



## Strategic Hotels & Resorts Reports Strong Fourth Quarter and Full Year 2007 Financial Results

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Comparable FFO per Diluted Share Increases 43.3 Percent in the Fourth Quarter - Comparable FFO per Diluted Share Increases 17.1 Percent in 2007

Strategic Hotels & Resorts (NYSE:BEE) today reported results for the fourth quarter and year ended December 31, 2007.

### Fourth Quarter Financial Highlights

Comparable funds from operations (FFO) was \$0.43 per diluted share, an increase of 43.3 percent compared with \$0.30 in the prior year.

Quarterly Comparable EBITDA was \$68.3 million, an increase of 23.5 percent compared with \$55.3 million in the prior year.

Total North American total revenue per available room (Total RevPAR) increased 7.5 percent and revenue per available room (RevPAR) increased 7.2 percent driven by a 5.2 percent increase in average daily rate (ADR) and a 1.4 percentage-point increase in occupancy. Non-rooms revenues grew by 8.4 percent. The company's North American Same Store and Total North American portfolios were the same in the fourth quarter.

European Same Store Total RevPAR increased 17.2 percent and RevPAR increased 21.4 percent driven by a 22.6 percent increase in ADR. Non-rooms revenues grew by 9.9 percent.

Total North American gross operating profit margins expanded 270 basis points. Total North American EBITDA margins expanded 420 basis points.

Total North American gross operating profit per room increased 16.0 percent. Total North American EBITDA per room increased 27.3 percent.

Residential activity contributed \$2.3 million in EBITDA and \$1.4 million of Comparable FFO, or \$0.02 per diluted share.

### Full-Year 2007 Financial Highlights

Comparable FFO was \$1.64 per diluted share, an increase of 17.1 percent compared with \$1.40 in the prior year. Management estimates 2007 results were reduced by \$2.4 million, or \$0.03 per diluted share, related to disruption caused by capital project activity.

Comparable EBITDA was \$273.5 million, an increase of 38.7 percent compared with \$197.1 million in the prior year.

Excluding the impact of residential sales and the Hyatt Regency New Orleans (which had a net negligible impact on full year results), Comparable FFO would have been \$1.54 per diluted share, a 10.0 percent increase over the prior year, and Comparable EBITDA would have been \$259.3 million, a 31.6 percent increase over the prior year.

Total RevPAR increased 9.9 percent and RevPAR increased 9.5 percent in the North American Same Store portfolio for the year ending December 31, 2007. Growth was driven by a 6.1 percent increase in ADR and a 2.3 percentage-point increase in occupancy. Non-rooms revenues grew by 11.0 percent.

Total RevPAR increased 7.4 percent and RevPAR increased 7.4 percent in the Total North American portfolio for the year ending December 31, 2007. Growth was driven by a 5.6 percent increase in average daily rate (ADR) and a 1.3 percentage-point increase in occupancy. Non-rooms revenues grew by 7.8 percent.

European Same Store Total RevPAR increased 12.6 percent and RevPAR increased 13.6 percent driven by a 16.1 percent increase in ADR. Non-rooms revenues grew by 10.1 percent.

Total North American hotel gross operating profit margins expanded 190 basis points. North American same store property EBITDA margins expanded 140 basis points.

Total North American gross operating profit per room increased 13.1 percent. North American same store EBITDA per room increased 15.6 percent.

Residential activity contributed \$14.4 million in EBITDA and \$7.6 million of Comparable FFO, or \$0.10 per diluted share.

### Fourth Quarter Events

On December 28, 2007, the company closed on an agreement to sell the Hyatt Regency New Orleans to Poydras Properties Hotel Holdings Co., LLC for a gross sales price of \$32.0 million.

On December 10, 2007, the company announced that it had entered into a partnership with Sunstone Hotel Investors, Inc. (NYSE:SHO)

("Sunstone") to own and operate BuyEfficient LLC, an electronic purchasing platform that allows members to procure food, operating supplies, furniture, fixtures and equipment. Under the terms of the agreement, the company acquired a 50.0 percent interest in BuyEfficient, from Sunstone for a gross sales price of \$6.3 million.

The company purchased approximately 60 acres of oceanfront land near the Four Seasons Punta Mita Resort in Nayarit, Mexico for a mixed-use development. The effective purchase price of \$45.8 million will be paid in installments through 2009.

Laurence Geller, chief executive officer said, "2007 was a year in which Strategic Hotels & Resorts made great strides. At the beginning of the year, we tasked ourselves with the execution of an ambitious set of objectives. We delivered on each of these promises -- exceptional operating results and the achievement of key measurement metrics, settlement of the insurance claim at the Hyatt Regency New Orleans and its subsequent sale, recycling of capital through our joint venture with the Government of Singapore, successful sale of our residential units at the Hotel del Coronado and their return to our rental pool, completion of the majority of our master planning objectives, execution of our programmed capital projects, implementation of additional significant operating programs and systems, and early and efficient implementation of our property level-contingency plans as needed.

