



JULY 2009 REPORT: THE HOTEL INDUSTRY IS NOT OUT OF THE WOODS YET

LAUNCH OF THE PEGASUS VIEW

Pegasus Solutions, the world's largest single processor of electronic hotel transactions, will begin releasing a monthly hospitality industry trends report called "The Pegasus View."

Pegasus has operated the Pegasus UltraSwitch for 20 years, and today, it processes more than 40 billion annual electronic hotel transactions. UltraSwitch connects more than 90,000 hotels to each of the 4 GDS systems, which are connected to the majority of corporate travel agencies, as well as to thousands of ADS on-line travel agencies/distributors, which deliver much of the world's leisure based hotel reservations.

No other single industry participant has such a broad view of global hospitality industry data and how it is trending. Since Pegasus just celebrated its 20th Anniversary, we felt this information was too good to keep to ourselves. So, we are launching "The Pegasus View" this month, and will continue to deliver the report on a monthly basis moving forward.

This data combined with feedback from our customers confirms that corporations on a global basis have made a real effort to curb T&E expenses as part of an overall cost cutting response to the global recession.

THE HOTEL INDUSTRY IS NOT OUT OF THE WOODS YET

Okay, let's get right to the point. While the overall pace of decline has slowed somewhat since the beginning of 2009, it is our view that the global hotel industry still finds itself in a very difficult position relative to the same period in 2008. YTD-July 2009, we have seen dramatic global declines in Net Reservations, Length of Stay (LOS), Average Daily Rates (ADR), as well as Net Revenues. These declines were most dramatic in January and February, and have since declined at a slower rate.

GDS CHANNEL (CORPORATE TRAVEL FOCUS)

Hardest hit in 2009 has been the GDS channel, which consists mostly of corporate/business travel. YTD-July 2009 Global GDS Net Reservations are down 8.43%, ADR declined from \$187.19 to \$148.76 or 20.53%, and as a result, GDS Net Revenues are down 28.62%. LOS was off slightly from 2.22 to 2.18 nights. This data combined with feedback from our customers confirms that corporations on a global basis have made a real effort to curb T&E expenses as part of an overall cost cutting response to the global recession. GDS declines for hotel stays in Europe are steeper than those in North America.

The tables on the following page provide more detail.

Global GDS (Mostly Corporate) - YTD Variances

Month	Net Reservation			Net Revenue
	CHG	Net ADR CHG	NetAvg LOS CHG	CHG
JAN09 v 08 CHG	(10.75%)	(17.85%)	(3.69%)	(29.47%)
FEB09 v 08 CHG	(12.29%)	(20.33%)	(1.30%)	(31.10%)
MAR09 v 08 CHG	(2.32%)	(21.95%)	(0.97%)	(24.57%)
APR09 v 08 CHG	(12.94%)	(25.36%)	(0.77%)	(35.58%)
MAY09 v 08 CHG	(12.80%)	(20.37%)	(1.70%)	(31.82%)
JUN09 v 08 CHG	0.09%	(18.27%)	(2.16%)	(20.06%)
JUL09 v 08 CHG	(6.97%)	(18.26%)	(1.99%)	(25.54%)
YTD-JUL CHG	(8.43%)	(20.53%)	(1.81%)	(28.62%)

N. America GDS (Mostly Corporate) - YTD Variances

Month	Net Reservation			Net Revenue
	CHG	Net ADR CHG	NetAvg LOS CHG	CHG
JAN09 v 08 CHG	(12.39%)	(14.13%)	(4.63%)	(28.36%)
FEB09 v 08 CHG	(13.61%)	(14.56%)	(4.84%)	(29.86%)
MAR09 v 08 CHG	(6.05%)	(16.93%)	(4.00%)	(25.18%)
APR09 v 08 CHG	(12.46%)	(16.09%)	(5.13%)	(30.40%)
MAY09 v 08 CHG	(11.13%)	(16.79%)	(4.17%)	(29.26%)
JUN09 v 08 CHG	4.64%	(15.60%)	(3.25%)	(14.71%)
JUL09 v 08 CHG	(5.08%)	(15.99%)	(2.86%)	(22.66%)
YTD-JUL CHG	(8.14%)	(15.82%)	(4.22%)	(26.05%)

