

# WYNDHAM

HOTELS & RESORTS

March 13, 2020



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The information in this presentation should be read in conjunction with the consolidated financial statements and accompanying notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section in Wyndham Hotels & Resorts’ most recent Form 10-K filed with the SEC and subsequent reports filed with the SEC.

## ***Forward-Looking Statements***

Certain statements in this presentation constitute “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Any statements that refer to expectations or other characterizations of future events, circumstances or results are forward-looking statements. Such forward-looking statements include projections, which were not prepared in accordance with public guidelines of the American Institute of Certified Public Accountants regarding projections and forecasts, nor have they been audited or otherwise reviewed by the independent auditors of Wyndham Hotels & Resorts. The forward-looking statements, including the projections, are inherently uncertain and are subject to a wide variety of risks and uncertainties that could cause actual results to differ materially from those contained therein, including those specified in the section “Risk Factors” of Wyndham Hotels & Resorts’ most recent Form 10-K filed with the SEC and subsequent reports filed with the SEC.

## ***Non-GAAP Financial Measures***

In this presentation, the Company refers to “adjusted EBITDA” which is defined in the appendix and “Consolidated EBITDA” which is a term defined in the Company’s Credit Agreement filed as Exhibit 10.5 to its Form 10-K for the year ended December 31, 2019 filed with the SEC. The term is used to measure covenants therein. In determining adjusted EBITDA, the Company excludes certain items which are otherwise included in determining the comparable GAAP financial measure. Based on past reported results, where one or more of these items have been applicable, such excluded items could be material, individually or in the aggregate, to the reported results. Readers are directed to the Company’s Form 10-K for year-end results including net income and adjusted EBITDA reconciled to net income.

# WH COVID-19 Current Environment

- ✓ The health and safety of our guests, franchisees and team is our top priority
- ✓ Our business model is highly resilient during economic turmoil
- ✓ WH exposure to air travel and corporate bookings is favorable compared to WH peers
- ✓ We have a strong balance sheet and substantial liquidity and our business requires minimal cash to operate
- ✓ Franchisee financial health has been consistently strong, as evidenced by steady cash payments. We have historically been flexible with brand standards and payment terms during times when our franchisees are experiencing cash constraints
- ✓ We have implemented a robust outreach program to train and educate our franchisees on hotel safety and cleaning protocols and on the importance of maintaining rate in a declining demand environment

# WH Business Model is Highly Resilient During Economic Turmoil

- ✓ Heavy sales effort focus on **conversion opportunities** in the current year
- ✓ Opportunity to sign more independent hoteliers who will experience steep occupancy declines in a weakening demand environment
- ✓ Low cost infrastructure evidenced by **high operating margins**\*
- ✓ High **variable expense** infrastructure creates significant cost reduction opportunities
- ✓ Minimal capital needs - only \$45 - \$50 million of capital spend, of which 50% is discretionary
- ✓ Only one hotel performance guarantee remains in the system, capped annually at \$5 million

# Limited Exposure to Air Travel and Corporate Bookings

- ✓ “Drive to” customer profile of 70% reduces exposure to air travel
- ✓ 80% leisure mix reduces exposure to business travel
- ✓ 97% of our U.S. system is select-service, which reduces exposure to large group cancellations
- ✓ Lower chainscale segments (primarily where WH resides) were least impacted during the first week of March, as per STR results

