

CHICAGO, Nov. 11, 2013 /PRNewswire/ -- Strategic Hotels & Resorts, Inc. (NYSE: [BEE](#)) today reported results for the third quarter ended September 30, 2013.

(\$ in millions, except per share and operating metrics)

Third Quarter

Earnings Metrics

2013

2012

%

Net income/(loss) attributable to common shareholders

Strategic Hotels Resorts Reports Third Quarter 2013 Financial Results

Written by Australian Business

\$3.8

\$(8.6)

N/A

Net income/(loss) per diluted share

\$0.00

\$(0.05)

N/A

Comparable funds from operations (Comparable FFO)

\$29.8

\$17.0

75.4%

Comparable FFO per diluted share

\$0.14

\$0.08

75.0%

Comparable EBITDA (a)

\$60.1

\$46.6

29.1%

Total North American Portfolio Operating Metrics

Average Daily Rate (ADR)

\$298.87

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Written by Australian Business

\$278.23

7.4%

Occupancy

78.9%

76.6%

2.3 pts

Revenue per Available Room (RevPAR)

\$235.79

\$213.08

10.7%

Total RevPAR

\$404.76

\$371.28

9.0%

EBITDA Margins

25.8%

21.8%

400 bps

North American Same Store Operating Metrics

ADR

\$276.05

\$257.57

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7.2%

Occupancy

81.2%

78.5%

2.7 pts

RevPAR

\$224.09

\$202.27

10.8%

Total RevPAR

\$385.01

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Written by Australian Business

\$354.07

8.7%

EBITDA Margins

26.5%

23.6%

290 bps

(a)

Please refer to the tables provided later in this press release for a reconciliation of net income/(loss) to C

(b)

Operating statistics reflect results from the Company's Total North American portfolio (see portfolio defin

(c)

Operating statistics reflect results from the Company's North American same store portfolio (see portfolio

"Our performance in the third quarter was exceptional as our best in class portfolio continues to lead the industry. With both increasing rates and occupancy, revenues grew 16.2%, same store RevPAR was up 10.8%, Comparable EBITDA grew 29.1%, and margins expanded an impressive 290 basis points," said Raymond L. "Rip" Gellein, Chairman and Chief Executive Officer of Strategic Hotels & Resorts, Inc. "We are very encouraged by the trends we are seeing in group business and transient demand, and continue to see strong embedded growth in our portfolio. As a result, we have raised our full year guidance accordingly."

Gellein continued, "Per our stated strategy, we continue to focus on the disposition of at least one of our hotels to continue to deleverage the balance sheet."

Third Quarter Highlights

- Total consolidated revenues were \$237.6 million in the third quarter of 2013, a 16.2 percent increase over the prior year period.
- Total North American portfolio RevPAR increased 10.7 percent in the third quarter of 2013, driven by a 7.4 percent increase in ADR and a 2.3 percentage point increase in occupancy compared to the third quarter of 2012. Total RevPAR increased 9.0 percent between periods with non-rooms revenue increasing by 8.3 percent between periods.
- Comparable FFO was \$0.14 per diluted share in the third quarter of 2013, compared with \$0.08 per diluted share in the prior year period, a 75.0 percent increase over the prior year period.
- Comparable EBITDA was \$60.1 million in the third quarter of 2013, compared with \$46.6 million in the prior year period, a 29.1 percent increase between periods.
- Net income attributable to common shareholders was \$3.8 million, or \$0.00 per diluted share, in the third quarter of 2013, compared with net loss attributable to common shareholders of \$8.6 million, or \$0.05 per diluted share, in the third quarter of 2012.
- Transient occupied room nights in the Total North American portfolio increased 5.2 percent and group occupied room nights increased 3.0 percent in the third quarter of 2013 compared to the third quarter of 2012. Transient ADR increased 7.7 percent compared to the third quarter of 2012 and group ADR increased 5.1 percent compared to the third quarter of 2012. Transient revenues increased 13.3% compared to the third quarter of 2012 and group

revenues increased 8.3%, compared to the third quarter of 2012.

- North American same store RevPAR increased 10.8 percent in the third quarter of 2013, driven by a 7.2 percent increase in ADR and a 2.7 percent point increase in occupancy. Total RevPAR increased 8.7 percent with non-rooms revenue increasing by 6.6 percent between periods.

- European RevPAR declined 2.8 percent (3.6 percent in constant dollars) in the third quarter of 2013, driven by a 6.2 percentage (7.0 percent in constant dollars) decrease in ADR, partially offset by a 3.1 percent point increase in occupancy between periods. European Total RevPAR decreased 6.9 percent in the third quarter of 2013 over the prior year period (7.9 percent in constant dollars).

- Total North American portfolio EBITDA margins expanded 400 basis points in the third quarter of 2013, compared to the third quarter of 2012. North American same store EBITDA margins expanded 290 basis points. The significant variance between the two portfolios is largely driven by a real estate tax assessment at the Hotel del Coronado in the third quarter of 2012. Adjusted for this and other one-time items, Total North American portfolio EBITDA margins expanded 240 basis points while North American same store EBITDA margins expanded 200 basis points.

