

STARWOOD HOTELS & RESORTS

Form 425

November 16, 2005

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.: 001-6828

### **Information about the Proposed Transaction and Where to Find It**

In connection with the proposed transaction, Host Marriott Corporation will file a proxy statement/prospectus as part of a registration statement on Form S-4 and other documents regarding the proposed transaction with the Securities and Exchange Commission (SEC). **Investors and security holders are urged to read the proxy statement/prospectus when it becomes available because it will contain important information about Host Marriott Corporation, Starwood Hotels & Resorts and the proposed acquisition.** A definitive proxy statement/prospectus will be sent to stockholders of Host Marriott Corporation seeking their approval of the issuance 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 definitive proxy statement/prospectus (when available) 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, when available, 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 when they become available before making any voting or investment decisions with respect to the proposed transaction.

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 transaction. 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 transaction when it becomes available.

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**

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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 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 assurance 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.

#### **Non-GAAP Financial Measures**

This filing contains non-GAAP financial measures within the meaning of the rules of the SEC. Information about these measures and reconciliations between the non-GAAP financial measures and the GAAP financial measures are included in Host Marriott Corporation's press release announcing the transaction, dated November 14, 2005, and third quarter 2005 earnings press release, dated October 12, 2005, both of which are available on Host Marriott Corporation's web site at [www.hostmarriott.com](http://www.hostmarriott.com).



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Strategic Vision

To be the premier hospitality real estate  
company. Our goal is to be Best in  
Class

and to maintain the:

BEST

ASSETS

BEST

MANAGEMENT

BEST  
BRANDS/OPERATORS  
BEST  
GROWTH  
BEST  
MULTIPLE

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Mission

Maximize returns to our shareholders  
through a combination of:

Dividends

Growth in funds from operations

Appreciation in net asset value

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Strategic Focus

Create outstanding shareholder value and  
generate superior performance by  
focusing on:

Active portfolio management

Disciplined capital allocation

Sound financial management



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Current Company Overview

Largest owner of luxury and upper upscale full service hotels

Irreplaceable assets in premier markets with limited near-term supply

Focused on urban, resort and convention hotels

107 hotels with approximately 55,000 rooms

TEV of approximately \$12 billion

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The Strategy is the Same

but the company will be transformed.

HOST

hotels & resorts

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Transaction Overview

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

Purchase Price: \$4.0 billion (\$213,000/key)

2006 Full-year EBITDA: \$355 million to \$365 million

2006 EBITDA Multiple: 11.1x to 11.4x

Transaction expected to close at the end of 1Q06 and is subject to a Host Marriott stockholder vote and other closing conditions.

2 Luxury / St. Regis

1 Unbranded

20 Sheratons

13 Westins

2 Ws

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Strong Portfolio

High quality portfolio that matches up well with our portfolio in terms of asset quality and positioning; average hotel contains approximately 500 rooms and generates

RevPAR

of \$117, both comparable to our current portfolio

Portfolio made up entirely of luxury and upscale hotels, including six city center hotels with over 750 rooms

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

concentration in our desired segments

\* Based on revenues.

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Strong 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



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Strong Portfolio (cont.)

Excellent geographic distribution; most markets have strong growth prospects and limited near-term supply; adds presence in key domestic markets such as Seattle, New York, Boston and San Diego

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

Unique opportunity to acquire high-quality international assets at attractive pricing

\* Based on revenues.

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Profile of Hotel Portfolio  
By Type (Based on Revenue)  
Host Marriott Stand-alone  
9%  
19%  
52%  
20%  
Starwood Portfolio

10%

10%

71%

9%

Combined

9%

57%

17%

17%

Downtown

Resort

Airport

Suburban

12  
Profile of Hotel Portfolio  
Geographic Scope (Based on Revenue)  
Host Marriott Stand-alone  
3%  
97%  
Starwood Portfolio  
71%  
29%

Combined  
9%  
91%  
International  
Domestic

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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

14  
Profile of Hotel Portfolio  
Regional Scope (Based on Revenue)  
Host  
Starwood  
Percentage  
Region  
Portfolio  
Portfolio  
Combined  
Change  
Atlanta  
8%



0%  
6%  
(2%)  
DC Metro  
11%  
2%  
9%  
(2%)  
Florida  
15%  
1%  
12%  
(3%)  
Hawaii  
5%  
0%  
4%  
(1%)  
International  
3%  
29%  
9%  
6%  
Middle Atlantic  
16%  
21%  
17%  
1%  
Mountain  
3%  
2%  
2%  
(1%)  
New England  
5%  
12%  
7%  
2%  
North Central  
7%  
7%  
7%  
0%  
Pacific  
20%  
24%  
21%  
1%  
South Central  
7%

2%  
6%  
(1%)

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Profile of Hotel Portfolio  
Geographic  
Coverage

Host  
Marriott  
Portfolio

Host Marriott Portfolio

16  
Profile of Hotel Portfolio  
Geographic  
Coverage

Combined  
Portfolio  
Starwood Portfolio

Host Marriott Portfolio

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Enhanced Growth Potential &  
Brand Diversification

Transaction creates significant relationship with  
another major hotel operating/brand company  
and furthers our brand diversification strategy

Opportunity to benefit from expected  
improvement in market share among Starwood's  
brands

Opportunity to improve growth through  
aggressive asset management and value  
enhancement initiatives

Partnership with Starwood  
will enhance future  
growth opportunities



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Enhanced Growth Potential &  
Brand Diversification (cont.)