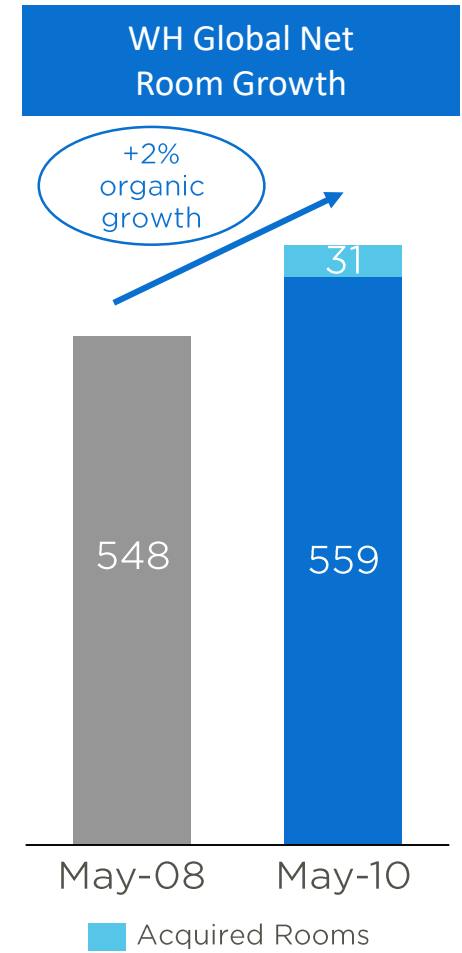
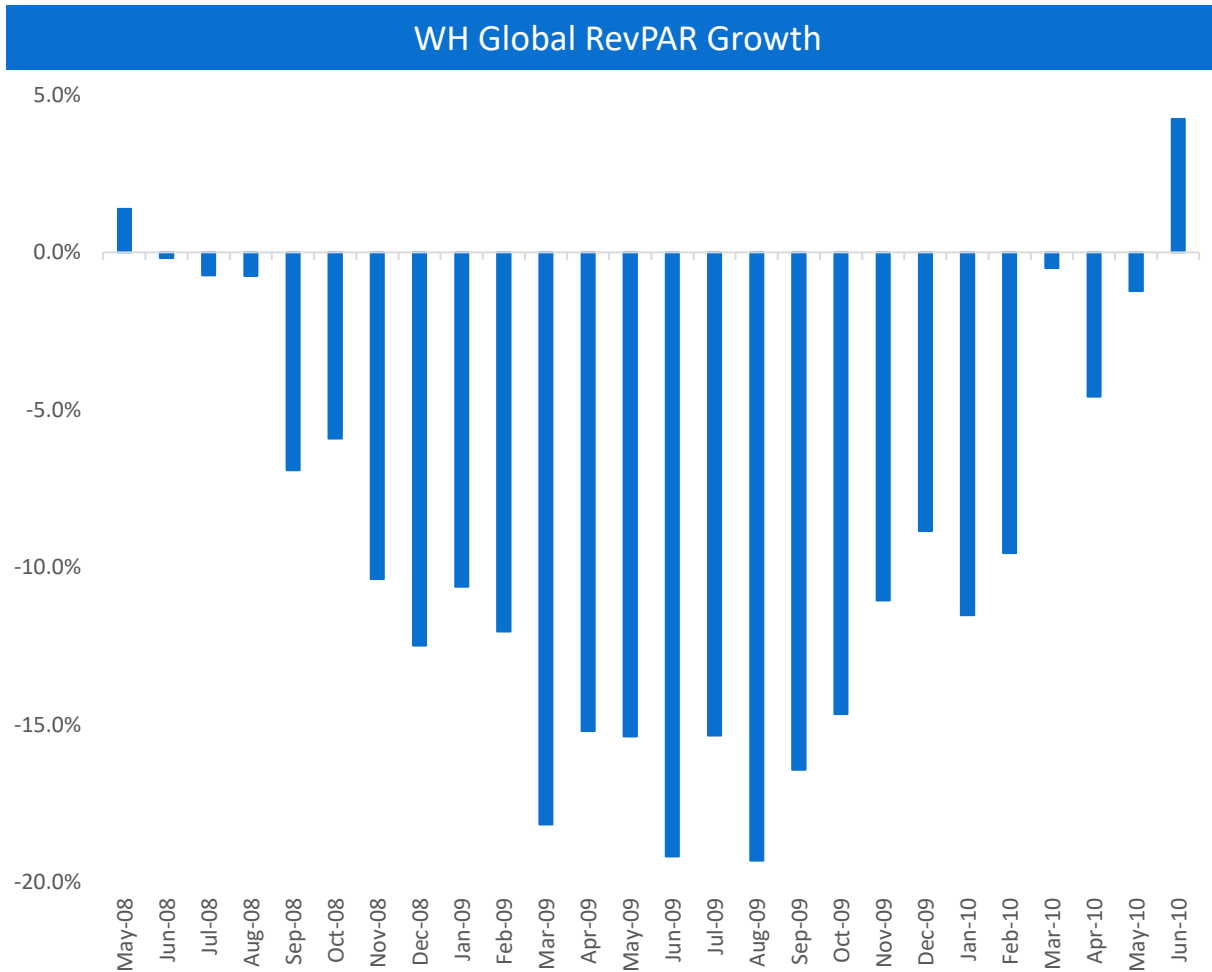
# Strong Balance Sheet and Substantial Liquidity

