

Edgar Filing: STARWOOD HOTELS & RESORTS - Form 425

STARWOOD HOTELS & RESORTS

Form 425

January 17, 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 preliminary proxy statement/prospectus as part of a registration statement on Form S-4 on December 9, 2005 and other documents regarding the proposed transactions with the Securities and Exchange Commission (SEC). In addition, Host Marriott Corporation will prepare and file a definitive proxy statement/prospectus and other documents regarding the proposed transactions with the SEC. **Investors and security holders are urged to read the proxy statement/prospectus (and all amendments and supplements to it) when it becomes available because it contains important information about Host Marriott Corporation, Starwood Hotels & Resorts and the proposed transactions.** A definitive proxy statement/prospectus will be sent to stockholders of Host Marriott Corporation 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 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 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**

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

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 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 History

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

107 hotels (over 55,000 rooms)

Total Enterprise Value of approximately \$12 billion

Largest lodging REIT

3

Company History  
Marriott Corporation  
Host Marriott

Lodging real estate (25 full-service hotels)

Airport concessions operator

Marriott International

Lodging management

Contract services businesses

October 1993

4

Company History

January 1996

Host Marriott Corporation spins off the  
airport terminal concession business.

The Company owns 55 full-service properties  
with over 25,000 rooms

April 1998

Multi-brand strategy launched: 12 world-class  
hotels (four Hyatts, two Four Seasons and four

Swissôtel)

January 1999

REIT conversion. The Company owns 126 hotels with over 58,000 rooms.

5

Company History

January 2004

First Starwood-branded hotel: Host Marriott  
rebrands the Swissôtel, Atlanta into the Atlanta  
Westin

2003-2005

Host Marriott acquires five hotels for  
approximately \$1.1 billion. (Fairmont Kea  
Lani, Maui, Hyatt Maui Resort and Spa,  
Scottsdale Marriott at McDowell Mountains,



Hyatt Regency Capitol Hill in Washington,  
DC, and Embassy Suites, Chicago)

6

Company History

November 2005

Host Marriott announces the acquisition of  
38 hotels from Starwood

Enhances brand diversification,

Creates a significant relationship with an  
outstanding hotel operating/brand company;  
launches expansion into Europe

Establishes international platform for growth.

Upon completion of the transaction, the  
Company will own 145 hotels with over  
74,000 rooms.

7

Green Street Advisors: Based on quality, location, and property condition, Host Marriott possesses the most desirable collection of hotels owned by a public company.

Current Portfolio of Brands

8  
Ritz-Carlton, Naples

New  
York  
Marriott  
Marquis

Hyatt Regency Maui

The Fairmont, Kea Lani



Toronto Marriott Eaton Centre

Orlando World Center Marriott

Embassy Suites Chicago Lakefront

Atlanta Buckhead Westin

Hyatt Regency, Washington D.C.

Starwood Portfolio  
Acquisition

18

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

Transaction expected to close at the end of 1st Quarter 2006 and is subject to a Host Marriott stockholder vote and other closing conditions



19  
Strong Portfolio  
World-class  
portfolio  
in  
terms  
of  
asset  
quality  
and  
positioning  
(Average  
Hotel:  
500  
rooms  
/

\$117  
RevPAR).  
Matches  
up  
well  
with  
Host s  
existing  
portfolio  
100%  
luxury  
and  
upscale  
hotels.  
Includes  
six  
city-center  
hotels  
with  
over  
750  
rooms  
Urban  
/  
Convention  
/  
Resort  
Concentration.  
80%  
of  
the  
portfolio\*  
International  
Diversification.  
29%  
of  
the  
portfolio\*  
outside  
U.S.  
(15%  
in  
Europe)  
\* Based on revenues.

