

15-Feb-2024

Wyndham Hotels & Resorts, Inc. (WH)

Q4 2023 Earnings Call

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Matt Capuzzi

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MANAGEMENT DISCUSSION SECTION

Operator: Good day and welcome to the Wyndham Hotels & Resorts Fourth Quarter and Full Year 2023 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. Please go ahead.

Matt Capuzzi

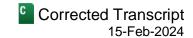
Senior Vice President-Investor Relations, Wyndham Hotels & Resorts, Inc.

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 will 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

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our Investor Relations website at investor.wyndhamhotels.com. We're 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. We have also created a separate website at staywyndham.com to provide additional information relating to the ongoing situation with Choice Hotels.

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. 2023 was an exceptional year for Wyndham, marked by outstanding operational achievements and a series of record-breaking performance metrics.

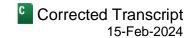
But before delving into our results, we want to take a moment to discuss the ongoing matters with Choice. As we shared in our public response, Choice has nominated directors with the sole purpose of advancing its inadequate hostile, and risk laden offer, an offer which our board has unanimously determined is not in the best interests of our shareholders. Our board is well constituted, combining decades of experience in areas critical to overseeing the execution of our strategy, including hospitality and more specifically, global hotel franchising, M&A, governance and risk oversight.

As we've consistently communicated, Choice's offer fails to address three principal concerns. First, the inadequacy of the value of the offer compared with our future growth prospects. Second, the significant amount of Choice stock included in the consideration mix, which would expose our shareholders to an over-levered pro forma company with slower long-term growth prospects. And third, the asymmetrical risks to Wyndham and our shareholders resulting from a prolonged and an uncertain regulatory review.

On the regulatory topic, our concerns regarding the unique risks of this transaction have only increased as the process has unfolded. Starting with the Federal Trade Commission's unsolicited outreach to us and subsequent investigation even before Choice launched its exchange offer. Moreover, state attorneys general from Washington, Colorado, Kansas and Vermont have also now opened their own separate investigations. The expansive second request we received from the FTC on January 11th is requiring us to provide virtually every communication and every piece of data that relates in any way to our competition with Choice. To put this into context, second requests are issued for only around 1% of deals reviewed by the FTC, and they require additional time consuming back and forth discussions and meetings with the agency.

Regulatory interest has undoubtedly peaked due to the continued opposition of franchisees and the Asian-American Hotel Owners Association, which represents more than two-thirds of both companies' domestic hotel owners. In a recent survey of members who own either a Choice or a Wyndham Hotel, over two-thirds say that consider leaving were the merger to occur. The uncertain timeline and outcome facing our shareholders, compounded by the risk that they are left with no deal and a damaged business at the end of a very long regulatory review process is highlighted by a recent report showing that over 90% of significant merger investigations in 2023 resulted in a lawsuit by the government to block the deal or the abandonment of the transaction. With the FTC not accepting any pre-lawsuit settlements involving a divestiture or other remedy.

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This trend has continued in recent months with the transactions such as JetBlue, Spirit and its merger. The IQVIA, Propel merger and Amazon's proposed acquisition of iRobot, all of which were either blocked or now face significant delays and challenges. The potential value destruction that could arise from this ongoing and elongated process remains significant. Choice continues to try to take advantage of the uncertain timeline and outcome to exploit franchisee uncertainty for its own competitive advantage. And Choice's unsolicited offer also has significant real dollar cost for our shareholders, currently estimated at approximately \$75 million, which includes approximately \$15 million related solely to the FTC review.

More fundamentally, as our 2023 results and longer term progress demonstrate, Wyndham is positioned to generate shareholder value well in excess of Choice's current offering. Over the last three years, we've consistently grown our system, our market share and our earnings, while also expanding our pipeline to support future growth. As Michele will cover in further detail, our strategy, which is well underway, is expected to generate an organic adjusted EBITDA CAGR of 7% to 10% over the next three years. We also expect to produce over \$700 million of excess cash over the next two years. This resilient cash flow, along with our incremental leverage capacity, assuming only a 3.5 times net leverage ratio, can generate a total of \$1.4 billion of excess liquidity, which can be deployed strategically for both organic and inorganic growth opportunities, further supporting additional value creation for Wyndham shareholders beyond our 7% to 10% EBITDA growth expectation.