- Group room nights currently booked for 2013 are 2.8 percent higher compared to room nights booked for 2012 at the same time last year, with rates 4.2 percent higher, resulting in a 7.1 percent RevPAR increase.

- Group room nights currently booked for 2014 are 8.8 percent higher compared to room nights booked for 2013 at the same time last year, with rates 4.1 percent higher, resulting in a 13.2 percent RevPAR increase.

The company reported financial results for the nine month period ended September 30, 2013 as follows:

- Total consolidated revenues were \$683.2 million for the nine month period ended September 30, 2013, a 16.9 percent increase over the prior year period.

- Net loss attributable to common shareholders was \$16.4 million, or \$0.11 per diluted share, compared with net loss attributable to common shareholders of \$43.1 million

, or

\$0.22

per diluted share, for the nine month period ended September 30, 2012

- Comparable FFO was \$0.29 per diluted share compared with \$0.21 per diluted share in the nine month period ended September 30, 2012

, a 38.1% increase between periods.

- Comparable EBITDA was \$154.8 million compared with \$130.7 million for the nine month

period ended Sept
ember 30, 2012
, an 18.5 percent increase between periods.

Preferred Dividends

On August 27, 2013, the Company's board of directors declared a quarterly dividend of \$0.53125 per share of 8.5 percent Series A Cumulative Redeemable Preferred Stock paid on September 30, 2013 to shareholders of record as of September 13, 2013, a quarterly dividend of \$0.51563 per share of 8.25 percent Series B Cumulative Redeemable Preferred Stock paid on September 30, 2013 to shareholders of record as of September 13, 2013 and a quarterly dividend of \$0.51563 per share of 8.25 percent Series C Cumulative Redeemable Preferred Stock paid on September 30, 2013 to shareholders of record as of September 13, 2013.

Transaction Activity

On August 7, 2013, the Company closed on a one-year extension of the loan secured by the Marriott London Grosvenor Square hotel. Under the terms of the agreement, the GBP LIBOR spread increases in steps throughout the extension period from 210 basis points in August 2013 to 425 basis points in April 2014. The loan will mature in October 2014, has no principal amortization requirement and is pre-payable with no penalty.

On September 9, 2013, the Company closed on amendments to the cross-collateralized mortgage agreements secured by the Westin St. Francis and Fairmont Chicago hotels, which eliminate future principal amortization payments subject to meeting certain financial and other requirements. Prior to the amendments, the loans were subject to a 20-year principal amortization schedule. Both mortgage agreements will continue to bear interest at a fixed rate of 6.09 percent and are set to mature in June 2017.

2013 Guidance

Based on the results of the first nine months of 2013 and current forecasts for the remainder of the year, management is raising its guidance ranges for full year 2013 RevPAR growth, Total RevPAR growth, Comparable EBITDA, and Comparable FFO per fully diluted share.

For the full-year ending December 31, 2013, the Company is providing the following revised guidance ranges as compared to the previously stated ranges:

Guidance Metrics

Previous Range

Revised Range

RevPAR

6.0% - 7.0%

7.5% - 8.0%

Total RevPAR

5.0% - 6.0%

6.5% - 7.0%

EBITDA Margin expansion

100 – 125 basis points

125 – 150 basis points

Comparable EBITDA

\$200M - \$210M

\$205M - \$215M

Comparable FFO per diluted share

\$0.35 - \$0.40

\$0.38 - \$0.43

Portfolio Definitions

Total North American portfolio hotel comparisons for the third quarter of 2013 are derived from the Company's hotel portfolio at September 30, 2013, consisting of all 16 properties located in North America, including unconsolidated joint ventures.

North American same store hotel comparisons for the third of quarter 2013 are derived from the Company's hotel portfolio at September 30, 2013, consisting of properties located in North America and held for five or more quarters, in which operations are included in the consolidated results of the Company. As a result, same store comparisons include 13 properties and exclude the JW Marriott Essex House Hotel, which was acquired on September 14, 2012, and the unconsolidated Hotel del Coronado and Fairmont Scottsdale Princess hotels.

European hotel comparisons for the third quarter of 2013 are derived from the Company's European owned and leased hotel properties at September 30, 2013, consisting of the Marriott London Grosvenor Square and the Marriott Hamburg hotels.

Earnings Call

The Company will conduct its third quarter 2013 conference call for investors and other interested parties on Tuesday, November 12, 2013 at 11:00 a.m. Eastern Time (ET). Interested individuals are invited to access the call by dialing 800.688.0836 (toll international: 617.614.4072) with passcode 14570741. To participate on the webcast, log on to the company's website at

<http://www.strategichotels.com>

or

<http://edge.media-server.com/m/p/9ffccf74/lan/en>

15 minutes before the call to download the necessary software.

For those unable to listen to the call live, a taped rebroadcast will be available beginning at 2 p.m. ET

on

November 12, 2013

through

11:59 p.m. ET

on

November 19, 2013

. To access the replay, dial 888.286.8010 (toll international: 617.801.6888) with passcode 39630997. A replay of the call will also be available on the Internet at

<http://www.strategichotels.com>

or

<http://www.earnings.com>

for 30 days after the call.

