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Ashford Hospitality Trust, Inc. Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you, sir. (Operator Instructions) Our first question will come from the line of David Loeb with Robert W. Baird. Please go ahead.

David Loeb - Robert W. Baird

Hi, I have got a couple. First, your margin performance was really very good this quarter. It looks like you did a lot of work taking out both fixed and variable costs. Can you just give us an idea about where you think margins would go under a scenario where RevPAR is negative by, let's say, a point or two? Not looking for guidance here, really just looking for kind of order of magnitude and how the relationships go.

David Kimichik

I think we have talked in the past that we would expect in the range of plus or minus 75 basis point reduction in margin in that scenario. Give you a range may be 60 to 90 basis points.

David Loeb - Robert W. Baird

Okay. And that is down like minus one to down minus two?

David Kimichik

Our goal is to try to flow 50% of any revenue loss to the EBITDA line.

Monty Bennett

That's the only flow so far. Revenues are down 100,000 and our bottom-line is down only 50,000. That's what we endeavor to do.

David Loeb - Robert W. Baird

Okay. Anything in particular, any color you can give us on how you achieved the margin results this quarter?

Monty Bennett

It's kind of a combination of a few areas. A table in the back of our release shows a rooms area and food and beverage being the biggest gainers, but it's really more of a property by property analysis

of what we're able to accomplish where, and where we're able to work and push our managers and where we weren't. The only broad brush area where we were able to save is in the insurance line where a couple of months ago we locked in insurance actually for two years which is providing some nice savings for the portfolio.

David Loeb - Robert W. Baird

I see. Great. Kimo, can you talk a little bit about the accounting for the [DESA] note? What is the cash yield and what are you going to book and how does that all work?

David Kimichik

Sure. As we announced, we expect almost 24% IRR from this investment that is factoring

in the fact that the borrower would exercise a three one-year extension options and we would get paid at maturity of that, which is approximately four years out. We'll be taking in as income the cash portion of our payment as well as the amortized loan discount over those four years.

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