

## Orient-Express Hotels Reports Second Quarter 2008 Results

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### **Second Quarter 2008 highlights**

Second quarter total revenues of \$188.6 million, up 14% over prior year

Same store RevPAR up 16% in U.S. dollars, 10% in local currency

EBITDA of \$52.0 million, up 4% over prior year

Second quarter net earnings from continuing operations of \$21.7 million, up 7% over prior year

EPS from continuing operations of \$0.51 per common share. Adjusted EPS of \$0.49 per common share

### **First Half 2008 highlights**

Half year total revenues of \$308.6 million, up 17% over prior year

Same store RevPAR up 15% in U.S. dollars, 11% in local currency

Half year EBITDA of \$68.4 million up 5% over prior year

Half year net earnings from continuing operations of \$19.3 million, up 9% over prior year

EPS from continuing operations of \$0.46 per common share. Adjusted EPS of \$0.40 per common share

Orient-Express Hotels Ltd. (NYSE: OEH), 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 second quarter and first half of 2008.

For the second quarter, the Company reported net earnings of \$19.5 million (\$0.46 per common share) on revenue of \$188.6 million, compared with net earnings of \$19.7 million (\$0.46 per common share) on revenue of \$165.1 million in the second quarter of 2007. The net earnings from continuing operations for the period were \$21.7 million (\$0.51 per common share), compared with net earnings of \$20.2 million (\$0.47 per common share) in the second quarter of 2007. The adjusted net earnings from continuing operations for the period were \$20.9 million (\$0.49 per common share), compared with adjusted net earnings of \$20.3 million (\$0.48 per common share) in the second quarter of 2007.

For the first half of 2008, the Company reported net earnings of \$15.1 million (\$0.36 per common share) on revenue of \$308.6 million, compared with net earnings of \$16.0 million (\$0.38 per common share) on revenue of \$262.7 million in the first half of 2007. The net earnings from continuing operations for the period were \$19.3 million (\$0.46 per common share), compared with net earnings of \$17.7 million (\$0.42 per common share) in the first half of 2007. The adjusted net earnings from continuing operations for the period were \$17.0 million (\$0.40 per common share), compared with adjusted net earnings of \$17.9 million (\$0.42 per common share) in the first half of 2007.

"Overall, despite challenging worldwide macro-economic conditions, we are pleased to deliver another solid quarter", said Paul White, President and Chief Executive Officer. "Revenues have essentially grown as expected, with local currency RevPAR growth continuing in line with forecasts. In the quarter, on a same store basis the Company held EBITDA margins to 30%. We continue to execute our long-term strategy and have achieved several significant milestones."

### **Business Highlights**

Revenue was up 14% over the second quarter of 2007, reflecting Owned Hotels same store RevPAR growth of 16% in US dollars (10% in local currency), and a 16% increase in revenues from Trains and Cruises.

Revenue from Owned Hotels for the second quarter was \$140.2 million, up 12% over the same period in 2007. Revenues in all geographic areas contributed to the growth, with Rest of World leading the way with 19% growth. The quarter includes revenues of \$1.5 million in 2008 from Hotel das Cataratas, which was acquired in October 2007. On a same store basis, RevPAR growth in Rest of World was 14%.

In Europe the Grand Hotel Europe, La Residencia and Le Manoir aux Quat' Saisons showed strong revenue growth (all above 10%), while revenues in Italy were flat. Hotel Caruso was negatively impacted by the garbage crisis in Naples. Elsewhere, the Windsor Court and Inn at Perry Cabin in North America saw revenues grow 9% and 19% respectively. Revenues at the Copacabana Palace grew 21%, and revenues in Asian hotels grew 27%.

Revenues from Trains and Cruises increased by 16% and included a strong performance by the Venice Simplon-Orient-Express, which had revenue growth of 19%.

EBITDA before Real Estate grew 5% from \$49.9 million to \$52.5 million. Same store RevPAR growth of Owned Hotels was up 16% in U.S. dollars (10% in local currency).

## **Regional Performance**

**Europe:** For the second quarter, revenues from Owned Hotels were up 11% year-over-year from \$77.0 million to \$85.7 million. EBITDA was \$34.2 million in 2008 versus \$31.8 million in the prior year. Same store RevPAR increased by 19% in U.S. dollars, from \$406 to \$483, and by 10% in local currency. The primary driver behind the increase in EBITDA was the Grand Hotel Europe (up \$3.2 million), which continued to benefit from strong local market conditions. As expected, the European hotels were impacted by softer outbound business from the USA and the UK in the shoulder season.

**North America:** Revenue increased by 8% to \$23.7 million compared with the second quarter of 2007, and EBITDA was level at \$3.3 million. Same store RevPAR for the region increased by 7%. The properties in the region held their ground despite softer market conditions. However, EBITDA for the region was impacted by La Samanna, which was down \$0.6 million, mainly because the hotel's Euro cost base eroded its margin on dollar income.

