

Celerity Hotel and Beach Resort



Celerity Hotel and Beach Resort, an upscale resort, is located in Miami - South Beach, Florida. The hotel has 300 rooms including 12 two-bedroom suites, 15 one-bedroom suites and 273 regular rooms.

The property was built at the end of 2004 and the doors opened in January of 2005. The Sources and Uses of the Transaction at that time were as follows:

Sources:	Amount	% Cap
Working Capital Line (Revolver)	2,500,000	3.57%
Bank Loan (Term)	20,000,000	28.57%
Total Bank Debt	22,500,000	32.14%
Private Equity	47,500,000	67.86%
Total Sources	70,000,000	100.00%

Uses:	
Land	27,500,000
Building	36,500,000
Furniture & Equipment	1,750,000
Inventory	1,250,000
Cash	3,000,000

Total Sources	70,000,000
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2007 Operating Performance Stats

The Average Daily Rate (ADR) for 2008 was \$260.00. The occupancy Rate for 2008 was at 76% resulting to approximate REVPAR of \$201, an increase of approximately \$18 or 11%. The increase in REVPAR was as a result of slightly higher occupancy rate from last year (76% Vs 75%) and an 8.3% increase in the ADR (\$260 Vs \$240).

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Balance Sheet	<u>2007</u>	<u>2008</u>	<u>\$ Change</u>	<u>% Change</u>
Current Assets				
Cash	5,000,000	6,212,000	1,212,000	24.2%
Accounts Receivable	5,500,000	5,100,000	(400,000)	-7.3%
Inventories	2,000,000	2,500,000	500,000	25.0%
Prepaid Expenses	700,000	600,000	(100,000)	-14.3%
Total Current Assets	<u>13,200,000</u>	<u>14,412,000</u>	<u>1,212,000</u>	<u>9.2%</u>
Property and Equipment				
Land	27,500,000	27,500,000	-	0.0%
Building	35,000,000	42,000,000	7,000,000	20.0%
Furniture & Equipment	1,500,000	2,000,000	500,000	33.3%
Total Gross P&E	<u>64,000,000</u>	<u>71,500,000</u>	<u>7,500,000</u>	<u>11.7%</u>
Less Accumulated Depreciation	<u>(2,000,000)</u>	<u>(2,662,000)</u>	<u>(662,000)</u>	<u>33.1%</u>
Net P&E	62,000,000	68,838,000	6,838,000	11.0%
Long-Term Investments	1,750,000	2,000,000	250,000	14.3%
Total Assets	<u><u>76,950,000</u></u>	<u><u>85,250,000</u></u>	<u><u>8,300,000</u></u>	<u><u>10.8%</u></u>
Liabilities and Owners Equity				
Current Liabilities				
Accounts Payable	3,000,000	4,000,000	1,000,000	33.3%
Accrued Income Taxes	1,000,000	1,300,000	300,000	30.0%
Accrued Expenses	1,000,000	800,000	(200,000)	-20.0%
Current Portion of Long Term Debt	2,500,000	2,500,000	-	0.0%
Total Current Liabilities	<u>7,500,000</u>	<u>8,600,000</u>	<u>1,100,000</u>	<u>14.7%</u>
Long-Term Debt:	20,000,000	17,500,000	(2,500,000)	-12.5%
Deferred Income Taxes	1,000,000	1,500,000	500,000	50.0%
Total Liabilities	<u>28,500,000</u>	<u>27,600,000</u>	<u>(900,000)</u>	<u>-3.2%</u>
Owners' Equity				
Common Stock	47,500,000	47,500,000	-	0.0%
Paid-in-Capital	-	5,000,000	5,000,000	
Retained Earnings	950,000	5,150,000	4,200,000	442.1%
Total Owners' Equity	<u>48,450,000</u>	<u>57,650,000</u>	<u>9,200,000</u>	<u>19.0%</u>
Total Liabilities & Owner's Equity	<u><u>76,950,000</u></u>	<u><u>85,250,000</u></u>	<u><u>8,300,000</u></u>	<u><u>10.8%</u></u>
Total Shares Outstanding	55,000	60,000		

