



AUGUST 2009 REPORT: LIGHT AT THE END OF THE TUNNEL?

August 2009 Pegasus UltraSwitch data shows slow, but encouraging signs of improvement for the hospitality industry.

The ADS Channel (which mostly comprises leisure-based on-line travel) shows particular signs of growth and North America as a whole, seems to see the volume of hotel bookings improving faster than other regions. The other key data points that we monitor such as GDS net reservations, which had been in a sharp down-turn, have seen the percentage fall slow to single digit percentage decreases.

Forward looking data through December 2009 paints a mixed picture. GDS bookings have stabilized and ADS channels show continued growth. All this gives rise to some optimism and the hope that there is light at the end of the tunnel. However, there is still a way to go before we declare that the industry has recovered, and hopefully the data from the traditionally strong travel months of September and October should give an indication if more robust recovery is to come both for the GDS channel and for Average Daily Rate (ADR) overall.

GDS CHANNEL (CORPORATE TRAVEL FOCUS)

August 2009 YTD global GDS reservation volumes are down 7.5%, while the ADR achieved declined 19.91% from \$186.07 August 2008 to \$149.02 in August 2009. As a result, YTD August GDS net revenues are down 27.42% although the Length of Stay (LOS) for bookings has only reduced slightly, from 2.21 August 2008 to 2.17 nights in August 2009

However, if you look at the data just for August 2009, GDS net reservations were nearly flat at -1.10% compared to August 2008. Although August, especially in Europe, is not a busy month for corporate travel, this hopefully shows that we either have reached or are very close to reaching the bottom of the downturn.

Looking forward using the next seven months business on the books, the figures may appear worse than they are (GDS Global reservations for September-December 2009 period are down 34.60% versus the forward view for same period last year), but are likely to be affected by the drop in lead time for GDS reservations which has fallen since 2008, reflecting the fact that corporate travelers are making reservations closer to their travel date.

Global GDS (Mostly Corporate) - YTD Variances				
Month	Net Booking CHG	Net ADR CHG	NetAvg LOS CHG	Net Revenue 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%)
AUG09 v 08 CHG	(1.10%)	(14.95%)	(1.98%)	(17.62%)
YTD-AUG CHG	(7.57%)	(19.91%)	(1.85%)	(27.42%)

NORTH AMERICA GDS

While August 2009 YTD North American net reservations are still down 6.83%, we have seen net reservation increases now for two out of the last three months (4.64% growth June 2009 vs. June 2008 and 2.89% growth August 2009 vs. August 2008). This is an encouraging sign which may indicate that the North American corporate travel market may be following the lead of U.S. economic data, which indicates that the U.S. may be emerging from the recession from Q3 2009 onwards. Unfortunately, while the volume of reservations shows improvement, the GDS ADR has remained lower (-15.64% YTD August 2009). Although GDS net revenues have shown some improvements since the beginning of the year; January 2009 the decline was 28.26%. This rate was cut in half in August 2009 to -14.67%.

N. America GDS (Mostly Corporate) - YTD Variances				
Month	Net Booking	Net ADR	NetAvg LOS	Net Revenue
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%)
AUG09 v 08 CHG	2.89%	(14.19%)	(3.21%)	(14.67%)
YTD-AUG CHG	(6.83%)	(15.64%)	(4.14%)	(24.76%)

ALL OTHERS GDS

“All Others” is all data collected from all global regions excluding the U.S. The data for All Others shows continued declines for all data measured with the exception of LOS which increased slightly to 2.25 days compared to 2.23 YTD August 2008. YTD August 2009 net reservations were down 8.41%, ADR was down 23.57% and net revenues were down 29.51%, although these falls seem to be slowing with each month.

All Others GDS (Mostly Corporate) - YTD Variances

Month	Net Booking	Net ADR	NetAvg LOS	Net Revenue
JAN09 v 08 CHG	(8.99%)	(21.34%)	(2.67%)	(30.37%)
FEB09 v 08 CHG	(10.89%)	(25.61%)	2.53%	(32.06%)
MAR09 v 08 CHG	2.01%	(27.10%)	2.14%	(24.08%)
APR09 v 08 CHG	(13.48%)	(32.41%)	4.03%	(39.19%)
MAY09 v 08 CHG	(14.60%)	(23.24%)	1.09%	(33.76%)
JUN09 v 08 CHG	(4.82%)	(19.59%)	(0.81%)	(24.13%)
JUL09 v 08 CHG	(9.38%)	(20.02%)	(0.74%)	(28.08%)
AUG09 v 08 CHG	(5.78%)	(14.95%)	(0.24%)	(20.09%)
YTD-AUG CHG	(8.41%)	(23.57%)	0.75%	(29.51%)

ADS CHANNEL (LEISURE TRAVEL FOCUS)

The Pegasus ADS channel, which consists of mostly leisure-based on-line travel distribution, has shown steady signs of improvement over the last three months, showing growth compared to the same month in 2008.

