

Choice Hotels Reports Full-Year 2007 Diluted EPS of \$1.70, Domestic Unit Growth of 5.6%
2008-02-13

New Domestic Hotel Franchise Contracts Up 7% To A Record 770 For Full-Year 2007

Choice Hotels International, Inc., (NYSE:CHH) today reported the following highlights for the fourth quarter and full-year 2007:

Diluted earnings per share ("EPS") for full-year 2007 were \$1.70 compared to \$1.68 for full-year 2006. Diluted EPS for fourth quarter 2007 were \$0.44, a 19% increase compared to \$0.37 for the same period in 2006. Full-year 2007 results include termination benefits expense totaling \$3.7 million (approximately \$0.04 diluted EPS) resulting from previously announced separations of certain executive officers.

Adjusted diluted EPS for full-year 2007 were \$1.70, a 14% increase compared to adjusted diluted EPS of \$1.49 for full-year 2006. Adjusted diluted EPS for fourth quarter 2007 were \$0.44, a 22% increase compared to adjusted diluted EPS of \$0.36 for the same period of 2006. Adjusted diluted earnings per share exclude reductions of income tax expense related to reversal of income tax contingency provisions of approximately \$0.01 and \$0.19 per share for the fourth quarter and full-year 2006, respectively.

Operating income increased 11% to \$185.2 million for full-year 2007, compared to \$166.6 million in the same period of the prior year. Operating income for fourth quarter 2007 increased 21% to \$48.1 million compared to \$39.9 million for fourth quarter 2006.

Earnings before interest, taxes and depreciation ("EBITDA") for full-year 2007 increased 10% to \$193.8 million from \$176.3 million in 2006. EBITDA for fourth quarter 2007 was \$50.3 million, an increase of 19% compared to \$42.3 million for fourth quarter 2006.

Franchising revenues and total revenues increased 12% and 14%, respectively for full-year 2007 compared to the same period in 2006. Franchising revenues increased 14% and total revenues increased 19% for fourth quarter 2007 compared to the same period of 2006.

Franchising margins for full-year 2007 were 62.5% compared to 63.1% for the same period of 2006. Franchising margins for full-year 2007 reflect the impact of \$3.7 million of termination benefits for certain executive officers and the commencement of direct franchising operations in continental Europe.

Domestic unit growth increased 5.6 percent for full-year 2007.

Domestic system-wide revenue per available room (RevPAR) increased 4.0% for full-year 2007 and 4.7% for fourth quarter 2007 compared to the same periods in 2006. Domestic RevPAR for the company's mid-scale without food and beverage brands (Comfort Inn, Comfort Suites and Sleep Inn), which represent approximately half of the company's domestic rooms online, increased 5.2% for both full-year and fourth quarter 2007.

New domestic hotel franchise contracts for full-year 2007 increased 7% to a record 770. Fourth quarter new domestic hotel franchise contracts increased 13% to 301 compared to fourth quarter 2006.

The number of domestic hotels under construction, awaiting conversion or approved for development increased 17% to 1,004 hotels representing 79,342 rooms, the worldwide pipeline increased 18% to 1,093 hotels representing 87,982 rooms.

"2007 was another very strong year for the company, as we continued to successfully execute our strategy of profitably growing our franchise system and domestic market share of branded hotel rooms," said Charles A. Ledsinger, Jr., vice chairman and chief executive officer. "We achieved another record year for new domestic hotel franchise contract sales, which highlights our ability to attract owners to our family of ten powerful brands by leveraging our size, scale, and distribution to deliver guests and create opportunities for our franchisees to achieve exceptional returns on their investment."

Items Affecting Comparability

Fourth Quarter 2006 Acquisition of Continental Europe Franchising Operations

During the fourth quarter of 2006, the company terminated the master franchising agreement covering continental Europe and acquired the direct franchising operations in this region from the former master franchisor. As a result of the acquisition, franchising revenues and selling, general and administrative costs for the three months ended December 31, 2007 increased approximately \$0.5 million and \$0.7 million, respectively, compared to fourth quarter 2006. Franchising revenues and selling, general and administrative costs for the full-year 2007 increased approximately \$3.3 million and \$3.3 million, respectively, compared to the same period in 2006.

Outlook for 2008

The company's first quarter 2008 diluted EPS is expected to be \$0.26. The company expects full year 2008 diluted EPS of \$1.87. Earnings before interest, taxes, depreciation and amortization ("EBITDA") for full-year 2008 is expected to be approximately \$207 million. These estimates include the following assumptions.

The company expects net domestic unit growth of approximately 5% in 2008,

RevPAR is expected to increase approximately 2% for first quarter 2008 and approximately 3% for full-year 2008,

The effective royalty rate is expected to increase 4 basis points for full-year 2008,

All figures assume the existing share count and an effective tax rate of 36% for first quarter 2008 and 36.5% for full-year 2008

Use of Free Cash Flow

The company has consistently used its free cash flow (cash flow from operations less capital expenditures) generated from its operations to return value to shareholders, primarily through share repurchases and dividends.

For the year ended December 31, 2007, the company paid \$40.1 million of cash dividends to shareholders. The annual dividend rate per common share is \$0.68.

For the three months ended December 31, 2007, the company purchased approximately 0.8 million shares of its common stock at an average price of \$36.16 for a total cost of \$28.7 million under its share repurchase program.

For the year ended December 31, 2007, the company purchased approximately 4.9 million shares of its common stock at an average price of \$37.47 for a total cost of \$184 million. At December 31, 2007, the company had authorization to purchase up to an additional 3.2 million shares under the share repurchase program. Repurchases will continue to be made in the open market and through privately negotiated transactions subject to market and other conditions. No minimum number of shares has been fixed. Since Choice announced its stock repurchase program on June 25, 1998, the company has repurchased 38.6 million shares of its common stock for a total cost of \$895.9 million through December 31, 2007. Considering the effect of a two-for-one stock split in October 2005, the company has repurchased 71.5 million shares under the share repurchase program at an average price of \$12.52 per share.

The company expects to continue to return value to its shareholders through a combination of share repurchases and dividends, subject to market and other conditions.

This article comes from Hotel News Resource

<http://www.hotelnewsresource.com>

The URL for this story is:

<http://www.hotelnewsresource.com/article31183.html>

© 1998 - 2008 Nevistas and the author.

Brought to you by Hotel News Resource

Distribute your news on our Network

See what all the buzz is about at:

http://www.hotelnewsresource.com/Info-news_account_info.html