The Company also produces supplemental financial data that includes detailed information regarding its operating results. This supplemental data is considered an integral part of this earnings release. These materials are available on the Strategic Hotels & Resorts' website at

www.strategichotels.com

within the second quarter information section.

About the Company

Strategic Hotels & Resorts, Inc. is a real estate investment trust (REIT) which owns and provides value-enhancing asset management of high-end hotels and resorts in the United States, Mexico

and

Europe

. The Company currently has ownership interests in 18 properties with an aggregate of 8,272 rooms and 840,000 square feet of meeting space. For a list of current properties and for further information, please visit the Company's website at

<http://www.strategichotels.com>

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This press release contains forward-looking statements about Strategic Hotels & Resorts, Inc. (the "Company"). Except for historical information, the matters discussed in this press release

are forward-looking statements subject to certain risks and uncertainties. These forward-looking statements include statements regarding the Company's future financial results, stabilization in the lodging space, positive trends in the lodging industry and the Company's continued focus on improving profitability. Actual results could differ materially from the Company's projections. Factors that may contribute to these differences include, but are not limited to the following: failure to complete or close on transactions or the failure of closing conditions to be satisfied, the effects of the recent global economic recession upon business and leisure travel and the hotel markets in which the Company invests; the Company's liquidity and refinancing demands; the Company's ability to obtain, refinance or extend maturing debt, including the \$133 million mortgage related to the Fairmont Scottsdale Princess hotel that matures on December 31, 2013

; the Company's ability to maintain compliance with covenants contained in its debt facilities; stagnation or further deterioration in economic and market conditions, particularly impacting business and leisure travel spending in the markets where the Company's hotels operate and in which the Company invests, including luxury and upper upscale product; general volatility of the capital markets and the market price of the Company's shares of common stock; availability of capital; the Company's ability to dispose of properties in a manner consistent with its investment strategy and liquidity needs; hostilities and security concerns, including future terrorist attacks, or the apprehension of hostilities, in each case that affect travel within or to the United States

,
Mexico

,
Germany

,
England

or other countries where the Company invests; difficulties in identifying properties to acquire and completing acquisitions; the Company's failure to maintain effective internal control over financial reporting and disclosure controls and procedures; risks related to natural disasters; increases in interest rates and operating costs, including insurance premiums and real property taxes; contagious disease outbreaks, such as the H1N1 virus outbreak; delays and cost-overruns in construction and development; marketing challenges associated with entering new lines of business or pursuing new business strategies; the Company's failure to maintain its status as a REIT; changes in the competitive environment in the Company's industry and the markets where the Company invests; changes in real estate and zoning laws or regulations; legislative or regulatory changes, including changes to laws governing the taxation of REITs; changes in generally accepted accounting principles, policies and guidelines; and litigation, judgments or settlements.

Additional risks are discussed in the Company's filings with the Securities and Exchange Commission, including those appearing under the heading "Item 1A. Risk Factors" in the Company's most recent Form 10-K and subsequent Form 10-Qs. Although the Company believes the expectations reflected in such forward-looking statements are based on reasonable assumptions, it can give no assurance

that its expectations will be attained. The forward-looking statements are made as of the date of this press release, and the Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law. e

The following tables reconcile projected 2013 net loss attributable to common shareholders to projected Comparable EBITDA, Comparable FFO and Comparable FFO per diluted share (in millions, except per share data):

Low Range

High Range

Net Loss Attributable to Common Shareholders

\$(30.5)

\$(20.5)

Depreciation and Amortization

113.2

113.2

Interest Expense

87.2

87.2

Income Taxes

1.5

1.5

Non-controlling Interests

(0.1)

(0.1)

Adjustments from Consolidated Affiliates

(15.2)

(15.2)

Adjustments from Unconsolidated Affiliates

23.9

23.9

Preferred Shareholder Dividends

24.2

24.2

Realized Portion of Deferred Gain on Sale Leasebacks

(0.2)

(0.2)

Loss on Sale of Asset

0.8

0.8

Impairment Losses and Other Charges

0.7

0.7

Other Adjustments

(0.5)

(0.5)

Comparable EBITDA

\$205.0

\$215.0

Low Range

High Range

Net Loss Attributable to Common Shareholders

\$(30.5)

\$(20.5)

Depreciation and Amortization

112.5

112.5

Realized Portion of Deferred Gain on Sale Leasebacks

(0.2)

(0.2)

Loss on Sale of Asset

0.8

0.8

Non-controlling Interests

0.0

0.0

Adjustments from Consolidated Affiliates

(7.9)

(7.9)

Adjustments from Unconsolidated Affiliates

14.4

14.4

Impairment Losses and Other Charges

0.7

0.7

Other Adjustments

(9.3)

(9.3)

Comparable FFO

80.5

90.5

Comparable FFO per Diluted Share

\$0.38

\$0.43

Strategic Hotels & Resorts, Inc. and Subsidiaries (SHR)

Consolidated Statements of Operations

(in thousands, except per share data)

