CORPORATE PARTICIPANTS

Matt Capuzzi  
Senior Vice President-Investor Relations, Wyndham Hotels & Resorts, Inc.

Geoffrey A. Ballotti  
President, Chief Executive Officer & Director, Wyndham Hotels & Resorts, Inc.

Michele Allen  
Chief Financial Officer, Wyndham Hotels & Resorts, Inc.

OTHER PARTICIPANTS

David Katz  
Analyst, Jefferies LLC

Joseph Greff  
Analyst, JPMorgan Securities LLC

Dany Asad  
Analyst, BoA Securities, Inc.

Stephen Grambling  
Analyst, Goldman Sachs & Co. LLC

Michael J. Bellisario  
Analyst, Robert W. Baird & Co., Inc.

Daniel Adam  
Analyst, Loop Capital Markets LLC

Ian Zaffino  
Analyst, Oppenheimer & Co., Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Welcome to the Wyndham Hotels & Resorts First Quarter 2022 Earnings Conference Call. At this time, all participants have been placed on a listen-only mode, and the floor will be open for your questions following the presentation. [Operator Instructions]

I would now like to turn the call over to Matt Capuzzi, Senior Vice President of Investor Relations.

Matt Capuzzi  
Senior Vice President-Investor Relations, Wyndham Hotels & Resorts, Inc.

Thank you, operator. Good morning and thank you for joining us. With me today are Geoff Ballotti, our CEO; and Michele Allen, our CFO.

Before we get started, I want to remind you that our remarks today will contain forward-looking statements. These statements are subject to risk factors that may cause our actual results to differ materially from those expressed or implied. These risk factors are discussed in detail in our most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission and any subsequent reports filed with the SEC.

We'll also be referring to a number of non-GAAP measures. Corresponding GAAP measures and a reconciliation of non-GAAP measures to GAAP metrics are provided in our earnings release, which is available on our Investor Relations website at investor.wyndhamhotels.com. We are providing certain measures discussing future impact
on a non-GAAP basis only because, without unreasonable efforts, we are unable to provide the comparable GAAP metric.

In addition, last evening, we posted an investor presentation containing supplemental information on our Investor Relations website. We may continue to provide supplemental information on our website in the future. Accordingly, we encourage investors to monitor our website in addition to our press releases, filings submitted with the SEC and any public conference calls or webcasts.

With that, I will turn the call over to Geoff.

Geoffrey A. Ballotti
President, Chief Executive Officer & Director, Wyndham Hotels & Resorts, Inc.

Thanks, Matt, and thanks, everyone for joining us this morning. We are very pleased to report a strong start to the year with first quarter results, once again, demonstrating the value we bring to our owners, the strength of our brands, and the unconstrained demand of the leisure traveler as our domestic economy hotels achieved record levels of Q1 occupancy rate and RevPAR. We delivered $159 million of adjusted EBITDA in the first quarter, 64% more than last year, and 41% more than what we delivered in 2019. And we generated $125 million of free cash flow, more than double what we generated last year.

We grew our development pipeline 5% sequentially and by 9% versus prior year to a record 204,000 rooms. We awarded 114 new contracts domestically and 51 contracts internationally which, in total, account for more than 22,000 new rooms. The number of domestic contracts was nearly 130% more than what we awarded last year and nearly 90% more than what we awarded in 2019. Importantly, we awarded contracts to develop the first 50 hotels for our new construction extended-stay brand, hotels that will begin to break ground later this year.

Developer reaction has been overwhelmingly positive, given its ultra-cost efficient prototype and operating model.

For the fifth consecutive quarter, we grew our overall systems sequentially, closing Q1 with 200 basis points of year-over-year growth and 40 basis points of sequential net room growth. We opened more than 11,000 rooms globally, which was nearly 50% more than last year and in line with the first quarter of 2019. And we retained over 1,000 more rooms in Q1 than we did in Q1 of 2019, which has resulted in a 95% retention rate over the last 12 months. These results were in line with our expectation and position us solidly on track to achieve our full year net room growth outlook of 2% to 4%.

Here in the United States, we grew our system size year-over-year by 120 basis points and by 30 basis points sequentially, opening nearly 7,000 rooms in the quarter, the most we've opened in the first quarter of any year since 2013. Our US retention rate was consistent with Q1 2019 levels, running over 95% during the last 12 months. Internationally, net rooms grew by over 3% versus prior year and by 60 basis points sequentially. Our China direct franchising business led the way with double-digit net room growth followed by our Latin America, and Southeast Asia and the Pacific Rim regions, both growing at 5%.

We continued to launch many of our brands in countries they've never operated in before, including our first La Quinta by Wyndham in China, our first Dolce by Wyndham in Brazil, and our first Howard Johnson by Wyndham in Ecuador. We made significant progress in continuing to simplify our business. We completed the previously communicated exit of our select-service management business, resulting in no change to the underlying franchise agreement terms for the hotels transferred to CPLG's acquirer, Highgate Holdings. In addition, we closed on the sale of our Wyndham Grand Bonnet Creek Hotel in Orlando, and executed a 20-year franchise agreement to keep this beautiful resort in our system at full franchise fees.
And we’re also now under contract to sell our last remaining owned hotel, the Wyndham Grand Rio Mar in Puerto Rico, which we expect to also be subject to a long-term franchise agreement at full fees. We’re expecting that this transaction to sell our last remaining owned hotel will close in May of this year. Our global RevPAR increased 39% year-over-year in constant currency, which is 96% of 2019 levels. Here in the United States, we continued to see strong leisure demand. We grew RevPAR by 38%, which is 4% higher than 2019. And our brands, once again, outpaced overall industry growth by over 650 basis points.