**Southern Africa:** Revenue was level at \$8.2 million compared with 2007, and EBITDA was down \$0.7 million. The second quarter is the low season for this region, which benefited last year from higher on-site spending by government groups.

**South America:** Revenue increased to \$12.6 million from \$9.2 million in the second quarter of 2007. The quarter includes revenues of \$1.5 million in 2008 from Hotel das Cataratas, which was acquired in October 2007. EBITDA was \$1.1 million, down from \$2.2 million last year. The quarter includes an EBITDA loss of \$1.6 million at Hotel das Cataratas. Same store RevPAR for the region decreased by 2% from \$195 to \$191. While the Copacabana Palace delivered a solid result, the region's EBITDA was impacted by Hotel das Cataratas, which is, as expected, loss making during its renovation program commenced in April 2008, and will continue to be loss making until the renovation of 200 rooms, including 13 suites and a spa, is completed in September 2009. The hotel will remain open throughout.

**Asia Pacific:** Revenue for the second quarter increased by 20% to \$10 million compared with the second quarter of 2007. EBITDA increased from \$1.0 million to \$1.3 million. Same store RevPAR for the region increased by 31% from \$122 to \$160 (19% in local currency). The Asian hotels results continued to improve following their acquisition in 2006, except for The Governor's Residence in Burma, which was impacted year-on-year by the recent events in that country.

**Hotel management and part-ownership interests:** EBITDA for the second quarter was \$7.7 million compared with \$7.0 million last year. The improvement in performance was evenly spread among the Company's management and part-ownership interests.

**Restaurants:** Revenue from restaurants in the second quarter was \$5.3 million compared with \$5.6 million last year, and EBITDA was \$0.9 million compared with \$1.3 million last year. The '21' Club was impacted by reduced volumes in its banqueting operations.

**Trains and Cruises:** Revenue increased by 16% to \$30.9 million compared with the second quarter in 2007, and EBITDA increased by 13% to \$9.8 million. There were strong performances in particular from the Venice Simplon-Orient-Express (EBITDA up \$0.7 million) and from PeruRail (Company's share of earnings up \$0.8 million).

**Central costs:** In the second quarter, central costs were \$7.2 million compared with \$7.3 million in the second quarter of 2007.

**Real Estate:** In the second quarter, there was an EBITDA loss of \$0.5 million. For Cupecoy Yacht Club (renamed Porto Cupecoy), sales and costs continue to be recorded on the percentage-of-completion basis. As anticipated, there were no recorded sales during the quarter at any of the Company's residential developments.

**Interest:** The interest charge for the quarter was \$11.5 million compared with \$12.9 million in the first quarter of 2008 and \$10.9 million in the second quarter of 2007. The reduction over the prior quarter is mainly due to the change in the fair value of an interest rate swap.

**Tax:** The tax charge reported by the Company for the quarter was \$11.2 million compared with a tax charge of \$10.1 million in the prior year. The tax charge reported by the Company for the six months ended June 30, 2008 was \$8.8 million compared with a tax charge of \$8.6 million in the first six months of 2007. The Company's effective tax rate for the six months ended June 30, 2008, including earnings from consolidated and unconsolidated operations but excluding discontinued operations was 31.2% compared with 32.6% for the same period in 2007.

**Discontinued Operations:** The charge in the second quarter was \$2.3 million. This represents trading losses and maintenance capital expenditure at the Bora Bora Lagoon Resort, French Polynesia, which is being marketed for sale by Jones Lang LaSalle.

**Investment:** Total capital expenditure in the second quarter was \$29.4 million, which included various projects at, in particular, El Encanto, Grand Hotel Europe and Hotel das Cataratas. A total of \$15.1 million was invested during the quarter in the Company's developments at Porto Cupecoy and the Villas at La Samanna.

**Balance Sheet:** At June 30, 2008, the Company's total debt was \$835.2 million, working capital facilities were \$64.5 and cash balances amounted to \$73.3 million, giving a total net debt of \$826.4 million compared with total net debt of \$817.1 million at the end of the first quarter of 2008.

At June 30, 2008, debt was approximately 42% fixed and 58% floating. The weighted average maturity of the debt was 3.9 years and the weighted average interest rate (including margin) was 5.54%. The Company had cash and funds available under revolving credit facilities totaling \$118.7 million.

## **Outlook**

"Looking to the second half of 2008, we expect to see some margin compression," continued Mr. White. "This pressure is being driven primarily by the impact of inflation, including rising worldwide food and fuel prices. Our client base has traditionally shown resilience throughout economic cycles. We must continue to sharply focus our resources on providing them the highest levels of service. We are holding fast to our operating philosophies, which are key to generating and maintaining customer loyalty in the unique niche in which Orient-Express Hotels operates."

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