

STARWOOD HOTELS & RESORTS

Form 425

March 06, 2006

Filed by Host Marriott Corporation pursuant to Rule 425

under the Securities Act of 1933

and deemed filed pursuant to Rule 14a-12

under the Securities Exchange Act of 1934

Subject Company: Starwood Hotels & Resorts

Commission File No.: 333-130249

**Information about the Proposed Transactions and Where to Find It**

In connection with the proposed transactions, Host Marriott Corporation filed a proxy statement/prospectus as part of a registration statement on Form S-4 on March 2, 2006 and other documents regarding the proposed transactions with the Securities and Exchange Commission ( SEC ).

**Investors and security holders are urged to read the proxy statement/prospectus (and all amendments and supplements to it) because it contains important information about Host Marriott Corporation, Starwood Hotels & Resorts and the proposed transactions.** The

definitive proxy statement/prospectus was first mailed to stockholders of Host Marriott Corporation on or about March 6, 2006 seeking their approval of the issuance of shares of Host Marriott Corporation common stock in the transactions contemplated by the master agreement.

Investors and security holders may obtain a free copy of the proxy statement/prospectus and other documents filed by Host Marriott Corporation with the SEC at the SEC 's web site at [www.sec.gov](http://www.sec.gov). The definitive proxy statement/prospectus and other relevant documents may also be obtained free of cost by directing a request to Host Marriott Corporation, 6903 Rockledge Drive, Suite 1500, Bethesda, MD 20817, Attention Investor Relations, (telephone 240-744-1000). Investors and security holders are urged to read the proxy statement/prospectus and other relevant material before making any voting or investment decisions with respect to the proposed transactions.

Host Marriott Corporation and its directors and executive officers may be deemed, under SEC rules, to be participants in the solicitation of proxies from the stockholders of Host Marriott Corporation in respect of the proposed transactions. Information about Host Marriott Corporation and its directors and executive officers, and their ownership of securities in Host Marriott Corporation, is set forth in the proxy statement for Host Marriott Corporation 's 2005 Annual Meeting of Stockholders, which was filed with the SEC on April 11, 2005. Additional information regarding the direct and indirect interests of those persons may be obtained by reading the proxy statement/prospectus regarding the proposed transactions.

This communication shall not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

**Cautionary Language Concerning Forward-Looking Statements**

This filing contains forward-looking statements within the meaning of federal securities regulations. These forward-looking statements are identified by their use of terms and phrases such as anticipate, believe, could, estimate, expect, intend, may, plan, predict, project, and other similar terms and phrases, including references to assumptions and forecasts of future results, statements about the expected scope and timing of the acquisition, expected financial results and credit effects of the acquisition, consequences of management efforts, opportunities for growth and expectations as to timing, nature and terms of financing and other sources of funds. Forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors which may cause the actual results to differ materially from those anticipated at the time the forward-looking statements are made. These risks include, but are not limited to: national and local economic and business conditions, including the potential for terrorist attacks, that will affect occupancy rates at our hotels and the demand for hotel products and services; operating risks associated with the hotel business; risks associated with the level of our indebtedness and our ability to meet covenants in our debt agreements; relationships with property managers; our ability to maintain our properties in a first-class manner, including meeting capital expenditure requirements; our ability to compete effectively in areas such as access, location, quality of accommodations and room rate structures; changes in travel patterns, taxes and government regulations which influence or determine wages, prices, construction procedures and costs; our ability to complete pending acquisitions and dispositions; and our ability to continue to satisfy complex rules in order for us to qualify as a real estate investment trust for federal income tax purposes and other risks and uncertainties

## Edgar Filing: STARWOOD HOTELS & RESORTS - Form 425

associated with our business described in Host Marriott Corporation's filings with the SEC. The completion of the transaction with Starwood (either in whole or in part relating to the acquisition of certain hotels) is subject to numerous closing conditions and there can be no assurances that the transactions as a whole, or portions of these transactions, will be completed. These closing conditions include, but are not limited to: Host Marriott Corporation receiving approval from its stockholders to issue shares to Starwood's Class B holders, obtaining various lender consents and regulatory approvals, the accuracy of representations and warranties and compliance with covenants, the absence of material events or conditions, and other customary closing conditions. Our expectations as to the financial consequences of the acquisition may be affected by the risks noted above and factors unique to acquisitions, including the timing and successful integration of these hotels into our portfolio and the number and location of the hotels we ultimately acquire with the acquisition. Although Host Marriott Corporation believes the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that the expectations will be attained or that any deviation will not be material. All information is as of the date of this filing and Host Marriott Corporation undertakes no obligation to update any forward-looking statement to conform the statement to actual results or changes in expectations.



2

Company Overview

Largest owner of luxury and upper upscale full-service hotels

Irreplaceable assets in premier markets with high barriers to entry

Focused on urban and resort convention hotels managed by the best operators and affiliated with the strongest global brands

103 hotels (over 53,000 rooms)

Total Enterprise Value of approximately \$13

billion

Largest lodging REIT

3  
Starwood Portfolio  
Acquisition  
Starwood Portfolio  
Acquisition

4

Starwood

Portfolio

Portfolio of 38 upper upscale and luxury full-service hotels (18,964 rooms), including 25 domestic and 13 international assets:

20 Sheratons

13 Westins

2 Ws

2 Luxury/St. Regis

1 Unbranded

Purchase price: \$4.0 billion

Closing just after the end of 1st Quarter 2006  
subject to a Host Marriott stockholder vote  
and other closing conditions



5

Starwood

Portfolio

(cont.)

