

STRATEGIC HOTEL CAPITAL INC

Form 10-Q

August 03, 2005

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: June 30, 2005

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-32223

STRATEGIC HOTEL CAPITAL, INC.

(Exact name of registrant as specified in its charter)

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Maryland
(State or other jurisdiction of
incorporation or organization)

33-1082757
(I.R.S. employer
identification no.)

77 West Wacker Drive, Suite 4600, Chicago, Illinois
(Address of principal executive offices)

60601
(Zip Code)

312-658-5000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the registrant's common stock, par value \$0.01 per share, as of August 2, 2005 was 30,077,505.

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STRATEGIC HOTEL CAPITAL, INC.

FORM 10-Q

FOR THE QUARTER ENDED JUNE 30, 2005

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(in thousands, except share data)

	June 30, 2005	December 31, 2004
	<u>2005</u>	<u>2004</u>
Assets		
Property and equipment	\$ 1,260,746	\$ 952,717
Less accumulated depreciation	(245,274)	(222,150)
	<u>1,015,472</u>	<u>730,567</u>
Net property and equipment	1,015,472	730,567
Goodwill	66,656	66,438
Intangible assets (net of accumulated amortization of \$539 and \$87, respectively)	3,243	1,613
Investment in hotel joint venture	11,481	12,060
Cash and cash equivalents	58,085	40,071
Restricted cash and cash equivalents	26,530	26,979
Accounts receivable (net of allowance for doubtful accounts of \$321 and \$361, respectively)	28,585	21,056
Deferred financing costs (net of accumulated amortization of \$2,964 and \$1,420, respectively)	12,042	11,178
Other assets	76,103	80,388
	<u>1,298,197</u>	<u>990,350</u>
Total assets	\$ 1,298,197	\$ 990,350
Liabilities and Shareholders' Equity		
Liabilities:		
Mortgages and other debt payable	\$ 689,975	\$ 489,140
Bank credit facility	48,000	54,000
Accounts payable and accrued expenses	76,101	58,946
Distributions payable	8,718	8,709
Deferred fees on management contracts	2,246	2,333
Deferred gain on sale of hotels	104,338	119,616
	<u>929,378</u>	<u>732,744</u>
Total liabilities	929,378	732,744
Minority interests in SHCI's operating partnerships	60,516	61,053
Minority interests in consolidated hotel joint ventures	15,612	
Shareholders' equity:		
8.5% Series A Cumulative Redeemable Preferred Shares (\$0.01 par value; 4,000,000 shares issued and outstanding; liquidation preference \$25.00 per share)	97,540	
Common shares (\$0.01 par value; 150,000,000 common shares authorized; 30,077,505 and 30,035,701 common shares issued and outstanding, respectively)	301	300
Additional paid-in capital	485,771	483,691
Deferred compensation	(2,423)	(1,731)
Accumulated deficit	(258,642)	(271,873)
Accumulated distributions to shareholders	(29,360)	(13,447)
Accumulated other comprehensive loss	(496)	(387)
	<u>292,691</u>	<u>196,553</u>
Total shareholders' equity	292,691	196,553

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Total liabilities and shareholders' equity	\$ 1,298,197	\$ 990,350
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See notes to unaudited condensed consolidated financial statements.

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(in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2005	2004	2005	2004
Revenues:				
Rooms	\$ 75,330	\$ 86,247	\$ 137,198	\$ 171,393
Food and beverage	44,513	43,380	79,832	85,117
Other hotel operating revenue	14,149	13,527	26,427	27,196
	133,992	143,154	243,457	283,706
Lease revenue	3,908	8,649	7,979	15,228
Total revenues	137,900	151,803	251,436	298,934
Operating Costs and Expenses:				
Rooms	17,893	22,112	31,154	43,608
Food and beverage	30,977	33,125	55,962	65,645
Other departmental expenses	36,635	39,127	66,516	77,497
Management fees	4,315	5,168	8,581	10,288
Other property level expenses	8,916	8,897	15,292	18,157
Lease expense	3,418		6,991	
Depreciation and amortization	14,225	19,906	24,812	40,057
Corporate expenses	4,650	13,671	9,407	20,194
Total operating costs and expenses	121,029	142,006	218,715	275,446
Operating income	16,871	9,797	32,721	23,488
Interest expense	(10,721)	(25,588)	(18,203)	(50,843)
Interest income	469	445	761	969
Loss on early extinguishment of debt		(24,134)		(21,946)
Other income (expenses), net	2,961	(3,238)	4,623	(2,043)
Income (loss) before income taxes, minority interests and discontinued operations	9,580	(42,718)	19,902	(50,375)
Income tax expense	(1,547)	(109)	(2,567)	(355)
Minority interests	(1,901)	1,014	(4,104)	928
Income (loss) from continuing operations	6,132	(41,813)	13,231	(49,802)
Income from discontinued operations				75,662
Net income (loss)	6,132	(41,813)	13,231	25,860
Preferred shareholder dividend	(2,154)		(2,503)	
Net income (loss) available to common shareholders	\$ 3,978	\$ (41,813)	\$ 10,728	\$ 25,860

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Basic Earnings (Loss) Per Share:				
Income (loss) from continuing operations available to common shareholders per share	\$ 0.13	\$ (2.17)	\$ 0.35	\$ (2.59)
Income from discontinued operations available to common shareholders per share				3.94
Net income (loss) available to common shareholders per share	\$ 0.13	\$ (2.17)	\$ 0.35	\$ 1.35
Basic weighted-average common shares outstanding	30,257	19,269	30,247	19,190
Diluted Earnings (Loss) Per Share:				
Income (loss) from continuing operations available to common shareholders per share	\$ 0.13	\$ (2.19)	\$ 0.35	\$ (2.63)
Income from discontinued operations available to common shareholders per share				3.92
Net income (loss) available to common shareholders per share	\$ 0.13	\$ (2.19)	\$ 0.35	\$ 1.29
Diluted weighted-average common shares outstanding	30,406	19,501	30,395	19,306