

## **Choice Hotels Reports 2nd Quarter Recurring Net Income of \$14.3 Million; Recurring Diluted EPS of \$0.27**

PRNewswire  
SILVER SPRING, Md.

Choice Hotels International, Inc. today reported second quarter 2000 recurring net income of \$14.3 million, or \$0.27 recurring diluted earnings per share (EPS), compared to the \$14.5 million in recurring net income and \$0.26 recurring diluted EPS reported for second quarter 1999.

"Although our second quarter growth was essentially flat, we are encouraged by our strong domestic RevPAR performance and the almost 10% growth in royalty revenues," said Charles A. Ledsinger, Jr., president and chief executive officer. "The margins, however, were negatively impacted by costs associated with our various Internet initiatives and severance costs associated with the recent outsourcing of the company's information technology support function."

He continued, "We are enjoying a strong summer season, setting new records for the revenues booked through Choice 2001, our central reservations system. In fact, for the first time ever, we exceeded the \$7 million mark for a single day three times and recorded 29 days exceeding \$6 million, more than double the number of \$6 million days in the previous year. Bookings through Choice's web site have generated more than \$43 million in the first six months of this year, a 130% increase over the same period a year ago."

The company reported royalty revenues of \$34.3 million for second quarter 2000, compared to \$31.3 million for second quarter 1999, an increase of 9.8%. Domestic revenue per available room (RevPAR) increased 5.6% from \$35.47 in second quarter 1999 to \$37.47 in the quarter just ended.

For the first six months of 2000, Choice reported recurring net income of \$24.2 million or \$0.45 recurring diluted EPS versus recurring net income of \$24.1 million and \$0.43 recurring diluted EPS reported for the first six months of 1999.

Royalty revenues for the first half of 2000 increased 7.5% to \$59.2 million from the \$55.1 million for the same period a year ago. The system-wide domestic effective royalty rate increased eight basis points for the first six months of 2000 to 3.71% from 3.63% for the same period a year ago. Domestic RevPAR also was up 3.3% from \$31.23 for the first half of 1999 to \$32.27 for the first six months of 2000.

### System Growth

As of June 30, 2000, the total number of Choice hotels worldwide on-line grew 5.3% to 4,303 from 4,088 as of the same date a year ago. As of the same date, the total number of rooms worldwide increased 4.9% to 343,511 from 327,505 as of the same date a year ago.

As of June 30, 2000, the company had 685 franchised hotels with 58,191 rooms either in design or under construction in its worldwide hotel system.

Friendly Investment

Choice is continuing to review its strategic options with respect to its investment in Friendly Hotels plc, the company's master franchisor for the United Kingdom, Ireland and continental Europe. Such options may include discussions with the board of Friendly, which may lead to a capital restructuring of Friendly and amendments to the master franchise agreement with Choice.

It is possible that such actions could result in a write down or deferral of certain amounts due to Choice and other Choice assets related to Friendly, which currently represent a total net investment of approximately \$48 million. Any write down or deferral so made is not expected to be material to Choice's cash flow or financial condition.

### Sunburst Agreement

Choice and Sunburst Hospitality Corporation exercised their rights under a previously negotiated "put/call" agreement related to three of Sunburst's MainStay Suites hotels. Sunburst will transfer title to these properties to Choice as consideration for \$16.3 million of the \$149 million amount due to Choice under Sunburst's subordinated note. The fair market value of these assets is approximately \$12.2 million. Accordingly, Choice has recognized a pre-tax loss on early prepayment of note of \$4.1 million in the quarter ended June 30, 2000.

### Notable Events

Among the notable company events occurring since the previous earnings report:

- \* Continuation of the stock repurchase program announced June 25, 1998. The company has purchased 8.7 million shares of common stock at a total cost of \$123.6 million, as of July 27, 2000, and has remaining authority to acquire up to 5.1 million shares.
- \* ChoiceBuys.com, the company's on-line purchasing system for franchisees, was named one of the 200 most promising business-to-business (B2B) web sites by Forbes.com in its first annual Best of the Web:B2B guide.
- \* Promoted Daniel Rothfeld to senior vice president, e-commerce and emerging business opportunities, and named Thomas F. Hall vice president of emerging brands.

