

Choice Hotels Reports 3rd Quarter Net Income Up 6%; Diluted EPS Increases 12%

PRNewswire
SILVER SPRING, Md.

Choice Hotels International, Inc. today reported third quarter 2000 net income of \$19.4 million, or \$0.37 diluted earnings per share (EPS), increases of 5.8% and 12.1% respectively, over the \$18.3 million in net income and \$0.33 diluted EPS reported for third quarter 1999.

Earnings before interest, taxes, depreciation and amortization (EBITDA) increased to \$35.5 million for the quarter, an increase of 11.3% over the \$31.9 million for the third quarter of 1999. EBITDA margins increased to 71.3% for the quarter from 67.7% for the third quarter of 1999.

"As a result of a very strong summer season, our franchised hotels delivered a robust performance this quarter," said Charles A. Ledsinger, Jr., president and chief executive officer. "The continued improvement in our brands' quality and amenities helped attract more guests, resulting in improved room rates. RevPAR gains, improvement in effective royalty rates, successful cost control and room supply additions resulted in solid EBITDA growth and expanding EBITDA margins."

"Revenue on bookings through our central reservations system is up 9% for the year to date, with revenue from global distribution sources up 21% and from our proprietary Internet site up 124%," he added. "Our Web site volume has doubled in the past year, and now represents more than 6% of our bookings, generated almost \$75 million in revenue through September."

He continued, "Looking ahead, the recently announced restructuring of our note from Sunburst Hospitality, under which Choice will receive approximately \$76 million in cash, will significantly strengthen an already solid balance sheet. Choice will be better positioned to take advantage of new growth opportunities and to continue to buy back stock at accretive valuations."

The company reported royalty revenues of \$43.4 million for third quarter 2000, compared to \$40.5 million for third quarter 1999, an increase of 7.2%. The system-wide domestic effective royalty rate also increased from 3.82% in third quarter 1999 to 3.88% for the third quarter of 2000. Domestic revenue per available room (RevPAR) increased 5.6% from \$43.42 in third quarter 1999 to \$45.85 in the quarter just ended.

For the first nine months of 2000, Choice reported recurring net income of \$43.6 million or \$0.82 recurring diluted EPS, increases of 2.8% and 7.9% respectively, over the \$42.4 million and \$0.76 recurring diluted EPS reported for the first nine months of 1999.

Royalty revenues for the first three quarters of 2000 increased 7.4% to \$102.6 million from the \$95.5 million for the same period a year ago. The system-wide domestic effective royalty rate increased 6 basis points for the first nine months of 2000 to 3.84% from 3.78% for the same period a year ago. Domestic RevPAR also was up 4.3% from \$35.24 for the first three quarters of 1999 to \$36.76 for the first nine months of 2000.

System Growth

As of September 30, 2000, the total number of Choice domestic hotels on-line grew 3.6% to 3,234 from 3,121 as of the same date a year ago. This represents an increase of 2.7% in the number of domestic rooms open of 265,906 from 258,892. At the end of the third quarter of 2000, Choice had 488 hotels under

development in its domestic hotel system, representing 39,530 rooms.

At the end of the first nine months of 2000, the total number of Choice hotels worldwide on-line grew 4.6% to 4,371 from 4,179 as of the same period a year ago. As of September 30, 2000, the total number of rooms worldwide increased 4.1% to 349,392 from 335,524 as of the same date a year ago.

As of September 30, 2000, the company had 694 franchised hotels with 61,244 rooms either in design or under construction in its worldwide hotel system.

Sunburst Agreement

Choice and Sunburst Hospitality Corporation reached agreement on September 20, 2000 on the terms of a proposed restructuring of a \$136 million note. Contingent on the closing of Sunburst's announced recapitalization, Choice will receive a cash payment of approximately \$76 million plus additional interest accruing from the date of the agreement until closing.

In addition, Choice will receive a newly issued 11-3/8% seven-year senior subordinated note in the amount of \$60 million, which will contain standard and customary high-yield loan terms and conditions. This new note will contain, among other things, a cash pay interest feature that begins 18 months from issuance.

Friendly Investment

Choice continues 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 \$45 million. Any write down or deferral so made is not expected to be material to Choice's cash flow or financial condition.

Notable Events

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

- * Appointed Wayne Wielgus as senior vice president, marketing, and Gary Thomson, senior vice president and chief information officer.
- * Named Don Brockway, vice president, worldwide reservations operations, and Janna Morrison, vice president, property systems, as officers of the company.

Choice Hotels International is the second-largest hotel franchisor in the world with 4,371 hotels open, representing 349,392 rooms, and another 694 hotels under development, representing 61,244 rooms, in 41 countries, as of September 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)	September 30, 2000	December 31, 1999
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(Unaudited)

ASSETS

Cash and cash equivalents	\$ 14,181	\$ 11,850
Other current assets	35,507	30,072
Total current assets	49,688	41,922
Fixed assets and intangibles, net	176,254	166,062
Note receivable from Sunburst Hospitality Investments and other	137,032	141,853
	131,452	114,821
Total assets	494,426	464,658

LIABILITIES

Current portion of long-term debt	50,846	44,646
Other current liabilities	45,193	44,179
Total current liabilities	96,039	88,825
Long-term debt	256,699	262,710
Deferred income taxes and other	54,036	47,507
Total liabilities	406,774	399,042
Total shareholders' equity	87,652	65,616
Total liabilities and shareholders' equity	\$494,426	\$464,658

