

DiamondRock Hospitality Company Reports Second Quarter Results

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Second Quarter 2008 Highlights

- RevPAR: The Company's same-store RevPAR increased 1.5 percent compared to the same period in 2007.
- Hotel Adjusted EBITDA Margins: The Company's same-store Hotel Adjusted EBITDA margins decreased 60 basis points compared to the same period in 2007.
- Adjusted EBITDA: The Company's Adjusted EBITDA was \$53.5 million.
- Adjusted FFO: The Company's adjusted funds from operations ("Adjusted FFO") was \$41.2 million and Adjusted FFO per diluted share was \$0.43.
- Dividend: The Company paid a quarterly dividend of \$0.25 per share during the second quarter.

William W. McCarten, Chairman and Chief Executive Officer, stated: "DiamondRock's second quarter results were at the low end of our expectations. The bright spots for demand in the quarter included the Chicago Conrad as well as our hotels located in Los Angeles and New York City. However, as the general economy continues to soften, we face a difficult operating environment with particular challenges in the Atlanta and suburban Chicago markets. In response, we continue to work aggressively with our operators to implement revenue management strategies and cost containment measures. The team did an excellent job with margins in the second quarter given the modest revenue growth."

Mr. McCarten added, "Lodging is a cyclical business, and we are currently in the most difficult phase of that cycle. With low or negative GDP growth, reduced airline capacity, and declining corporate profits, the lodging industry will likely generate negative revenue growth for the balance of 2008. Despite these headwinds, we believe that DiamondRock is well positioned. Anticipating the slowdown, we have purposely maintained one of the lowest levels of leverage in the industry. With a high quality portfolio of hotels and a stellar balance sheet, DiamondRock is poised to weather the downturn and opportunistically deploy its capital to create shareholder value."

Mr. McCarten concluded, "As we previously announced, on September 1st, Mark W. Brugger will become our Chief Executive Officer. I think he will bring energy, creativity and good judgment to this role, enabling DiamondRock to continue to make the correct strategic decisions in the current difficult economy. I intend to continue to work closely with Mark as the Chairman of the Board of Directors and Mark will continue to be supported by the same executive team that helped launch the Company."

Operating Results

Please see "Certain Definitions" and "Non-GAAP Financial Measures" attached to this press release for an explanation of the terms "EBITDA," "Adjusted EBITDA," "Hotel Adjusted EBITDA Margins," "FFO," "Adjusted FFO" and "same-store."

For the second quarter ended June 13, 2008, the Company reported the following:

- Revenues of \$181.0 million compared to \$179.5 million for the comparable period in 2007.
- Adjusted EBITDA of \$53.5 million compared to \$54.6 million for the comparable period in 2007.
- Adjusted FFO and Adjusted FFO per diluted share of \$41.2 million and \$0.43, respectively, compared to \$39.6 million and \$0.42, respectively, for the comparable period in 2007.
- Net income of \$21.8 million (or \$0.23 per diluted share) compared to \$20.5 million (or \$0.21 per diluted share) for the comparable period in 2007.

Same-store RevPAR for the second quarter increased 1.5 percent to \$141.20 from \$139.14 for the comparable period in 2007, driven by a 2.2 percent increase in the average daily rate and a 0.5 percentage point decrease in occupancy (from 76.2 percent to 75.7 percent). Same-store Hotel Adjusted EBITDA margins for our hotels decreased 60 basis points from the comparable period in the prior year.

For the period from January 1, 2008 to June 13, 2008, the Company reported the following:

- Revenues of \$313.9 million compared to \$313.3 million for the comparable period in 2007.
- Adjusted EBITDA of \$83.7 million compared to \$88.6 million for the comparable period in 2007.
- Adjusted FFO and Adjusted FFO per diluted share of \$64.4 million and \$0.68, respectively, compared to \$63.8 million and \$0.68, respectively, for the comparable period in 2007.

-- Net income of \$26.9 million (or \$0.28 per diluted share) compared to \$27.3 million (or \$0.29 per diluted share) for the comparable period in 2007.

Same-store RevPAR for year-to-date increased 1.0 percent to \$130.53 from \$129.19 for the comparable period in 2007, driven by a 2.7 percent increase in the average daily rate and a 1.2 percentage point decrease in occupancy (from 73.5 percent to 72.3 percent). Year-to-date, same-store Hotel Adjusted EBITDA margins for our hotels decreased 108 basis points from the comparable period in the prior year.

Excluding the Chicago Marriott Downtown, which underwent a \$35 million renovation and associated disruption earlier this year, same-store RevPAR for the year-to-date increased 2.7% and same-store Hotel Adjusted EBITDA margins for the year-to-date decreased 91 basis points.