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Financial Considerations

\$2.3 billion (approximately 133.5 million shares @ \$17.00/share)

100% will be distributed directly to Starwood shareholders

Equity

\$2.3 billion of equity issued to Starwood shareholders

\$700 million of assumed debt

\$1.0 billion of cash

Consideration

\$4.0 billion (\$213,000/key)

Purchase Price

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Financial Considerations

(cont.)

Bridge loan in place to fund entire cash portion of the transaction if necessary

Expect to fund cash portion of purchase price through a combination of debt, asset sales and proceeds raised through a joint venture related to the acquired European assets

Cash

\$704 million\* at a weighted average interest rate of 7.5% and an average maturity of 12 years

Assumed

Debt

\* Contingent on completing a consent solicitation.

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Earnings Impact  
\$1.45  
\$1.35  
\$1.64  
\$1.56  
FFO/  
diluted share  
(2)  
\$1,045  
\$1,005  
\$365  
\$355  
Adjusted EBITDA  
(2)  
(\$mm)

High

Low

High

Low

Host Marriott,

L.P.

Purchase

Portfolio

(1)

FY 2006

(1)

Forecast reflects full year results for 2006; however, the transaction is not expected to close until the end of 1Q06 and may close in stages.

(2)

Reconciliations of non-GAAP measures to the most- directly comparable GAAP measures are available on our website and in our filings with the SEC.

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Financial Considerations

(cont.)

EBITDA multiple for overall transaction is 11.1x to 11.4x, which is 40 to 70 basis points below our current trading multiple

Purchase price of approximately \$213,000 per key represents a 25-30% discount to replacement cost

Unleveraged

10-year internal rate of return exceeds

our current Weighted Average Cost of Capital by roughly 200 basis points

The transaction will be accretive to our credit under all of our financing scenarios, and meaningfully accretive under our anticipated structure of asset sales and a European joint venture

23  
Overview  
9  
3  
Countries  
Over 50  
Over 35  
Markets

18  
14  
Brands  
\$9 billion  
\$6 billion  
Equity Market  
Cap.  
6  
th  
-Largest REIT  
9  
th  
-Largest REIT  
Largest Lodging REIT  
Largest Lodging REIT  
Largest Public Lodging Co.  
3  
rd  
-Largest Pub. Lodging Co.  
Scale  
\$16 billion  
\$12 billion  
TEV  
74,185  
55,221  
No. of Rooms  
145  
107  
No. of Hotels  
HOST  
hotels & resorts



24  
Portfolio Overview  
2 Luxury / St. Regis  
1 Unbranded  
20 Sheratons  
13 Westins  
2 Ws

Sheraton New York Hotel

New York, NY

Number of Rooms:

1,746

Total Function Space: 55,000 sf

F&B Outlets: 4

Other:

4 Retail Outlets (1,600 sf)

6,800 sf  
Fitness Ctr

Sheraton San Diego Hotel & Marina  
San Diego, CA  
Number of Rooms: 1,044  
Total Function Space: 80,000 sf  
F&B Outlets: 7  
Other:

300 slip Marina

3,500 sf  
Spa

Sheraton Boston Hotel  
Boston, MA  
Number of Rooms: 1,216  
Total Function Space: 69,275 sf  
F&B Outlets: 2  
Other:

10,200 sf  
Fitness Ctr

Westin Seattle

Seattle, WA

Number of Rooms:

891

Total Function Space: 54,375 sf

F&B Outlets: 3

Other:



2,756 sf  
Pool & Spa

W Seattle

Seattle, WA

Number of Rooms:

426

Total Function Space: 10,000 sf

F&B Outlets: 2

Other:

650 sf  
Fitness Center

W New York  
New York, NY  
Number of Rooms:  
688  
Total Function Space: 3,248 sf  
F&B Outlets: 2  
Other:

3 Retail Outlets (3,800 sf)

20,000 sf

Bliss Spa

Westin Palace Madrid

Madrid, Spain

Number of Rooms:

468

Total Function Space: 24,645 sf

F&B Outlets: 2

Other:

1,800 sf  
Fitness Ctr

Sheraton Centre Toronto Hotel  
Toronto, Canada  
Number of Rooms:  
1,377  
Total Function Space: 84,000 sf  
F&B Outlets: 2  
Other:



2,000 sf  
Fitness Ctr

Significant Retail Space  
at Toronto Underground Level

Westin Mission Hills Resort & Spa  
Rancho Mirage, CA  
Number of Rooms: 512  
Total Function Space: 94,009 sf  
F&B Outlets: 8  
Other:

Two 18-hole golf courses  
(Pete Dye & Gary Player)

13,000 sf  
spa

Westin Grand Washington D.C.

Washington, D.C.

Number of Rooms:

263

Total Function Space: 11,667 sf

F&B Outlets: 3

Westin Palace Milan

Milan, Italy

Number of Rooms:

228

Total Function Space: 10,000 sf

F&B Outlets: 3

625 sf

Fitness Ctr

Westin Europa  
& Regina

Venice, Italy

Number of Rooms:

185

Total Function Space: 63,886 sf

F&B Outlets: 2

HOST  
hotels & resorts