Weekend RevPAR exceeded 2019 levels by 10% and we did not see any meaningful impact from rising gasoline costs, as occupancy for our select-service brands remained steady to about 96% of 2019 levels in the weeks before and after the gas price increase in March. And with the US Travel Association reporting that nearly 9 out of every 10 Americans are expecting to travel this summer, we expect to see continued strong drive-to leisure demand throughout the summer season.

Demand from our everyday business travel segments also continued to increase in the quarter. And infrastructure accounts, which represent the majority of our domestic business segment, contributed 16% more revenue to our hotels than in the first quarter of 2021, driven by the uptick in government spending. And with the recent passage of the $1.2 trillion infrastructure bill by Congress, which includes approximately $550 billion in new spending that will be invested in core infrastructure projects over the next five years, our teams have been more focused than ever on the organizations that are contracting for the construction of US roads, bridges, levees, dams, ports and waterways. And encouragingly, our franchisees are already seeing steady and consistent pickup in these types of infrastructure accounts, and these accounts made up more than half of the newly negotiated business contracts that our sales team signed this quarter.

With Wyndham Rewards enrollments growing by 8% in the quarter, our award winning loyalty program now stands at approximately 94 million members. The program's overall domestic share of occupancy continues to grow and contributes nearly one out of every two check-ins for our franchisees. With the staffing shortages our franchisees continue to experience, we're partnering with them to identify best practices and training tools that focus on recruiting, hiring and retention strategies. And when you combine our move to digital check-in and check-out with franchisee opt-in services, like our highly requested auto call routing technology, we're moving fixed labor costs out of their hotels and helping them improve their operating margins.

Over the past two months, during our cross-country executive summit meetings, we've highlighted new operating guides and new strategic sourcing programs, designed to further reduce on property operating costs, but perhaps no initiative holds greater promise for our small business owners than Wyndham's digital room key. With the launch of our highly rated Wyndham Booking app, which has now surpassed 4 million consumer downloads, we became the first hotel franchiser to introduce at scale digital room keys embedded into our app to the economy segment, allowing franchisees to further expedite check-ins and reduce staffing levels.

Importantly, Wyndham's mobile key solution allows our franchisees to upgrade their existing door locks versus having to replace those door locks altogether. While we're in the early months from an adoption standpoint, hundreds of our franchisees have expressed interest in this labor-saving technology over the past several weeks of our meetings with them. And we aim to lead in the economy in midscale select-service segments with the number one mobile app that checks guests into and checks them out of their room that opens their guestroom door and also provides industry-leading texting solutions to continually communicate with our guest without detracting from the check-in or the front desk experience.

One of the major messages delivered to franchisees, who we met with this quarter, was requiring all owners globally to attain a minimum Level 1 Core Certification and our Wyndham Green Certification Program by April of
2023, as part of our brand standard compliance, something which, we believe, will help them further reduce their operating costs, while building sustainable practices and consumer awareness recognition to help drive incremental revenue from environmentally conscious travelers.

We continue to advance our ESG efforts, and just this week, we published our 2022 ESG Report, which is now posted to our corporate and investor websites. Our report has been prepared in accordance with the Global Reporting Initiative standards and integrates the recommendations of the Sustainability Accounting Standards Board and the Task Force on Climate-Related Financial Disclosures. The report highlights our commitment to operating our business in a way that is socially, ethically and environmentally responsible, and includes enhanced disclosures around risk management.

And finally, furthering our commitment to advancing women hotel ownership by providing enhanced training, operational support and capital support, we were very proud to celebrate Women's History Month by hosting several Women Own the Room events throughout March, as we awarded new hotel development contracts to women developers for projects in Colorado, in Delaware, Texas, Virginia, Oklahoma, and in Florida. Our Count on Me culture built on integrity, accountability, inclusiveness, caring, and fun would not be possible without the ongoing support of our valuable team members, who pride themselves on making a meaningful impact on our industry, on the lives of our franchisees, and on all of those around them. And to that end, we were extremely pleased to be recognized this month by Forbes magazine on its 2022 list of Best Employers for Diversity, which highlights companies identified as being the most dedicated to diversity, to equity, and to inclusion.

And with that, I'll now turn the call over to Michele. Michele?

Michele Allen  
Chief Financial Officer, Wyndham Hotels & Resorts, Inc.

Thanks, Geoff, and good morning, everyone. I'll begin my remarks today with a detailed review of our first quarter results. I'll then review our cash flows and balance sheet, followed by an update to our 2022 outlook.