"With this strong foundation solidly in place, we are well positioned to quickly and thoughtfully adapt to the current changing and volatile economic environment. As we move into 2008, our seasoned management team is poised to continue its disciplined and systematic execution of our operating, marketing and physical master planned activities, while being constantly sensitive to any changes in the economy and marketplace."

#### Financial Results

The company reported net income available to common shareholders of \$5.4 million, or \$0.07 per diluted share for the fourth quarter of 2007, compared with a net loss available to common shareholders of \$6.1 million, or \$0.08 per diluted share for the fourth quarter of 2006.

For the year ending December 31, 2007, the company reported net income available to common shareholders of \$39.1 million, or \$0.52 per diluted share, compared with net income available to common shareholders of \$95.6 million, or \$1.39 per diluted share in the prior period.

Adjusted EBITDA for the fourth quarter of 2007 was \$69.4 million compared with \$52.1 million for the fourth quarter of 2006. Comparable EBITDA for the fourth quarter of 2007 was \$68.3 million compared with \$55.3 million in the fourth quarter of 2006. Comparable EBITDA for the fourth quarter of 2007 excludes a \$1.1 million adjustment to deduct the minority interest partner's share of Hyatt Regency La Jolla EBITDA.

Adjusted EBITDA for the year ending December 31, 2007 was \$295.5 million compared with \$270.6 million in the prior year. Comparable EBITDA for the year ending December 31, 2007 was \$273.5 million compared with \$197.1 million in the prior year period. Comparable EBITDA for the year ending December 31, 2007 excludes:

\$84.7 million in gain on sale of minority interests in hotel properties,

Impairment losses related to the Hyatt Regency New Orleans of \$37.7 million,

Loss on early extinguishment of debt of \$15.1 million,

\$7.4 million write-off of previously deferred costs related to a contemplated European offering,

Loss on foreign currency exchange of \$3.7 million, and

\$1.1 million adjustment to deduct the minority interest partner's share of the Hyatt Regency La Jolla EBITDA.

FFO for the fourth quarter of 2007 was \$32.6 million, or \$0.43 per diluted share, compared with \$20.3 million, or \$0.26 per diluted share in the fourth quarter of 2006. Comparable FFO for the fourth quarter of 2007 was \$32.9 million, or \$0.43 per diluted share, compared with \$22.7 million, or \$0.30 per diluted share in the fourth quarter of 2006.

FFO for the year ending December 31, 2007 was \$60.9 million, or \$0.80 per diluted share, compared with \$87.3 million, or \$1.25 per diluted share in the prior period. Comparable FFO for the year ending December 31, 2007 was \$124.8 million, or \$1.64 per diluted share, compared with \$98.1 million, or \$1.40 per diluted share for year ending December 31, 2006. Comparable FFO for the year ending December 31, 2007 excludes:

Impairment losses related to the Hyatt Regency New Orleans of \$37.7 million,

Loss on early extinguishment of debt of \$15.1 million,

\$7.4 million write-off of previously deferred costs related to a contemplated European offering, and

Loss on foreign currency exchange of \$4.1 million.

#### Capital Deployment

During 2007, the company delivered capital projects representing approximately \$122 million of spending designed to redevelop, reposition and upgrade the company's portfolio. Capital project completions include:

\$65.5 million at the Hotel del Coronado for the 78-key condominium hotel Beach Village development and \$26.8 million for a new spa and fitness center, a 311-room guestroom renovation, a restaurant renovation and the addition of the company's branded ENO wine tasting room,

\$16.6 million at the Four Seasons Punta Mita for the addition of 28 keys and an expansion of the spa and fitness center,

\$3.7 million at the Ritz-Carlton Laguna Niguel for the addition of an ENO wine room, conversion of one Presidential suite into three oceanfront guestrooms and a meeting space renovation,

\$3.1 million at the Westin St. Francis for a partial guestroom renovation,

\$2.9 million at the InterContinental Chicago for the addition of a Michigan Avenue fronting Starbucks and a partial guestroom renovation,

\$1.6 million at the Ritz-Carlton Half Moon Bay for the renovation of guestroom suites,

\$1.1 million at the Marriott Hamburg for the renovation of the lobby and lobby bar, and

\$0.8 million at the Paris Marriott Champs-Elysees for a restaurant renovation.

Subsequent to year-end, the company delivered capital projects representing \$26.4 million of spending, including:

\$20.8 million at the Fairmont Scottsdale Princess for the addition of the Michael Mina operated Bourbon Steak restaurant, Midnight Oil operated Stone Rose bar, conversion of 79 villas to Fairmont Gold rooms, and conversion of the general manager's house into a super suite, and

\$5.6 million at the Fairmont Chicago for the addition of a spa and fitness center.