Europe GDS (Mostly Corporate) - YTD Variances

Month	Net Reservation			Net Revenue
	CHG	Net ADR CHG	NetAvg LOS CHG	CHG
JAN09 v 08 CHG	(13.22%)	(24.82%)	(1.89%)	(36.03%)
FEB09 v 08 CHG	(21.37%)	(27.51%)	(3.21%)	(44.84%)
MAR09 v 08 CHG	(6.91%)	(31.53%)	(5.40%)	(39.74%)
APR09 v 08 CHG	(26.41%)	(36.24%)	(4.27%)	(55.10%)
MAY09 v 08 CHG	(22.48%)	(24.22%)	1.22%	(40.55%)
JUN09 v 08 CHG	(13.04%)	(19.37%)	0.87%	(29.25%)
JUL09 v 08 CHG	(18.88%)	(19.24%)	0.14%	(34.39%)
YTD-JUL CHG	(17.70%)	(26.87%)	(1.93%)	(41.00%)

All Others GDS (Mostly Corporate) - YTD Variances

Month	Net Reservation			Net Revenue
	CHG	Net ADR CHG	NetAvg LOS CHG	CHG
JAN09 v 08 CHG	(5.58%)	(18.77%)	(4.00%)	(26.43%)
FEB09 v 08 CHG	(2.54%)	(23.50%)	3.42%	(22.95%)
MAR09 v 08 CHG	8.75%	(22.91%)	4.39%	(12.52%)
APR09 v 08 CHG	(2.88%)	(27.07%)	5.49%	(25.33%)
MAY09 v 08 CHG	(8.42%)	(21.51%)	(0.57%)	(28.56%)
JUN09 v 08 CHG	1.58%	(18.93%)	(3.11%)	(20.31%)
JUL09 v 08 CHG	(3.36%)	(19.61%)	(2.38%)	(24.19%)
YTD-JUL CHG	(1.87%)	(21.97%)	0.64%	(22.98%)

ADS CHANNEL (LEISURE TRAVEL FOCUS)

The Pegasus ADS channel, which is comprised mostly of leisure based on-line travel distributors, also started 2009 poorly, but has fared better since Q2. YTD-July 2009 Global ADS Net Reservations are essentially flat (0.09%), but have seen positive growth in four of the last five months. Unfortunately, ADR associated with these reservations is down at a greater rate than the GDS channel, going from \$119.48 YTD-July 2008 to \$83.86 YTD-July 2009, down an astounding 29.81%. This hits ADS Net Revenues hard, which are down 33.26%. LOS is off slightly from 1.85 to 1.76 nights.

The good news is ADS leisure traffic has not declined as much as corporate travel, and in fact seems to be increasing in recent months.

This data combined with feedback from our customer base confirms that leisure travel is a good news, bad news story. The good news is ADS leisure traffic has not declined as much as corporate travel, and in fact seems to be increasing in recent months. The bad news, at least from the hotel's perspective, is that the majority of these leisure travellers are motivated by very aggressive pricing/deals, as indicated by the steep decline in ADR and net revenues from the ADS channel. Consumers are shopping multiple online sites looking for the best possible deal. Online distributors are also shopping more rate/availability combinations. The result is an exponential growth rate in the number of transactions processed versus the number of reservations received (look-to-book ratio), for example the number of availability requests processed by the Pegasus UltraSwitch for July 2009 increased by 45% year-over-year, to a record 2.8 billion transactions whereas the number of net reservations has only increased by 7.2%.

The bad news, at least from the hotel's perspective, is that the majority of these leisure travellers are motivated by very aggressive pricing/deals, as indicated by the steep decline in ADR and net revenues from the ADS channel.