We generated fee-related and other revenues of $316 million, a year-over-year increase of 36%, reflecting global RevPAR growth of 39% on a constant currency basis. In the US, RevPAR grew 38% year-over-year to 104% of 2019 levels, led again by our economy brands and materially driven by ADR, though occupancy also exceeded 2019 levels now for four consecutive quarters. This quarter, we saw particular strength in snowbird states, such as Arizona, Florida and Louisiana, as well as ski destinations, such as Colorado, Utah and Montana. As we move through the spring break season, April month-to-date results are ahead of March with RevPAR up 8% versus 2019, including continued strength in our economy brands with economy RevPAR up 13%. Internationally, RevPAR improved to 83% of 2019 levels, up from 81% in the fourth quarter.

Canada improved to 94% of 2019 levels, up from 91% and Latin America was at its strongest level since the start of the pandemic, exceeding 2019 levels by 33%. In China, government lockdowns caused results to soften a bit from Q4, with Q1 RevPAR recovering to 71% of 2019 levels, slightly down from the 77% we saw in Q4. However, the zero-tolerance policy in Shanghai has had more meaningful repercussions in early April, where preliminary results during the lockdown period indicate RevPARs are now at about 30% of 2019 levels.

We're viewing this situation as temporary in nature and are optimistic that demand will normalize once the government restrictions are once again lifted, as has been the case on numerous occasions throughout the past few years. In EMEA, RevPAR improvement also moderated with Q1 recovering to 82% of 2019 levels, slightly down from the 84% experienced in the fourth quarter. While our exposure to the Ukrainian region and Russia is not material, we did see lower demand throughout the continent in February due to Omicron concerns. March,
however, recovered to 86%, which was slightly above pre-Omicron levels back in October and November, but we're seeing a slight reversal of that trend with April month-to-date results tracking at less than 70% now. Clearly, there's a good bit of divergence in the region and something we're monitoring closely.

As a reminder, over 95% of our EBITDA is generated from our US operations. For every point of RevPAR change in the US, we expect to see about a $3 million impact to EBITDA, while China would be only $150,000 and EMEA about $100,000. Adjusted EBITDA was $159 million in the first quarter, up 64% versus a year ago, which includes a $14 million timing benefit from the marketing fund. Marketing revenues exceeded expenses by $7 million in first quarter 2022, while expenses exceeded marketing revenues by $7 million last year. Excluding this impact, adjusted EBITDA would have increased 46%, primarily reflecting the constant currency RevPAR growth of 39% and 300 basis points of margin expansion.

Our adjusted EBITDA and franchising margins both improved versus last year. Our adjusted EBITDA margin increased 900 basis points, which included 500 basis points from the marketing fund, while our franchising margin, calculated on the same basis as our peers, which excludes the effects of the marketing fund, increased 300 basis points to 84%. Adjusted diluted EPS improved 164% to $0.95, reflecting the increase in adjusted EBITDA, as well as lower net interest expense and the impact of share repurchases. Free cash flow for the quarter was $125 million, more than twice the $59 million we generated last year. In addition, as Geoff mentioned, we exited our select-service management business with CPLG, receiving $84 million in proceeds.

We also, as mentioned, sold the Wyndham Grand Bonnet Creek Resort in Orlando for approximately $121 million. Based on the Resort's 2019 adjusted EBITDA, the sale price represents a 15.4 times multiple inclusive of planned capital expenditures. Earlier this month, we renewed our $750 million revolving credit facility, extending the maturity from May 2023 to April 2027 on similar terms as the prior facility. We also closed on a new $400 million five-year senior secured Term Loan A facility. Proceeds from this new issuance were used to repay a portion of our existing Term Loan B facility maturing in 2025.

Pro forma for these transactions, we effectively extended the maturity of a quarter of the Term Loan B facility by two additional years and the revolver by four additional years without any increase in interest rates on either facility. We returned $68 million to our shareholders during the first quarter of 2022 through $38 million of share repurchases and $30 million of common stock dividends. We ended the quarter with approximately $1.2 billion in total liquidity and our net leverage ratio was 2.6 times, well below our 3 times to 4 times stated target range. This is unusually low, as our ending cash balance is inflated due to the proceeds we received in March from the CPLG and Bonnet Creek transactions. Excluding these cash items, which will eventually be deployed, our net leverage ratio was 2.9 times.

Together with the free cash flow we will generate this year, we expect to have just over $600 million of cash to deploy. We plan to do so in a manner that is consistent with our stated capital allocation strategy. Our first priority, as always, is to invest in the business. We are actively exploring both external and organic growth opportunities. The core tenets of our M&A strategy are for deals to be accretive from an earnings and net room growth standpoint, and complementary to our existing brand portfolio. While we've been tracking some actionable opportunities this year, nothing so far has met our investment criteria. However, M&A is in our DNA and we will continue to aggressively pursue deals that fit our investment criteria.

We also expect to maintain a dividend, subject to board approval with a net income payout ratio in the mid-30s. And, of course, share repurchases will, as usual, be an integral element of our capital allocation strategy. The way we're thinking about the split right now is that about 20% of the $600 million will fund dividend payments, while the remainder will be allocated toward investing in the business and share repurchases. This means we'll see heavier
share repurchase volumes throughout the rest of the year as compared to the $38 million we spent in Q1 and also gives us the opportunity to redeploy the proceeds from CPLG and the owned hotel sales back into the business to replace the EBITDA. Absent attractive opportunities to do that, we would see additional allocation to share repurchase.