20

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

21

Profile of Hotel Portfolio

Geographic Scope (Based on Revenue)

Host Marriott Stand-alone

3%

97%

Starwood Portfolio

71%

29%

Combined  
9%  
91%  
International  
Domestic

22

Profile of Hotel Portfolio

Geographic Coverage

Host Marriott Portfolio

Host Marriott Portfolio

23

Profile of Hotel Portfolio

Geographic Coverage

Combined Portfolio

Starwood Portfolio

Host Marriott Portfolio



24

Benefits to Host From the  
Acquisition

Brand  
Diversification.  
Creates  
significant  
relationship  
with  
another  
major  
hotel  
operating  
/  
brand

company

Market  
Share  
Upside.  
Great  
potential  
among  
Starwood  
brands

Asset  
Management  
/  
Value  
Enhancement.  
Opportunities  
to  
improve  
growth

Expansion  
in  
Europe.  
Six  
hotels  
form  
a  
strong  
foundation  
for  
future  
growth

Partnership  
with  
Starwood.  
Enhance  
future  
growth  
opportunities

25  
Post-closing Brand  
Portfolio

26
Overview
9
3
Countries
Over 50
Over 35
Markets
18
14

Brands  
\$9 billion  
\$6 billion  
Equity Market  
Cap.  
6  
-Largest  
REIT  
9  
-Largest  
REIT  
Largest Lodging REIT  
Largest Lodging REIT  
Largest Public Lodging Co.  
3  
-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  
rd  
th  
th

Host Marriott Strategy  
Host Marriott Strategy

28

Core Strategy and Values

Best in Class

-

Best assets

-

Best brands

-

Best management

-

Best growth

Company Values --

EPIC

-

Passionate about *Excellence*

-

Dedicated to *Partnership*

-

Committed to *Integrity*

-

One with our *Community*



29

#### Strategic Focus

Provide outstanding returns to our shareholders by focusing on:

-

Intelligent portfolio management

-

Disciplined capital allocation

-

Sound financial management

30

Intelligent Portfolio  
Management

The Mission of Asset Management

Best in Class portfolio stewardship

Build strong stakeholder relationships

Maximize  
cash  
flow  
growth  
and  
asset  
appreciation

Optimize  
portfolio  
through  
disciplined  
capital  
allocation and  
implementation

31

Intelligent Portfolio

Management (cont.)

Understanding the Business

Real Estate Experience

Consulting

Real Estate Ownership

Operational Experience

General Manager

Director of Finance/Controller

32

Intelligent Portfolio

Management (cont.)

Operational Consulting

Balanced Scorecard

Associate satisfaction

Guest satisfaction

Financial performance

Market share

Periodic property visits and inspections

33

Intelligent Portfolio

Management (cont.)

Operational Consulting

Financial Analysis

Revenue/Cost improvement opportunities

Benchmarking ( Best Practices )

Market analysis

Market share

Competitive positioning

Demand trends

34

2006 Key Objectives

Maximize RevPAR

growth

Enhance catering revenue growth

Achieve significant improvement in

House profit margin

Focus on market share growth

Investment of Choice/Cash Flow

35

Intelligent Portfolio

Management (cont.)

Value Enhancement

-

Carefully evaluate the capital needs and opportunities for each property

-

Focus on long-term sustainability

-

Maximize competitive position of each asset

-

Return on investment (e.g., space conversion)



36

Intelligent Portfolio

Management (cont.)

Partnership & Challenges

-

Cultural differences

-

Host is looking to learn from you

Partnership

Together we can accomplish great things!

37

2006 Key Objectives

Improve the Partner Index Score

Sharing of ideas / Best Practices

Mutual respect

Partner

of

Choice

38

What is the most important  
element to a hotel reaching it's  
potential?

Leadership

39

Good To Great  
Personal  
humility,  
understated,  
professional  
will  
Ambitious  
for  
the  
company  
first,  
not  
for  
themselves  
Set

up  
their  
successors  
for  
even  
greater  
success  
in  
the  
next  
generation  
Level 5 Leaders

40

continued

Fanatically driven, infected with an incurable need to produce sustained results

Display a workmanlike diligence; more plow horse than race horse

Attribute success to factors other than themselves

When things go poorly, they blame themselves, taking full responsibility

41  
Potential  
Common Vision  
+  
Strong Partnership  
+  
EPIC Values  
= Amazing Results

42

Disciplined Capital  
Allocation

Target Acquisition Profile:

-

Upper Upscale/Luxury

-

Urban/Resort/Convention

-

Best operators and brands

Since November 2003, acquired approximately

\$1.1

billion

of

upper

upscale/luxury



properties

Intend to utilize European platform to drive  
further growth in Europe

43

Sound Financial  
Management

Continue to maximize liquidity and flexibility

Strong balance sheet

-

currently, \$12 billion enterprise value

-

post-acquisition, \$16 billion enterprise value, making  
Host the largest lodging company in the U.S. and the  
sixth largest REIT