Currently in construction are projects representing approximately \$95 million of spending, including:

\$37.1 million at the Fairmont Chicago for the renovation of 687 guestrooms, lobby renovation and ENO wine room addition,

\$20.3 million at the Marriott Grosvenor Square for a restaurant addition including private dining rooms, guestroom renovation, concierge club addition, health club addition and creation of incremental meeting space and for-rent office space,

\$17.6 million at the Four Seasons Washington, D.C. for the renovation of 66 guestrooms and suites and an 11-guestroom and super suite expansion,

\$7.5 million at the InterContinental Miami for the addition of a spa and fitness center,

\$5.0 million at the Ritz-Carlton Half Moon Bay for the expansion of the wine room, a partial guestroom renovation and related property enhancements,

\$3.9 million at the Hotel Le Parc for a repositioning and reflagging of the hotel to a Renaissance, and

\$3.3 million at the Westin St. Francis for the addition of a lobby bar.

#### Residential Activity

Residential activity contributed \$2.3 million of EBITDA and \$1.4 million of FFO, or \$0.02 per diluted share for the fourth quarter 2007, and \$14.4 million of EBITDA and \$7.6 million of FFO, or \$0.10 per diluted share for the year ending December 31, 2007.

The joint venture that owns the Beach Village development at the Hotel del Coronado, of which the company owns a 45.0 percent interest, closed on sales of six of the remaining seven hotel condominium units generating \$15.4 million of venture sales during the fourth quarter. The sales contributed \$1.9 million of EBITDA and \$1.1 million of FFO, or \$0.01 per diluted share to the company's results. For the year ending December 31, 2007, 34 of the 35 total hotel condominiums were sold, which generated \$110.2 million of sales and \$33.4 million of EBITDA to the venture contributing \$15.0 million of EBITDA and \$8.6 million of FFO, or \$0.11 per diluted share, to the company's results.

The joint venture that is developing the Four Seasons Residence Club Punta Mita, of which the company owns a 31.0 percent interest, contributed \$0.5 million of EBITDA and \$0.3 million of FFO to the company's fourth quarter results. For the year ending December 31, 2007, the venture contributed \$0.5 million of EBITDA and \$0.2 million of FFO to the company's full year results.

#### 2007 Portfolio Review

The company closed on the acquisition of the 116-room Hotel Le Parc for euro 66.5 million (\$91.0 million) from Accor SA.

The company closed on the disposition of the Hyatt Regency New Orleans to Poydras Properties Hotel Holdings Co., LLC for a gross sales price of \$32.0 million.

The company closed on the purchase of approximately 60 acres of oceanfront land near the Four Seasons Punta Mita Resort in Nayarit, Mexico for a mixed-use development for an effective purchase price of \$45.8 million.

The company entered into a joint venture agreement with an affiliate of GIC Real Estate Pte Ltd (GIC RE) for GIC RE to acquire a 49.0 percent interest in the company's InterContinental Chicago and Hyatt Regency La Jolla hotels for a gross valuation of \$450.0 million. The joint venture entered into a long-term asset management agreement with Strategic Hotels & Resorts, under which the company earns asset management fees in addition to various other fees and promotes for its services.

The company entered into a partnership with Sunstone to own and operate BuyEfficient, an electronic purchasing platform that allows members to procure food, operating supplies, furniture, fixtures and equipment. Under the terms of the agreement, the company acquired a 50.0 percent interest in BuyEfficient, LLC from Sunstone for a gross sales price of \$6.3 million.

#### 2007 Capital Market Activity Review

The company completed a debt recapitalization entering into a new \$500.0 million revolving credit facility and three property secured financings totaling \$318.5 million. The financings replaced the company's previous \$225.0 million credit facility and \$292.5 million of floating rate commercial mortgage-backed securities (CMBS) debt.

The company closed on the offering of \$180.0 million of 3.50 percent exchangeable senior notes due 2012. In conjunction with the offering, the company used \$9.9 million of the total net proceeds to enter into capped call transactions (effectively increasing the conversion premium from 20 to 40 percent) and \$25.0 million to repurchase and retire shares of its common stock.

#### Quarterly Distribution

The Board of Directors previously declared on December 3, 2007 a quarterly dividend of \$0.24 per share of common stock, payable to shareholders of record as of the close of business on December 27, 2007. The dividend was paid on January 10, 2008. Additionally, for shareholders of record as of December 17, 2007, the Board declared a quarterly dividend of \$0.53125 per share of 8.50 percent Series A Cumulative Redeemable Preferred Stock, \$0.51563 per share of 8.25 percent Series B Cumulative Redeemable Preferred Stock, and \$0.51563 per share of 8.25 percent Series C Cumulative Redeemable Preferred Stock. The preferred stock dividends were paid on December 31, 2007.

#### 2008 Outlook

For the full year 2008, the company anticipates that Comparable EBITDA will be in the range of \$263.9 million to \$274.9 million, Comparable FFO will be in the range of \$121.8 million to \$132.8 million, and Comparable FFO per diluted share in the range of \$1.60 to \$1.75.

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