Now turning to outlook. We're updating our full year 2022 outlook to adjust for the sale of our two owned hotels. As a reminder, the post-exit results for the CPLG management business were already excluded from our February outlook, so there are no adjustments needed for that transaction. We now expect fee-related and other revenues of $1.28 billion to $1.31 billion, down $60 million from February's outlook, reflecting the removal of the two owned hotels post-sale date. Adjusted net income actually increases by $9 million to $317 million to $329 million due to the removal of related depreciation expense. Adjusted diluted EPS is then projected to increase $0.11 per share at $3.39 to $3.51, based on the diluted share count of 93.6 million which, as usual, excludes any potential share repurchases. And we expect capital expenditures of $40 million, a reduction of $5 million as we no longer need to maintain these two hotels.

There are no changes to our prior outlook for adjusted EBITDA, global net room growth, global RevPAR, or free cash flow conversion rate. Finally, we do not expect any changes from the renewal of the revolving credit facility, the issuance of the new Term Loan A, or the repayment of the Term Loan B. However, we are all aware of the fed's intention to raise interest rates multiple times throughout the year. Approximately 20% of our gross debt is variable, with the remainder effectively fixed. Accordingly, every 50-basis-point increase in interest rates versus where they are today would result in a $2 million increase in our annualized gross interest expense.

In closing, our first quarter results, once again, demonstrated the resiliency of our brands and the strength of our business model. We've significantly simplified our business structure, allowing for a greater focus on our highly profitable direct franchising business and we've strengthened our balance sheet considerably in the process. We remain steadfast in our disciplined capital allocation framework and are confident in both our long-term growth potential and in delivering another strong year ahead.

With that, Geoff, and I would be happy to take your questions. Operator?
QUESTION AND ANSWER SECTION


David Katz
Analyst, Jefferies LLC

Hi, everyone. Good morning. Thanks for all of the information. Michele, you went through some parameters on capital allocation, and I just want to make sure we have that straight. It sounds as though you are actively looking at some potential acquisitions, but it also sounds like those should not, at least on an annual basis, interfere with buying back stock and continuing to pay dividends, and so, that gives us just a little bit of sense for order of magnitude, is that a fair interpretation?

Michele Allen
Chief Financial Officer, Wyndham Hotels & Resorts, Inc.

Good morning, David. Thank you. Yeah, I think that is a fair interpretation, I would say. We are focused on growing our business, so our first preference is always going to be to invest for future growth; yet, we're going to be disciplined. We're not going to do a deal just to do a deal, it has to be the right one and for the right reasons. We've laid out our investment criteria, I think in our February deck, and then last night's deck on slide 17. So aside from asset-light franchise and a manageable impact to net leverage, we're really looking for deals that are both, accretive to earnings and to net room growth, and then complementary to our existing portfolio.

So if a deal on the market today doesn't hit those criteria, then it's not the right one for us and we're going to continue to remain disciplined in that approach. But if it does and we're a green light, then we would aggressively pursue it. So, we do expect to have over $600 million to deploy this year, plus some potential leverage opportunity. On top of that, we want to give our teams ample time to find prospects. So, we're not making a specific commitment today on buybacks. But what I can say is that we haven't seen anything yet that hits our criteria. And, in any event, we weren't able to find attractive opportunities throughout the remainder of the year, then all this capital would naturally be allocated to share repurchase, which would represent a significant shareholder return moment, probably 8% or even higher based on today's market cap.

David Katz
Analyst, Jefferies LLC

Understood. And as my follow-up, I think you may have said accretive, right, to earnings. Now, just if you could elaborate a bit, are we talking about immediately accretive, reasonably immediately accretive, or accretive in something like year, two or three?

Michele Allen
Chief Financial Officer, Wyndham Hotels & Resorts, Inc.

We want it to be accretive within the first 12 months.

David Katz
Analyst, Jefferies LLC

Perfect. Okay. Thanks a lot.
Michele Allen  
*Chief Financial Officer, Wyndham Hotels & Resorts, Inc.*

Thank you.

Operator: Our next question comes from Joe Greff of JPMorgan.

Joseph Greff  
*Analyst, JPMorgan Securities LLC*

Good morning, guys.

Geoffrey A. Ballotti  
*President, Chief Executive Officer & Director, Wyndham Hotels & Resorts, Inc.*

Good morning, Joe.

Joseph Greff  
*Analyst, JPMorgan Securities LLC*

Geoff, it's nice to see the pipeline grow 5% sequentially, I'm guessing. It's probably better than most expectations from people on this call. Can you talk about, in the first quarter, the pace of new contract signings, how much of it maybe was front-loaded when the macro was less uncertain, did it slow down as we got through March, and then can you talk about that, both in the US and China, and then what are you seeing thus far in the 2Q with pipeline signings?