The good news is that YTD August 2009 global ADS net reservation growth is now positive for the year up 0.59% and in August 2009, global ADS reservations grew by a healthy 12.67%, the largest single month increase this year. However there is bad news. Despite a rise in reservations, the associated ADR is still substantially down (from \$120.49 YTD August 2008 to \$88.43 August 2009 – a fall of 26.61%). This has resulted in a decrease in net revenues of 30.67% YTD Aug 2009, demonstrating that the bookers are motivated by very aggressive rates and deals.

As consumers know that deals are available, it has lead to them shopping multiple online sites looking for the best rates. This has resulted in online distributors also requesting more rate/availability combinations to meet consumer demand. Thus there has been a rise in the number of availability requests processed by the Pegasus UltraSwitch for August 2009 of 45.8% YOY, compared to the number of net reservations only increasing by 12.67%. This is reflected by the increase in the look-to-book ratio which was 1,756 to 1 in August 09 compared to 1,356 in Aug 2008.

One of the key drivers behind the ADS channel growth over the last three months has been the number of transactions originating from merchant and opaque distributors who negotiate aggressively for inventory and the lowest possible rates. It appears that hotels are making much more inventory available to these distributors in 2009, hoping that the increase in reservations will offset the low rates to minimise their REVPAR loss.

Forward looking trends for ADS continue to look healthier than for GDS reservations. ADS global reservations from the September-December 2009 period are up 7.44% compared to the same view in 2008.

Global ADS (Mostly Leisure) - YTD Variances				
Month	Net			
	Bookings	Net ADR	NetAvg LOS	Net Revenues
JAN09 v 08 CHG	(4.21%)	(20.23%)	(5.57%)	(28.75%)
FEB09 v 08 CHG	(10.88%)	(25.84%)	(5.70%)	(38.34%)
MAR09 v 08 CHG	(1.56%)	(27.80%)	(5.04%)	(32.94%)
APR09 v 08 CHG	(7.87%)	(27.38%)	(5.45%)	(37.15%)
MAY09 v 08 CHG	(4.71%)	(25.91%)	(6.34%)	(34.12%)
JUN09 v 08 CHG	9.38%	(30.31%)	(6.56%)	(28.88%)
JUL09 v 08 CHG	9.72%	(29.30%)	(4.87%)	(26.21%)
AUG09 v 08 CHG	12.67%	(23.04%)	(4.13%)	(16.82%)
YTD-AUG CHG	0.59%	(26.61%)	(5.64%)	(30.67%)

NORTH AMERICA ADS

YTD August 2009 North America ADS net reservations are up 6.62%, which continues the trend we have seen in six out of the past eight months of YOY increases. August also saw the single largest ADS net reservation monthly increase so far this year, up 16.48% over August 2008. However, it appears that North American hotels like all other regions are dropping rates in an attempt to generate leisure demand. Although we can see the successes in generating reservations, the ADR continues to suffer with YTD August 2009 ADR -21.91% taking YTD net revenue levels down 22.30%.

N. America ADS (Mostly Leisure) - YTD Variances				
Month	Net Booking	Net ADR	NetAvg LOS	Net Revenue
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%)
AUG09 v 08 CHG	16.48%	(22.34%)	(5.31%)	(14.11%)
YTD-AUG CHG	6.62%	(21.91%)	(6.60%)	(22.30%)

ALL OTHERS ADS

The rest of the world has not seen the same positive ADS growth as seen in North America; however it appears that the declines are slowing. YTD August 2009 ADS net reservations are down 28.46%, ADR is down 33.34% and net revenues are down 53.10%. One factor which may be causing the ADR and net revenue levels to be slightly overstated here is the impact of USD versus other currency exchange rates relative to last year.

All Others ADS (Mostly Leisure) - YTD Variances

Month	Net Booking	Net ADR	NetAvg LOS	Net Revenue
JAN09 v 08 CHG	(36.34%)	(29.73%)	(0.66%)	(56.90%)
FEB09 v 08 CHG	(41.59%)	(36.11%)	(0.05%)	(63.77%)
MAR09 v 08 CHG	(26.82%)	(39.60%)	(1.39%)	(57.29%)
APR09 v 08 CHG	(34.51%)	(38.21%)	(0.20%)	(60.42%)
MAY09 v 08 CHG	(30.48%)	(35.06%)	(1.38%)	(56.06%)
JUN09 v 08 CHG	(20.98%)	(33.86%)	(1.82%)	(49.28%)
JUL09 v 08 CHG	(17.14%)	(29.86%)	2.93%	(40.66%)
AUG09 v 08 CHG	(11.37%)	(20.94%)	5.30%	(26.89%)
YTD-AUG CHG	(28.46%)	(33.34%)	0.18%	(53.10%)

FORWARD LOOKING INDUSTRY TRENDS

The forward looking data below now takes a seven-month forward view for both global GDS and ADS channels. We have also provided Q4 year-end and Q1 2009 subtotals to the tables below.

Forward-looking GDS global reservations taken at the end of August 2009 for the September-December 2009 period are down 34.60% versus the same view taken at end of August 2008.

