Hotel News Resource

Orient-Express Hotels Reports First Quarter 2008 Results

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First Quarter Total Revenues of US$119.9 Million, Up 23% Over Prior Year

First Quarter 2008 highlights

- First Quarter Total Revenues of US$119.9 Million, Up 23% Over Prior Year

- Same Store RevPAR up 14% in U.S. Dollars, 12% in Local Currency

- EBITDA of US$16.4 Million, Up 8% Over Prior Year

- First Quarter Net Loss From Continuing Operations of US$2.4 Million, Compared With a Net Loss From Continuing Operations of US$2.5 Million in the Prior Year

- EPS Loss From Continuing Operations of US$0.06 per Common Share. Adjusted EPS Loss of US$0.09 per Common Share

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 first quarter ended March 31, 2008.

The first quarter is traditionally a loss-making period for the Company because several of its European hotels are closed for most of the quarter and the Venice Simplon-Orient-Express and Royal Scotsman tourist trains and Afloat in France canal cruises do not operate for most of the quarter.

The net loss for the period was US$4.3 million (loss of US$0.10 per common share) on revenue of US$119.9 million, compared with a net loss of US$3.7 million (loss of US$0.09 per common share) on revenue of US$97.7 million in the first quarter of 2007. The net loss from continuing operations for the period was US$2.4 million (loss of US$0.06 per common share) compared with a net loss of US$2.5 million (loss of US$0.06 per common share) in the first quarter of 2007. The adjusted net loss from continuing operations for the period was US$4.0 million (loss of US$0.09 per common share) compared with an adjusted net loss of US$2.6 million (loss of US$0.06 per common share) in the first quarter of 2007.

Business Highlights

Revenue from Owned Hotels was up US$17.4 million or 23% over the prior year quarter, with growth across all regions.

In Europe, Grand Hotel Europe in St. Petersburg showed the strongest revenue growth with revenues up US$3.3 million, or 53% (41% in local currency). Reid’s Palace Hotel in Madeira, La Residencia, Mallorca and Le Manoir aux Quat’Saisons, Oxfordshire each recorded revenue growth.

In the North American region, every property showed revenue growth, with same store RevPAR up 12%. The performance of Maroma Resort and Spa, Riviera Maya, and Casa de Sierra Nevada, San Miguel de Allende, both Mexican properties,

La Samanna, St Martin, French West Indies, and The Inn at Perry Cabin, St Michaels, Maryland underpinned the US$3.5 million or 15% revenue growth.

In the Rest of World region revenue increased by US$7.9 million or 24% with Southern Africa, South America and Asia Pacific regions all performing ahead of 2007 levels.

EBITDA before Real Estate was US$16.9 million, up 8% year-over-year. EBITDA margins in the U.S. were up from 26% to 27%. Overall, margins were down from 16% to 14%, impacted by the open but not yet refurbished Hotel das Cataratas at Iguacu Falls, Brazil, the impact of the strong Euro on properties closed during the quarter and increased lower-margin non-room revenues. EBITDA after Real Estate for the quarter was US$16.4 million, up 8% year-over-year.

Paul White, President and Chief Executive Officer, said: "Overall, revenues in our traditional first quarter earning businesses have grown as expected. Same store Owned Hotels total revenues, which were up 18%, grew faster than same store RevPAR growth of 14%. This performance indicates progress in our strategy and in various initiatives for maximizing all revenues from both room-related and non-room activities."

In recent weeks, the Company has:

- Opened Las Casitas del Colca, a luxury 20-room eco-style lodge in the heart of the rural Andes in Peru.

- Agreed in principle to acquire the 14-room Royal Chundu Lodge in Zambia, situated next to the Zambezi River and a short drive from the famous Victoria Falls. The hotel site includes a half-mile long island of pristine jungle and is due to open in early 2009 when it will extend the Orient-Express Safaris experience for high-end travelers.

- Agreed in principle to acquire a 50% stake coupled with a management agreement for a new built, 126-key resort in Puglia, Italy. The property, which will complement the Company's existing Italian hotels, is due to open in mid-2009. It comprises a mix of hotel rooms and houses built in traditional Puglianese "village" style, includes extensive spa and resort facilities, with access to an 18-hole championship golf course and direct access to the Adriatic Sea.