Geoffrey A. Ballotti  
*President, Chief Executive Officer & Director, Wyndham Hotels & Resorts, Inc.*

Sure. It was a very strong quarter, Joe. As you pointed out, we signed 16,000 rooms, which was, yeah, ahead of expectations. It was 25% over last year and 10% over 2019. ECHO domestically was a big piece of that. Our pipeline grew 9% year-over-year overall, but in the US, it was a little bit stronger. But without ECHO, it was still strong growth in the mid-, low-single digits in the US. Internationally, we signed 8,000 rooms, which was 2% over last year and 7% over 2019's signings. You asked about China. China actually, surprisingly in the first quarter, signed more direct franchise deals than they did back in the quarter for quarter one of 2019. So, we were pleased with that. And it improved, both on the new construction side and on the conversion side. Our new construction signings, obviously with ECHO, increased quite a bit here in the US, but also did internationally.

Joseph Greff  
*Analyst, JPMorgan Securities LLC*

Great. And then going back to capital return and M&A, can you guys talk about sort of the size of the M&A, the things that you're looking at? I mean, you have $300 million of excess cash on the balance sheet at the end of the 1Q. You have $750 million available to you under the revolver, you have a turn of leverage to get another $600 million of capacity, is that sort of the size of the M&A that you guys are looking at? And then, just to understand, going forward, Michele, you made some sort of comment about buyback activity resuming, and maybe I'm putting words in your mouth, at some greater pace in the back part of this year relative to the 1Q, can you just elaborate on that one comment that you made in your prepared remarks? And that's all for me. Thank you.

Michele Allen  
*Chief Financial Officer, Wyndham Hotels & Resorts, Inc.*
Sure, Joe. What I can say on M&A is that nothing is really off the table. We look for opportunities globally. We're looking in high-growth markets or in regions where we have gaps in our portfolio. They could easily be bolt-ons of smaller brands or they could be large brands, if it's a strategic fit and hits our investment criteria. With respect to share repurchases, I think the window will open tomorrow, and then you should expect to see us immediately step up our volume on repurchases.

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**Joseph Greff**  
**Analyst, JPMorgan Securities LLC**

Okay. Great. And then net proceeds from Rio Mar sale, can you give us magnitude of that?

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**Michele Allen**  
**Chief Financial Officer, Wyndham Hotels & Resorts, Inc.**

We're expecting Rio Mar to trade close to its net book value.

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**Joseph Greff**  
**Analyst, JPMorgan Securities LLC**

Okay. And do you have that number handy, the net book value?

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**Michele Allen**  
**Chief Financial Officer, Wyndham Hotels & Resorts, Inc.**

I believe it's close to about $60 million.

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**Joseph Greff**  
**Analyst, JPMorgan Securities LLC**

Great. Thank you, guys.

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**Geoffrey A. Ballotti**  
**President, Chief Executive Officer & Director, Wyndham Hotels & Resorts, Inc.**

Thanks, Joe.

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**Operator:** Our next question comes from Dany Asad of Bank of America.

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**Dany Asad**  
**Analyst, BofA Securities, Inc.**

Hi. Good morning, everybody. My question is a little bit on – kind of stays in the same vein, but does a successful Project ECHO rollout make the buy versus build a brand proposition any different than it would have been in the past?

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**Geoffrey A. Ballotti**  
**President, Chief Executive Officer & Director, Wyndham Hotels & Resorts, Inc.**

Great question, Dany. I think this is our one, two, three, fourth brand launch ourselves versus buying a brand and it has become even more popular with developers, and we already have 6,000 rooms in the pipeline. Then our new Microtel Moda brand, which was a brand that we did buy many years ago, became our number one new construction economy brand last year from a new construction development standpoint. And so, I think it does. I mean, we have seen significant interest in this brand. We had one of the largest teams we've ever had at the...
Hunter Investor Conference (sic) [Hunter Hotel Investment Conference] (00:29:25) in Atlanta in March, the absolute biggest team we ever had at the Asian American Hotel Owners Association in Baltimore, where we had the busiest trade show booth we’ve ever had.

And the demand was in, how do I talk to Wyndham about a territory and the ability to develop an ECHO? We’re tasking our teams to sign another 50 of these. We’re looking to have 100 in our pipeline by year end. We know that four will already break ground this year and our architecture, design and construction teams believe that they could get those four open next year, we’ll see. Generally, a 12- to 18-month construction time, but yeah, we’re hoping to have another two dozen break ground next year, and we’d expect to open at least 300 hotels over the next 10 years.

Michele Allen  
Chief Financial Officer, Wyndham Hotels & Resorts, Inc.

And I would just add to that, Dany. Generally, the rule for buy versus build is to buy hotels when they're trading below replacement cost, and then to build when they're trading above replacement cost. And today, hotels are trading at or above 2019 levels in many markets, particularly in the chain scales that we have the most exposure to, which would bias owners toward building. Of course, we’re seeing construction cost rise at the same time. So, net-net, we would say, the buy versus build hasn't really changed. If an owner is sitting on significant dry powder, they're going to look to deploy it immediately and lean towards buying. And if they’re opportunistic and willing to wait, they're going to build. I'd also say, ROIs in the hotel space are still really attractive versus other real estate asset classes.

Dany Asad  
Analyst, BofA Securities, Inc.