And now on to the results. We were extremely pleased to report another strong quarter with a host of record breaking full year metrics. We opened 66,000 rooms, the largest year of organic room additions in Wyndham's history. Against the backdrop of hotel transaction volumes nearly 50% below last year, which are important to our business. Since each time a hotel transacts or changes hands, the new owner has a brand decision to make. We achieved this success despite the distraction over the past 10 months caused by Choice.

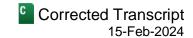
Our global retention rate, which includes all terminations, reached 95.6%. A 30-basis point improvement year-over-year, and an over 250 basis improvement since our spin-off. With the growing support in the growing engagement of our franchisee community, along with investments that we've made in our brands, we're now within reach of our targeted 96% retention rate, and we expect that our direct franchising retention rate will continue to improve.

We delivered 3.5% of net room growth with Q4 marking the 12th consecutive quarter of organic net room growth. We grew our development pipeline for the 14th consecutive quarter to a record 240,000 rooms. And our brands, all powered by Wyndham Rewards, ranked number one by USA Today for six consecutive years, continue to grow their market share with our economy brands outperforming the STR US chain scale by another 60 basis points, helping to drive 5% global RevPAR growth in constant currency along with 7% growth in Wyndham Rewards membership to a record 106 million members.

Full year adjusted EBITDA reached an all-time high of \$659 million and we generated \$339 million of free cash flow in 2023. We also returned over \$0.5 billion to our shareholders, representing over 8% of our market cap from the beginning of the year.

Our owner first philosophy continues to attract a wide variety of franchisees to the Wyndham portfolio of brands. We opened an average of two hotels each business day in 2023, and the 500 hotels we opened this year were 11% more than the number we opened last year. In the process, we introduced 13 of our brands in 24 new countries around the world, including our first La Quinta in Ecuador, our first Super 8 in the United Kingdom, and our first Hawthorn Suites in China. And all of these brand launches in new countries can support more hotels from each brand going forward. And more importantly, we're sold on a direct versus a master license franchising basis

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with no royalty share, driving international direct net room growth in excess of 10%, along with a 30-basis point improvement in our international royalty rate.

Our teams awarded 864 contracts globally for approximately 104,000 room additions, which was 30% more than what we signed back in 2019. In Q4 alone, we executed 33% more contracts domestically than we did back in 2019, when transaction volumes was over 30% higher than it was this year. And Q4 signings internationally increased by 35% year-over-year and by over 30% compared to 2019, with the largest increase coming from EMEA. Our global region with our second highest RevPAR.

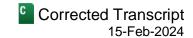
Our development pipeline increased 10% year-over-year to a record 240,000 rooms. Midscale and above brands in the pipeline increased 6% to a record 170,000 rooms and now represent nearly 70% of our pipeline. Our pipeline represents approximately \$125 million of royalty fees over the next four years, with domestic hotels weighted more to upscale and higher RevPAR brands. And with our international pipeline concentrated in higher RevPAR regions like Europe and Latin America. These RevPAR accretive rooms will come into the system over the next four years with [ph] Fee-PARs (00:12:11) on average 30% higher than our current system average, providing us with another tailwind for growth that Michele will cover in more detail.

ECHO Suites by Wyndham. The industry's fastest growing new brand launch grew by nearly 60% in 2023, with over 33,000 rooms now in our development pipeline. During the fourth quarter, we began to selectively award contracts for the brand to experienced individual developers. In addition to the many institutional developers we have contracted with thus far. We have nearly a dozen ECHO Suites now under construction, which we expect to open by year-end, and 75 are expected to be opened by the end of 2026. Last month at the Americas Lodging Investment Summit, we announced a new partnership with SBE Entertainment. We're combining SBE's unmatched culinary and unmatched lifestyle experience with Wyndham's distribution and technology platform to fuel Project HQ's development under our growing registry collection hotels brand. This partnership expands our platform and it fills a whitespace in our portfolio for hotel owners searching for a differentiated, yet approachable lifestyle brand that will immediately benefit them from the scale and the resources of the world's largest hotel franchisor.