Forward-looking GDS global reservations taken at the end of August 2009 for the January-March 2010 period are down 54.44% versus the same view taken at end of August 2008 forward to January-March 2009. These numbers may appear worrisome, but are likely the result of lead time per GDS reservation, which has fallen quite a bit since last year, reflecting corporate travellers making reservations closer to their travel date than in 2008.

FORWARD LOOKING SEP09-MAR10 - Global GDS

Month	Net Reservation		NetAvg LOS	Net Revenue
	CHG	Net ADR CHG	CHG	CHG
SEP09 v 08 CHG	(39.18%)	(13.26%)	(3.33%)	(49.08%)
OCT09 v 08 CHG	(9.38%)	(24.57%)	43.89%	(2.12%)
NOV09 v 08 CHG	(43.85%)	(20.81%)	0.41%	(55.52%)
DEC09 v 08 CHG	(47.61%)	(22.14%)	(3.13%)	(60.58%)
SEP-DEC CHG	(34.60%)	(17.23%)	9.97%	(40.61%)
JAN09 v 10 CHG	(55.79%)	(22.85%)	(4.63%)	(67.73%)
FEB09 v 10 CHG	(53.60%)	(21.94%)	(3.97%)	(65.78%)
MAR09 v 10 CHG	(52.19%)	(24.58%)	(1.54%)	(64.48%)
JAN-MAR CHG	(54.44%)	(22.94%)	(3.70%)	(66.48%)

Forward looking global ADS net reservations continue to look healthier than their GDS counterparts.

Forward looking ADS global reservations taken at the end of August 2009 for the September-December 2009 period are now up 7.44% versus the same view taken at end of August 2008 for September-December 2008.

FORWARD LOOKING SEP09-MAR10 - Global ADS				
Month	Net Reservation		NetAvg LOS	Net Revenue
	CHG	Net ADR CHG	CHG	CHG
SEP09 v 08 CHG	17.29%	(25.58%)	(6.15%)	(18.41%)
OCT09 v 08 CHG	(2.42%)	(24.80%)	(1.23%)	(28.05%)
NOV09 v 08 CHG	(17.05%)	(28.95%)	2.52%	(40.44%)
DEC09 v 08 CHG	(20.26%)	(30.13%)	4.26%	(42.24%)
SEP-DEC CHG	7.44%	(26.73%)	(4.65%)	(25.39%)
JAN09 v 10 CHG	(21.70%)	(27.88%)	4.90%	(41.62%)
FEB09 v 10 CHG	(15.10%)	(27.67%)	0.58%	(39.62%)
MAR09 v 10 CHG	(12.16%)	(22.99%)	1.39%	(34.39%)
JAN-MAR CHG	(17.64%)	(26.63%)	2.85%	(39.30%)

KEY TAKEAWAYS

Looking backward, YTD August 2009 Pegasus UltraSwitch data portrays the very difficult year that 2009 has been for the hospitality industry. ADR, Net Revenues, and Length of Stay for both GDS and ADS channels are still trending downward YTD August 2009. However we are finally starting to see increases in ADS net reservation volumes consistent with increasing leisure travel demand priced aggressively by hotels in order to motivate demand.

Most encouraging are the gains we saw in global ADS leisure-based net reservations in August 2009. This category is now up three straight months and growing at an increasing rate. ADR associated with global ADS net reservation growth is still down, and while not declining at an increasing rate, ADR is not improving so far in 2009 in this category either.

Forward-looking data through December 2009 paints a mixed picture. Markets have stabilized, and seem to be improving in some categories, GDS more slowly, and the leisure ADS side more quickly from August 2009. Advanced booking periods have shortened for both GDS and ADS reservations.

The approaching months of September and October, traditionally strong business travel months, should give us an indication if there is a more robust recovery to come for GDS-based business traffic generated by the Travel Management Companies. Growth in GDS business travel traffic in the coming months will signal that corporations have started to feel comfortable enough to loosen cost controls required to offset reduced revenues in 2009.

Important to note, it was from September 2008 forward that we started to see a rapid decline caused in part by the Autumn 2008 global financial crisis. This crisis continued to impact travel significantly until we reached the January/February 2009 lows.

We should start to see much more pronounced 2009 vs. 2008 percentage increases in all categories from next month forward. Therefore, from September 2009 data forward we will begin comparing each month against both 2008 and 2007 levels.

In conclusion, Pegasus' outlook is slightly more optimistic this month for the hospitality industry. Leisure-based ADS traffic will continue to grow the fastest, however we have yet to see any meaningful

ADR increase in this category yet. GDS traffic will also improve, but at a slower pace; moving from declines YTD August 2009 to flat by the end of the year, with slow but steady improvements in 2010. North America seems to be recovering faster right now, in part because North America declined first. Other regions were later to decline and are perhaps a few months away from recovery similar to North America.

In general, the basis for a slow recovery is in the works, and let's hope next month's data continues to reinforce this trend.



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.