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## Choice Hotels International, Inc. Q1 2009 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions) Your first question comes from Steve Kent – Goldman Sachs.

#### Steve Kent – Goldman Sachs

Just two questions for you. Could you just talk—I know it's hard for you to exactly get the answer to this—but any update or color on the health of your franchisees. Obviously they're not so keen on maybe building new hotels, but how about just making their way through the next two years. Are there any that you're concerned about or do you hear more of them, that you're concerned about them, from a leverage perspective.

And the international business, you know that pipeline has been shrinking a little bit, and the numbers have been shrinking a little bit. What initiatives do you have in place to start to rejuvenate that group of hotels?

#### Stephen P. Joyce

On the health of the franchisees, that's actually, again, one of the real bright points for us versus some others. In general, we believe our franchisees have relatively low levels of leverage compared to other hotels and that is part due to kind of the history of lending in the moderate lower tier environment as well as the character of our franchisees, who are typically putting in heavy amounts of equity into their deals.

And so while we have had some incremental conversations with some folks needing assistance, the relative levels of our leverage allow our franchisees to operate profitably and being able to cover their debt service at significantly lower occupancies than you kind of see for the rest of the industry.

We are obviously monitoring this very closely but I can tell you, our days credit sales outstanding and our receivables and everything have not changed significantly at all. There are some folks that we assist on a one-off basis. That has not been a dramatic increase, either. And so we obviously will continue to monitor that.

But for the most part that is a big plus for us in this downturn, that our franchisees are not—you know, this is their livelihood. They own one or two hotels, they are typically operating the hotels themselves. They did not get into the leverage games that were played by a number of investors and developers coming in late into the cycle.

And as a result, we will probably deal with a few more cases this year than we did last year, but don't expect anything significant along those lines at this point.

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