Three Months Ended September 30,

Nine Months Ended September 30,

2013

2012

2013

2012

Revenues:

Rooms

\$

144,150

\$

119,067

\$

393,072

\$

323,709

Food and beverage

69,625

63,283

221,260

197,693

Other hotel operating revenue

22,417

21,040

65,132

59,338

Lease and other revenue

1,416

1,175

3,776

3,505

Total revenues

237,608

204,565

683,240

584,245

Operating Costs and Expenses:

Rooms

38,525

32,069

110,711

90,628

Food and beverage

56,359

47,355

170,763

143,065

Other departmental expenses

59,401

52,908

173,827

153,557

Management fees

7,024

6,182

20,767

18,012

Other hotel expenses

14,771

13,988

47,826

40,360

Lease expense

1,202

1,114

3,584

3,425

Depreciation and amortization

26,244

25,649

80,459

76,416

Impairment losses and other charges

728

—

728

—

Corporate expenses

5,487

6,956

18,880

23,632

Total operating costs and expenses

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209,741

186,221

627,545

549,095

Operating income

27,867

18,344

55,695

35,150

Interest expense

(21,106)

(19,942)

(63,871)

(58,627)

Interest income

12

42

45

122

Equity in earnings (losses) of unconsolidated affiliates

451

(2,257)

3,252

(2,054)

Foreign currency exchange (loss) gain

(9)

(996)

177

(1,169)

Other (expenses) income, net

(832)

436

45

1,365

Income (loss) before income taxes and discontinued operations

6,383

(4,373)

(4,657)

(25,213)

Income tax benefit (expense)

430

600

(1,121)

(215)

Income (loss) from continuing operations

6,813

(3,773)

(5,778)

(25,428)

Loss from discontinued operations, net of tax

—

—

—

(535)

Net Income (Loss)

6,813

(3,773)

(5,778)

(25,963)

Net (income) loss attributable to the noncontrolling interests in SHR's operating partnership

(29)

17

22

126

Net loss attributable to the noncontrolling interests in consolidated affiliates

3,018

1,241

7,467

891

Net income (loss) attributable to SHR

9,802

(2,515)

1,711

(24,946)

Preferred shareholder dividends

(6,042)

(6,042)

(18,125)

(18,125)

Net income (loss) attributable to SHR common shareholders

\$

3,760

\$

(8,557)

\$

(16,414)

\$

(43,071)

Basic Income (Loss) Per Share:

Income (loss) from continuing operations attributable to SHR common shareholders

\$

0.02

\$

(0.04)

\$

(0.08)

\$

(0.22)

Loss from discontinued operations attributable to SHR common shareholders

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—

—

—

—

Net income (loss) attributable to SHR common shareholders

\$

0.02

\$

(0.04)

\$

(0.08)

\$

(0.22)

Weighted average shares of common stock outstanding

206,767

206,523

206,163

198,872

Diluted Income (Loss) Per Share:

Income (loss) from continuing operations attributable to SHR common shareholders

\$

—

\$

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(0.05)

\$

(0.11)

\$

(0.22)

Loss from discontinued operations attributable to SHR common shareholders

—

—

—

—

Net income (loss) attributable to SHR common shareholders

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\$

—

\$

(0.05)

\$

(0.11)

\$

(0.22)

Weighted average shares of common stock outstanding

220,258

218,182

217,553

198,872

Strategic Hotels & Resorts, Inc. and Subsidiaries (SHR)

Consolidated Balance Sheets

(in thousands, except share data)

September 30, 2013

December 31, 2012

Assets

Investment in hotel properties, net

\$

1,915,212

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\$

1,970,560

Goodwill

40,359

40,359

Intangible assets, net of accumulated amortization of \$12,143 and \$10,812

29,185

30,631

Investment in unconsolidated affiliates

106,914

112,488

Cash and cash equivalents

79,801

80,074

Restricted cash and cash equivalents

75,183

58,579

Accounts receivable, net of allowance for doubtful accounts of \$1,611 and \$1,602

52,794

45,620

Deferred financing costs, net of accumulated amortization of \$10,887 and \$7,049

9,931

11,695

Deferred tax assets

3,027

2,203

Prepaid expenses and other assets

48,901

54,208

Total assets

\$

2,361,307

\$

2,406,417

Liabilities, Noncontrolling Interests and Equity

Liabilities:

Mortgages and other debt payable

\$

1,162,567

\$

1,176,297

Bank credit facility

137,000

146,000

Accounts payable and accrued expenses

218,410

228,397

Deferred tax liabilities

47,146

47,275

Total liabilities

1,565,123

1,597,969

Commitments and contingencies

Noncontrolling interests in SHR's operating partnership

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7,404

5,463

Equity:

SHR's shareholders' equity:

8.50% Series A Cumulative Redeemable Preferred Stock (\$0.01 par value per share; 4,148,141 shares

99,995

99,995

8.25% Series B Cumulative Redeemable Preferred Stock (\$0.01 par value per share; 3,615,375 shares

87,064

87,064

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8.25% Series C Cumulative Redeemable Preferred Stock (\$0.01 par value per share; 3,827,727 shares

