

Sunstone Hotel Investors, Inc.
Form 10-Q
August 07, 2015
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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 June 30, 2015

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 001-32319

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Sunstone Hotel Investors, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Maryland (State or Other Jurisdiction of Incorporation or Organization)	20-1296886 (I.R.S. Employer Identification Number)
120 Vantis, Suite 350 Aliso Viejo, California (Address of Principal Executive Offices)	92656 (Zip Code)

Registrant's telephone number, including area code: (949) 330-4000

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting company)

Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

208,696,968 shares of Common Stock, \$0.01 par value, as of August 3, 2015

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SUNSTONE HOTEL INVESTORS, INC.

QUARTERLY REPORT ON

FORM 10-Q

For the Quarterly Period Ended June 30, 2015

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

SUNSTONE HOTEL INVESTORS, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

	June 30, 2015 (unaudited)	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 98,760	\$ 222,096
Restricted cash	88,456	82,074
Accounts receivable, net	52,174	34,227
Inventories	1,350	1,439
Prepaid expenses	11,616	14,909
Total current assets	252,356	354,745
Investment in hotel properties, net	3,532,156	3,538,129
Deferred financing fees, net	10,552	8,201
Goodwill	9,405	9,405
Other assets, net	16,329	14,485
Total assets	\$ 3,820,798	\$ 3,924,965
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 35,806	\$ 32,577
Accrued payroll and employee benefits	25,886	31,919
Dividends payable	12,735	76,694
Other current liabilities	44,174	36,466
Current portion of notes payable	135,825	121,328
Total current liabilities	254,426	298,984
Notes payable, less current portion	1,182,832	1,307,964
Capital lease obligations, less current portion	15,576	15,576
Other liabilities	35,265	33,607
Total liabilities	1,488,099	1,656,131
Commitments and contingencies (Note 11)		
Equity:		
Stockholders' equity:		

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Preferred stock, \$0.01 par value, 100,000,000 shares authorized. 8.0% Series D Cumulative Redeemable Preferred Stock, 4,600,000 shares issued and outstanding at June 30, 2015 and December 31, 2014, stated at liquidation preference of \$25.00 per share	115,000	115,000
Common stock, \$0.01 par value, 500,000,000 shares authorized, 207,604,391 shares issued and outstanding at June 30, 2015 and 204,766,718 shares issued and outstanding at December 31, 2014	2,076	2,048
Additional paid in capital	2,456,604	2,418,567
Retained earnings	355,702	305,503
Cumulative dividends	(650,014)	(624,545)
Total stockholders' equity	2,279,368	2,216,573
Non-controlling interests in consolidated joint ventures	53,331	52,261
Total equity	2,332,699	2,268,834
Total liabilities and equity	\$ 3,820,798	\$ 3,924,965

See accompanying notes to consolidated financial statements.

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SUNSTONE HOTEL INVESTORS, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(In thousands, except per share data)

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
REVENUES				
Room	\$ 239,678	214,940	432,969	383,067
Food and beverage	79,265	68,733	151,449	128,644
Other operating	20,324	17,179	39,234	32,624
Total revenues	339,267	300,852	623,652	544,335
OPERATING EXPENSES				
Room	57,568	53,418	111,410	102,337
Food and beverage	52,812	45,109	103,031	88,017
Other operating	5,337	5,006	10,468	10,001
Advertising and promotion	15,567	13,655	30,927	26,626
Repairs and maintenance	11,381	10,706	22,939	21,587
Utilities	8,377	7,788	17,362	16,077
Franchise costs	10,818	10,261	19,418	18,338
Property tax, ground lease and insurance	23,151	21,413	46,764	40,465
Property general and administrative	37,107	31,963	71,556	60,885
Corporate overhead	6,923	7,674	21,176	14,233
Depreciation and amortization	40,873	37,973	81,580	75,588
Total operating expenses	269,914	244,966	536,631	474,154
Operating income	69,353	55,886	87,021	70,181
Interest and other income				