Project HQ plans to open 50 registry collection hotels by 2030, delivering approximately 7,500 rooms designed uniquely for what Millennial and Gen Z travelers are seeking. The partnership represents the latest example of our shifting mix to higher RevPAR segments and increasing [ph] Fee-PAR (00:13:50) at a faster rate than our system average. US RevPAR, which was down 4% year-over-year, increased 10% versus 2019, which is a 120-basis point acceleration from Q3 performance. Q4 trends represented a continued moderation of the revenge leisure travel that we saw last year, which largely favored select service chain scales. Internationally, Q4 RevPAR was 7% higher than last year in constant currency and 44% higher than Q4 of 2019, relatively consistent with the strong performance from Q3.

In our quest to maximize franchisees top and bottom lines and to improve owner engagement and retention, this year we implemented a number of innovative tools. We developed Wyndham Community, a state of the art mobile enabled platform that seamlessly connects our owners to the day-to-day performance of their hotels, while delivering a constant connection to Wyndham Scale and resources to help maximize their profitability. We delivered a segment leading guest engagement platform allowing our franchisees to sell room upgrades and services like early check-in and late check out along with beverages or snacks and other local amenities for inroom delivery upon a guest's arrival, a first for select service hotel owners that will provide significant incremental room revenue opportunities for them.

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We completed the rollout of our mobile next generation property management systems at unprecedented pricing from best-in-class suppliers, which drove RevPAR increases of over 170 basis points on average for franchisees using these systems. And we provided an OTA commission reconciliation tool helping to put thousands of dollars back into the pockets of franchisees on a monthly basis by reconciling OTA bookings that either never show up or that depart early.

Before handing the call over to Michele. All of us at Wyndham would like to take a moment to honor the passing of an industry icon. In late December, we lost Ron Rivett, Co-Founder of the Super 8 brand. Ron leaves an indelible mark on the industry with the creation of Super 8. We acquired the brand in 1993, and by following Ron's owner philosophy of being available, being approachable and being accountable. Super 8 is now the largest economy brand in the world, with 2,663 hotels in nine countries. We're honored that not only is the very first Super 8 in Aberdeen, South Dakota, still in our system, but it's also run by Ron's family who keeps his memory and his dedication to this industry alive every day. And as we commemorate Super 8's 50th anniversary this year, we will celebrate Ron Rivett and his many accomplishments.

We would also like to extend our heartfelt appreciation to all of our team members and all of our franchisees. Our record setting achievement would not have occurred without their dedication and their support. Their enthusiasm for the opportunities that lie ahead, coupled with their commitment to our initiatives to deliver exceptional value, remains the key to our success.

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

Michele Allen

Chief Financial Officer, Wyndham Hotels & Resorts, Inc.

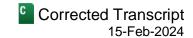
Thanks, Geoff, and good morning, everyone. I'll begin my remarks today with a detailed review of our fourth quarter and full year results. I'll then review our cash flows and balance sheet followed by our longer term growth prospects and finally, our 2024 outlook. As Geoff mentioned, we were delighted with our operational progress in 2023. At the same time, we're pleased to put the tough year-over-year financial reporting comparisons behind us, since 2023 was our first year of reporting without the inclusion of the lower margin select service managed business and owned hotels, and was also impacted by lapping the revenge travel that occurred in 2022 following COVID.

In the fourth quarter, we generated \$320 million of fee related and other revenues and \$154 million of adjusted EBITDA. Fee related and other revenues increased 3% year-over-year, reflecting global net room growth as well as higher license and ancillary fees, partially offset by a year-over-year RevPAR decline.

Adjusted EBITDA increased \$28 million, including a favorable marketing fund timing impact of \$21 million as expected. On a comparable basis, adjusted EBITDA grew 6%, primarily reflecting our revenue growth. Fourth quarter adjusted diluted EPS was \$0.91, reflecting the adjusted EBITDA growth as well as benefits from our share repurchase activity, which were partially offset by higher interest expense.

