

HOST HOTELS & RESORTS, INC.

Form 10-Q

July 24, 2007

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 15, 2007

OR

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

Commission file number 001-14625

HOST HOTELS & RESORTS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Maryland
(State of Incorporation)

53-0085950
(I.R.S. Employer Identification No.)

6903 Rockledge Drive, Suite 1500, Bethesda, Maryland
(Address of Principal Executive Offices)

20817
(Zip Code)

(240) 744-1000

(Registrant's telephone number, including area code)

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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 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.

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 522,266,730 shares of its \$0.01 par value common stock outstanding as of July 19, 2007.

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June 15, 2007 and December 31, 2006

(in millions, except shares and per share amounts)

	June 15, 2007 (unaudited)	December 31, 2006
ASSETS		
Property and equipment, net	\$ 10,510	\$ 10,584
Assets held for sale		96
Due from managers	122	51
Investments in affiliates	166	160
Deferred financing costs, net	57	60
Furniture, fixtures and equipment replacement fund	133	100
Other	218	199
Restricted cash	108	194
Cash and cash equivalents	497	364
Total assets	\$ 11,811	\$ 11,808
LIABILITIES AND STOCKHOLDERS' EQUITY		
Debt		
Senior notes, including \$1,087 million and \$495 million, respectively, net of discount, of exchangeable senior debentures	\$ 4,112	\$ 3,526
Mortgage debt	1,617	2,014
Credit facility		250
Other	88	88
Total debt	5,817	5,878
Accounts payable and accrued expenses	196	243
Other	235	252
Total liabilities	6,248	6,373
Interest of minority partners of Host Hotels & Resorts, L.P.	186	185
Interest of minority partners of other consolidated partnerships	28	28
Stockholders' equity		
Cumulative redeemable preferred stock (liquidation preference \$100 million) 50 million shares authorized; 4.0 million shares issued and outstanding	97	97
Common stock, par value \$.01, 750 million shares authorized; 522.2 million shares and 521.1 million shares issued and outstanding, respectively	5	5
Additional paid-in capital	5,670	5,680
Accumulated other comprehensive income	29	25
Deficit	(452)	(585)
Total stockholders' equity	5,349	5,222
Total liabilities and stockholders' equity	\$ 11,811	\$ 11,808

See notes to condensed consolidated statements.

Table of Contents**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****Quarter and Year-to-Date Ended June 15, 2007 and June 16, 2006****(unaudited, in millions, except per share amounts)**

	Quarter ended		Year-to-Date ended	
	June 15, 2007	June 16, 2006	June 15, 2007	June 16, 2006
REVENUES				
Rooms	\$ 846	\$ 714	\$ 1,460	\$ 1,201
Food and beverage	429	368	752	627
Other	91	73	160	123
Total hotel sales	1,366	1,155	2,372	1,951
Rental income	25	26	56	55
Total revenues	1,391	1,181	2,428	2,006
EXPENSES				
Rooms	194	164	346	282
Food and beverage	297	259	534	450
Hotel departmental expenses	316	267	567	467
Management fees	72	56	117	90
Other property-level expenses	95	83	176	148
Depreciation and amortization	119	104	235	191
Corporate and other expenses	14	21	35	41
Total operating costs and expenses	1,107	954	2,010	1,669
OPERATING PROFIT	284	227	418	337
Interest income	12	9	18	14
Interest expense	(136)	(107)	(230)	(198)
Net gains on property transactions	1	1	2	2
Minority interest expense	(5)	(16)	(16)	(29)
Equity in earnings (losses) of affiliates	3	(6)	5	(5)
INCOME BEFORE INCOME TAXES	159	108	197	121
Provision for income taxes	(11)	(17)	(6)	(18)
INCOME FROM CONTINUING OPERATIONS	148	91	191	103
Income from discontinued operations.	1	239	145	399
NET INCOME	149	330	336	502
Less: Dividends on preferred stock	(2)	(4)	(4)	(10)
Issuance costs of redeemed preferred stock		(6)		(6)
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	\$ 147	\$ 320	\$ 332	\$ 486
Basic earnings per common share:				
Continuing operations	\$.28	\$.16	\$.36	\$.20
Discontinued operations		.49	.28	.92

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Basic earnings per common share	\$.28	\$.65	\$.64	\$ 1.12
Diluted earnings per common share				
Continuing operations	\$.27	\$.16	\$.36	\$.20
Discontinued operations		.46	.26	.90
Diluted earnings per common share	\$.27	\$.62	\$.62	\$ 1.10

See notes to condensed consolidated statements.

Table of Contents**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****Year-to-Date Ended June 15, 2007 and June 16, 2006****(unaudited, in millions)**

	Year-to-Date ended	
	June 15, 2007	June 16, 2006
OPERATING ACTIVITIES		
Net income	\$ 336	\$ 502
Adjustments to reconcile to cash provided by operations:		
Discontinued operations:		
Gain on dispositions	(139)	(387)
Depreciation	1	6
Depreciation and amortization	235	191
Amortization of deferred financing costs	6	6
Net gains on property transactions	(2)	(2)
Equity in (earnings) losses of affiliates	(5)	5
Distributions from investments in affiliates	2	2
Minority interest expense	16	29
Change in due from managers	(73)	(84)
Changes in other assets	(19)	(3)
Changes in other liabilities	(38)	22
Cash provided by operations	320	287
INVESTING ACTIVITIES		
Proceeds from sales of assets, net	330	676
Acquisitions	(15)	(14)
Starwood acquisition, net of cash acquired		(727)
Investment in affiliates		(13)
Capital expenditures:		
Renewals and replacements	(104)	(131)
Repositionings and other investments	(133)	(110)
Change in furniture, fixtures and equipment (FF&E) reserves	(32)	