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

(In thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	Sept. 30, 2000	Sept. 30, 1999	Sept. 30, 2000	Sept. 30, 1999
Revenues				
Royalty fees	\$43,390	\$40,472	\$102,603	\$95,545
Initial franchise fees and relicensing				

fees	3,279	3,300	10,061	9,893
Partner service revenue	2,131	2,354	6,517	6,162
Other	979	1,001	3,408	3,148
Total revenues	49,779	47,127	122,589	114,748

Operating expenses

Selling, general and administrative	14,290	15,192	40,591	38,808
Depreciation and amortization	2,770	1,690	8,325	4,993
Total operating expenses	17,060	16,882	48,916	43,801
 Operating income-franchising	 32,719	 30,245	 73,673	 70,947
Hotel operations	83	--	83	--
Other				
Interest and dividend income	(5,094)	(5,259)	(15,213)	(15,103)
Interest expense and other	6,084	5,108	17,650	15,171
Equity (gain)/loss-Friendly Hotels	(109)	15	1,780	205
Loss on early prepayment of note	--	--	4,100	--
Gain on sale of stock	--	--	--	(1,260)
Total other	881	(136)	8,317	(987)

Income before income taxes	31,921	30,381	65,439	71,934
Income taxes	12,449	12,043	25,521	28,787
Net income	\$19,472	\$18,338	\$39,918	\$43,147

Recurring net income (a)	\$19,404	\$18,338	\$43,586	\$42,397
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Weighted average shares outstanding	52,768	54,619	52,874	55,174
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Diluted shares outstanding	53,119	55,501	53,324	55,898
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Diluted earnings per share	\$0.37	\$0.33	\$0.75	\$0.77
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Diluted recurring earnings per share	\$0.37	\$0.33	\$0.82	\$0.76
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(a)Recurring net income excludes the impact of the equity (gain)/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		Nine Months Ended	
September 30,		September 30,	
2000	1999	2000	1999

COMFORT INN

Hotels	1,284	1,244	1,284	1,244
Rooms	100,557	97,506	100,557	97,506
Avg. Daily Rate (ADR)	\$66.86	\$63.47	\$62.03	\$59.13
Occupancy %	74.0%	74.8%	63.1%	64.2%
RevPAR	\$49.46	\$47.47	\$39.14	\$37.96

COMFORT SUITES

Hotels	267	220	267	220
Rooms	21,188	17,891	21,188	17,891

Avg. Daily Rate (ADR)	\$74.73	\$72.18	\$72.02	\$69.91
Occupancy %	73.8%	74.2%	66.2%	67.0%
RevPAR	\$55.13	\$53.55	\$47.68	\$46.82

QUALITY

Hotels	433	436	433	436
Rooms	49,286	50,330	49,286	50,330
Avg. Daily Rate (ADR)	\$69.20	\$65.90	\$64.37	\$62.01
Occupancy %	67.6%	67.0%	57.5%	58.1%
RevPAR	\$46.79	\$44.13	\$37.02	\$36.01

CLARION

Hotels	115	115	115	115
Rooms	18,542	19,388	18,542	19,388
Avg. Daily Rate (ADR)	\$84.03	\$75.65	\$81.56	\$73.82
Occupancy %	66.3%	64.3%	59.0%	59.0%
RevPAR	\$55.69	\$48.60	\$48.12	\$43.53

SLEEP

Hotels	257	220	257	220
Rooms	19,857	16,847	19,857	16,847
Avg. Daily Rate (ADR)	\$58.70	\$56.33	\$55.82	\$53.98
Occupancy %	68.5%	69.1%	59.8%	60.4%
RevPAR	\$40.19	\$38.95	\$33.35	\$32.58

MAINSTAY

Hotels	34	27	34	27
Rooms	3,099	2,506	3,099	2,506
Avg. Daily Rate (ADR)	\$66.10	\$60.95	\$62.91	\$58.37
Occupancy %	77.2%	74.7%	70.0%	64.7%
RevPAR	\$50.99	\$45.50	\$44.03	\$37.78

ECONO LODGE

Hotels	692	690	692	690
Rooms	43,405	43,778	43,405	43,778
Avg. Daily Rate (ADR)	\$50.83	\$49.22	\$46.51	\$45.06
Occupancy %	63.7%	64.7%	52.8%	54.1%
RevPAR	\$32.37	\$31.85	\$24.57	\$24.37

RODEWAY

Hotels	152	169	152	169
Rooms	9,972	10,646	9,972	10,646
Avg. Daily Rate (ADR)	\$55.55	\$50.56	\$48.77	\$45.86
Occupancy %	60.2%	60.6%	50.1%	50.2%
RevPAR	\$33.44	\$30.61	\$24.45	\$23.01

TOTAL CHOICE - DOMESTIC

Hotels	3,234	3,121	3,234	3,121
Rooms	265,906	258,892	265,906	258,892
Avg. Daily Rate (ADR)	\$65.73	\$62.15	\$61.57	\$58.48
Occupancy %	69.8%	69.9%	59.7%	60.3%
RevPAR	\$45.85	\$43.42	\$36.76	\$35.24

SOURCE: Choice Hotels International

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