As expected, the ADS channel has seen a surge in the number of transactions originating from merchant and opaque distributors, who shop more aggressively for inventory and the lowest possible rates delivered by hotels with an urgent need to improve declining occupancy rates. The hotels, for the moment, seem inclined to take 60% less revenue for a room than they may have received last year, versus receiving no revenue for the same room this year. Overall ADS declines for European destinations are steeper than those in North America, which has seen double digit reservation growth over the last two months.

The tables on the following page provide for more detail.

Global ADS (Mostly Leisure) - YTD Variances

Month	Net Reservation			Net Revenue
	CHG	Net ADR CHG	NetAvg LOS CHG	CHG
JAN09 v 08 CHG	(4.46%)	(25.92%)	(3.18%)	(31.92%)
FEB09 v 08 CHG	(13.59%)	(27.68%)	(3.53%)	(40.05%)
MAR09 v 08 CHG	1.48%	(32.04%)	(4.28%)	(34.29%)
APR09 v 08 CHG	(1.07%)	(32.71%)	(5.78%)	(37.61%)
MAY09 v 08 CHG	0.67%	(29.21%)	(6.48%)	(33.58%)
JUN09 v 08 CHG	8.32%	(30.97%)	(4.57%)	(28.69%)
JUL09 v 08 CHG	7.22%	(29.69%)	(3.34%)	(27.09%)
YTD-JUL CHG	(0.09%)	(29.81%)	(4.50%)	(33.26%)

N. America ADS (Mostly Leisure) - YTD Variances

Month	Net Reservation			Net Revenue
	CHG	Net ADR CHG	NetAvg LOS CHG	CHG
JAN09 v 08 CHG	5.49%	(12.81%)	(7.25%)	(15.10%)
FEB09 v 08 CHG	(2.77%)	(18.97%)	(7.01%)	(27.03%)
MAR09 v 08 CHG	3.97%	(21.33%)	(5.68%)	(23.04%)
APR09 v 08 CHG	(1.98%)	(20.45%)	(6.44%)	(27.23%)
MAY09 v 08 CHG	0.32%	(20.29%)	(7.15%)	(25.85%)
JUN09 v 08 CHG	15.01%	(26.84%)	(7.23%)	(21.85%)
JUL09 v 08 CHG	13.92%	(27.75%)	(5.77%)	(22.31%)
YTD-JUL CHG	5.14%	(21.79%)	(6.71%)	(23.39%)

Europe ADS (Mostly Leisure) - YTD Variances

Month	Net Reservation			Net Revenue
	CHG	Net ADR CHG	NetAvg LOS CHG	CHG
JAN09 v 08 CHG	(9.69%)	(35.48%)	(0.96%)	(42.77%)
FEB09 v 08 CHG	(21.52%)	(33.96%)	(2.08%)	(49.68%)
MAR09 v 08 CHG	0.88%	(41.48%)	(2.02%)	(42.52%)
APR09 v 08 CHG	1.44%	(43.53%)	(3.33%)	(45.03%)
MAY09 v 08 CHG	2.42%	(37.61%)	(4.23%)	(39.18%)
JUN09 v 08 CHG	2.07%	(33.69%)	(1.64%)	(33.74%)
JUL09 v 08 CHG	(0.88%)	(31.45%)	(0.84%)	(32.90%)
YTD-JUL CHG	(4.01%)	(36.64%)	(2.17%)	(40.89%)

All Others ADS (Mostly Leisure) - YTD Variances

Month	Net Reservation			Net Revenue
	CHG	Net ADR CHG	NetAvg LOS CHG	CHG
JAN09 v 08 CHG	(35.10%)	(51.03%)	(2.65%)	(69.43%)
FEB09 v 08 CHG	(39.63%)	(57.78%)	(2.78%)	(75.47%)
MAR09 v 08 CHG	(34.12%)	(57.37%)	(1.37%)	(72.46%)
APR09 v 08 CHG	(34.15%)	(57.63%)	(6.44%)	(73.88%)
MAY09 v 08 CHG	(27.56%)	(54.69%)	(6.94%)	(69.28%)
JUN09 v 08 CHG	(15.37%)	(54.06%)	(9.91%)	(64.62%)
JUL09 v 08 CHG	(5.06%)	(30.89%)	(6.66%)	(37.59%)
YTD-JUL CHG	(28.66%)	(53.34%)	(5.05%)	(68.38%)

