

Orient-Express Hotels Reports Fourth Quarter and Full Year 2007 Results

2008-02-26

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Fourth Quarter 2007 highlights

- Fourth quarter total revenues of \$151.2 million, up 12% over prior year
- Fourth quarter net earnings from continuing operations of \$10.2 million, up 53% over prior year
- EPS from continuing operations of \$0.24. Adjusted EPS of \$0.25
- World-wide same store RevPAR up 10% in local currency, 14% in U.S. dollars
- Completed acquisition of land to develop a new '21' hotel in New York
- Completed takeover of Hotel das Cataratas, Iguacu Falls, Brazil

Full-Year highlights

- Full-year total revenues of \$599.6 million, up 21% over prior year
- Full-year net earnings from continuing operations of \$50.3 million, up 37% over prior year
- EPS from continuing operations of \$1.19. Adjusted EPS of \$1.25
- Full-year EBITDA of \$154.1 million up 13%, adjusted EBITDA up 19% over prior year
- World-wide same store RevPAR up 11% in local currency, 15% in U.S. dollars
- Accelerated acquisitions of The Royal Scotsman and Afloat in France businesses in Europe
- Acquired land to build a hotel in Buzios, Brazil

Orient-Express Hotels Ltd. (NYSE: OEH, <http://www.orient-express.com>), owners or part-owners and managers of 51 luxury hotels, restaurants, tourist trains and river cruise properties operating in 25 countries, today announced its results for the fourth quarter and full year ended December 31, 2007.

For the fourth quarter, Orient-Express realized a GAAP net loss of \$4.9 million (loss of \$0.12 per common share) on revenue of \$151.2 million compared with net earnings of \$6.7 million (\$0.16 per common share) on revenue of \$135.2 million in the prior year period. Adjusted net earnings from continuing operations which exclude certain items, including an impairment charge related to a strategic review of Bora Bora Lagoon Resort, were \$10.4 million (\$0.25 per common share) for the quarter, compared to adjusted net earnings from continuing operations of \$9.2 million (\$0.22 per common share) the previous year. Revenue was up 12% over the fourth quarter of 2006.

For the year ended December 31, 2007 net earnings were \$33.6 million (\$0.79 per common share) compared with net earnings of \$39.8 million (\$0.98 per common share) in 2006. Revenue increased 21% from \$497.1 million in 2006 to \$599.6 million in 2007. Same store RevPAR increased 15% (11% in local currency) and EBITDA rose 13% from \$136.7 million to \$154.1 million. Adjusted net earnings from continuing operations were \$53.0 million (\$1.25 per common share) compared to adjusted net earnings from continuing operations of \$41.4 million (\$1.02 per common share) in 2006. Adjusted EBITDA was \$155.2 million, an increase of 19% over 2006.

Adjusted EBITDA for the quarter was \$31.0 million compared with \$32.9 million for the same period in 2006. The 2007 results were impacted by the unforeseen conflict in Burma which resulted in EBITDA \$1.9 million lower than for the same period in 2006. Additionally, the 2006 EBITDA included asset sales of \$1.1 million and insurance credits of \$2.7 million.

"We are extremely pleased to see that the luxury market continues to show strength, as reflected in Orient-Express' year-end and fourth quarter results," said Orient-Express Hotels President and CEO, Paul White. "We believe that there will continue to be numerous opportunities for growth through acquisitions of properties, as well as through strategic organic expansion into key geographic markets."

Business Highlights

Orient-Express continues to show strong progress in its existing pipeline of new properties, including those in Santa Barbara, California, New York, Brazil, Bali, and Peru, with properties progressing well within their schedules. The most imminent opening is of Las Casitas del Colca, the luxury 20-room lodge in Peru's Colca Canyon, which is scheduled to open on time in April 2008.

In Brazil, the company is reviewing some exciting contemporary designs for its planned boutique hotel and villa development in Buzios. Work is scheduled to begin shortly on the renovation of the first 100 rooms at Hotel das Cataratas at Iguacu Falls, of which the company took over management in October 2007.

In 2007, the company opened the purpose built spas at The Inn at Perry Cabin in St Michaels, Maryland and at the Copacabana Palace in Rio de Janeiro, Brazil. The Copacabana Palace will be the site of a 'destination bar' which is scheduled to open in the second half of 2008. Next month, the Librisa Spa at the Mount Nelson Hotel in Cape Town, South Africa, will be opening. All of these projects reflect Orient-Express' commitment to continue to focus on revenue growth across property types and regions.

The company also made significant investments in existing room stock and property enhancement last year and this will continue into the first quarter of 2008. These investments include the opening of eight new suites at La Residencia, Majorca, the establishment of the Windsor Court Club Floors comprising 59 rooms and suites over four floors at the hotel in New Orleans, the renovation of Casa Limon and the new restaurant Andanza at Casa de Sierra Nevada in San Miguel de Allende, Mexico, the second phase renovation of room stock at the Grand Hotel Europe in St Petersburg, Russia, renovation of 12 rooms in the 48-room Governor's Residence in Rangoon, Burma, and the creation of four new suites and junior suites at Hotel Cipriani in Venice, Italy. The company expects all of these projects to bring additional guests and revenue to the various properties in both the short and longer term.

The company's Real Estate developments in St. Martin continue to move ahead on plan, with one of the seven villas being built at La Samanna scheduled to be ready for occupation in the third quarter. The Cupecoy Yacht Club development is progressing well, with construction forecasts showing completion on time and within budget. The company is now beginning the process of letting retail, restaurant and marina space.