92,489

92,489

Common stock (\$0.01 par value per share; 350,000,000 shares of common stock authorized; 205,527,0

2,055

2,043

Additional paid-in capital

1,710,267

1,730,535

Accumulated deficit

(1,244,216)

(1,245,927)

Accumulated other comprehensive loss

(44,896)

(58,871)

Total SHR's shareholders' equity

702,758

707,328

Noncontrolling interests in consolidated affiliates

86,022

95,657

Total equity

788,780

802,985

Total liabilities, noncontrolling interests and equity

\$

2,361,307

\$

2,406,417

Strategic Hotels & Resorts, Inc. and Subsidiaries (SHR)

Financial Highlights

Supplemental Financial Data

(in thousands, except per share information)

September 30, 2013

Pro Rata Share

Consolidated

Capitalization

Shares of common stock outstanding

205,527

205,527

Operating partnership units outstanding

853

853

Restricted stock units outstanding

1,633

1,633

Combined shares and units outstanding

208,013

208,013

Common stock price at end of period

\$

8.68

\$

8.68

Common equity capitalization

\$

1,805,553

\$

1,805,553

Preferred equity capitalization (at \$25.00 face value)

289,102

289,102

Consolidated debt

1,299,567

1,299,567

Pro rata share of unconsolidated debt

239,400

—

Pro rata share of consolidated debt

(133,042)

—

Cash and cash equivalents

(79,801)

(79,801)

Total enterprise value

\$

3,420,779

\$

3,314,421

Net Debt / Total Enterprise Value

38.8

%

36.8

%

Preferred Equity / Total Enterprise Value

8.4

%

8.7

%

Common Equity / Total Enterprise Value

52.8

%

54.5

%

Strategic Hotels & Resorts, Inc. and Subsidiaries (SHR)

Investments in Unconsolidated Affiliates

(in thousands)

We have a 36.4% and 50.0% ownership interest in the Hotel del Coronado hotel and the Fairmont Scott

Three Months Ended September 30, 2013

Three Months Ended September 30, 2012

Hotel del

Coronado

Fairmont Scottsdale

Princess

Total

Hotel del

Coronado

Fairmont Scottsdale

Princess

Total

Total revenues (100%)

\$

47,279

\$

14,338

\$

61,617

\$

44,978

\$

10,607

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\$

55,585

Property EBITDA (100%)

\$

18,667

\$

(302)

\$

18,365

\$

14,560

\$

(2,163)

\$

12,397

Equity in earnings (losses) of unconsolidated affiliates (SHR ownership)

Property EBITDA

\$

6,790

\$

(151)

\$

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6,639

\$

4,994

\$

(1,082)

\$

3,912

Depreciation and amortization

(1,896)

(1,533)

(3,429)

(1,711)

(1,774)

(3,485)

Interest expense

(1,950)

(195)

(2,145)

(2,522)

(191)

(2,713)

Other expenses, net

(205)

(16)

(221)

(19)

(5)

(24)

Income taxes

(339)

—

(339)

(74)

—

(74)

Equity in earnings (losses) of unconsolidated affiliates

\$

2,400

\$

(1,895)

\$

505

\$

668

\$

(3,052)

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\$

(2,384)

EBITDA Contribution:

Equity in earnings (losses) of unconsolidated affiliates

\$

2,400

\$

(1,895)

\$

505

\$

668

\$

(3,052)

\$

(2,384)

Depreciation and amortization

1,896

1,533

3,429

1,711

1,774

3,485

Interest expense

1,950

195

2,145

2,522

191

2,713

Income taxes

339

—

339

74

—

74

EBITDA Contribution

\$

6,585

\$

(167)

\$

6,418

\$

4,975

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\$

(1,087)

\$

3,888

FFO Contribution:

Equity in earnings (losses) of unconsolidated affiliates

\$

2,400

\$

(1,895)

\$

505

\$

668

\$

(3,052)

\$

(2,384)

Depreciation and amortization

1,896

1,533

3,429

1,711

Strategic Hotels Resorts Reports Third Quarter 2013 Financial Results

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1,774

3,485

FFO Contribution

\$

4,296

\$

(362)

\$

3,934

\$

2,379

\$

(1,278)

\$

1,101

Nine Months Ended September 30, 2013

Nine Months Ended September 30, 2012

Hotel del

Coronado

Fairmont

Scottsdale

Princess

Total

Hotel del

Coronado

Fairmont

Scottsdale

Princess

Total

Total revenues (100%)

\$

115,367

\$

69,498

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\$

184,865

\$

110,332

\$

56,735

\$

167,067

Property EBITDA (100%)

\$

38,487

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\$

14,772

\$

53,259

\$

33,522

\$

9,743

\$

43,265

Equity in earnings (losses) of unconsolidated affiliates (SHR ownership)

Property EBITDA

\$

13,999

\$

7,386

\$

21,385

\$

11,498

\$

4,871

\$

16,369

Depreciation and amortization

(5,647)

(5,005)

(10,652)

(5,098)

(5,321)

(10,419)

