

DiamondRock Hospitality Co
Form 10-Q
October 16, 2007

**UNITED STATES
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 September 7, 2007

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 94,730,813 shares of its \$0.01 par value common stock outstanding as of October 16, 2007.



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Item I. Financial Statements

DIAMONDROCK HOSPITALITY COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS

September 7, 2007 and December 31, 2006

(in thousands, except share amounts)

	September 7, 2007 (Unaudited)	December 31, 2006
ASSETS		
Property and equipment, at cost	\$ 2,094,212	\$ 1,761,748
Less: accumulated depreciation	(126,620)	(75,322)
	1,967,592	1,686,426
Deferred financing costs, net	4,267	3,764
Restricted cash	28,045	28,595
Due from hotel managers	66,156	57,753
Favorable lease assets, net	42,303	10,060
Prepaid and other assets	12,985	12,676
Cash and cash equivalents	25,702	19,691
Total assets	\$ 2,147,050	\$ 1,818,965
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Debt, at face amount	\$ 863,981	\$ 841,151
Debt premium	-	2,620
Total debt	863,981	843,771
Deferred income related to key money	16,250	11,495
Unfavorable contract liabilities, net	86,652	87,843
Due to hotel managers	34,681	34,545
Dividends declared and unpaid	22,920	13,871
Accounts payable and accrued expenses	45,345	42,512
Total other liabilities	205,848	190,266
Shareholders' Equity:		
Preferred stock, \$.01 par value; 10,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock, \$.01 par value; 200,000,000 shares authorized; 94,730,813 and 76,191,632 shares issued and outstanding at September 7, 2007 and December 31, 2006, respectively	947	762

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Additional paid-in capital	1,144,666	826,918
Accumulated deficit	(68,392)	(42,752)
Total shareholders' equity	1,077,221	784,928
Total liabilities and shareholders' equity	\$ 2,147,050	\$ 1,818,965

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

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DIAMONDROCK HOSPITALITY COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Fiscal Quarters Ended September 7, 2007 and September 8, 2006 and
the Periods from January 1, 2007 to September 7, 2007 and January 1, 2006 to September 8, 2006
(in thousands, except per share amounts)

	Fiscal Quarter Ended September 7, 2007 (Unaudited)	Fiscal Quarter Ended September 8, 2006 (Unaudited)	Period from January 1, 2007 to September 7, 2007 (Unaudited)	Period from January 1, 2006 to September 8, 2006 (Unaudited)
Rooms	\$ 110,818	\$ 76,805	\$ 312,615	\$ 212,593
Food and beverage	47,703	31,320	143,545	92,065
Other	9,490	6,774	25,130	18,330
Total revenues	168,011	114,899	481,290	322,988
Operating Expenses:				
Rooms	26,059	18,324	71,895	49,293
Food and beverage	33,859	21,832	98,135	62,141
Management fees	6,807	4,427	19,973	12,124
Other hotel expenses	54,156	40,301	153,178	109,274
Depreciation and amortization	17,490	12,797	51,193	33,922
Corporate expenses	3,271	2,812	9,692	8,025
Total operating expenses	141,642	100,493	404,066	274,779
Operating profit	26,369	14,406	77,224	48,209
Other Expenses (Income):				
Interest income	(487)	(1,296)	(1,755)	(2,687)
Interest expense	11,704	9,058	35,084	24,190
Gain on early extinguishment of debt, net	(359)	-	(359)	-
Total other expenses	10,858	7,762	32,970	21,503
Income before income taxes	15,511	6,644	44,254	26,706
Income tax benefit (expense)	357	(173)	(1,083)	(1,972)
Net income	\$ 15,868	\$ 6,471	\$ 43,171	\$ 24,734
Earnings per share:				

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Basic and diluted	\$	0.17	\$	0.09	\$	0.46	\$	0.38
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The accompanying notes are an integral part of these condensed consolidated financial statements.

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DIAMONDROCK HOSPITALITY COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Periods from January 1, 2007 to September 7, 2007 and January 1, 2006 to September 8, 2006
(in thousands)

	Period from January 1, 2007 to September 7, 2007 (Unaudited)	Period from January 1, 2006 to September 8, 2006 (Unaudited)
Cash flows from operating activities:		
Net income	\$ 43,171	\$ 24,734
Adjustments to reconcile net income to net cash provided by operating activities:		
Real estate depreciation	51,193	33,922
Corporate asset depreciation as corporate expenses	119	108
Non-cash ground rent	5,422	5,113
Non-cash financing costs as interest	531	669
Gain on early extinguishment of debt, net	(359)	-
Amortization of debt premium and unfavorable contract liabilities	(1,278)	(938)
Amortization of deferred income	(245)	(207)
Stock-based compensation	2,842	2,020
Yield support received	1,742	-
Non-cash yield support recognized	(601)	(2,377)
Changes in assets and liabilities:		
Prepaid expenses and other assets	(808)	(128)
Restricted cash	(226)	967
Due to/from hotel managers	(9,232)	(1,389)
Accounts payable and accrued expenses	582	401
Net cash provided by operating activities	92,853	62,895
Cash flows from investing activities:		
Hotel acquisitions	(331,325)	(145,566)
Hotel capital expenditures	(36,245)	(38,959)
Receipt of deferred key money	5,000	1,500
Change in restricted cash		