- Completed the first phase of its detailed review of real estate opportunities. This review covered existing projects in St Martin and at Keswick Hall, Charlottesville, as well as potential projects in Mexico, Portugal and Thailand. As a result of this process, the Company has contracted with S&P Real Estate, an international full-service real estate company that specializes in the envisioning, design, marketing and sale of resort and luxury real estate properties (http://www.sprealestate.com). S&P Real Estate will begin immediately marketing the Cupecoy Yacht Club condominiums and have been helping the Company to assess the phasing and pricing of future sales in light of current market conditions.

Regional Performance

In the quarter overall, revenues were up 23% from US$97.7 million to US$119.9 million. EBITDA for the quarter was up 8% from US$15.2 million to US$16.4 million. Same store RevPAR growth of Owned Hotels was up 14% in U.S. dollars (12% in local currency).

Europe: For the first quarter, revenues from Owned Hotels were up 28% year-over-year from US$21.1 million to US$27.1 million. The EBITDA loss was US$3.7 million in 2008 versus US$3.6 million in the prior year. Same store RevPAR increased by 30% in U.S dollars and by 16% in local currency. This local currency growth was primarily driven by Grand Hotel Europe, which benefited from a strong local market, the addition of 98 renovated rooms, and the introduction of an historic floor concept offering full butler service. However, as for many businesses operating in Russia, high inflation is becoming a challenge. Reid's Palace, La Residencia and Le Manoir aux Quat'Saisons all had good year-on-year revenue growth. At Le Manoir aux Quat'Saisons, the Company has signed an agreement with its founder and two Michelin star chef Raymond Blanc, extending his services until 2012. The Italian hotels were, as in previous years, closed for most of the first quarter, thereby generating EBITDA losses due to their fixed cost bases. The overall EBITDA loss for Europe was higher than the prior year when reported in U.S. dollars due to the 14% year-on-year appreciation of the Euro versus the U.S. dollar.

North America: Revenue increased by 15% to US$26.7 million compared with the first quarter of 2007, and EBITDA increased by 19% to US$7.3 million. Same store RevPAR for the region increased by 12% from US$285 to US$319. In particular, Maroma Resort and Spa continued to perform well, driven by rate, occupancy and non-room revenues. Casa de Sierra Nevada also performed well, having completed refurbishments in 2007, contributing a positive EBITDA compared with an EBITDA loss in the first quarter of 2007. Windsor Court in New Orleans was impacted by the early timing of Easter in the first quarter but was able to sustain revenues at the same level as last year.

Southern Africa: Revenue increased by 10% to US$11.7 million compared with 2007, and EBITDA increased by 6% to US$4.5 million. Same store RevPAR for the region increased by 11% from US$181 to US$202 (16% in local currency). The Mount Nelson in Cape Town celebrated the opening of the new Librisa Spa, which has been eagerly anticipated by guests and locals alike.

South America: Revenue increased to US$17.6 million from US$12.6 million in the first quarter of 2007. EBITDA was US$5.6 million in both 2008 and the prior year. Same store RevPAR for the region increased by 6% from US$336 to US$357. Hotel das Cataratas was acquired in October 2007 (and so is not included in the prior year results) generating US$3.3 million of revenue in the quarter. The hotel is currently trading around the breakeven level and will commence its refurbishment program in the second quarter.

Asia Pacific: Revenue for the first quarter increased by 20% to US$11.5 million when compared with last year. EBITDA increased 16% from US$2.2 million to US$2.6 million. Same store RevPAR for the region increased by 15% from US$138 to US$159 (10% in local currency). The region continued to be impacted in the current quarter by the recent civil unrest in Burma. Excluding the Governor's Residence in Rangoon, the region recorded an EBITDA increase of 25%. The other hotels in the region performed well when compared with last year, except for the Observatory in Sydney which benefited from a major sports tournament in the first quarter of 2007 and experienced a tighter corporate market in the current year.

Hotel management and part-ownership interests: First quarter EBITDA was US$5.2 million compared with US$4.6 million last year. Approximately half of the growth over last year was driven by the performance of the Peru hotels, with Hotel Ritz Madrid and Charleston Place also showing improved performance over last year.

Restaurants: Revenue from restaurants in the first quarter was US$4.9 million compared with US$5.3 million last year, and EBITDA was US$0.6 million compared with US$0.9 million last year. The results of '21' Club were impacted by a reduction in volume of corporate customers, although the average check was almost in line with last year.

