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Choice Hotels International Inc. Q1 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) We will go to Steve Kent with Goldman Sachs. Please go ahead.

Steve Kent - Goldman Sachs

Yeah. Could you talk about the low RevPAR forecast for the balance of the year? What makes you do that today versus four months ago? I think the obvious answer is the economy, but is there anything specific that's happening out there? And then, can you just as we have talked about credit market issues? How that's affecting your pipeline of the development?

Chuck Ledsinger

Yeah, sure Steve. Let me have Dave take the RevPAR question because we are basing that on some of the forecast that were out there. We don't have, as you know, a whole lot of visibility very far out, as far as the forward book of business. I think we are being more reactive to what some of the prognosticators are saying in looking at the year. And then I'll talk about the credit markets. So, Dave, you want to??

Dave White

Yeah, sure Chuck. Thank you. Back in February when we provided our previous guidance, the industry RevPAR forecast that we were looking at were for full year RevPAR growth of around 4.5%. This was industry wide and I think the growth rate for the segments were weak. PE was pretty comparable to that. We haven't seen an updated forecast from that source but we know that the original forecast assumed Q1 industry have RevPAR growth around 3.5%. Since the first quarter industry wide RevPAR growth was close to 2%, we think there is a good chance that updated forecast for full year '08 will be a little bit lower. We adjusted our outlook accordingly, but as Chuck said, we don't have tremendous visibility into kind of forward bookings. This is because the nature of our consumers is skewing more towards transient and leisure business. This is from a mix perspective relative to the some of the other changes that have a higher percentage of kind of forward group-booking business. For the balance of the year we kind of take our RevPAR guidance about 2% down from 3% than our previous guidance.

Steve Kent - Goldman Sachs

And are your franchises starting to talk to you about any marketing programs that focus on may be giving back gas rebate and checks or discounts and many of that. Is there a sort of a push from given the franchise base for the end customer about those kinds of issues?

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