

HOST HOTELS & RESORTS, INC.

Form 10-Q

July 29, 2016

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, 2016

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.)

0-25087 (Host Hotels & Resorts, L.P.)

HOST HOTELS & RESORTS, INC.

HOST HOTELS & RESORTS, L.P.

(Exact name of registrant as specified in its charter)

Maryland (Host Hotels & Resorts, Inc.) 53-008595

Delaware (Host Hotels & Resorts, L.P.) 52-2095412

(State or Other Jurisdiction of (I.R.S. Employer

Edgar Filing: HOST HOTELS & RESORTS, INC. - Form 10-Q

Incorporation or Organization)	Identification No.)
6903 Rockledge Drive, Suite 1500	20817
Bethesda, Maryland	(Zip Code)

(Address of Principal Executive Offices)

(240) 744-1000

(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.

Host Hotels & Resorts, Inc.	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Host Hotels & Resorts, L.P.	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Host Hotels & Resorts, Inc.	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Host Hotels & Resorts, L.P.	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Host Hotels & Resorts, Inc.		
Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer (Do not check if a smaller reporting company)	<input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

Host Hotels & Resorts, L.P.		
Large accelerated filer	<input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer (Do not check if a smaller reporting company)	<input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Host Hotels & Resorts, Inc.	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Host Hotels & Resorts, L.P.	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

As of July 29, 2016 there were 742,481,849 shares of Host Hotels & Resorts, Inc.'s common stock, \$.01 par value per share, outstanding.

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q of Host Hotels & Resorts, Inc. and Host Hotels & Resorts, L.P. Unless stated otherwise or the context requires otherwise, references to “Host Inc.” mean Host Hotels & Resorts, Inc., a Maryland corporation, and references to “Host L.P.” mean Host Hotels & Resorts, L.P., a Delaware limited partnership, and its consolidated subsidiaries, in cases where it is important to distinguish between Host Inc. and Host L.P. We use the terms “we” or “our” or “the company” to refer to Host Inc. and Host L.P. together, unless the context indicates otherwise.

Host Inc. operates as a self-managed and self-administered real estate investment trust (“REIT”). Host Inc. owns properties and conducts operations through Host L.P., of which Host Inc. is the sole general partner and of which it holds approximately 99% of the partnership interests (“OP units”). The remaining OP units are owned by various unaffiliated limited partners. As the sole general partner of Host L.P., Host Inc. has the exclusive and complete responsibility for Host L.P.’s day-to-day management and control. Management operates Host Inc. and Host L.P. as one enterprise. The management of Host Inc. consists of the same persons who direct the management of Host L.P. As general partner with control of Host L.P., Host Inc. consolidates Host L.P. for financial reporting purposes, and Host Inc. does not have significant assets other than its investment in Host L.P. Therefore, the assets and liabilities of Host Inc. and Host L.P. are substantially the same on their respective condensed consolidated financial statements and the disclosures of Host Inc. and Host L.P. also are substantially similar. For these reasons, we believe that the combination into a single report of the quarterly reports on Form 10-Q of Host Inc. and Host L.P. results in benefits to management and investors.

The substantive difference between Host Inc.’s and Host L.P.’s filings is the fact that Host Inc. is a REIT with public stock, while Host L.P. is a partnership with no publicly traded equity. In the condensed consolidated financial statements, this difference primarily is reflected in the equity (or partners’ capital for Host L.P.) section of the consolidated balance sheets and in the consolidated statements of equity (or partners’ capital for Host L.P.). Apart from the different equity treatment, the condensed consolidated financial statements of Host Inc. and Host L.P. nearly are identical.

This combined Form 10-Q for Host Inc. and Host L.P. includes, for each entity, separate interim financial statements (but combined footnotes), separate reports on disclosure controls and procedures and internal control over financial reporting and separate CEO/CFO certifications. In addition, with respect to any other financial and non-financial disclosure items required by Form 10-Q, any material differences between Host Inc. and Host L.P. are discussed separately herein. For a more detailed discussion of the substantive differences between Host Inc. and Host L.P. and why we believe the combined filing results in benefits to investors, see the discussion in the combined Annual Report on Form 10-K for the year ended December 31, 2015 under the heading “Explanatory Note.”

