

Lodgian Reports 2008 Second Quarter Results

2008-08-05

Adjusted EBITDA for Continuing Operations Rose 17.9 Percent, Corporate Overhead Reduced \$2.2 million in Quarter

Lodgian, Inc. (AMEX:LGN) , one of the nation's largest independent owners and operators of full-service hotels, today reported results for the 2008 second quarter ended June 30, 2008.

The "35 continuing operations hotels" comprise those Lodgian properties that are not held for sale as of June 30, 2008. A list of properties included in both continuing operations and held for sale is attached to this release.

Second Quarter 2008 Highlights for 35 Continuing Operations hotels

Achieved a 0.3 percent improvement in revenue per available room (RevPAR) in the second quarter of 2008 compared to 2007 second quarter, despite the displacement caused by five renovations ongoing in the quarter.

Increased total revenue 0.3 percent, from \$66.7 million in the 2007 second quarter to \$66.9 million in the second quarter of 2008.

Increased Adjusted EBITDA (defined below) from \$15.6 million to \$18.4 million, a 17.9 percent improvement.

Improved Adjusted EBITDA margin from 23.4 percent in 2007 second quarter to 27.5 percent in 2008 second quarter.

Completed renovation work at the Marriott Denver International Airport and continued renovation projects at four other hotels.

Statistics for 35 Continuing Operations Hotels

	2Q 2008*	2Q 2007*	% Change
Rooms revenue	\$49,364	\$49,224	0.3%
RevPAR	\$81.48	\$81.27	0.3%
Total revenue	\$66,906	\$66,678	0.3%
Income/(loss)	\$284	\$142	100.0%
EBITDA	\$12,796	\$12,105	5.7%
Adjusted EBITDA (defined below)	\$18,376	\$15,590	17.9%
Consolidated Financial Results			
Income/(loss) from continuing operations	\$284	\$142	100.0%
Income/(loss) from discontinued operations	\$6,083	\$(405)	n/m
Net income/(loss) attributable to common stock	\$6,367	\$(263)	n/m
Net income/(loss) per share attributable to common stock	\$0.29	\$(0.01)	n/m

*Dollars in thousands except for RevPAR and per share data

Corporate Highlights:

Completed approved stock repurchase plan during April 2008 (\$30 million in 2007/2008), outstanding shares reduced by 10 percent as a result.

Approved and initiated a further stock repurchase of up to \$10 million before April 15, 2009, approximately 172,000 shares re-purchased under this authority as of June 30, 2008.

Sold two hotels for gross proceeds of \$8.1 million, with net proceeds of \$7.7 million used for general corporate purposes.

Received \$6.1 million in final settlement from insurer, bringing the total received to \$10.1 million, for damages sustained by Marietta Holiday Inn in January 2006, of which \$5.5 million was used to release the hotel from mortgage debt, hotel subsequently re-classified as held for sale during the 2008 second quarter.

Second Quarter 2008 Results

Second quarter 2008 total revenue for 35 continuing operations hotels improved 0.3 percent to \$66.9 million, compared to the same period in 2007. During the quarter, the displacement of total revenue resulting from renovations at five properties was \$0.6 million. Income from continuing operations was \$0.3 million, compared to \$0.1 million in the 2007 second quarter.

Net income attributable to common shares was \$6.4 million, or \$0.29 per diluted share, compared to a net loss of \$(0.3) million, or \$(0.01) per diluted share in the 2007 second quarter.

EBITDA from 35 continuing operations hotels improved \$0.7 million, or 5.7 percent, to \$12.8 million compared to the prior year. Adjusted EBITDA for the same group of properties increased 17.9 percent, from \$15.6 million in the second quarter of 2007 to \$18.4 million in the 2008 second quarter, primarily due to a \$2.2 million decrease in corporate overhead.

Management Comments

"Considering the current state of the industry and the economy in general, our continuing operations hotels had a positive second quarter, with RevPAR up 0.3 percent compared to the second quarter of last year," said Peter Cyrus, Lodgian interim president and chief executive officer. "For the quarter, RevPAR for the 28 continuing operations hotels not under renovation in either the 2007 or 2008 second quarter increased 1.3 percent, compared to the second quarter 2008 industry average of 1.2 percent, according to Smith Travel Research. Our hotels not under renovation also increased their RevPAR index over the competitive hotels by 1.0 percent in the quarter. A reduction of \$2.2 million in overhead costs, largely driven by our corporate restructure completed in August 2007, had a significant impact on results for the quarter."

Adjusted EBITDA margins for the 35 continuing operations hotels improved 410 basis points to 27.5 percent during the second quarter of 2008 compared to 2007, primarily driven by the decrease in corporate overhead.

Asset Disposition Program

During the first quarter of this year, the company announced and commenced a program to further reposition its portfolio. A total of nine properties were identified for sale, with two hotels remaining as held for sale from those properties announced in the 2006 fourth quarter. During the 2008 second quarter, the former Holiday Inn Marietta, Ga. was reclassified as held for sale. Additionally, the Crowne Plaza Worcester, Mass. was reclassified from held for sale to continuing operations during the 2008 second quarter. An impairment charge of \$4.8 million was recorded, which is included in continuing operations.

Two hotels were sold during the quarter, the 158-room Holiday Inn Frederick, Md. and the 156-room former Holiday Inn St. Paul/Arden Hills, Minn. Aggregate gross proceeds were \$8.1 million, with net proceeds of \$7.7 million used for general corporate purposes, including capital expenditures and share repurchases.

As of June 30, 2008, a total of nine properties were classified as held for sale. The company previously disclosed its expectations of receiving aggregate gross proceeds of approximately \$94 million to \$102 million, inclusive of the \$8.1 million received for the two hotels sold during the 2008 second quarter and prior to the two reclassifications that also occurred during the quarter. Given current market conditions, it is difficult for the company to provide updated estimates of gross proceeds from these asset sales at this time. The company will continue to report asset dispositions as they occur.

Balance Sheet Update

As of June 30, 2008, 37 hotels were encumbered as collateral for various mortgage debt facilities totaling approximately \$352 million. A summary of mortgage debt facilities is included in the supplemental information attached to this release. There are no debt maturities requiring refinancing until July 2009.

"We are beginning to examine the most appropriate and efficient strategies for execution of next summer's refinancing," said James MacLennan, executive vice president and chief financial officer. "Our objective continues to be to provide maximum flexibility to the company going forward, as well as to keep our weighted average cost of debt as low as possible. At the end of the second quarter 2008, the company had \$45.1 million in cash and restricted cash on its balance sheet, and a further \$11.4 million in deposits held by lenders for capital expenditures, providing flexibility as we move forward."

During the second quarter of 2008, Lodgian acquired approximately 172,000 shares of common stock at an average price of \$8.51 per share, for a total of approximately \$1.5 million, as part of its previously announced plan to repurchase up to \$10 million of its common shares over a period ending no later than April 15, 2009. The company has acquired a total of 3,375,877 shares, or approximately 13.7 percent of common stock outstanding prior to initiating the repurchase program in May 2006, for a total cost of approximately \$36.2 million as of June 30, 2008.

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