

## **Choice Hotels Reports 2000 Results; Recurring Diluted EPS Increases 7%**

PRNewswire  
SILVER SPRING, Md.

Choice Hotels International, Inc. today reported 2000 recurring net income of \$58.4 million, or \$1.10 recurring diluted earnings per share (EPS), increases of 2.0% and 6.8% respectively, over the \$57.2 million in recurring net income and \$1.03 recurring diluted EPS reported for 1999. The company reported recurring net income of \$14.8 million for the fourth quarter 2000, as well as fourth quarter 1999. Recurring diluted EPS was \$0.28 for the fourth quarter 2000, compared to \$0.27 for the same period a year ago. These results exclude certain charges related to previously announced actions, which are discussed below.

Net income for 2000, including the impact of the settlement of the Sunburst Hospitality receivable, a company-wide restructuring and Choice's investment in Friendly Hotels plc, was \$42.4 million or \$0.80 diluted EPS, compared to \$57.1 million in net income and \$1.03 diluted EPS for 1999. For fourth quarter 2000, net income was \$2.5 million or \$0.05 diluted EPS, compared to \$14.0 million and \$0.26 for the same period a year ago.

Recurring earnings before interest, taxes, depreciation and amortization (EBITDA) increased to \$109.7 million for the year, an increase of 7.7% over the \$101.9 million for 1999. EBITDA margins increased to 65.5% for 2000 from 64.6% for 1999.

The company reported royalty revenues of \$137.7 million for 2000, compared to \$128.7 million for 1999, an increase of 7.0%. For fourth quarter 2000, royalty revenues were \$35.1 million, a 6.0% increase over the \$33.1 million for the same period in 1999.

"2000 proved to be a pivotal year in getting the company better positioned for future growth" said Charles A. Ledsinger, Jr., president and chief executive officer. "The settlement of the Sunburst receivable strengthens our balance sheet considerably. As a result, we have more capability to build our core business and to capitalize on new development opportunities. We also continue to aggressively buy back shares of our common stock, with our Board authorizing an additional five million shares just last week."

He added, "In our hotel franchising business, we enjoyed another good year for unit growth, executing almost 300 new domestic contracts and opening more than 300 new properties. In addition, we ended the year with nearly 500 projects under development."

As previously disclosed, the company recorded certain charges in the fourth quarter related to the settlement of the Sunburst receivable, a corporate-wide restructuring and its investment in Friendly Hotels.

Choice recognized a \$5.6 million charge related to the company's domestic and international operations reorganization. The restructuring will improve service and support to its franchisees and create a more focused and competitive overhead structure. The restructuring charges also include the costs related to the termination of an in-room Internet initiative launched earlier in the year.

In January 2001, the company received from Sunburst approximately \$102 million in cash and an 11-3/8% seven-year senior subordinated note in the amount of \$35 million. For the year 2000, the company recognized a loss of \$7.6 million on the monetization of the

Sunburst note.

In Europe, Friendly Hotels plc announced a comprehensive restructuring program to strengthen its balance sheet, improve its operations and accelerate growth of its franchising business. Elements of the restructuring include a revaluation of its real estate portfolio, disposal of non-core assets, restructuring of its banking arrangements and certain commercial arrangements with Choice, and a strengthened management team. Choice recorded an equity loss of \$12.1 million associated with this restructuring for the year 2000. The company is required to recognize changes in Friendly's book value as an equity adjustment to its recorded investment.

## System Growth

In 2000, the total number of domestic Choice hotels on-line grew 3.9% to 3,244 from 3,123 for 1999. For the year, the total number of domestic hotel rooms increased 3.0% to 265,962 from 258,120 in 1999. Choice executed 298 new domestic hotel franchise contracts in 2000 and opened a total of 274 domestic hotels. At the end of 2000, Choice had 493 hotels under development in its domestic hotel system, representing 39,539 rooms.

As of December 31, 2000, the total number of Choice hotels worldwide grew 3.4% to 4,392 from 4,248 as of the same date a year ago. This represents an increase of 3.6% in the number of rooms open of 350,351 from 338,254.