High-quality portfolio that matches up well  
with Host's existing portfolio

Luxury and upper upscale hotels, including six  
city-center hotels with over 750 rooms

80% of the hotels\* are in urban, convention  
or resort locations

29% of the portfolio\* is situated outside the  
United States, with 15% in Europe

\* Based on revenues.

6

Starwood

Portfolio

(cont.)

The top 16 hotels in the portfolio contribute

75% of the portfolio's cash flow

The portfolio includes key assets such as:

Westin Palace Madrid

Sheraton Centre Toronto

W Seattle

Westin Grand Washington, DC

Westin Europa

& Regina (Venice)

Westin Palace Milan

Sheraton New York

Sheraton San Diego

Sheraton Boston  
Westin Seattle  
W New York

7

Profile of Hotel Portfolio

Brand Mix (Based on Revenue)

Host Marriott Stand-alone

12%

6%

9%

1%

70%

2%  
Starwood Portfolio  
3%  
9%  
55%  
33%  
Combined  
4%  
2%  
2%  
7%  
9%  
53%  
14%  
9%  
Marriott  
Sheraton  
Westin  
Ritz-Carlton  
Hyatt  
Fairmont  
W  
Other

8  
Profile of Hotel Portfolio  
Geographic Scope (Based on Revenue)  
Host Marriott Stand-alone  
3%  
97%  
Starwood Portfolio  
71%  
29%

Combined  
9%  
91%  
International  
Domestic

9  
Profile of Hotel Portfolio  
Geographic Coverage  
Combined Portfolio  
Starwood Portfolio  
Host Marriott Portfolio



10

Strategic Benefits

Creates significant relationship with another major operating/brand company

Market share opportunity in Starwood's brands

Asset management and value enhancement initiatives

Strong foundation for further European expansion

Future growth opportunities

11  
Post-closing Brand  
Portfolio

12	
Overview	
9	
3	
Countries	
Over 50	
Over 35	
Markets	
18	
14	
Brands	
\$11 billion	
\$7 billion	
Equity Market Cap.	
\$17 billion	
\$13 billion	

TEV  
72,000  
53,000  
No. of Rooms  
141  
103  
No. of Hotels  
HOST  
hotels & resorts

13  
Host Marriott Strategy  
Host Marriott Strategy

14

Strategic Focus

Intelligent Portfolio Management

Disciplined Capital Allocation

Sound Financial Management

15

Intelligent Portfolio

Management

Aggressive Asset Management

Business Intelligence Systems /

Benchmarking

Revenue Management

Product Positioning

16  
Intelligent Portfolio  
Management (cont.)  
Strategic Capital Recycling

Non-core Asset Sales

24 hotels sold for over \$750 million since the  
beginning of 2004

High-Multiple Core Hotel Sales

Fort Lauderdale Marina Marriott

Swissôtel  
The Drake, New York



Combined sale price of \$586 million and 2005  
EBITDA multiple of 25x

17  
Intelligent Portfolio  
Management (cont.)  
Value Enhancement / Repositioning  
Projects  
  
Land Sales/Redevelopments  
  
Newport Beach Marriott Hotel & Spa  
  
Marriott Mountain Shadows Resort  
  
Hyatt Regency Maui Resort & Spa  
  
Repositionings

Marriott Orlando World Center

Newport Beach Marriott Hotel & Spa

18

Intelligent Portfolio

Management (cont.)

Newport Beach Marriott Resort & Spa

\$67.6M redevelopment of property

Complete renovation of all guestrooms and  
public spaces

New spa, West Coast debut of Sam &  
Harry's steakhouse and five new suites

19  
Newport Beach Marriott Hotel & Spa  
Newport Beach Marriott Hotel & Spa

20

Newport Beach Marriott Hotel & Spa

Newport Beach Marriott Hotel & Spa

21

Newport Beach Marriott Hotel & Spa

Newport Beach Marriott Hotel & Spa

22

Disciplined Capital  
Allocation

Investments targeted to achieve premium to  
our WACC

Acquisitions targeted at upper upscale and  
luxury hotels in urban and resort/convention  
locations

Since November 2003 acquired approximately \$1.1  
billion of upper upscale/luxury properties  
High-yielding ROI and repositioning projects

Over \$100 million of projects completed in 2005

Projects expected to yield aggregate unleveraged



IRRs  
of over 20%

23

Hyatt Regency, Washington D.C.

Hyatt Regency, Washington D.C.

24  
The Fairmont, Kea Lani  
The Fairmont, Kea Lani

25  
Sound Financial  
Management  
Continued Balance Sheet Improvement

Credit ratings upgraded by both major  
agencies in 2005

Debt reduction of \$1.0 billion since year-end  
2003, including conversion of \$475 million  
of convertible subordinated debt to equity  
with no earnings dilution  
Full access to \$575 million credit  
facility

26

Industry Fundamentals

Supply, Demand and RevPAR

Outlook

0.0%

2.0%

4.0%

6.0%

8.0%

10.0%

12.0%

2004A

2005F

2006F

2007F

Supply Growth

Demand Growth

RevPAR Growth

Weighted average of Upper Upscale and Luxury segment data.

Source: PricewaterhouseCoopers LLP and Lodging Econometrics (2006F and 2007F supply growth data).

27

Long-Term Outlook  
Continued Strong Industry  
Fundamentals  
Portfolio Out-Performance  
Strong Growth in Earnings and  
Dividends