Operating Results Compared to Prior Guidance

The following is a chart showing our actual second quarter 2008 results compared to our guidance for the second quarter 2008:

	Q2 2008 Guidance	Actual Q2 2008 Results
RevPAR Growth	2% to 4%	1.5 %
Adjusted EBITDA	\$52 to \$55 million	\$53.5 million
Adjusted FFO	\$41 to \$43 million	\$41.2 million
Adjusted FFO/Share	\$0.43 to \$0.45 per diluted share	\$0.43 per diluted share

Share Repurchases

The Board of Directors has authorized the Company to repurchase up to 4.8 million shares of its common stock. As of July 21, 2008, the Company has purchased 2.8 million shares of its common stock under the Board authorization at an average price of \$10.74.

Balance Sheet

As of the end of the second quarter, the Company had total assets of approximately \$2.1 billion. Cash and cash equivalents were \$59.1 million, including \$34.1 million of restricted cash.

As of the end of the second quarter, the Company had total debt of approximately \$855.1 million, comprised of limited recourse, property-specific mortgages and \$32.0 million outstanding under its \$200 million senior unsecured credit facility. The Company's debt has a weighted average interest rate of 5.5 percent and a weighted average maturity of 6.9 years as of June 13, 2008. Eight of the Company's 20 hotels were unencumbered by mortgage debt as of June 13, 2008.

As of the end of the second quarter, the Company continued to own 100% of its properties directly and has never issued operating partnership units or preferred stock.

Outlook

The Company is providing guidance, but does not undertake to update it for any developments in its business. Achievement of the anticipated results is subject to the risks disclosed in the Company's filings with the Securities and Exchange Commission.

In the current economic environment, we believe that it is difficult to forecast future results. With the soft economy impacting leisure and business travelers, compounded by reductions in airline capacity, we currently believe that room demand in several of our key markets will be lower than our revised expectations at the end of the first quarter. As a result, we currently expect full year RevPAR growth to be in the range of negative 1 to negative 3 percent. The Chicago Marriott Downtown, which underwent a \$35 million renovation this year, negatively impacts the full year RevPAR projections by approximately 1 percentage point in 2008.

Based on our current expectations for RevPAR growth for the full year, we project:

- Adjusted EBITDA of \$175 to \$181 million.
- Adjusted FFO of \$136 to \$140 million.
- Adjusted FFO per share of \$1.46 to \$1.51 based on 93.0 million weighted average diluted shares. The share count incorporates the full benefit of the 4.8 million share repurchase program.

For the third fiscal quarter of 2008, we expect:

- Same-store RevPAR to decrease 3 to 5 percent.
- Adjusted EBITDA of \$36 million to \$39 million.
- Adjusted FFO of \$29 million to \$31 million.
- Adjusted FFO per share of \$0.32 to \$0.34 based on 92.0 million weighted average diluted shares. The share count incorporates the full benefit of the 4.8 million share repurchase program.

Dividends for Second Quarter 2008

On June 24, 2008, a cash dividend of \$0.25 per share was paid to shareholders of record as of June 13, 2008, the last day of our second fiscal quarter.

Major Capital Expenditures

DiamondRock has and continues to make significant capital investments in its hotels. In 2008, the Company plans to commence or complete approximately \$70 to \$80 million of capital improvements at its hotels. The Company spent \$36.8 million on capital improvements at its hotels from January 1, 2008 to June 13, 2008. The most significant capital projects for 2008 are as follows:

-- Chicago Marriott Downtown: The Company has substantially completed a \$35 million renovation of the hotel. The project included a complete renovation of all the meeting and ballrooms, adding 17,000 square feet of new meeting space, reconcepting and relocating the restaurant, expanding the lobby bar and creating a Marriott "great room" in the lobby. The project began during the third quarter of 2007 and was substantially completed in April 2008. The estimated disruption of approximately \$2 million to Hotel Adjusted EBITDA, mainly associated with the ballroom renovations, primarily impacted the first quarter of 2008.

-- Westin Boston Waterfront: The Company has completed the construction of additional meeting rooms in the building attached to the hotel. The \$19 million project included the creation of over 37,000 square feet of meeting and exhibition space. The project began in the third quarter of 2007 and was substantially completed in the first quarter of 2008.

-- Chicago Conrad: The Company completed its renovation of the guestrooms and corridors during the first quarter and is currently upgrading the arrival experience with a front entrance repositioning to be completed during the third quarter of 2008.

-- Salt Lake City Marriott: The Company plans to significantly renovate the guestrooms at the hotel in late 2008.

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