Got it. Thank you.

Geoffrey A. Ballotti  
President, Chief Executive Officer & Director, Wyndham Hotels & Resorts, Inc.

Thanks, Dany.

Operator: Our next question comes from Stephen Grambling of Goldman Sachs.

Stephen Grambling  
Analyst, Goldman Sachs & Co. LLC

Hey, thanks for taking the questions. Maybe another follow-up just on investment and you did reference internal investment opportunities. We generally don't think of the model being particularly capital-intensive, so we'd love any other color you could give on what internal investment opportunities might look like?

Michele Allen  
Chief Financial Officer, Wyndham Hotels & Resorts, Inc.

Oh, Stephen, I don't know if I did reference internal investment opportunities. I think what we're saying is that we are looking for organic growth opportunities, as well as M&A. And when we think about organic growth opportunities, which might be implied to the internal growth opportunities, that would really be, do we have the ability to bring in a large portfolio of hotels under a specific brand, and maybe we would spend a little bit of capital to make that happen with development advances or something of a similar nature.
Stephen Grambling  
*Analyst, Goldman Sachs & Co. LLC*

Got it. So that'll more key money effectively?

Michele Allen  
*Chief Financial Officer, Wyndham Hotels & Resorts, Inc.*

Yes, that's right.

Stephen Grambling  
*Analyst, Goldman Sachs & Co. LLC*

Okay. That's helpful. And then maybe an unrelated follow-up, and I think, Joe, is alluding to this a little bit. But as we look at China, you referenced the sharp slowdown from lockdowns into April, has that had any impact, are you expecting any impact on the development or construction in the region?

Geoffrey A. Ballotti  
*President, Chief Executive Officer & Director, Wyndham Hotels & Resorts, Inc.*

Obviously, our operations and development teams who are traveling, where they can travel, are out there traveling. I mean, we opened 2,400 rooms, Stephen, in the first quarter. It was down a bit to last year in terms of our room opening activity. And while we awarded the same number of contracts as we did in the first quarter of 2019 and, look, while the team delivered double-digit net room growth, we did see some slowdown on both, the opening and signing side. And look, China has a proven ability to quickly recover, as Michele referenced in her remarks. This is the fourth time we've seen a setback and a step back. And we just remind everybody that China represents about 2% of our 2021 EBITDA. And, Michele, yeah, she provided the sensitivity, of course, of $150,000 per point in her remarks. But our teams are still bullish. We have 60,000 direct franchise rooms in our pipeline right now, and those are all direct, which is just about as many direct franchise rooms as we have in the country now open. So, look, our teams are just itching to get back out there and very bullish about the long-term prospects in the coming years.

Stephen Grambling  
*Analyst, Goldman Sachs & Co. LLC*

That's helpful. I'll jump back in the queue. Thank you.

Geoffrey A. Ballotti  
*President, Chief Executive Officer & Director, Wyndham Hotels & Resorts, Inc.*

Thanks, Stephen.

Operator: Our next question comes from Michael Bellisario of Baird.

Michael J. Bellisario  
*Analyst, Robert W. Baird & Co., Inc.*

Thanks. Good morning, everyone. Just one more on the M&A front, maybe asked differently. If you didn't have this excess capital on hand, would you be as aggressive in your pursuit of acquisition opportunities?

Michele Allen  
*Chief Financial Officer, Wyndham Hotels & Resorts, Inc.*
Ah, yes, Michael. I do think we would be as aggressive. Like I said, our preference is to deploy our free cash flow to grow the business, and we do generate a substantial amount of free cash flow every year. So you should always expect us to first look at growth opportunities.

**Michael J. Bellisario**  
*Analyst, Robert W. Baird & Co., Inc.*

Got it. Thanks. Just wanted to clarify that. And then maybe just switching gears...

**Michele Allen**  
*Chief Financial Officer, Wyndham Hotels & Resorts, Inc.*

And then, I would also just add to that. Of course, we do place a high value of importance on shareholder return and we're an asset-light business. I think you've heard me say it before, there's no reason we couldn't do both.

**Michael J. Bellisario**  
*Analyst, Robert W. Baird & Co., Inc.*

Got it. Understood. And then just a follow-up question on fundamentals since we haven't really touched on it too much. Can you maybe talk about US trends, and then maybe the slight slowdown or narrowing in RevPAR recovery that occurred in the quarter versus 4Q, and then what you're seeing or hearing from customers in terms of the impact from higher gas prices on demand?

**Geoffrey A. Ballotti**  
*President, Chief Executive Officer & Director, Wyndham Hotels & Resorts, Inc.*

Sure. I mean, as we said in our remarks, we haven't seen really any measurable impact on gas results. And what we're hearing and seeing from customers, what we're hearing from our franchisees nothing, but optimism. In terms of the trends, Michele touched upon how strong April has been so far. And what's impressed us and, I think what's giving our franchisees just great confidence is how strong the ADR gains are out there. We talked about an ADR gain of 8% in the first quarter 2019. That's grown to 13% April month-to-date. And April weekend ADRs, Mike, are really impressive.