Choice Hotels International is the second-largest hotel franchisor in the world with 4,303 hotels open, representing 343,511 rooms, and another 685 hotels under development, representing 58,191 rooms, in 39 countries, as of June 30, 2000. Its Comfort, Quality, Clarion, Sleep Inn, Econo Lodge, Rodeway Inn and MainStay Suites brands serve guests worldwide.

Certain matters discussed in this press release may constitute forward-looking statements within the meaning of the federal securities law. Such statements are based on management's beliefs, assumptions and expectations, which in turn are based on information currently available to management. Actual performance and results could differ from those expressed in or contemplated by the forward-looking statements due to a number of risks, uncertainties and other factors, many of which are beyond Choice's ability to predict or control. For further information on factors that could impact Choice and the statements contained therein, we refer you to the filings made by Choice with the Securities and Exchange Commission, including its registration statement on Form S-4 and report on Form 10-Q for the period ended June 30, 1999.

Additional corporate information may be found on the Choice Hotels' internet site, which may be accessed at <http://www.choicehotels.com/>

Comfort, Quality, Clarion, Sleep Inn, Econo Lodge, Rodeway Inn, MainStay Suites and ChoiceBuys.com are registered trademarks and service marks of Choice Hotels International Inc.

Choice Hotels International, Inc.  
Consolidated Balance Sheets

(In thousands)	June 30, 2000 (Unaudited)	December 31, 1999
<b>ASSETS</b>		
Cash and cash equivalents	\$17,573	\$11,850
Other current assets	30,958	30,072
Total current assets	48,531	41,922
Fixed assets and intangibles, net	165,538	166,062
Note receivable from Sunburst Hospitality, net	145,421	141,853
Investments and other	136,222	114,821
<b>Total assets</b>	<b>495,712</b>	<b>464,658</b>
<b>LIABILITIES</b>		
Current portion of long-term debt	49,446	44,646
Other current liabilities	33,530	45,012
Total current liabilities	82,976	89,658
Long-term debt	286,719	262,710
Deferred income taxes and other	54,466	46,674
<b>Total liabilities</b>	<b>424,161</b>	<b>399,042</b>
<b>Total shareholders' equity</b>	<b>71,551</b>	<b>65,616</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$495,712</b>	<b>\$464,658</b>

Choice Hotels International, Inc.  
Consolidated Statements of Income  
(Unaudited)

(In thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30, 2000	June 30, 1999	June 30, 2000	June 30, 1999
<b>Revenues</b>				
Royalty fees	\$34,328	\$31,274	\$59,213	\$55,073
Initial franchise fees and relicensing fees	3,435	3,744	6,782	6,593
Partner service revenue	2,088	2,092	4,386	3,808
Other	1,314	1,565	2,429	2,147
<b>Total revenues</b>	<b>41,165</b>	<b>38,675</b>	<b>72,810</b>	<b>67,621</b>
<b>Operating expenses</b>				
Selling, general and administrative	14,071	12,637	26,299	23,614
Depreciation and amortization	3,053	1,625	5,555	3,303
<b>Total operating expenses</b>	<b>17,124</b>	<b>14,262</b>	<b>31,854</b>	<b>26,917</b>

Operating income	24,041	24,413	40,956	40,704
Other				
Interest and dividend income	(5,219)	(5,141)	(10,119)	(9,842)
Interest expense and other	5,917	5,179	11,568	10,063
Equity Loss-Friendly Hotels	164	95	1,889	190
Loss on early prepayment of note	4,100	-	4,100	-
Gain on sale of stock	-	-	-	(1,260)
Total other	4,962	133	7,438	(849)
Income before income taxes	19,079	24,280	33,518	41,553
Income taxes	7,441	9,749	13,072	16,744
Net income	\$11,638	\$14,531	\$20,446	\$24,809

Recurring net income(a) \$14,297 \$14,531 \$24,182 \$24,059

Weighted average shares outstanding	53,092	54,998	53,038	55,449
Diluted shares outstanding	53,534	55,809	53,688	56,153
Diluted earnings per share	\$0.22	\$0.26	\$0.38	\$0.44
Diluted recurring earnings per share	\$0.27	\$0.26	\$0.45	\$0.43

(a)Recurring net income excludes the impact of the Equity loss-Friendly Hotels and the Loss on early prepayment of note.