Interest expense

(6,384)

(585)

(6,969)

(7,544)

(589)

(8,133)

Other expenses, net

(228)

(35)

(263)

(62)

(44)

(106)

Income taxes

(276)

—

(276)

293

—

293

Equity in earnings (losses) of unconsolidated affiliates

\$

1,464

\$

1,761

Strategic Hotels Resorts Reports Third Quarter 2013 Financial Results

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\$

3,225

\$

(913)

\$

(1,083)

\$

(1,996)

EBITDA Contribution

Equity in earnings (losses) of unconsolidated affiliates

\$

Strategic Hotels Resorts Reports Third Quarter 2013 Financial Results

Written by Australian Business

1,464

\$

1,761

\$

3,225

\$

(913)

\$

(1,083)

\$

(1,996)

Depreciation and amortization

5,647

5,005

10,652

5,098

5,321

10,419

Interest expense

6,384

585

6,969

7,544

589

8,133

Income taxes

276

—

276

(293)

—

(293)

EBITDA Contribution

\$

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13,771

\$

7,351

\$

21,122

\$

11,436

\$

4,827

\$

16,263

FFO Contribution

Equity in earnings (losses) of unconsolidated affiliates

\$

1,464

\$

1,761

\$

3,225

\$

(913)

\$

(1,083)

Strategic Hotels Resorts Reports Third Quarter 2013 Financial Results

Written by Australian Business

\$

(1,996)

Depreciation and amortization

5,647

5,005

10,652

5,098

5,321

10,419

FFO Contribution

\$

Strategic Hotels Resorts Reports Third Quarter 2013 Financial Results

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7,111

\$

6,766

\$

13,877

\$

4,185

\$

4,238

\$

8,423

Investments in Unconsolidated Affiliates (Continued)

(in thousands)

Debt

Interest Rate

Spread over

LIBOR

Loan Amount

Maturity (a)

Hotel del Coronado

CMBS Mortgage and Mezzanine

3.83

%

365 bp

\$

475,000

March 2018

Cash and cash equivalents

(8,870)

Net Debt

\$

466,130

Fairmont Scottsdale Princess

CMBS Mortgage

0.54

%

36 bp

\$

133,000

April 2015

Cash and cash equivalents

(3,937)

Net Debt

\$

129,063

(a) Includes extension options.

Caps

Effective

Date

LIBOR Cap Rate

Notional Amount

Maturity

Hotel del Coronado

CMBS Mortgage and Mezzanine Loan Caps

March 2013

3.00

%

\$

475,000

March 2015

Fairmont Scottsdale Princess

CMBS Mortgage Loan Cap

June 2011

4.00

%

\$

133,000

December 2013

Strategic Hotels & Resorts, Inc. and Subsidiaries (SHR)

Leasehold Information

(in thousands)

Three Months Ended September 30,

Nine Months Ended September 30,

2013

2012

2013

2012

Marriott Hamburg:

Property EBITDA

\$

1,655

\$

1,508

\$

4,557

\$

4,404

Revenue (a)

Strategic Hotels Resorts Reports Third Quarter 2013 Financial Results

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\$

1,416

\$

1,175

\$

3,776

\$

3,505

Lease expense

(1,202)

(1,114)

(3,584)

(3,425)

Less: Deferred gain on sale-leaseback

(52)

(49)

(154)

(150)

Adjusted lease expense

(1,254)

(1,163)

(3,738)

(3,575)

EBITDA contribution from leasehold

\$

162

\$

12

\$

38

\$

(70)

Security Deposit (b):

September 30, 2013

December 31, 2012

Marriott Hamburg

\$

2,570

\$

2,507

(a) For the three and nine months ended September 30, 2013 and 2012, Revenue for the Marriott Hamburg

(b) The security deposit is recorded in prepaid expenses and other assets on the consolidated balance

Strategic Hotels & Resorts, Inc. and Subsidiaries (SHR)

Non-GAAP Financial Measures

We present five non-GAAP financial measures that we believe are useful to management and investors as key measures of our operating performance: Funds from Operations (FFO); FFO—Fully Diluted; Comparable FFO; Earnings Before Interest Expense, Taxes, Depreciation

and Amortization (EBITDA); and Comparable EBITDA.

EBITDA represents net income (or loss) attributable to SHR common shareholders excluding: (i) interest expense, (ii) income taxes, including deferred income tax benefits and expenses applicable to our foreign subsidiaries and income taxes applicable to sale of assets; (iii) depreciation and amortization; and (iv) preferred stock dividends. EBITDA also excludes interest expense, income taxes and depreciation and amortization of our unconsolidated affiliates. EBITDA is presented on a full participation basis, which means we have assumed conversion of all redeemable noncontrolling interests of our operating partnership into our common stock. We believe this treatment of noncontrolling interests provides useful information for management and our investors and appropriately considers our current capital structure. We also present Comparable EBITDA, which eliminates the effect of realizing deferred gains on our sale leasebacks, as well as the effect of gains or losses on sales of assets, early extinguishment of debt, impairment losses, foreign currency exchange gains or losses and certain other charges that are highly variable from year to year. We believe EBITDA and Comparable EBITDA are useful to management and investors in evaluating our operating performance because they provide management and investors with an indication of our ability to incur and service debt, to satisfy general operating expenses, to make capital expenditures and to fund other cash needs or reinvest cash into our business. We also believe they help management and investors meaningfully evaluate and compare the results of our operations from period to period by removing the impact of our asset base (primarily depreciation and amortization) from our operating results. Our management also uses EBITDA and Comparable EBITDA as measures in determining the value of acquisitions and dispositions.