For the full year, we generated \$1.38 billion of fee related and other revenues in line with our expectations compared to \$1.35 billion last year, which included \$50 million from the sold, managed and owned businesses. On a comparable basis, fee related and other revenues increased 6% year-over-year, reflecting global RevPAR and net room growth as well as higher license and ancillary fees. Adjusted EBITDA was also in line with our expectations at \$659 million in full year 2023, compared to \$650 million last year, which included an \$18 million contribution from the sold, managed and owned businesses. The year-over-year change was further impacted by \$11 million of unfavorable marketing fund variability. On a comparable basis, adjusted EBITDA increased 6%

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year-over-year, primarily reflecting our revenue growth and our adjusted EBITDA margin remained consistent at 80%. Full year adjusted diluted EPS increased 8% on a comparable basis to \$4.01 reflecting our adjusted EBITDA growth as well as benefits from our share repurchase activity, which were partially offset by higher interest expense.

We generated \$114 million of free cash flow in the fourth quarter and \$339 million for the full year. Importantly, in line with our target, we converted 51% of our adjusted EBITDA to free cash flow, which at the adjusted net income line translated to nearly 100%. We've returned \$515 million to our shareholders in 2023, representing 8% of our market cap through \$397 million of share repurchases and \$118 million of common stock dividends. We ended the year with approximately \$650 million on total liquidity and our net leverage ratio of 3.2 times within the lower half of our target range.

Amidst the prevailing higher interest rate environment, we continue to limit our exposure with only about 25% of our long term gross debt at variable rates. We now have our variable rate debt locked in at an effective interest rate of approximately 5.6% through 2027. As Geoff mentioned, our ongoing strategic initiatives will continue to provide a significant runway for accelerated earnings growth over the next several years. In October, we shared with you our expectation that our strategic plan will result in an adjusted EBITDA CAGR of 7% to 10%, which translates to \$150 million to \$210 million of incremental adjusted EBITDA between 2024 and 2026. This plan assumes 2% to 3% RevPAR growth and 3% to 5% annual net room growth over the planned period.

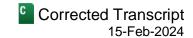
These numbers should sound familiar to you. The RevPAR assumption in the US is anchored to current industry outlook for our chain scales and consistent with long term hospitality sector performance. The net room growth assumption reflects the 75 ECHO hotels we expect to have opened by 2026, along with continued improvement in our direct franchising retention rate. On top, with 70% of our pipeline now in the higher RevPAR, midscale and above categories, these properties will come into the system with higher [ph] Fee-PAR. (00:21:47) Combined, we expect these drivers to contribute over \$100 million or over half of the incremental EBITDA during the planned period.

The remainder will come from our other growth initiatives. As you know, Wyndham is uniquely positioned to benefit from the increased government spending tied to the infrastructure and CHIPS Act. No hotel company has more select service hotels located in the states where infrastructure spending will be concentrated. Over the estimated eight-year spend period, we expect that capturing just our fair share of this spend will generate \$150 million of incremental royalties for Wyndham shareholders, about \$30 million of which will contribute to the planned 7% to 10% EBITDA CAGR over the next three years.

Additionally, ancillary revenue streams provide multiple opportunities for incremental growth to supplement our core business model. These areas include our suite of co-branded credit cards, marketing partnerships and other monetization opportunities, which we expect to contribute approximately \$40 million of incremental EBITDA over the planned period. Finally, as Geoff mentioned, our business model generates strong free cash flow and we have significant leverage capacity which provide additional capital to drive incremental growth opportunities over and above our 7% to 10% EBITDA CAGR for the three years ending 2026.

Turning now to 2024 outlook. We expect our direct franchising business will grow global net room grow 3% to 4%, including 20 basis points to 30 basis points of expected improvement in our retention rate. We are projecting global RevPAR growth of 2% to 3%. RevPAR growth is expected to be at its lowest quarterly level in Q1 as we lapped the toughest comp period in 2023. Specifically, the first half of the quarter, which is already behind us where Global RevPAR trailed 2023 by about 3 points in January, but is expected to improve as we enter March

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and the spring break leisure travel season. Year-over-year comps become progressively easier throughout the remaining quarters.