CHOICE HOTELS INTERNATIONAL  
SUPPLEMENTAL OPERATING INFORMATION BY BRAND  
DOMESTIC HOTEL SYSTEM  
(UNAUDITED)

	For the Quarter Ended		Six Months Ended	
	June 30,		June 30,	
	2000	1999	2000	1999

COMFORT INN

Hotels	1,265	1,196	1,265	1,196
Rooms	99,124	92,990	99,124	92,990
Avg. Daily Rate (ADR)	\$60.53	\$57.55	\$58.91	\$56.18
Occupancy %	65.2%	65.6%	57.8%	59.0%
RevPAR	\$39.47	\$37.76	\$34.07	\$33.14

COMFORT SUITES

Hotels	250	207	250	207
Rooms	20,141	16,902	20,141	16,902
Avg. Daily Rate (ADR)	\$71.37	\$69.24	\$70.21	\$68.36
Occupancy %	68.5%	68.9%	62.3%	63.8%
RevPAR	\$48.89	\$47.69	\$43.75	\$43.58

QUALITY

Hotels	432	435	432	435
Rooms	48,990	50,419	48,990	50,419
Avg. Daily Rate (ADR)	\$63.72	\$61.32	\$61.55	\$59.73
Occupancy %	59.5%	60.2%	52.2%	53.9%
RevPAR	\$37.88	\$36.93	\$32.11	\$32.17

**CLARION**

Hotels	113	112	113	112
Rooms	18,892	19,022	18,892	19,022
Avg. Daily Rate (ADR)	\$82.61	\$73.08	\$79.82	\$71.92
Occupancy %	62.4%	61.7%	55.0%	56.4%
RevPAR	\$51.51	\$45.06	\$43.87	\$40.56

**SLEEP**

Hotels	247	210	247	210
Rooms	18,825	16,123	18,825	16,123
Avg. Daily Rate (ADR)	\$55.38	\$53.71	\$53.96	\$52.34
Occupancy %	62.6%	62.8%	55.1%	56.2%
RevPAR	\$34.65	\$33.72	\$29.73	\$29.41

**MAINSTAY**

Hotels	32	26	32	26
Rooms	2,958	2,409	2,958	2,409
Avg. Daily Rate (ADR)	\$62.76	\$56.62	\$60.94	\$56.00
Occupancy %	71.6%	66.1%	65.9%	59.4%
RevPAR	\$44.93	\$37.41	\$40.17	\$33.27

**ECONO LODGE**

Hotels	682	690	682	690
Rooms	42,906	44,015	42,906	44,015
Avg. Daily Rate (ADR)	\$45.13	\$43.82	\$43.67	\$42.56
Occupancy %	53.8%	54.6%	47.7%	48.9%
RevPAR	\$24.29	\$23.91	\$20.83	\$20.82

**RODEWAY**

Hotels	155	181	155	181
Rooms	10,209	11,371	10,209	11,371
Avg. Daily Rate (ADR)	\$46.26	\$44.06	\$44.76	\$42.61
Occupancy %	51.1%	50.1%	45.9%	46.2%
RevPAR	\$23.62	\$22.07	\$20.53	\$19.70

**TOTAL CHOICE - DOMESTIC**

Hotels	3,176	3,057	3,176	3,057
Rooms	262,045	253,251	262,045	253,251
Avg. Daily Rate (ADR)	\$60.68	\$57.36	\$58.93	\$56.05
Occupancy %	61.8%	61.8%	54.8%	55.7%
RevPAR	\$37.47	\$35.47	\$32.27	\$31.23

SOURCE: Choice Hotels International

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