So far this month, they're running 18%, not to last year, but 2019. And, I mean, we're having weekends this past Friday and Saturday night, where certain brands like La Quinta are running upwards of 25% average daily rate to 2019. So, I think the trend is that our franchisees are feeling that the summer of 2022 could replace the summer of 2021 as the best ever, and that's certainly what they saw in the first quarter. Three quarters of them had a higher occupancy than they did back in 2021.

Michele and I've had the senior team. We have been crisscrossing the country, talking to our franchisees, met with thousands of them. [ph] We always start to show (00:36:35) with a show of hands for how many in the audience had believed they had a better 2021 than they did back in 2019 and most of the hands are up in the air. And I asked them to keep their hands up if they feel that 2022 is going to be better than 2021, and most of those hands remain in the air. So, with all of the surveys out there pointing to that continued trend of travel, domestic drive-to, we believe, will continue to outperform and give our franchisees the opportunity to continue to drive rate. And we think, as we get into the summer, that's really going to resonate with our small business owners.

**Michele Allen**  
*Chief Financial Officer, Wyndham Hotels & Resorts, Inc.*

And let me just put another point onto Geoff's remarks. If you look at Q4 levels at 104% of 2019 in the US and compare that to Q4 of last year, obviously, it was at 109%. However, Q4 last year did benefit from a really strong
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December. It was up 15%, while October and November were up 7%. So, we're viewing Q1 activity seasonally in line with the October and November performance, which is the higher demand period.

Michael J. Bellisario
Analyst, Robert W. Baird & Co., Inc.

Got it. Thank you.

Geoffrey A. Ballotti
President, Chief Executive Officer & Director, Wyndham Hotels & Resorts, Inc.

Thanks, Mike.

Operator: Our next question is from Daniel Adam of Loop Capital.

Daniel Adam
Analyst, Loop Capital Markets LLC

Hey, good morning, everyone. Thanks for taking the question. Michele, I think you mentioned in the prepared remarks domestic RevPAR tracking 8% above 2019 levels in April. Can you talk about where RevPAR is tracking on a global system-wide basis so far quarter-to-date? And then when might we expect – and I realize this is a very complicated question and something that you may not be able to answer, but when might we expect to see international RevPAR get back to 2019 levels?

Geoffrey A. Ballotti
President, Chief Executive Officer & Director, Wyndham Hotels & Resorts, Inc.

I'll start, Dan, and then maybe, Michele could, thanks for the question, fill in. The when – I mean, what we're seeing right now is the first quarter ended was a RevPAR improvement from 81% internationally in Q4 to 2019 levels to 83%. So it picked up a couple of hundred basis points. And where we picked up, Canada improved. It's almost back to where it was back in 2019. Canada is in our international mix. Latin America improved. And aside from China, which Michele talked about, really the only other region that slipped back just a little bit was Europe. It slipped from 84% of 2019 levels back to 22%, and that was really given sort of the year-end setbacks that they had coming out of the holidays.

But there is tremendous and growing optimism in Europe right now with all of the travel restrictions being lifted. We're seeing summer booking demand and forward-booking business on the books growing. All we have to do is, look at what happened in the month of March with commercial flight activity, which is really important to our hotels that have so much European outbound out of airports, like Heathrow which reported March being seven times up from a year ago, to feel that this could be a much better summer. And if we listen to all of the tour and travel operators that our sales teams are dealing with over there in Europe, they're also remaining very optimistic in terms of what they're seeing, and in terms of what they're reporting, in terms of increased demand and capacity additions to their routes.

Daniel Adam
Analyst, Loop Capital Markets LLC

Awesome. That's helpful, Geoff. And then just, I guess, as an unrelated question, given the rise in interest rates that we're seeing, to what extent, if at all, have you seen the rising rates impact the development pipeline? And do you have any insight with respect to your franchisees as to how many of them, and to what extent they have variable interest rate debt that they use to finance deals? [ph] And that's all from me (00:40:59).
Sure. I mean, what our franchisees are telling us is that it's never been easier right now throughout the start of the pandemic to today to get financing. And what we're seeing in the pipeline is, as we talked about, I mean, this was the seventh consecutive quarter of sequential pipeline growth and really strong demand. I mean, if you're a franchisee right now and you could buy a piece of land, I mean, most of our franchisees are believing that there's never been a better time to build a select-service hotel than there is today, given the availability of financing and everything that Michele touched on right now in terms of pricing, in terms of how that hotel, at some point, are going to trade. I mean, our franchisees are feeling that they're beginning a cycle that hopefully is going to run another 10 years like the last cycle. They're coming off of the strongest cycle they've ever had. Their leverage is down, their balance sheets are in much better shape, and I think that points to why our new construction activity has really ticked up.

Daniel Adam
Analyst, Loop Capital Markets LLC

Great. Thanks so much.

Geoffrey A. Ballotti
President, Chief Executive Officer & Director, Wyndham Hotels & Resorts, Inc.

Thanks, Dan.

Operator: Our final question is from Ian Zaffino of Oppenheimer.

Ian Zaffino
Analyst, Oppenheimer & Co., Inc.

Hi. Great. Thank you. Thanks for the color on the infrastructure bill. Would you guys maybe be able to kind of help us out with maybe the P&L impact of the infrastructure bill, maybe how would it flow-through? And any other type of color there would be really helpful. Thanks.