Domestic revenue per available room (RevPAR) increased 4.4% from \$35.17 in 1999 to \$36.72 for 2000. For fourth quarter 2000, RevPAR increased 4.7% from \$34.94 to \$36.59.

For the year 2000, the effective royalty rate increased 5 basis points from 3.80% to 3.85%. In fourth quarter 2000, the effective royalty increased from 3.86% to 3.89%.

## Notable Events

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

- \* Authorization for an additional repurchase of up to five million shares of common stock. Since the Board first authorized a share repurchase program in October 1997, the company has repurchased approximately 16 million shares. Currently there are approximately 45 million shares of common stock outstanding.
- \* Selection of Arnold Worldwide/Washington as the company's agency of record to create a new marketing campaign for the company's hotel brands.

Choice Hotels International is the second-largest hotel franchisor in the world with 4,392 hotels open, representing 350,351 rooms, and another 703 hotels under development, representing 60,927 rooms, in 43 countries, as of December 31, 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 Statements of Income  
(Unaudited)

(In thousands, except per share amounts)

	Three Months Ended		For the Year Ended	
	December	December	December	December
	31,	31,	31,	31,
	2000	1999	2000	1999
Revenues				
Royalty fees	\$35,117	\$33,109	\$137,721	\$128,653
Initial franchise fees and relicensing fees	2,092	4,016	12,154	13,910
Partner service revenue	3,783	2,892	10,300	9,055
Other	3,556	3,640	7,297	6,111
Total revenues	44,548	43,657	167,472	157,729
Operating expenses				
Selling, general and administrative	16,998	17,051	57,780	55,860
Restructuring charges	5,637	--	5,637	--
Depreciation and amortization	3,238	2,694	11,623	7,687
Total operating expenses	25,873	19,745	75,040	63,547
Operating income	18,675	23,912	92,432	94,182
Other				
Interest and dividend income	(3,849)	(4,478)	(15,534)	(17,146)
Interest expense and other	4,371	4,349	18,495	16,409
Equity loss-Friendly Hotels	10,291	175	12,071	380
Loss on note-Sunburst	3,465	--	7,565	--
Loss on investment	-	1,328	--	1,328
Loss of sale of property	254	--	253	--
Gain on sale of stock	--	--	--	(1,260)
Total other	14,532	1,374	22,850	(289)
Income before income taxes	4,143	22,538	69,582	94,471
Income taxes	1,616	8,529	27,137	37,316
Net income	\$2,527	\$14,009	\$42,445	\$57,155
Recurring net income (a)	\$14,786	\$14,839	\$58,373	\$57,236
Weighted average shares outstanding	52,512	53,957	52,895	54,859
Diluted shares outstanding	52,827	54,830	53,253	55,667
Diluted earnings per share	\$0.05	\$0.26	\$0.80	\$1.03
Diluted recurring earnings per share (a)	\$0.28	\$0.27	\$1.10	\$1.03

(a) Recurring net income and diluted recurring earnings per share exclude the impact of the equity loss-Friendly Hotels, the loss on note-Sunburst, loss on investment, loss of sale of property, gain on sale of stock, and restructuring charges.

Choice Hotels International, Inc.  
Consolidated Balance Sheets

(In thousands)	December 31, 2000 (Unaudited)	December 31, 1999
<b>ASSETS</b>		
Cash and cash equivalents	\$19,701	\$11,850
Other current assets	32,386	30,072
Total current assets	52,087	41,922
Fixed assets and intangibles, net	174,772	166,062
Note receivable from Sunburst Hospitality	137,492	141,853
Investments and other	119,770	114,821
Total assets	484,121	464,658
<b>LIABILITIES</b>		
Current portion of long-term debt	50,046	44,646
Other current liabilities	43,784	44,097
Total current liabilities	93,830	88,743
Long-term debt	247,179	262,710
Deferred income taxes and other	53,020	47,589
Total liabilities	394,029	399,042
Total shareholders' equity	90,092	65,616
Total liabilities and shareholders' equity	\$484,121	\$464,658

Choice Hotels International  
Supplemental Operating Information by Brand  
Domestic Hotel System  
(Unaudited)