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Income Statement	<u>2007</u>	<u>2008</u>		
Revenues				
Room	20,000,000	22,000,000		
Food & Beverage	2,000,000	2,500,000		
Other (Telephone, Rentals)	500,000	500,000		
Total Revenue	<u>22,500,000</u>	<u>25,000,000</u>		
Cost of Revenues				
Room	7,000,000	7,480,000	66%	14,520,000
Food & Beverage	1,300,000	1,575,000	37%	925,000
Other (Telephone, Rentals)	-	-		
Total Cost of Revenue	<u>8,300,000</u>	<u>9,055,000</u>		
Gross Margin	14,200,000	15,945,000		
Operating Expenses				
Administrative & General	2,600,000	2,678,000		
Marketing Expenses	1,700,000	1,751,000		
Maintenance & Operations	1,000,000	1,030,000		
Other Operating Expenses	800,000	824,000		
Total Operating Expenses	<u>6,100,000</u>	<u>6,283,000</u>		
EBITDA	<u>8,100,000</u>	<u>9,662,000</u>		
Depreciation	<u>600,000</u>	<u>662,000</u>		
EBIT	7,500,000	9,000,000		
Interest Expense	2,000,000	2,000,000		
EBT	5,500,000	7,000,000		
Taxes	40% 2,200,000	2,800,000		
Net Income	<u><u>3,300,000</u></u>	<u><u>4,200,000</u></u>		

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Cash Flow Statement (000's)

2008

Net Income	4,200,000
Plus Depreciation	662,000
Plus Deferred Taxes	<u>500,000</u>
Cash Income	5,362,000
Working Capital Activities	
Change in Accounts Receivable	400,000
Change in Inventory	(500,000)
Change in Prepaid Expenses	100,000
Change in Accounts Payable	1,000,000
Change in Accrued Income Taxes	300,000
Change in Accrued Expenses	<u>(200,000)</u>
Total Change in Working Capital	1,100,000
Operating Cash Flow	<u>6,462,000</u>
Investment Activities	
Capital Expenditures	(7,500,000)
Investments (Change)	<u>(250,000)</u>
Total Financing Activities	(7,750,000)
Financing Activities	
ST Debt Payments	-
LT Payments	(2,500,000)
Equity Contribution	<u>5,000,000</u>
Total Financing Activities	2,500,000
Free Cash Flow	1,212,000
Beginning Cash	5,000,000
Ending Cash	<u><u>6,212,000</u></u>

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Ratio Analysis	<u>2007</u>	<u>2008</u>	<u>Definition</u>
Liquidity Ratios			
Current Ratio	1.76	1.68 Times	CA/CL
Accounts Receivable Turnover		4.72 Times	Revenue/Avg AR
Operating Cash Flow to Avg Cur. Assets		80.3%	
Solvency Ratios			
Debt/Equity Ratio	41.3%	30.4%	LTD / Equity
LTD / Total Capitalization	29.2%	23.3%	LTD / (LTD + Equity)
EBITDA / Interest (Interest Coverage)	4.05	4.83 Times	EBITDA / Interest
EBIT / Interest	3.75	4.50 Times	EBIT / Interest
Fixed Charge Coverage Ratio	4.05	0.96 Times	(EBITDA-Capex)/(Interest+LTD Pmts)
LTD / EBITDA	2.47	1.81 Times	LTD / EBITDA
Activity Ratios			
Inventory Ratio (Food)		0.70 Times	Cost of Food Revenues/Avg Inventory
Fixed Asset Turnover Ratio		0.38 Times	Rev / Avg of FA
Asset Turnover Ratio		0.31 Times	Rev / Avg of Total Assets
Occupancy Rate			
Profitability Ratios			
Gross Margin	63.1%	63.8%	Gross Margin / Revenues
EBITDA Margin	36.0%	38.6%	EBITDA / Revenue
EBIT Margin	33.3%	36.0%	EBIT / Revenue
Return on Assets (ROA)		5.2%	NI / Avg Assets
Gross Return on Assets		11.1%	EBIT / Avg Assets
Return on Equity (ROE)		7.9%	NI / Avg Equity
Earnings Per Share (EPS)		\$ 73.04	NI / Avg Shares Outstanding
Price Earnings Ratio (PE)			Market Price / EPS
Operating Ratios			
OR	76%	77%	Occupancy Rate
ADR	\$ 240.00	\$ 260.00	Average Daily Rate
Number of Rooms	300	300	# or Rooms
REVPAR	\$182.65	\$200.91	Rooms Revenue / Available Room or OR * ADR
Trend Analysis Ratios			
Revenue Growth		11.1%	
Room		10.0%	
Food & Beverage		25.0%	
Other (Telephone, Rentals)		0.0%	
REVPAR Growth		10.00%	
Comparative Margins			
Comparative Occupancy Rates			
Comparative ROE/ROA			