- ✓ Limited financial and operating liabilities outside of long-term debt
- ✓ **No debt maturities** until 2023
- ✓ **\$735 million available** on our revolver as of February 29, 2020
- ✓ 3.3x net debt/Adjusted EBITDA ratio (as of December 31, 2019) is comfortably within our existing Ba1/BB+ corporate ratings targets
- ✓ **Flexible covenants** – Consolidated EBITDA\* could decline by over \$300 million or ~50% before borrowings are restricted

# Minimal Cash Requirements

- ✓ **Negligible** required debt **repayments** - approximately ~\$20 million annually related to our term loan
- ✓ **Modest dividend** expectation of ~\$120 million annually
- ✓ Discretionary share repurchases have been our primary use of available cash
- ✓ Over **\$550 million** returned to shareholders since spin through dividends and share buybacks (as of December 31, 2019)
- ✓ First quarter 2020 discretionary dividend payment of approximately **\$30 million** (\$0.32 per share) and expected share repurchases of **\$55 million** in first quarter 2020

# Demonstrated Ability to Drive Net Room Growth in a Declining RevPAR Environment



# CorePoint Lodging Group

- ✓ We manage 254\* La Quinta hotels on behalf of CorePoint Lodging, and earn a management fee, a royalty fee and a marketing fee in connection with this relationship
- ✓ On March 12, 2020, CorePoint Lodging announced it had sold 61 hotels and intends to sell another 149 hotels over the next two years. We are fast-tracking approval of dispositions of under-invested and underperforming CorePoint hotels to owners who we expect will reposition and renovate these hotels under long-term La Quinta / WH brands
- ✓ All assets are expected to be sold with the underlying franchise agreements in place; however, the management agreements will be terminated upon sale, at which time CorePoint Lodging is generally required to pay a contract termination fee
- ✓ As a result of these asset sales and the related hotel-management contract terminations, we estimate a reduction to WH annual management fees of approximately \$20 million (with the impact to Adjusted EBITDA/operating income being smaller due to expected variable cost reductions)
- ✓ In 2020 and 2021, the Adjusted EBITDA/operating income impact is expected to be more than offset by the contract termination fees

# Appendix - Definition

**Adjusted EBITDA:** Represents net income excluding interest expense, depreciation and amortization, impairment charges, restructuring and related charges, contract termination costs, transaction-related items (acquisition-, disposition-, or separation-related), foreign currency impacts of highly inflationary countries, stock-based compensation expense and income taxes. Our definition of adjusted EBITDA may not be comparable to similarly titled measures of other companies. We believe that adjusted EBITDA provides useful information to investors about us and our financial condition and results of operations because adjusted EBITDA is among the measures used by our management team to evaluate our operating performance and make day-to-day operating decisions and because adjusted EBITDA is frequently used by securities analysts, investors and other interested parties as a common performance measure to compare results or estimate valuations across companies in our industry.