

Red Lion Reports Second Quarter 2008 Results

2008-08-07

Increases RevPAR and EBITDA in a challenging market

Second Quarter Results

Red Lion's total revenue during the second quarter was \$49.8 million, up 1.7% from the prior-year period. Revenue from hotels was \$46.7 million, up 4.1% from the second quarter of 2007, driven by the 3.2% increase in RevPAR at owned and leased hotels. Hotel direct operating margin increased by 150 basis points to 28.4%. On a comparable property basis, hotel revenue increased 3.2%.

The RevPAR increase for owned and leased hotels in the second quarter of 2008 was driven by a 1.4% increase in ADR and a 120 basis point increase in occupancy. System-wide, RevPAR increased 2.0% on a quarter-on-quarter basis, with a 2.0% increase in ADR and flat occupancy. The system-wide results were again negatively impacted by rooms out of service for renovation at a number of franchised hotels.

The second quarter 2008 results included revenue from the Anaheim hotel, acquired in October 2007, and the Red Lion Hotel Denver Southeast, acquired in May 2008. The second quarter 2008 results did not include revenue from the Red Lion Hotel Sacramento, which was subleased to a franchisee in July 2007.

Franchise and management revenue was \$0.4 million, down \$0.3 million from the prior-year period due both to fewer franchisees in the system and \$0.2 million of termination fees received in the second quarter of 2007. Entertainment revenue was \$1.9 million, a decrease of \$0.7 million from the same quarter in 2007 due primarily to the difference in the number and type of shows presented.

EBITDA from continuing operations for the second quarter of 2008 was \$10.4 million, an increase of 3.5% from the second quarter of 2007. Net income from continuing operations was \$2.3 million - a decrease of 8.3% from the prior-year period. Earnings per fully diluted share from continuing operations was \$0.12, versus \$0.13 per fully diluted share in the second quarter of 2007.

First Half 2008 Results

Red Lion's total revenue for the six-month period ended June 30, 2008, was \$89.4 million, up 1.2% from the same period in 2007. Reported revenue from hotels was \$81.9 million, up 3.4% from the prior-year period in 2007, driven by a 3.4% increase in RevPAR at owned and leased hotels. Hotel direct operating profit increased 12.3% to \$18.5 million, leading to a 180 basis point increase year-over-year to 22.6%. On a comparable property basis, hotel revenue increased 3.7%.

The RevPAR increase for owned and leased hotels for the first six months of 2008 was driven by a 2.2% increase in ADR and a 70 basis point increase in occupancy. System-wide, RevPAR increased 0.6% year-over-year led by a 2.7% increase in ADR, mostly offset by a 120 basis point decrease in occupancy, primarily a result of ongoing renovations at a number of franchised hotels.

Results for the first half of 2008 included revenue from the Anaheim hotel, acquired in October 2007, and the Red Lion Hotel Denver Southeast, acquired in May 2008. Results for the first half of 2008 did not include revenue from the Red Lion Hotel Sacramento, which was subleased to a franchisee in July 2007.

Franchise and management revenue was \$0.8 million, down from the prior year primarily due to fewer franchisees in the system and non-recurring termination fees of \$0.4 million from franchises that are no longer in the system. Entertainment revenue was \$5.1 million, down 14.7% from the prior-year period.

EBITDA from continuing operations for the six-month period ended June 30, 2008 (excluding the 2008 special item for separation costs) was \$13.6 million, an increase of 3.7% from the prior-year period, while net income from continuing operations excluding the 2008 special item was \$0.1 million, down \$0.4 million from the prior-year period. Earnings per fully diluted share for the six-month period ended June 30, 2008 (excluding the 2008 special item) was \$0.01, down from \$0.03 in the prior-year period.

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