

Choice Hotels Reports Second Quarter 2008 Adjusted Diluted EPS of \$0.49, Domestic Unit Growth of 6.2%
2008-07-30

Choice Hotels International, Inc., (NYSE:CHH) reported the following highlights for second quarter 2008

- Adjusted diluted earnings per share ("EPS") for second quarter 2008 were \$0.49, a 14% increase compared to \$0.43 in the same period of the prior year. Diluted EPS were \$0.43 for second quarter 2008 compared to \$0.43 for second quarter 2007. Adjusted diluted EPS for second quarter 2008 excludes a \$3.8 million after-tax charge (approximately \$0.06 diluted EPS) resulting from the previously announced acceleration of the Company's management succession plan.
- Adjusted earnings before interest, taxes and depreciation ("Adjusted EBITDA") increased 7% to \$52.8 million for second quarter 2008, compared to \$49.5 million for second quarter 2007. Operating income for second quarter 2008 was \$44.6 million compared to \$47.4 million for second quarter 2007. Adjusted EBITDA for second quarter 2008 excludes a \$6.1 million charge resulting from the acceleration of the Company's management succession plan discussed above.
- Domestic unit growth increased 6.2 percent from June 30, 2007.
- Domestic system-wide revenue per available room (RevPAR) increased 0.7% for second quarter 2008 compared to the same period of the prior year.
- The effective royalty rate increased 6 basis points to 4.20% for the three months ended June 30, 2008 compared to 4.14% for the same period of the prior year.
- Franchising revenues increased 8% and total revenues increased 7% for second quarter 2008 compared to the same period in 2007. Year to date franchising revenues and total revenues increased 10% and 9%, respectively compared to the same period of 2007.
- Executed 198 new domestic hotel franchise contracts during the second quarter of 2008, an increase of 13% compared to 176 for second quarter 2007. Overall, year to date, new domestic hotel franchise contracts executed increased 15% to 331 compared to 287 in the same period of the prior year.
- The number of domestic hotels under construction, awaiting conversion or approved for development increased 16% to 992 hotels representing 80,292 rooms, the worldwide pipeline increased 16% to 1,096 hotels representing 89,116 rooms.

"The continued appeal of Choice's brands to the development community manifested itself in the second quarter as the company achieved strong domestic unit growth and franchise sales results," said Stephen P. Joyce, president and chief executive officer. "While the near term domestic RevPAR environment is challenging, we believe that Choice's franchise business model, strong brands and strong balance sheet position us well for continued success. I am excited about the opportunities to grow our brands both domestically and internationally and to deploy our capital in ways that create value for our shareholders."

Outlook for 2008

The company's third quarter 2008 diluted EPS is expected to be \$0.55. The company expects full year 2008 adjusted diluted EPS of \$1.79. Adjusted diluted earnings before interest, taxes, depreciation and amortization ("EBITDA") for full-year 2008 are expected to be approximately \$196.5 million. These estimates include the following assumptions:

- The company expects net domestic unit growth of approximately 5.5% in 2008,
- RevPAR is expected to decline approximately 4.0% for third quarter 2008 and decline approximately 1.5% for full-year 2008,
- The effective royalty rate is expected to increase 5 basis points for full-year 2008,
- All figures assume the existing share count and an effective tax rate of 36.5% for third quarter 2008 and 36.5% for full year 2008,
- All figures exclude a \$6.1 million charge (\$3.8 million after-tax and approximately \$0.06 diluted EPS) resulting from the previously announced acceleration of the Company's management succession plan.

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 six months ended June 30, 2008, the company paid \$21 million of cash dividends to shareholders. The annual dividend rate per common share is \$0.68.

The company has 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 share repurchases 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 July 25, 2008. 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.

Our Board has authorized us to enter into programs which permit us to offer financing, investment and guaranty support to qualified franchisees to incent multi-unit franchise development in top markets. We expect to opportunistically deploy this capital over the next several years. Our current expectation is that our annual investment in these programs would range from \$20 to \$40 million beginning in 2009 (2008 investment in these programs is not expected to be significant), depending on market and other conditions. In addition to these programs, the company expects to continue to return value to its shareholders through a combination of share repurchases and dividends, also subject to market and other conditions.

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