HOST HOTELS & RESORTS, INC. AND HOST HOTELS & RESORTS, L.P.

INDEX

PART I. FINANCIAL INFORMATION

	Page No.
Item 1. Financial Statements for Host Hotels & Resorts, Inc.:	
<u>Condensed Consolidated Balance Sheets - June 30, 2016 (unaudited) and December 31, 2015</u>	1
<u>Condensed Consolidated Statements of Operations (unaudited) - Quarter and Year-to-date ended June 30, 2016 and 2015</u>	2
<u>Condensed Consolidated Statements of Comprehensive Income (Loss) (unaudited) - Quarter and Year-to-date ended June 30, 2016 and 2015</u>	3
<u>Condensed Consolidated Statements of Cash Flows (unaudited) - Year-to-date ended June 30, 2016 and 2015</u>	4
Financial Statements for Host Hotels & Resorts, L.P.:	
<u>Condensed Consolidated Balance Sheets - June 30, 2016 (unaudited) and December 31, 2015</u>	6
<u>Condensed Consolidated Statements of Operations (unaudited) - Quarter and Year-to-date ended June 30, 2016 and 2015</u>	7
<u>Condensed Consolidated Statements of Comprehensive Income (Loss) (unaudited) - Quarter and Year-to-date ended June 30, 2016 and 2015</u>	8
<u>Condensed Consolidated Statements of Cash Flows (unaudited) - Year-to-date ended June 30, 2016 and 2015</u>	9
<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	11
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	22
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	47
Item 4. <u>Controls and Procedures</u>	48
PART II. OTHER INFORMATION	
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	49

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

June 30, 2016 and December 31, 2015

(in millions, except share and per share amounts)

	June 30, 2016 (unaudited)	December 31, 2015
ASSETS		
Property and equipment, net	\$ 10,452	\$ 10,583
Assets held for sale	35	55
Due from managers	114	56
Advances to and investments in affiliates	311	324
Furniture, fixtures and equipment replacement fund	173	141
Other	238	261
Restricted cash	3	15
Cash and cash equivalents	266	221
Total assets	\$ 11,592	\$ 11,656
LIABILITIES, NON-CONTROLLING INTERESTS AND EQUITY		
Debt		
Senior notes	\$ 2,378	\$ 2,376
Credit facility, including term loans of \$997 million and \$996 million, respectively	1,255	1,291
Mortgage debt	82	200
Total debt	3,715	3,867
Accounts payable and accrued expenses	228	243
Liabilities held for sale	4	—
Other	284	299
Total liabilities	4,231	4,409
Non-controlling interests - Host Hotels & Resorts, L.P.	147	143
Host Hotels & Resorts, Inc. stockholders' equity:		
Common stock, par value \$.01, 1,050 million shares authorized, 740.7 million shares and 750.3 million shares issued and outstanding, respectively	7	8
Additional paid-in capital	8,146	8,302
Accumulated other comprehensive loss	(71)	(107)
Deficit	(907)	(1,139)
Total equity of Host Hotels & Resorts, Inc. stockholders	7,175	7,064

Edgar Filing: HOST HOTELS & RESORTS, INC. - Form 10-Q

Non-controlling interests—other consolidated partnerships	39	40
Total equity	7,214	7,104
Total liabilities, non-controlling interests and equity	\$ 11,592	\$ 11,656

See notes to condensed consolidated statements.

HOST HOTELS & RESORTS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Quarter and Year-to-date ended June 30, 2016 and 2015

(unaudited, in millions, except per share amounts)

	Quarter ended June 30,		Year-to-date ended June 30,	
	2016	2015	2016	2015
REVENUES				
Rooms	\$933	\$937	\$1,776	\$1,755
Food and beverage	439	420	847	823
Other	87	82	175	163
Total revenues	1,459	1,439	2,798	2,741
EXPENSES				
Rooms	228	233	449	453
Food and beverage	289	289	573	