Following a strategic review of the company's assets, it has been decided to initiate a sale of Bora Bora Lagoon Resort. Net earnings reflect an impairment charge to bring the property to current fair market value. This impairment charge and the net earnings of the operation for 2007 and 2006 are shown in discontinued operations net of tax. The amount included in discontinued operations, net of tax, was a loss of \$16.6 million for the year 2007 and a gain of \$3.1 million in 2006.

"As we described to our shareholders in our November investor day meeting, we have conducted strategic reviews of all our assets and set out specific plans for enhancing or divesting them based on their fit within our long-term objectives," continued Paul White. "While our prime focus is on increasing returns on core properties and other assets, as well as select acquisitions, we will give consideration to disposing of properties which do not fit our plans or otherwise merit further investment. Bora Bora is the most recent example of that process."

Regional Performance

In the quarter overall, same store RevPAR growth was up 14% in U.S. dollars (10% in local currency), while for the year, same store RevPAR increased 15% in U.S. dollars (11% in local currency). These increases were driven entirely by rate with Europe showing the strongest RevPAR growth in the fourth quarter of 21% in U.S. dollars (12% in local currency), compared with the Rest of World RevPAR growth of 15% in U.S. dollars (12% in local currency) while the North America region was flat.

Europe: For the fourth quarter, revenues were up 28% from \$34.2 million in 2006 to \$43.7 million in 2007. EBITDA increased \$1.4 million or 46% to \$4.6 million. The Italian hotels were substantially closed in the fourth quarter. All other properties in the region showed solid revenue growth with the Hotel de la Cite, Carcassonne, France, The Grand Hotel Europe, St Petersburg, Russia, and La Residencia, Majorca performing significantly ahead of their respective 2006 results. For the year, EBITDA grew 35%, or \$18.3 million to \$71.0 million. Every European property contributed to this growth, underpinned by same store RevPAR growth of 17% in U.S. dollars (10% in local currency).

North America: EBITDA of owned hotels was \$2.9 million in the fourth quarter, down \$2.7 million on the 2006 result of \$5.6 million. The 2006 results included business interruption insurance proceeds of \$2.7 million for Maroma Resort and Spa in Mexico. For the year, EBITDA decreased \$6.4 million to \$13.2 million, due primarily to the performance of the Windsor Court hotel in New Orleans.

Southern Africa: EBITDA in South Africa grew \$0.5 million to \$5.0 million in the fourth quarter, primarily due to better earnings at the Mount Nelson Hotel. Orient-Express Safaris also experienced another strong quarter in this region, with EBITDA growing 97% to \$0.6 million. For the full year, EBITDA grew 28% to \$13.5 million, with all five properties showing growth.

South America: Revenues at the South American properties grew 40% to \$17.3 million in the fourth quarter, which included \$2.0 million from Cataratas, which recorded a loss at the EBITDA level. Net of that loss, EBITDA declined \$0.6 million to \$4.7 million for the quarter. For the year, EBITDA was \$14.0 million, down \$1.1 million on the same period in 2006. The shortfall was a combination of the impact of the strong Brazilian Real on earnings in Brazil and the impact of the Cataratas acquisition.

Asia Pacific: EBITDA for the region was flat compared to 2006. The conflicts in Burma were reflected in a poor quarter for The Governor's Residence which offset good growth for the Observatory Hotel. EBITDA for the year was \$2.1 million ahead of 2006. Every hotel in the region showed growth with the exception of The Governor's Residence.

Hotel management and part-ownership interests: Fourth quarter EBITDA was \$6.4 million compared with \$5.6 million in the year earlier period. Hotel Ritz Madrid and the hotels in Peru were largely responsible for these gains. For the full year, EBITDA grew 20% to \$23.8 million. Half of this growth was derived from the performance of the Hotel Ritz, Madrid.

Restaurants: EBITDA was \$2.6 million compared with \$4.1 million in the same quarter last year. The 2006 result included a gain on sale of assets of \$1.1 million. For the year as a whole, the combination of the asset sales and the absence of earnings from Harry's Bar in the first half of the year, when compared to 2006, saw EBITDA contract by \$2.0 million to \$4.6 million.

Tourist trains and river cruises: This sector of the business had an exceptional year, with a fourth quarter EBITDA of \$6.1 million, compared to \$5.8 million in the prior year period. Improvements from all areas of the portfolio were partially offset by the impact of the crisis in Burma on the Road to Mandalay. For the full year, EBITDA grew 39% to \$25.5 million, this growth being underpinned by the excellent performance of all of the train products.

Real Estate: In the fourth quarter, Cupecoy Yacht Club recorded an EBITDA of \$1.6 million, compared to a loss of \$0.1 million in the same period in 2006. In the fourth quarter of 2006, the company sold the sample villa at St. Martin and there were 4 lot sales at Keswick. There were no lot sales recorded in the fourth quarter of 2007. Full year EBITDA was \$4.1 million, up 17% on 2006. This was primarily due to the Cupecoy Yacht Club.

Tax: The company's reported tax rate for the full year was 29%, inclusive of FIN 48 credits of \$7.1 million. This led to the company recording a tax credit of \$0.4 million in the fourth quarter.

The appointment of Martin O'Grady as Chief Financial Officer in March 2008, which was announced in late 2007, completes the realignment of the Orient-Express' senior management team.

The company noted that it expects business fundamentals to remain consistent with expectations, and that 2008 full year guidance on both RevPAR and EBITDA remain unchanged.

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