

Choice Hotels Reports 1st Quarter Recurring Net Income of \$8.7 Million; Recurring Diluted EPS of \$0.19

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SILVER SPRING, Md.

Choice Hotels International, Inc. today reported first quarter 2001 recurring net income of \$8.7 million, or \$0.19 recurring diluted earnings per share (EPS), compared to the \$9.9 million in recurring net income and \$0.18 recurring diluted EPS reported for first quarter 2000.

"We are pleased that our first quarter results exceeded analysts' expectations," said Charles A. Ledsinger, Jr., president and chief executive officer. "Strong royalty fee performance was driven by gains of 4.9% in revenue per available room (RevPAR), domestic unit growth of 2.2% and solid improvement in the effective royalty rate of four basis points. Our technology investments are beginning to pay off handsomely. Profit Manager, our proprietary property and yield management system, is now installed in more than 2,400 hotels. The yield management component of this system is operational in more than 1,600 of our properties, generating premiums of greater than 3% over the Smith Travel market set on average for each hotel."

He continued, "On the development side, we continue to sell hotel contracts with an emphasis on converting existing hotels to our system. As hotel capital becomes tighter and economic times more uncertain, we see greater opportunities for conversions in our Clarion, Quality, Econo Lodge and Rodeway brands as independent and existing hotels look to improve their performance in a slower economy."

Overall, Choice signed 57 hotel franchise contracts in first quarter 2001, roughly equivalent to the 59 contracts signed in the same period a year ago. The company signed 38 contracts to convert existing hotels to a Choice brand, up from 29 conversions from the same period a year ago.

The decline the company reported in initial franchisee fees and relicensing fees is due to a drop in overall relicensing fees, which are generated by Choice when there is a change in control over one of the company's franchised hotels. Overall, the number of relicensing transactions dropped to 34 in first quarter 2001 from 60 a year ago.

The company reported royalty revenues of \$27.0 million for first quarter 2001, compared to \$24.9 million for first quarter 2000, an increase of 8.3%. The system-wide domestic effective royalty rate increased from 3.84% in first quarter 2000 to 3.88% for the first quarter of 2001. Domestic RevPAR increased 4.9% from \$26.94 in first quarter 2000 to \$28.25 in the quarter just ended.

During the three months ended March 31, 2001, the company recorded an equity loss of \$2.2 million related to changes in its equity investment in Friendly Hotels plc. The equity loss is excluded from the company's recurring net income and recurring diluted EPS. In the event that Friendly has future liquidity issues, the company does not intend to fund future losses.

2001 Outlook

The company announced that 2001 recurring EBITDA should approximate \$117 million to \$119 million, with 2001 diluted EPS, excluding potential equity or impairment losses on its

investment in Friendly Hotels plc, reaching \$1.23 to \$1.25, given the current number of shares outstanding, which would meet or exceed current estimates.

In discussing the outlook, Ledsinger noted, "Our franchising business model enjoys a level of predictability not common in many of today's industries. We believe that our emphasis on brand re-imaging and quality improvements, coupled with our ongoing focus on efficiency and cost controls, should translate to continued improvements in overall operating performance."

Internet Growth

Choice continues to emphasize cost-effective electronic distribution channels for its reservations activity. Total net revenue sold over the Internet was \$49.3 million for first quarter 2001, an increase of 85.3% over the \$26.6 million sold in first quarter 2000. Choice Hotels' proprietary web site, <http://www.choicehotels.com/>, generated more than 55% of the total Internet volume for the quarter. Internet reservations represented 7.6% of total system sales for first quarter 2001, up from 4.4% for the same period a year ago.

The average room rate booked through the company's Internet site was up 4.3% for first quarter 2001 to \$75.03 from \$71.91 for the same period a year ago. This result compares to system-average daily rates of \$58.67 for 2001 and \$56.65 for 2000. In addition, the Internet is a less expensive channel for booking reservations.

System Growth

As of March 31, 2001, the total number of Choice hotels worldwide on-line grew 3.2% to 4,390 from 4,253 as of the same date a year ago. As of the same date, the total number of rooms worldwide increased 3.0% to 349,994 from 339,744 as of the same date a year ago.

The company had 684 franchised hotels with 59,230 rooms either in design or under construction in its worldwide hotel system as of March 31, 2001.

Notable Events

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

- * The company has remaining authority to acquire up to 4.5 million shares. Since Choice announced its stock repurchase program on June 25, 1998, the company has purchased 16.9 million shares of common stock at a total cost of \$240.3 million, as of April 18, 2001. Total shares outstanding as of April 24, 2001 are 44.8 million.
- * Guest Privileges, the company's program for frequent travelers, has surpassed the one million member mark.