Trains and Cruises: Revenue increased by 6% to US$11.2 million compared with the first quarter in 2007, and EBITDA increased by 34% to US$1.5 million. As in the prior quarter, this segment, which includes the Road to Mandalay cruise operation, was impacted year-over-year by the unrest in Burma. Excluding this operation, the Trains and Cruises business increased revenues by 13%, with strong growth from PeruRail and early signs of a strong season for the Venice Simplon-Orient-Express.

Central costs: In the first quarter, central costs were US$6.8 million and US$5.7 million in first quarter of 2007. The charge in the current quarter reflects the high sterling based component of central costs and also includes, as required under SFAS 123R, a charge for stock options and performance share awards issued of US$0.8 million.

Real Estate: In the first quarter, Cupecoy Yacht Club recorded an EBITDA loss of US$0.4 million compared with a loss of US$0.2 million in the same period in 2007. The pace of sales was slower than previously anticipated due to property market conditions affected by the global credit crunch. We now anticipate sales this year will be lower than previously expected. There were no recorded sales of the villas at La Samanna. There was one lot sale at Keswick Hall (none in the first quarter of last year).

Interest: The interest charge for the quarter was US$12.9 million compared with US$11.4 million in the fourth quarter of 2007 and US$10.5 million in the first quarter of 2007. The increased charge reflects higher borrowings to finance the Company’s investments as well as the currency impact of non-U.S. dollar borrowings.

Tax: The tax benefit reported by the Company in the first quarter was US$2.4 million compared with a tax benefit of US$1.5 million in the prior year. The Company’s reported tax rate, including earnings from consolidated and unconsolidated operations and also discontinued operations, was 35.4% in 2008, compared with 29.5% for the same period in 2007. The difference in the reported tax rates over the two years reflects changes to the mix of income from lower to higher tax rate jurisdictions.

Discontinued Operations: The charge in the first quarter was US$2.0 million. This represents the Bora Bora Lagoon Resort, French Polynesia, which is in the early stages of being marketed for sale by Jones Lang LaSalle.

Investment: Total capital expenditure in the first quarter was US$20.8 million, which included various projects at, in particular, El-Encanto, Hotel Cipriani, Grand Hotel Europe, Copacabana Palace, Le Manoir aux Quat’Saisons and Hotel de la Cite.

A total of US$8.4 million was invested during the quarter in the Company’s real estate developments at Cupecoy Yacht Club and the villas at La Samanna.

Balance Sheet: At March 31, 2008, the Company’s total debt was US$848.3 million and cash balances amounted to US$102.3 million, giving a total net debt of US$746.0 million compared with total net debt of US$692.0 million at the end of 2007.

At March 31, 2008, debt was approximately 19% fixed and 81% floating. The weighted average maturity of the debt was 3.7 years and the weighted average interest rate (including margin) was 5.82%. The Company had cash and funds available under revolving credit facilities totaling US$137.2 million.

Subsequent Events:

In April 2008, the Company renewed a US$47 million term loan secured on the Windsor Court hotel for a further 5 years. Also, in April 2008, the Company fixed its floating interest rates (excluding margin) on US$151.3 million of U.S. dollar debt at a weighted average rate of 3.74% for a weighted average term of 4.2 years.

On Saturday, May 3, 2008, the southern part of Burma was hit by tropical cyclone Nargis. The Road to Mandalay river cruise ship was in Rangoon for a scheduled dry-docking. The ship was caught in the storm and sustained damage, the severity of which is currently being assessed. The Governor’s Residence also sustained some light damage, and will be repaired during the hotel’s scheduled closure in May and June. Both assets are covered under the Company’s insurance program.

Reconciliation to reported earnings

US$’000 - except per share amounts	Three months ended	
	March 31	
	2008	2007
	(4,338)	(3,681)
US GAAP reported net loss		
Discontinued operations net of tax	1,963	1,185
Net loss from continuing operations	(2,375)	(2,496)
Adjusted items:		
Foreign exchange gain net of tax (1)	(1,647)	(67)
Adjusted net loss from continuing operations	(4,022)	(2,563)
Reported EPS	(0.10)	(0.09)
Reported EPS from continuing operations	(0.06)	(0.06)
Adjusted EPS from continuing operations	(0.09)	(0.06)
Number of shares (millions)	42.47	42.26