We compute FFO in accordance with standards established by the National Association of Real Estate Investment Trusts, or NAREIT, with the exception of impairment of depreciable real estate. NAREIT adopted a definition of FFO in order to promote an industry-wide standard measure of REIT operating performance. NAREIT defines FFO as net income (or loss) (computed in accordance with GAAP) excluding losses or gains from sales of depreciable property, impairment of depreciable real estate, real estate-related depreciation and amortization, and our portion of these items related to unconsolidated affiliates. We also present FFO—Fully Diluted, which is FFO plus income or loss on income attributable to redeemable noncontrolling interests in our operating partnership. We also present Comparable FFO, which is FFO—Fully Diluted excluding the impact of any gains or losses on early extinguishment of debt, impairment losses, foreign currency exchange gains or losses and certain other charges that are highly variable from year to year. We believe that the presentation of FFO, FFO—Fully Diluted and Comparable FFO provides useful information to management and investors regarding our results of operations because they are measures of our ability to fund capital expenditures and expand our business. In addition, FFO is widely used in the real estate industry to measure operating performance without regard to items such as depreciation and amortization. We also present Comparable FFO per diluted share as a non-GAAP measure of our performance. We calculate Comparable FFO per diluted share for a given operating period

as our Comparable FFO (as defined above) divided by the weighted average of fully diluted shares outstanding, excluding shares related to the JW Marriott Essex House Hotel put option. Dilutive securities may include shares granted under share-based compensation plans and operating partnership units. No effect is shown for securities that are anti-dilutive.

We caution investors that amounts presented in accordance with our definitions of FFO, FFO—Fully Diluted, Comparable FFO, EBITDA, and Comparable EBITDA may not be comparable to similar measures disclosed by other companies, since not all companies calculate these non-GAAP measures in the same manner. FFO, FFO—Fully Diluted, Comparable FFO, EBITDA, and Comparable EBITDA should not be considered as an alternative measure of our net income (or loss) or operating performance. FFO, FFO—Fully Diluted, Comparable FFO, EBITDA, and Comparable EBITDA may include funds that may not be available for our discretionary use due to functional requirements to conserve funds for capital expenditures and property acquisitions and other commitments and uncertainties. Although we believe that FFO, FFO—Fully Diluted, Comparable FFO, EBITDA, and Comparable EBITDA can enhance your understanding of our financial condition and results of operations, these non-GAAP financial measures, when viewed individually, are not necessarily a better indicator of any trend as compared to comparable GAAP measures such as net income (or loss) attributable to SHR common shareholders. In addition, you should be aware that adverse economic and market conditions might negatively impact our cash flow. We have provided a quantitative reconciliation of FFO, FFO—Fully Diluted, Comparable FFO, EBITDA, and Comparable EBITDA to the most directly comparable GAAP financial performance measure, which is net income (or loss) attributable to SHR common shareholders.

Strategic Hotels & Resorts, Inc. and Subsidiaries (SHR)

Reconciliation of Net Income (Loss) Attributable to SHR Common Shareholders to EBITDA and C

(in thousands)

Three Months Ended September 30,

Nine Months Ended September 30,

2013

2012

2013

2012

Net income (loss) attributable to SHR common shareholders

\$

3,760

\$

(8,557)

\$

(16,414)

Strategic Hotels Resorts Reports Third Quarter 2013 Financial Results

Written by Australian Business

\$

(43,071)

Depreciation and amortization

26,244

25,649

80,459

76,416

Interest expense

21,106

19,942

63,871

58,627

Income taxes

(430)

(600)

1,121

215

Noncontrolling interests

29

(17)

(22)

(126)

Adjustments from consolidated affiliates

(3,912)

(1,879)

(11,015)

(4,382)

Adjustments from unconsolidated affiliates

5,903

7,036

17,936

20,606

Preferred shareholder dividends

Strategic Hotels Resorts Reports Third Quarter 2013 Financial Results

Written by Australian Business

6,042

6,042

18,125

18,125

EBITDA

58,742

47,616

154,061

126,410

Realized portion of deferred gain on sale-leaseback

(52)

(49)

(154)

(150)

Loss on sale of assets—continuing operations

1,028

—

755

—

Loss on sale of assets—adjustments from consolidated affiliates

(370)

—

(370)

—

Impairment losses and other charges

728

—

728

—

Foreign currency exchange loss (gain)—continuing operations (a)

9

996

(177)

1,169

Foreign currency exchange loss—discontinued operations (a)

—

—

—

535

Adjustment for Value Creation Plan

—

(2,013)

