

DiamondRock Hospitality Company Reports Third Quarter Results and Meets Guidance

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DiamondRock Hospitality Company (the "Company") (NYSE:DRH) today announced results of operations for its third fiscal quarter 2008, which ended on September 5, 2008. The Company is a lodging focused real estate investment trust that owns twenty premium hotels in North America.

Third Quarter 2008 Highlights

-- RevPAR: The Company's same-store RevPAR decreased 3.0 percent compared to the same period in 2007.

-- Hotel Adjusted EBITDA Margins: The Company's same-store Hotel Adjusted EBITDA margins decreased 207 basis points compared to the same period in 2007.

-- Adjusted EBITDA: The Company's Adjusted EBITDA was \$40.5 million.

-- Adjusted FFO: The Company's adjusted funds from operations ("Adjusted FFO") was \$31.8 million and Adjusted FFO per diluted share was \$0.34.

-- Dividend: The Company paid a quarterly dividend of \$0.25 per share during the third quarter.

"In light of the challenging economic trends and their related impact on the travel industry, we are pleased to report quarterly results that met our expectations and prior guidance. We expect fundamentals to remain difficult over the next several quarters and are managing the business accordingly. The management team is intensely focused on revenue enhancement strategies and cost containment measures in order to maximize hotel profits," stated Mark W. Brugger, Chief Executive Officer of DiamondRock Hospitality 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 third quarter ended September 5, 2008, the Company reported the following:

-- Revenues of \$161.4 million compared to \$168.0 million for the comparable period in 2007.

-- Adjusted EBITDA of \$40.5 million compared to \$45.8 million for the comparable period in 2007.

-- Adjusted FFO and Adjusted FFO per diluted share of \$31.8 million and \$0.34, respectively, compared to \$34.4 million and \$0.36, respectively, for the comparable period in 2007.

-- Net income of \$12.2 million (or \$0.13 per diluted share) compared to \$15.9 million (or \$0.17 per diluted share) for the comparable period in 2007.

Same-store RevPAR for the third quarter decreased 3.0 percent to \$129.33 from \$133.27 for the comparable period in 2007, driven by a 1.9 percentage point decrease in occupancy (from 78.4 percent to 76.5 percent) and a 0.6 percent decrease in the average daily rate (from \$169.97 to \$169.00). Same-store Hotel Adjusted EBITDA margins for its hotels decreased 207 basis points from the comparable period in the prior year.

For the period from January 1, 2008 to September 5, 2008, the Company reported the following:

-- Revenues of \$475.3 million compared to \$481.3 million for the comparable period in 2007.

-- Adjusted EBITDA of \$124.2 million compared to \$134.4 million for the comparable period in 2007.

-- Adjusted FFO and Adjusted FFO per diluted share of \$96.3 million and \$1.02, respectively, compared to \$98.2 million and \$1.05, respectively, for the comparable period in 2007.

-- Net income of \$39.1 million (or \$0.41 per diluted share) compared to \$43.2 million (or \$0.46 per diluted share) for the comparable period in 2007.

Same-store RevPAR for year-to-date decreased 0.4 percent to \$130.12 from \$130.60 for the comparable period in 2007, driven by a 1.4 percentage point decrease in occupancy (from 75.2 percent to 73.8 percent) partially offset by a 1.5 percent increase in the average daily rate (from \$173.67 to \$176.35). Year-to-date, same-store Hotel Adjusted EBITDA margins for its hotels decreased 142 basis points from the comparable period in the prior year.

Operating Results Compared to Prior Guidance

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

	Q3 2008 Guidance	Actual Q3 2008 Results
RevPAR Growth	-3% to -5%	-3.0%
Adjusted EBITDA	\$36 to \$39 million	\$40.5 million
Adjusted FFO	\$29 to \$31 million	\$31.8 million
Adjusted FFO/Share	\$0.32 to \$0.34 per diluted share	\$0.34 per diluted share

Share Repurchases

In the beginning of this year, the Board of Directors authorized the Company to repurchase up to 4.8 million shares of its common stock. During the third quarter, the Company completed the share repurchase program at an average price of \$10.15 per share.

Balance Sheet

As of the end of the third quarter, the Company had total assets of approximately \$2.1 billion. Cash and cash equivalents were \$58.7 million, including \$35.0 million of restricted cash.

As of the end of the third quarter, the Company had approximately \$898.6 million of total debt outstanding. The Company's debt has a weighted average interest rate of 5.4 percent and is comprised of limited recourse, non cross-collateralized, property-specific mortgages and \$76.0 million outstanding under its \$200 million senior unsecured credit facility. The Company's liquidity is enhanced by its strategy of keeping eight of its 20 hotels unencumbered by mortgage debt.

After the end of the third quarter, in order to manage perceived risks of some bank participants during the recent market turmoil, the Company borrowed an additional \$55 million under its credit facility. The Company currently has approximately \$110 million in cash and cash equivalents, including \$35 million of restricted cash.

The Company does not have any material near-term maturities coming due. As of September 5, 2008, the Company's debt has a weighted average maturity of 6.5 years. In December 2009 and January 2010, two of the Company's mortgages, representing 8% of total outstanding debt, will mature and the Company expects it will be able to refinance such debt. After these two mortgages mature, the Company does not have any significant mortgages that mature prior to 2015. The Company's credit facility will expire in February 2012, including a one year extension, which is subject to the Company's compliance with certain conditions.

As of the end of the third 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.

The Company is reaffirming its guidance for the full year 2008.

-- Same-store RevPAR to decrease 1 to 3 percent.

-- 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 93.2 million weighted average diluted shares for the full year and 90.5 million weighted average diluted shares for the fourth quarter.

Dividends

On September 16, 2008, the Company paid a cash dividend of \$0.25 per share to shareholders of record as of September 5, 2008, the last day of the third fiscal quarter.

In light of the current challenging economic conditions, the Company is evaluating the merits of reducing its future dividend payments in order to align the dividend payout with the reduced cash flow projections and to increase the ability to potentially acquire distressed assets or otherwise strategically take advantage of market dislocation. The Company expects to complete this evaluation and review it with its Board of Directors later this year and does not expect to make any decisions on the level of future dividends until that review is completed.

Major Capital Expenditures

DiamondRock has made 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 \$49.7 million on capital improvements at its hotels from January 1, 2008 to September 5, 2008, of which approximately 40% was paid from corporate funds. The most significant capital projects for 2008 are as follows:

-- Chicago Marriott Downtown: The Company completed a \$35 million renovation of the hotel. Approximately \$10 million was paid from corporate funds, with the balance coming from the hotel's escrow funds and a contribution from Marriott International. 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 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 the upgrade of the front entrance repositioning during the third quarter of 2008.

-- Salt Lake City Marriott: The Company plans to significantly renovate the guestrooms at the hotel beginning in the fourth quarter of 2008, almost all of which will be funded by the hotel's escrow funds.

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