

DiamondRock Hospitality Co
Form 10-Q
May 05, 2006

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 24, 2006.

OR

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

Commission file number 001-32514

DIAMONDROCK HOSPITALITY COMPANY

(Exact Name of Registrant as Specified in Its Charter)

Maryland
(State of Incorporation)

20-1180098
(I.R.S. Employer Identification No.)

6903 Rockledge Drive, Suite 800, Bethesda, Maryland
(Address of Principal Executive Offices)

20817
(Zip Code)

(240) 744-1150

(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, and (2) has been subject to such filing requirements for the past 90 days. Yes
 No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The registrant had 70,139,864 shares of its \$0.01 par value common stock outstanding as of May 5, 2006.

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Item I. Financial Statements

DIAMONDROCK HOSPITALITY COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
March 24, 2006 and December 31, 2005

	<u>March 24, 2006</u>	<u>December 31, 2005</u>
	<u>(Unaudited)</u>	
ASSETS		
Property and equipment, at cost	\$ 1,299,290,024	\$ 899,309,856
Less: accumulated depreciation	(37,832,310)	(28,747,457)
	<u>1,261,457,714</u>	<u>870,562,399</u>
Deferred financing costs, net	2,771,551	2,846,661
Restricted cash	23,373,763	23,109,153
Due from hotel managers	45,012,152	38,964,986
Favorable lease asset, net	10,476,609	10,601,577
Prepaid and other assets	14,524,944	10,495,765
Cash and cash equivalents	13,301,764	9,431,741
	<u>1,370,918,497</u>	<u>966,012,282</u>
Total assets	\$ 1,370,918,497	\$ 966,012,282
LIABILITIES AND SHAREHOLDERS EQUITY		
Liabilities:		
Debt, at face amount	\$ 748,080,832	\$ 428,394,735
Debt premium	2,744,957	2,782,322
	<u>750,825,789</u>	<u>431,177,057</u>
Total debt	750,825,789	431,177,057
Deferred income related to key money, net	10,243,951	10,311,322
Unfavorable contract liability, net	89,165,354	5,384,431
Due to hotel managers	27,914,641	22,790,896
Dividends declared and unpaid	9,286,766	8,896,101
Accounts payable and accrued expenses	24,484,030	24,064,047
	<u>161,094,742</u>	<u>71,446,797</u>
Total other liabilities	161,094,742	71,446,797
Shareholders Equity:		
Preferred stock, \$.01 par value; 10,000,000 shares authorized; no shares issued and outstanding		
Common stock, \$.01 par value; 100,000,000 shares authorized; 50,819,864 and 50,819,864 shares issued and outstanding at March 24, 2006 and December 31, 2005, respectively	508,199	508,199
Additional paid-in capital	492,540,387	491,951,223
Accumulated deficit	(34,050,620)	(29,070,994)
	<u>458,997,966</u>	<u>463,388,428</u>
Total shareholders equity	458,997,966	463,388,428
Total liabilities and shareholders equity	\$ 1,370,918,497	\$ 966,012,282

The accompanying notes are an integral part of these condensed consolidated financial statements.

DIAMONDROCK HOSPITALITY COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

For the Period from January 1, 2006 to March 24, 2006 and the Period from January 1, 2005 to March 25, 2005

	Period from January 1, 2006 to March 24, 2006	Period from January 1, 2005 to March 25, 2005
	(Unaudited)	(Unaudited)
Rooms	\$ 54,514,752	\$ 18,668,351
Food and beverage	24,069,962	6,414,097
Other	4,537,436	1,266,333
Total revenues	83,122,150	26,348,781
Operating Expenses:		
Rooms	12,834,640	4,987,281
Food and beverage	16,889,295	5,081,237
Management fees	2,916,396	898,165
Other hotel expenses	28,907,387	11,614,685
Depreciation and amortization	9,047,108	4,362,146
Corporate expenses	2,566,888	2,009,430
Total operating expenses	73,161,714	28,952,944
Operating profit (loss)	9,960,436	(2,604,163)
Other Expenses (Income):		
Interest income	(183,369)	(276,778)
Interest expense	5,807,705	2,854,269
Total other expenses	5,624,336	2,577,491
Income (loss) before income taxes	4,336,100	(5,181,654)
Income tax (benefit) expense	(29,914)	79,857
Net income (loss)	\$ 4,366,014	\$ (5,261,511)
Earnings (loss) per share:		
Basic and diluted	\$ 0.08	\$ (0.25)

The accompanying notes are an integral part of these condensed consolidated financial statements.

DIAMONDROCK HOSPITALITY COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Period from January 1, 2006 to March 24, 2006 and the Period from January 1, 2005 to March 25, 2005

	Period from January 1, 2006 to March 24, 2006	Period from January 1, 2005 to March 25, 2005
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
Net income (loss)	\$ 4,366,014	\$ (5,261,511)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Real estate depreciation	9,047,108	4,362,146
Corporate asset depreciation as corporate expenses	22,000	
Non-cash straight line ground rent	1,711,196	1,589,728
Non-cash financing costs as interest	184,238	171,024
Market value adjustment to interest rate caps	(18,911)	(8,445)
Amortization of debt premium and unfavorable contract liability	(69,258)	(71,320)
Amortization of deferred income	(67,371)	(33,791)
Stock-based compensation	577,164	548,845
Deferred income tax benefit	(29,914)	79,857
Changes in assets and liabilities:		
Prepaid expenses and other assets	(170,354)	104,998
Due to/from hotel managers	(923,421)	(3,269,371)
Accounts payable and accrued expenses	(2,083,472)	(469,952)
Net cash provided by (used in) operating activities	12,545,019	(2,257,792)
Cash flows from investing activities:		
Hotel acquisitions	(85,916,406)	(71,866,549)
Hotel capital expenditures	(11,534,755)	
Receipt of deferred Key Money		4,000,000
Change in restricted cash	1,952,171	661,659
Purchase deposits and pre-acquisition costs		(6,415,275)
Net cash used in investing activities	(95,498,990)	(73,620,165)
Cash flows from financing activities:		
Proceeds from mortgage debt		44,000,000
Draws on senior secured credit facility	24,000,000	
Proceeds from short-term loan	79,500,000	
Repayments of senior secured credit facility	(3,000,000)	
Scheduled mortgage debt principal payments	(813,903)	(660,896)
Payment of financing costs	(109,128)	(640,196)
Payment of dividends	(8,942,975)	
Payment of lender deposits	(3,810,000)	
Net cash provided by financing activities	86,823,994	42,698,908

The accompanying notes are an integral part of these condensed consolidated financial statements.

DIAMONDROCK HOSPITALITY COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

For the Period from January 1, 2006 to March 24, 2006 and the Period from January 1, 2005 to March 25, 2005

	Period from January 1, 2006 to March 24, 2006	Period from January 1, 2005 to March 25, 2005
Net increase (decrease) in cash and cash equivalents	\$ 3,870,023	\$ (33,179,049)
Cash and cash equivalents, beginning of period	9,431,741	76,983,107