—

2,759

Comparable EBITDA

\$

60,085

\$

46,550

\$

154,843

\$

130,723

(a) Foreign currency exchange gains or losses applicable to third-party and inter-company debt and cer

Strategic Hotels & Resorts, Inc. and Subsidiaries (SHR)

Reconciliation of Net Income (Loss) Attributable to SHR Common Shareholders to

Funds From Operations (FFO), FFO—Fully Diluted and Comparable FFO

(in thousands, except per share data)

Three Months Ended September 30,

Nine Months Ended September 30,

2013

2012

2013

2012

Net income (loss) attributable to SHR common shareholders

\$

3,760

\$

(8,557)

\$

(16,414)

\$

(43,071)

Depreciation and amortization

26,244

25,649

80,459

76,416

Corporate depreciation

(125)

(260)

(383)

(789)

Loss on sale of assets—continuing operations

1,028

—

755

—

Realized portion of deferred gain on sale-leaseback

(52)

(49)

(154)

(150)

Noncontrolling interests adjustments

(25)

(121)

(277)

(374)

Adjustments from consolidated affiliates

(2,269)

(859)

(5,565)

(2,185)

Adjustments from unconsolidated affiliates

3,429

3,792

10,653

11,335

FFO

31,990

19,595

69,074

41,182

Redeemable noncontrolling interests

53

104

255

248

FFO—Fully Diluted

32,043

19,699

69,329

41,430

Impairment losses and other charges

728

—

728

—

Non-cash mark to market of interest rate swaps

(2,977)

(1,688)

(9,121)

(4,405)

Foreign currency exchange loss (gain)—continuing operations (a)

9

996

(177)

1,169

Foreign currency exchange loss—discontinued operations (a)

—

—

—

535

Adjustment for Value Creation Plan

Strategic Hotels Resorts Reports Third Quarter 2013 Financial Results

Written by Australian Business

—

(2,013)

—

2,759

Comparable FFO

\$

29,803

\$

16,994

\$

60,759

\$

41,488

Comparable FFO per fully diluted share

\$

0.14

\$

0.08

\$

0.29

\$

0.21

Weighted average diluted shares (b)

209,722

208,696

209,125

201,050

(a) Foreign currency exchange gains or losses applicable to third-party and inter-company debt and cer

(b) Excludes shares related to the JW Marriott Essex House Hotel put option.

Strategic Hotels & Resorts, Inc. and Subsidiaries (SHR)

Debt Summary

(dollars in thousands)

Debt

Interest Rate

Spread (a)

Loan Amount

Maturity (b)

North Beach Venture

5.00

%

Fixed

\$

1,476

January 2014

Marriott London Grosvenor Square (c)

3.12

%

260 bp (c)

113,367

October 2014

Bank credit facility

3.18

%

300 bp

137,000

June 2015

Four Seasons Washington, D.C.

3.33

%

315 bp

130,000

July 2016

Westin St. Francis

6.09

%

Fixed

209,588

June 2017

Fairmont Chicago

6.09

%

Fixed

93,124

June 2017

JW Marriott Essex House Hotel

4.75

%

400 bp

186,278

September 2017

Hyatt Regency La Jolla (d)

4.50% / 10.00

%

400 bp / Fixed

89,367

December 2017

InterContinental Miami

3.68

%

350 bp

85,000

July 2018

Loews Santa Monica Beach Hotel

4.03

%

385 bp

109,500

July 2018

InterContinental Chicago

5.61

%

Fixed

144,867

August 2021

Strategic Hotels Resorts Reports Third Quarter 2013 Financial Results

Written by Australian Business

\$

1,299,567

(a)

Spread over LIBOR (0.18% at September 30, 2013). Interest on the JW Marriott Essex House Hotel loan

(b)

Includes extension options.

(c)

Principal balance of £70,040,000 at September 30, 2013. On August 7, 2013, the Company entered into

(d)

Interest on \$72,000,000 is payable at LIBOR plus 4.00%, subject to a 0.50% LIBOR floor, and interest on

Domestic and European Interest Rate Swaps

Swap Effective Date

Fixed Pay Rate

Against LIBOR

Notional

Amount

Maturity

February 2010

4.90

%

\$

100,000

September 2014

February 2010

4.96

%

100,000

December 2014

December 2010

5.23

%

100,000

December 2015

February 2011

5.27

%

100,000

February 2016

5.09

%

\$

400,000

Swap Effective Date

Fixed Pay Rate

Against GBP LIBOR

Notional

Amount

Maturity

October 2007

5.72

%

£

69,010

October 2013

Future scheduled debt principal payments (including extension options) are as follows

Years ending December 31,

Amount

2013

\$

948

2014

119,098

2015

143,029

2016

139,783

2017

577,550

Thereafter

319,159

\$

1,299,567

Percent of fixed rate debt including U.S. and European swaps

75.3%

Weighted average interest rate including U.S. and European swaps (e)

6.60%

Weighted average maturity of fixed rate debt (debt with maturity of greater than one year)

3.79

(e) Excludes the amortization of deferred financing costs and the amortization of the interest rate swap

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