Choice Hotels International is the second-largest hotel franchisor in the world with 4,390 hotels open, representing 349,994 rooms, and another 684 hotels under development, representing 59,230 rooms, in 43 countries, as of March 31, 2001. 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, Guest Privileges and ChoiceBuys.com are registered trademarks, service marks and trade names of Choice Hotels International, Inc. Choice Hotels also owns and uses common law marks, including Profit Manager.

Choice Hotels International, Inc.
Consolidated Balance Sheets

(In thousands)	March 31, 2001 (Unaudited)	December 31, 2000
ASSETS		
Cash and cash equivalents	\$7,080	\$19,701
Other current assets	30,539	32,385
Total current assets	37,619	52,086
Fixed assets and intangibles, net	175,198	174,772
Investment in Friendly Hotels	32,622	34,616
Note receivable from Sunburst Hospitality	35,962	137,492
Other assets	84,867	85,154
Total assets	366,268	484,120
LIABILITIES AND (DEFICIT) EQUITY		
Current portion of long-term debt	53,246	50,046
Other current liabilities	43,127	43,782
Total current liabilities	96,373	93,828
Long-term debt	224,658	247,179
Deferred income taxes and other	52,637	53,020
Total liabilities	373,668	394,027
Total shareholders' (deficit) equity	(7,400)	90,093
Total liabilities and shareholders' (deficit) equity	\$366,268	\$484,120

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

(In thousands, except per share amounts)	Three Months Ended March 31,	March 31,
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Revenues	2001	2000
Royalty fees	\$26,956	\$24,885
Initial franchise fees and relicensing fees	2,318	3,348
Partner service revenue	1,936	2,298
Hotel Operations	784	--
Other	1,356	1,114
Total revenues	33,350	31,645
Operating expenses		
Selling, general and administrative	12,489	12,228
Hotel Operations	520	--
Depreciation and amortization	2,890	2,502
Total operating expenses	15,899	14,730
Operating income	17,451	16,915
Other		
Interest and dividend income	(1,150)	(3,865)
Interest expense	4,312	4,616
Equity loss-Friendly Hotels	2,158	1,725
Total other	5,320	2,476
Income before income taxes	12,131	14,439
Income taxes	4,731	5,631
Net income	\$7,400	\$8,808
Recurring net income (a)	\$8,747	\$9,885
Weighted average shares outstanding	45,798	53,390
Diluted shares outstanding	46,282	54,262
Diluted earnings per share	\$0.16	\$0.16
Diluted recurring earnings per share (a)	\$0.19	\$0.18

(a) Recurring net income and diluted recurring earnings per share exclude the impact of the equity loss-Friendly Hotels after the effect of income taxes.

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

Three Months Ended
March 31,
2001 2000

COMFORT INN		
Hotels	1,276	1,253
Rooms	99,879	98,256
Avg. Daily Rate (ADR)	\$59.35	\$56.77
Occupancy %	50.0%	50.1%
RevPAR	\$29.67	\$28.43
COMFORT SUITES		
Hotels	278	238
Rooms	21,840	19,065
Avg. Daily Rate (ADR)	\$71.06	\$68.68
Occupancy %	55.6%	55.3%
RevPAR	\$39.54	\$37.99
QUALITY		
Hotels	425	430
Rooms	47,804	49,085
Avg. Daily Rate (ADR)	\$61.01	\$58.08
Occupancy %	46.8%	45.5%

RevPAR	\$28.58	\$26.42
CLARION		
Hotels	106	112
Rooms	16,915	18,965
Avg. Daily Rate (ADR)	\$75.50	\$77.73
Occupancy %	46.6%	48.7%
RevPAR	\$35.16	\$37.83
SLEEP		
Hotels	262	236
Rooms	20,237	18,050
Avg. Daily Rate (ADR)	\$53.34	\$51.68
Occupancy %	48.1%	47.3%
RevPAR	\$25.67	\$24.42
MAINSTAY		
Hotels	37	31
Rooms	3,320	2,885
Avg. Daily Rate (ADR)	\$63.35	\$58.39
Occupancy %	58.5%	60.0%
RevPAR	\$37.06	\$35.01
ECONO LODGE		
Hotels	677	682
Rooms	42,227	42,977
Avg. Daily Rate (ADR)	\$42.83	\$41.68
Occupancy %	42.3%	41.0%
RevPAR	\$18.13	\$17.10
RODEWAY		
Hotels	152	161
Rooms	10,042	10,548
Avg. Daily Rate (ADR)	\$43.12	\$42.48
Occupancy %	40.1%	40.1%
RevPAR	\$17.27	\$17.02
TOTAL CHOICE - DOMESTIC		
Hotels	3,213	3,143
Rooms	262,264	259,831
Avg. Daily Rate (ADR)	\$58.67	\$56.65
Occupancy %	48.1%	47.6%
RevPAR	\$28.25	\$26.94
Effective Royalty Rate	3.88%	3.84%

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SOURCE: Choice Hotels International

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