	For the Quarter Ended December 31, 2000		For the Year Ended December 31, 1999	
COMFORT INN				
Hotels	1,291	1,246	1,291	1,246
Rooms	100,988	97,592	100,988	97,592
Avg. Daily Rate (ADR)	\$62.00	\$58.95	\$62.03	\$59.09
Occupancy %	63.4%	64.1%	63.2%	64.2%
RevPAR	\$39.29	\$37.79	\$39.18	\$37.91
Effective Royalty Rate	4.31%	4.28%	4.27%	4.21%
COMFORT SUITES				
Hotels	277	224	277	224
Rooms	21,773	18,135	21,773	18,135
Avg. Daily Rate (ADR)	\$71.50	\$69.14	\$71.89	\$69.70
Occupancy %	65.6%	65.9%	66.0%	66.7%
RevPAR	\$46.87	\$45.57	\$47.47	\$46.48
Effective Royalty Rate	4.64%	4.60%	4.64%	4.57%
QUALITY				
Hotels	436	431	436	431
Rooms	49,191	49,331	49,191	49,331
Avg. Daily Rate (ADR)	\$63.07	\$60.22	\$64.05	\$61.58
Occupancy %	57.7%	56.9%	57.6%	57.8%

RevPAR	\$36.38	\$34.28	\$36.86	\$35.58
Effective Royalty Rate	3.46%	3.43%	3.44%	3.41%
CLARION				
Hotels	114	112	114	112
Rooms	18,537	18,815	18,537	18,815
Avg. Daily Rate (ADR)	\$80.71	\$78.68	\$81.37	\$75.10
Occupancy %	58.2%	59.6%	58.8%	59.1%
RevPAR	\$46.98	\$46.90	\$47.86	\$44.41
Effective Royalty Rate	2.71%	2.44%	2.57%	2.30%
SLEEP				
Hotels	261	224	261	224
Rooms	20,158	17,199	20,158	17,199
Avg. Daily Rate (ADR)	\$55.85	\$54.10	\$55.82	\$54.01
Occupancy %	59.1%	59.3%	59.6%	60.1%
RevPAR	\$32.99	\$32.07	\$33.25	\$32.45
Effective Royalty Rate	3.88%	3.82%	3.85%	3.82%
MAINSTAY				
Hotels	34	29	34	29
Rooms	3,099	2,681	3,099	2,681
Avg. Daily Rate (ADR)	\$65.91	\$59.99	\$63.69	\$58.87
Occupancy %	70.1%	69.2%	70.0%	66.0%
RevPAR	\$46.17	\$41.53	\$44.59	\$38.88
Effective Royalty Rate	1.18%	3.58%	1.23%	3.50%
ECONO LODGE				
Hotels	684	691	684	691
Rooms	42,611	43,754	42,611	43,754
Avg. Daily Rate (ADR)	\$45.77	\$43.89	\$46.33	\$44.77
Occupancy %	53.1%	52.8%	52.9%	53.8%
RevPAR	\$24.32	\$23.19	\$24.51	\$24.08
Effective Royalty Rate	3.86%	3.84%	3.84%	3.82%
RODEWAY				
Hotels	147	166	147	166
Rooms	9,605	10,613	9,605	10,613
Avg. Daily Rate (ADR)	\$46.57	\$44.96	\$48.25	\$45.66
Occupancy %	50.7%	49.5%	50.3%	50.0%
RevPAR	\$23.60	\$22.26	\$24.25	\$22.83
Effective Royalty Rate	2.87%	2.98%	2.79%	2.79%
TOTAL CHOICE - DOMESTIC				
Hotels	3,244	3,123	3,244	3,123
Rooms	265,962	258,120	265,962	258,120
Avg. Daily Rate (ADR)	\$61.10	\$58.40	\$61.45	\$58.46
Occupancy %	59.9%	59.8%	59.8%	60.2%
RevPAR	\$36.59	\$34.94	\$36.72	\$35.17
Effective Royalty Rate	3.89%	3.86%	3.85%	3.80%

SOURCE: Choice Hotels International

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Website: <http://www.choicehotels.com/>

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