FORWARD LOOKING INDUSTRY TRENDS

The forward looking data below takes the August-December view from the end of July 2008, and compares the same view from end of July 2009. Reviewing the trends below, we do not see a dramatic improvement in ADR, LOS or Net Revenues from either GDS or ADS channels, nor from any specific region through the end of 2009. One positive trend that seems to be improving is the continued growth of ADS leisure net reservations, which will likely continue to be fuelled by aggressive rates and inventory provided to merchant, opaque and other discount-focused on-line distributors.

FORWARD LOOKING AUG-DEC - Global GDS				
Month	Net Reservation			Net Revenue
	CHG	Net ADR CHG	NetAvg LOS CHG	CHG
AUG09 v 08 CHG	(29.43%)	(16.56%)	(2.53%)	(42.78%)
SEP09 v 08 CHG	(33.86%)	(18.69%)	(0.70%)	(46.75%)
OCT09 v 08 CHG	27.40%	(31.73%)	62.66%	40.36%
NOV09 v 08 CHG	(43.64%)	(22.45%)	(1.42%)	(57.09%)
DEC09 v 08 CHG	(47.97%)	(23.72%)	(5.63%)	(62.72%)
AUG-DEC CHG	(26.44%)	(19.61%)	9.11%	(35.72%)

FORWARD LOOKING AUG-DEC - Global ADS				
Month	Net Reservation			Net Revenue
	CHG	Net ADR CHG	NetAvg LOS CHG	CHG
AUG09 v 08 CHG	3.94%	(30.68%)	(1.96%)	(29.49%)
SEP09 v 08 CHG	26.75%	(37.01%)	(6.55%)	(25.95%)
OCT09 v 08 CHG	34.15%	(39.37%)	(11.88%)	(29.10%)
NOV09 v 08 CHG	66.65%	(54.93%)	(12.81%)	(35.34%)
DEC09 v 08 CHG	26.52%	(52.09%)	(4.45%)	(42.49%)
AUG-DEC CHG	15.60%	(35.73%)	(4.99%)	(29.77%)

KEY TAKEAWAYS

The most aggressive declines in reservations, ADR and revenues occurred the first two months of 2009. Declines from March forward have since slowed, and we have seen an actual increase in leisure based ADS reservation traffic from Q2 forward. ADR and Net Revenues as a whole have been under tremendous pressure the entire year. Forward looking data through December 2009 does not indicate a robust recovery is on the horizon, however, markets have stabilized, and therefore our outlook is for continued weakness in ADR and Net Revenues across GDS and ADS channels, with slow, but steady improvements from 2010.



Mike Kistner
President and CEO, Pegasus Solutions

A handwritten signature in black ink, appearing to read "Mike Kistner".



Ric Leutwyler, CMO, Pegasus Solutions
President, Utell Hotels & Resorts

A handwritten signature in black ink, appearing to read "Ric Leutwyler".

ABOUT PEGASUS

Pegasus Solutions is the world's leading provider of technology and services to hotels and travel distributors, supplying state-of-the-art central reservation systems and electronic distribution services, advanced agency commission processing and payment services, and hotel marketing representation services. Founded in 1989, Pegasus created and launched the hotel switch, and today its customers include more than 90,000 properties around the globe as well as a majority of the world's travel agencies. Additionally, Pegasus' powerful representation arm incorporates Utell® Hotels & Resorts and Utell Connect, services that have been chosen by nearly 11,000 member hotels in more than 130 countries, making Pegasus the hotel industry's largest third-party marketing, sales and reservations specialist. Pegasus also powers the niche consumer Web site www.hotelbook.com™, dedicated to promoting independent and boutique hotels throughout the world. Headquartered in Dallas, Pegasus has 18 offices in 11 countries, including regional hubs in London, Singapore and Scottsdale, Arizona. For more information, please visit www.pegs.com or www.utell.com.