Geoffrey A. Ballotti
President, Chief Executive Officer & Director, Wyndham Hotels & Resorts, Inc.

Well, great question, Ian. Our teams have been doing a lot of work on it. I'll turn it over to Michele to talk about the P&L impact. But our franchisees and our sales teams could not be more excited about what's coming. I mean, one of the things we made sure not to do during the pandemic was say goodbye to our best franchise, global sales and field sales teams. And we were able to retain and, not only that, we're adding more those sales people to our GSO and field sales teams today to sign accounts who, we know, will be contracting for this really important work.

And as we said in our prepared remarks, we're winning more bids, we're gaining more mid-week share. It's been a big piece of why we've actually been able to grow our RevPAR index more in the mid-week this quarter, I think 440 basis points versus 2019, because of the traction that we're getting from these everyday business travelers. Over half of our negotiated corporate business accounts that we signed in the first quarter were infrastructure related. And what we saw was, not only the 16% increase that we talked about versus prior year, but that same double-digit increase versus 2019.

But I'll let Michele touch upon how that might flow-through. Michele?
Geoffrey A. Ballotti  
President, Chief Executive Officer & Director, Wyndham Hotels & Resorts, Inc.

Thanks, Ian.

All right. Thank you very much for the color, guys.

Analyst, Oppenheimer & Co., Inc.

Ian Zaffino

Okay. Great. That's actually really helpful. Can you also talk maybe about the rate environment? I know you've been talking about the ADR. Are you bumping up against any elasticity? Have you looked at that as far as running maybe surveys or kind of customer feedback? And how much higher can we continue to push pricing and how much availability is there?

Geoffrey A. Ballotti  
President, Chief Executive Officer & Director, Wyndham Hotels & Resorts, Inc.

Sure, happy to. Good morning, Ian. I would say that the bill is calling for an incremental $550 billion of spend over the next five years. And so, if you just annualize that or break it down linearly, I would say, that's a doubling of annual federal infrastructure spend. We're generating about $15 million of royalty today from US federal infrastructure spend. So, we think there's an opportunity to double that contribution, but that would assume that the new spend doesn't displace any existing spend at the state, local, or even federal level. In reality, labor is limited, so we would expect some displacement, and think it's probably reasonable to discount for that.

Of course, also, it wouldn't be unreasonable to assume that the total spend could extend beyond the targeted five years, which would mean, we could see less incremental spend deployed annually, and then that would further lower this amount. So, I think, at the end of the day, I wouldn't take the $15 million to the bank until we have further clarity from the government about how and when they intend to deploy that spend. But I think that helps, at least size the magnitude of the opportunity for us, at least at the very high end, and before reflecting any of those risk factors I mentioned.

Ian Zaffino  
Analyst, Oppenheimer & Co., Inc.

Okay. Great. That's actually really helpful. Can you also talk maybe about the rate environment? I know you've been talking about the ADR. Are you bumping up against any elasticity? Have you looked at that as far as running maybe surveys or kind of customer feedback? And how much higher can we continue to push pricing and how much availability is there?

Geoffrey A. Ballotti  
President, Chief Executive Officer & Director, Wyndham Hotels & Resorts, Inc.

Well, I mean, if you look at every survey that's out there, I mean, from MMGY to the US travel survey I referenced, I think, right now, we're seeing things we've never seen before. Americans are ready to travel at levels that are the highest that have ever been tracked, ever been surveyed since the onset of COVID. I mean, 91%, in the most recent US travel survey, are saying that they plan to travel in the next six months. And again, we believe that domestic drive-to destinations will continue to outperform and continue to give our franchisees the opportunity to drive rate. I'd also say, one of the things that we do spend time on is looking at the gaps that are still out there between our segments, and what the alternatives are for consumers, who are looking to get away this summer.

And the $40 gap between the economy and the upper midscale segments that we saw at the end of the year, that gap has actually widened. It's grown to $48. And it's even more extreme between the upper midscale and the upper upscale in terms of what your options are, if you're trying to find a hotel to vacation at this summer or this fall. It was a $70 gap and that's widened to $84. So, I mean, it is providing our by Wyndham economy and midscale select-service brand owners the ability to continue to grow, continue to raise rates as they provide a more upscale experience at economy and midscale full-service hotels and select-service hotels.

Ian Zaffino  
Analyst, Oppenheimer & Co., Inc.

All right. Thank you very much for the color, guys.
Operator: This does conclude the question-and-answer portion of our conference. I’d be happy to return the call to Geoff Ballotti for any closing remarks.

Geoffrey A. Ballotti  
President, Chief Executive Officer & Director, Wyndham Hotels & Resorts, Inc.

Thanks, Leo, and thanks again, everyone, for your time this morning. Michele, Matt and I very much appreciate everyone’s continued interest in Wyndham. We look forward to talking with you, and hopefully, seeing many of you in-person someday soon. Have a great day, everyone.

Operator: Thank you. This does conclude today’s Wyndham Hotels & Resorts first quarter 2022 earnings conference call. Please disconnect your line at this time, and have a wonderful day.