield revenues. Worldwide same store RevPAR growth in local currency increased 9% over the same period in 2006 and margins were consistent with those in the same period in 2006, as expected in the high season quarter.

Business Highlights

On November 7th 2007 the company announced that it had signed an agreement to acquire the land and building of the Donnell branch of the New York Public Library, located at 24 West 53rd Street, New York City. On this site Orient-Express plans to build a 150-room luxury hotel, including a rebuilt "state-of-the-art" Donnell Library located within it. The hotel will house contemporary dining, spa and wellness facilities, as well as expanded banqueting and dining space for the company's existing restaurant and dining business, '21' Club, which is adjacent to the Library premises in its location at 21 West 52nd Street. The property will be marketed under a new '21' Hotel brand name. The original '21' Club, a location in the heart of midtown Manhattan, with enhanced facilities. The overall project is estimated at \$220 million inclusive of the purchase of the Library. Subject to necessary permits, construction is scheduled to start in 2009 and the hotel is planned to be in operation by early 2011.

On October 1st 2007, the company took over the operation of Hotel das Cataratas at Iguacu Falls, Brazil, and announced that it will commence a refurbishment program in the low season, starting April 2008. In Phase One, to be completed by September 2008, 80 of the 200 rooms will be renovated and upgraded and a new outdoor restaurant and pool constructed, at an estimated cost of \$8.4 million. A second phase of renovations will take place in 2009.

In Asia, as previously reported, the company has successfully leased an additional 11,300 sq.m. (3 acres) of land abutting its hotel Jimbaran Puri Bali in Bali, Indonesia. Construction has now started on 22 new 300 sq.m. pool cottages on this site, scheduled to open in time for the Christmas peak in December 2008.

In Santa Barbara, California, work is progressing well on the \$65 million restoration of El Encanto. This 91 key historic property, on a 7 acre site with mature gardens overlooking the Pacific Ocean, will reopen in the second quarter of 2009. The Santa Barbara luxury hotel market remains strong, with demand outstripping supply.

On the 11,000 ft. high rim of the Colca Canyon, Peru, the company's 20-key casita development is on schedule for opening in April 2008. The casitas themselves are sensitively designed to blend with their environment. The hotel will have a luxurious spa, a free-form swimming pool which blends into the landscape and an intimate dining room with an open kitchen where chefs turn home-grown produce into delicious cuisine.

Regional Performance

Europe: EBITDA of owned hotels grew 18% to \$38.3 million. The Italian properties reported a combined EBITDA of \$22.5 million, an increase of 29%, over the same period in 2006. The other properties contributing to the growth were Le Manoir aux Quat'Saisons, England, and La Residencia, Mallorca. Same store RevPAR in Europe grew by 8% in local currency and 15% in U.S. dollars.

North America: EBITDA of owned hotels was \$0.9 million, a drop of \$2.9 million over the prior year period. The 2006 result included business interruption insurance proceeds of \$3.4 million in respect of the Windsor Court Hotel in New Orleans and Maroma Resort and Spa in Mexico. In the current year period, Maroma Resort and Spa recorded a gain of \$2.3 million relating to the settlement of insurance proceeds. Same store RevPAR in North America (excluding El Encanto and Casa de Sierra Nevada that were closed during the 2007 and 2006 quarters respectively) grew by 11%.

Southern Africa: EBITDA of the Southern Africa portfolio grew by \$0.8 million to \$2.3 million, in what is traditionally the low season. The performance was underpinned by a strong quarter for the Mount Nelson, and the results of Orient-Express Safaris.

South America: EBITDA for the quarter was \$0.4 million below that of the same period in 2006, due in the main to the impact of a very strong Brazilian Real on the U.S. dollar earnings of the Copacabana Palace.

Asia Pacific: EBITDA of owned hotels was \$0.4 million below that of the prior year period at \$1.6 million. The key factor impacting the results was the performance of our hotel and river cruiser in Myanmar, which suffered due to political instability in the country.

Hotel management fees and part-ownership interests: EBITDA was \$5.8 million compared with \$4.7 million in the year earlier period. Earnings from Charleston Place

were up 20% and earnings from Hotel Ritz Madrid were up \$0.3 million, as the hotel and city of Madrid see market improvements.

Restaurants: EBITDA decreased \$0.1 million to a loss of \$0.2 million. The third quarter is traditionally the lowest earnings quarter of this segment due to the closure of '21' Club in the month of August.

Tourist trains and river cruises: EBITDA was \$9.6 million compared with a prior year EBITDA of \$7.0 million, a 37% increase. The performance of the Venice Simplon-Orient-Express and the Royal Scotsman were particular highlights during the quarter.

Real Estate: Revenues for the quarter were \$14.1 million, compared with \$0.4 million in the same period in 2006. These revenues were mainly from the company's Cupecoy project, in St. Maarten. Cupecoy currently has signed sales contracts to the value of \$49.6 million and the major construction contracts are let, with over \$31 million disbursed. Under the percentage-completion method of accounting, this has resulted in recognition of a total of \$3.0 million in earnings.

Tax: Earnings before tax for the nine months were \$59.4 million, an increase of \$17.9 million from \$41.5 million in the first nine months of 2006. The tax charge for the nine months was \$20.8 million compared to \$8.4 million in the prior year. The 2006 tax charge included a \$8.8 million tax credit arising on the recognition of tax losses carried forward in Bora Bora, Australia and Portugal. The 2007 charge reflects the mix of profitability across the jurisdictions in which the company operates, particularly in Europe. The 2007 charge also includes a tax charge of \$1.0 million in respect of the company's FIN 48 liability. The company adopted FIN 48 on January 1, 2007, accordingly there is no comparable cost in the prior year.

"Globally, we continue to see strong demand among the high-end consumers for Orient-Express and we continue to invest in innovative new properties in key markets," said Paul White, President and Chief Executive Officer of Orient-Express Hotels Ltd. "We believe that recent developments indicate early success in our initiatives to reorganize our management structure and the way we operate the business in key geographic areas."

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