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Choice Hotels International Q4 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) Our first question will come from the line of Steve Kent with Goldman Sachs. Please go ahead.

Steve Kent - Goldman Sachs

Good morning. Just a couple things, given the lower RevPAR expectations for the industry, and just what appears to be an increasingly more difficult environment for RevPAR gains, are you seeing any of your competition get more lenient on franchise pricing just to lock in some unit growth in this environment?

Chuck Ledsinger

Steve, I'll answer that question by saying not that I'm aware of. So, I haven't heard that from our sales force. So, Dave I don't if you heard?

Dave White

I haven't heard anything different.

Chuck Ledsinger

Yeah, I don't think so. I think we just haven't seen that this really hasn't been an issue.

Steve Kent - Goldman Sachs

Okay. Then just as the usual question, given the cash flow, given the balance sheet, any new thoughts on dividend or share buyback or something along those lines?

Chuck Ledsinger

I'll give you the usual answer. It's a great business. We generated excess cash and we're continuing to look for opportunities to expand the business. And if we can't find profitable ways, that we think makes sense for the long run, we will continue to repurchase shares, and continue to pay dividends. So, there's really no different strategy there, Steve.

Steve Kent - Goldman Sachs

Okay, thanks.

Chuck Ledsinger

Sure.

Operator

Our next question is from David Katz with Oppenheimer. Go ahead please.

David Katz - Oppenheimer

Hi, good morning.

Chuck Ledsinger

Hi, Dave.

David Katz - Oppenheimer

The unit growth I think your unit growth guidance actually went up a little bit?

Chuck Ledsinger

Yes.

David Katz - Oppenheimer

This quarter and just looking for some color on what the drivers that are? Is it a more new construction, the conversion, what's behind that?

Chuck Ledsinger

It's really based on our visibility to the pipeline, and what we know is in the ground and what's going to open next year. So, I think we feel that we had a good, strong, solid '07, and we think that will continue into '08 just based on the analysis of the pipeline. We've sold more new construction projects, but we are not looking at those projections. We're looking at things that are in the ground, under construction now.

David Katz - Oppenheimer

Right and so I guess part of what I'm getting at is, are conversions starting to accelerate? Don't we usually see that as a dynamic at some point in the cycle?

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