

ASHFORD HOSPITALITY TRUST INC
Form 10-Q
August 09, 2018

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, 2018

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: 001-31775

ASHFORD HOSPITALITY TRUST, INC.

(Exact name of registrant as specified in its charter)

Maryland 86-1062192
(State or other jurisdiction of incorporation or organization) (IRS employer identification number)

14185 Dallas Parkway, Suite 1100
Dallas, Texas 75254
(Address of principal executive offices) (Zip code)

(972) 490-9600
(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 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, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth 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
Emerging growth company

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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) if the Exchange Act. "

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.

Common Stock, \$0.01 par value per share	98,612,117
(Class)	Outstanding at August 7, 2018

ASHFORD HOSPITALITY TRUST, INC
FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2018
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (unaudited)

ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(unaudited, in thousands, except share and per share amounts)

	June 30, 2018	December 31, 2017
Assets		
Investments in hotel properties, net	\$4,109,720	\$ 4,035,915
Cash and cash equivalents	417,359	354,805
Restricted cash	135,419	116,787
Marketable securities	24,072	26,926
Accounts receivable, net of allowance of \$540 and \$770, respectively	57,852	44,257
Inventories	4,277	4,244
Investment in unconsolidated entities	4,204	2,955
Deferred costs, net	2,746	2,777
Prepaid expenses	23,052	19,269
Derivative assets, net	3,209	2,010
Other assets	18,993	14,152
Intangible assets, net	9,884	9,943
Due from third-party hotel managers	20,860	17,387
Assets held for sale	—	18,423
Total assets	\$4,831,647	\$ 4,669,850
Liabilities and Equity		
Liabilities:		
Indebtedness, net	\$3,948,020	\$ 3,696,300
Accounts payable and accrued expenses	141,986	132,401
Dividends and distributions payable	27,240	25,045
Due to Ashford Inc., net	17,748	15,146
Due to related party, net	388	1,067
Due to third-party hotel managers	2,454	2,431
Intangible liabilities, net	15,661	15,839
Other liabilities	19,708	18,376
Liabilities related to assets held for sale	—	13,977
Total liabilities	4,173,205	3,920,582
Commitments and contingencies (note 14)		
Redeemable noncontrolling interests in operating partnership	146,249	116,122
Equity:		
Preferred stock, \$0.01 par value, 50,000,000 shares authorized:		
Series D Cumulative Preferred Stock, 2,389,393 shares issued and outstanding at June 30, 2018 and December 31, 2017	24	24
Series F Cumulative Preferred Stock, 4,800,000 shares issued and outstanding at June 30, 2018 and December 31, 2017	48	48
Series G Cumulative Preferred Stock, 6,200,000 shares issued and outstanding at June 30, 2018 and December 31, 2017	62	62
Series H Cumulative Preferred Stock, 3,800,000 shares issued and outstanding at June 30, 2018 and December 31, 2017	38	38
Series I Cumulative Preferred Stock, 5,400,000 shares issued and outstanding at June 30, 2018 and December 31, 2017	54	54

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Common stock, \$0.01 par value, 400,000,000 shares authorized, 98,612,117 and 97,409,113 shares issued and outstanding at June 30, 2018 and December 31, 2017, respectively	986	974
Additional paid-in capital	1,793,869	1,784,997
Accumulated deficit	(1,283,516)	(1,153,697)
Total stockholders' equity of the Company	511,565	632,500
Noncontrolling interests in consolidated entities	628	646
Total equity	512,193	633,146
Total liabilities and equity	\$4,831,647	\$4,669,850
See Notes to Consolidated Financial Statements.		

