

Seeking Alpha α

Choice Hotels International, Inc. 2009 Guidance Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Patrick Scholes - Friedman, Billings, Ramsey & Co.

Patrick Scholes - Friedman, Billings, Ramsey & Co.

A question on your negative 6% RevPAR expectations for next year. What is your stance on that playing out quarterly? Is it correct to assume that you think that the back half of next year that easy comps will be beginning to help you out?

Stephen P. Joyce

The general view is it starts out tougher and then improves over the year, both with easier comps, but also we are hoping that the overall environment picks up somewhat.

The general view is there is a certain amount of hysteria in the performance today, that as people begin to get accustomed to the environment, they will take a deep breath and begin traveling more. And so it's both a combination of we're hoping some improved actual performance, but then also obviously the easier comps come into play.

Patrick Scholes - Friedman, Billings, Ramsey & Co.

Drilling down a little more on your RevPAR expectations, with that 6% being sort of a weighted average of your brands, how would you break that out between mid-scale versus economy?

David L. White

What I would look at is, we spent a lot of time looking at the Price Waterhouse forecast for 2009, so if you look at what they are forecasting for mid-scale, with F&B, they're down 6.3%. The economy brands segment is down about 5.9% and then the mid-scale without food and beverage is down just a little bit less, down 4%.

So, we skew a little bit more towards kind of economy and the mid-scale with F&B numbers. What I would recommend is you go back and look at how our RevPAR indexes against Smith Travel on a blended basis and you can kind of back into our thinking there.

Stephen P. Joyce

I think the other thing to keep in mind is when you look at some of the other companies' projected declines for 2009 you will see a number of them higher. Most of those companies have significant exposure to the upper upscale and luxury segment, which are clearly bearing the brunt of the downturn.

Patrick Scholes - Friedman, Billings, Ramsey & Co.

When I look at your expectations for unit growth, in 2008 it was 5.5%, next year 3.5%. It seems a little bit more of a steeper drop off than I would have expected considering most industry expectations are for actually supply growing at a slight greater level in 2009 than 2008. Is that because you have greater expectations for last minute conversions in there? What are your thoughts on that?

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