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Choice Hotels International Q3 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) And our first question this morning comes from the line of William, Truelove with UBS.

William Truelove - UBS

Maybe David can take a shot at this question. On leverage ratios, where do you want to target eventually or what do you feel you are happy in terms of your leverage ratios? Where do you see the company being in the next few years? What's the good range, so we can try to model potentially what you might be buying in stock and additions going forward? Thanks.

Dave White

We don't have any specific target of leverage levels that we feel we have to maintain on the balance sheet if you will. If you look back over the past five or six years that the share repurchase program has been into place, we've certainly been comfortable with leverage level up to three, three and a quarter.

So, we're not uncomfortable with those levels. I think the credit rating agencies are comfortable with us in that range as well, maintaining our investment and great credit rating.

So, the share repurchase program I think that nothing has changed there in terms of our philosophy that, if we have excess capital, excess cash, we will return that over a long period of time to our shareholders through the dividend or the share repurchase programs.

Our first preference would be to continue to use it to grow the business, but we'll do the right thing from the shareholder perspective with their cash over time.

Operator

And our next question then comes from the line of David Katz with CIBC World Markets.

David Katz - CIBC World Markets

Nice job on the quarter. I know we keep asking this question and I think we know what the answer is, but I'm just going to keep asking it anyway. Just in case the answer changes, but are you perceiving or seeing anything that's showing up in your business in terms of weakness on the consumer, weakness from gas prices. The perception out there seems to be, that companies like Choice and the

categories that you are in are susceptible to consumer trends that are out there. So like I said I'll just keep asking it just in case something does show up in your business.

Charles Ledsinger

It's a good question Dave. And to be honest with you, not really. The main thing is we're not only just RevPAR growth we're unit growth. So it seems like, if look back historically kind of what happens is is that we play the cycles and we're a very good defensive play, but we also do well in the up cycles too.

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