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ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited, in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenue				
Rooms	\$309,381	\$311,205	\$580,074	\$587,910
Food and beverage	60,429	63,842	115,473	126,692
Other hotel revenue	18,558	14,948	34,049	28,714
Total hotel revenue	388,368	389,995	729,596	743,316
Other	796	675	1,775	1,063
Total revenue	389,164	390,670	731,371	744,379
Expenses				
Hotel operating expenses:				
Rooms	64,214	65,034	123,300	124,907
Food and beverage	40,156	42,276	78,621	84,446
Other expenses	116,254	113,824	222,637	225,557
Management fees	14,371	14,247	27,108	27,073
Total hotel expenses	234,995	235,381	451,666	461,983
Property taxes, insurance, and other	20,230	18,766	38,589	37,099
Depreciation and amortization	64,566	60,547	127,613	125,245
Impairment charges	19	—	1,679	—
Transaction costs	9	8	11	11
Advisory services fee	23,079	14,229	40,156	24,870
Corporate general and administrative	3,231	3,254	5,360	8,424
Total expenses	346,129	332,185	665,074	657,632
Operating income (loss)	43,035	58,485	66,297	86,747
Equity in earnings (loss) of unconsolidated entities	1,170	(2,138)	582	(2,901)
Interest income	883	546	1,629	754
Gain (loss) on sale of hotel properties	412	14,092	403	14,009
Other income (expense)	206	(146)	282	(3,266)
Interest expense and amortization of premiums and loan costs	(58,206)	(54,956)	(112,949)	(110,261)
Write-off of premiums, loan costs and exit fees	(5,694)	(1,575)	(7,744)	(1,629)
Unrealized gain (loss) on marketable securities	(268)	(531)	(826)	(3,877)
Unrealized gain (loss) on derivatives	(1,916)	(1,743)	(1,587)	(325)
Income (loss) before income taxes	(20,378)	12,034	(53,913)	(20,749)
Income tax (expense) benefit	(2,973)	(1,606)	(2,087)	(760)
Net income (loss)	(23,351)	10,428	(56,000)	(21,509)
(Income) loss from consolidated entities attributable to noncontrolling interest	(20)	(13)	18	18
Net (income) loss attributable to redeemable noncontrolling interests in operating partnership	5,065	(231)	11,405	6,262
Net income (loss) attributable to the Company	(18,306)	10,184	(44,577)	(15,229)
Preferred dividends	(10,644)	(10,956)	(21,288)	(21,912)
Net income (loss) attributable to common stockholders	\$(28,950)	\$(772)	\$(65,865)	\$(37,141)
Income (loss) per share - basic and diluted:				
Basic:				

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Net income (loss) attributable to common stockholders	\$ (0.30)	\$ (0.01)	\$ (0.69)	\$ (0.40)
Weighted average common shares outstanding – basic	96,889	95,320	96,137	95,086
Diluted:				
Net income (loss) attributable to common stockholders	\$ (0.30)	\$ (0.01)	\$ (0.69)	\$ (0.40)
Weighted average common shares outstanding – diluted	96,889	95,320	96,137	95,086
Dividends declared per common share	\$0.12	\$0.12	\$0.24	\$0.24
See Notes to Consolidated Financial Statements.				

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ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
 (unaudited, in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income (loss)	\$(23,351)	\$10,428	\$(56,000)	\$(21,509)
Other comprehensive income (loss), net of tax:				
Total other comprehensive income (loss)	—	—	—	—
Comprehensive income (loss)	(23,351)	10,428	(56,000)	(21,509)
Less: Comprehensive (income) loss attributable to noncontrolling interest in consolidated entities	(20)	(13)	18	18
Less: Comprehensive (income) loss attributable to redeemable noncontrolling interests in operating partnership	5,065	(231)	11,405	6,262
Comprehensive income (loss) attributable to the Company	\$(18,306)	\$10,184	\$(44,577)	\$(15,229)
See Notes to Consolidated Financial Statements.				

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ASHFORD HOSPITALITY TRUST, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENT OF EQUITY

(unaudited, in thousands)

	Preferred Stock										Common Stock	Additional Paid-in Capital	Accumulated Deficit	Noncontrolling Interests In To Consolidated Entities		
	Series D		Series F		Series G		Series H		Series I							
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount						
Balance at January 1, 2018	2,389	\$24	4,800	\$48	6,200	\$62	3,800	\$38	5,400	\$54	97,409	\$974	\$1,784,997	\$(1,153,697)	\$646	\$6
Purchases of common stock	—	—	—	—	—	—	—	—	—	—	(249)	(3)	(1,595)	—	—	(1,595)
Equity-based compensation	—	—	—	—	—	—	—	—	—	—	—	—	10,411	—	—	10,411
Forfeitures of restricted shares	—	—	—	—	—	—	—	—	—	—	(38)	—	—	—	—	(38)
Issuance of restricted shares/units	—	—	—	—	—	—	—	—	—	—	1,490	15	108	—	—	1,613
Cost for issuances of preferred shares	—	—	—	—	—	—	—	—	—	—	—	—	(52)	—	—	(52)
Dividends declared - common shares	—	—	—	—	—	—	—	—	—	—	—	—	—	(23,918)	—	(23,918)
Dividends declared - preferred shares- Series D	—	—	—	—	—	—	—	—	—	—	—	—	—	(2,524)	—	(2,524)
Dividends declared - preferred shares- Series F	—	—	—	—	—	—	—	—	—	—	—	—	—	(4,425)	—	(4,425)
Dividends declared - preferred shares- Series G	—	—	—	—	—	—	—	—	—	—	—	—	—	(5,715)	—	(5,715)
Dividends declared - preferred shares- Series H	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dividends declared - preferred shares- Series I	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

H