Fee related and other revenues are expected to be \$1.43 billion to \$1.46 billion. You'll recall that in 2023 we hosted our global franchisee conference, which generated EBITDA neutral marketing revenue of \$18 million. Since the conference is held every 18 months, these revenues will not repeat in 2024 and therefore negatively impact our year-over-year growth rate by about 2 points. Adjusted EBITDA is expected to be between \$690 million and \$700 million, consistent with our October outlook and reflecting comparable basis growth of approximately 6% to 8% based on our 2023 actual results. Adjusted net income is projected to be \$341 million to \$351 million, and adjusted diluted EPS is projected at \$4.11 to \$4.23 based on a diluted share count of 83 million, which as usual, excludes any future potential share repurchases.

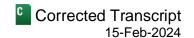
Free cash flow conversion before development advances is expected to approximate 60%. 2024 development advance spend is expected to increase to \$90 million from \$72 million in 2023. This increase primarily reflects the ramping of development efforts for our ECHO brand as expected. Given the challenging macro backdrop this past year, we had an opportunity to attract more owners and higher chain scales and accretive RevPAR markets by using key money as a tool to alleviate some of their debt burden. This is a trend we expect to continue throughout 2024. We also use more key money to navigate the uncertainty and disruptions created by Choice, and we anticipate continuing this approach while the current situation persists.

Today's outlook excludes the \$75 million of currently anticipated costs related to Choice's hostile offer. In addition to the cash we generate from operations, we also have the benefit of a strong balance sheet. Holding leverage flat to the 3.2 times we ended 2023 with will provide another \$150 million of available capital in 2024 to either invest in the business or to return to shareholders. Levering to 3.5 times just the midpoint of our stated target range would provide \$330 million and levering to the high end of 4 times would provide \$675 million of capital to deploy.

Finally, while we expect our marketing funds to breakeven on a full year basis, we will continue to see timing differences in the quarterly results as we deploy incremental spend to capture building leisure demand for the spring break ahead. For Q1, we expect the funds to over spend \$10 million to \$15 million. And like last year, we expect Q2 will also overspend and then those amounts will reverse in the back half of this year.

In closing, we are extremely proud of our 2023 performance. We successfully executed on our key business objectives, achieved a host of record breaking performance metrics, grew adjusted EBITDA 6%, and generated significant capital return for our shareholders. Looking ahead, we approach 2024 with a compelling strategy, poised to accelerate our growth and enhance returns for our shareholders.

With that, Geoff and I would be happy to take your questions. Operator.



QUESTION AND ANSWER SECTION

Operator: Thank you. The floor is now open for questions. [Operator Instructions] And speakers at this time, we currently are waiting for Mr. Ballotti to dial back in. We are trying to reconnect him. We'll pause just a moment. We now have Mr. Ballotti back in conference again. [Operator Instructions] We'll go first to Joe Greff with JPMorgan. Please go ahead.

Joseph Greff

Analyst, JPMorgan Securities LLC

Good morning, everybody. Just try to get a sense of maybe how disruptive the Choice offer is in the developer community. Obviously not an issue in the fourth quarter with the pipeline and actual room openings. But here in the fourth quarter, are you seeing an impact in either elongated construction timelines or interest in partnering with you, particularly maybe with the ECHO brand? And maybe asked differently, would your net room growth be higher were it not for maybe this perceived distraction on the part of developers with this Choice offer? And would how much of the \$90 million in development advances is a function of your having to do that to grow because of maybe a distraction with Choice and maybe that impact there. Any color would be helpful. Thank you.

Geoffrey A. Ballotti

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

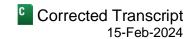
Yeah. Thanks, Joe. We could have signed deals in the fourth quarter. To your question, we've seen both deals and ground breaks, paused. Many of these small business owners have experience with Choice and they want to see this resolved certainly before moving forward. I mean, with ECHO, we were thrilled with the 268, I believe we executed. In 2023, that was 90% of what we committed to do last year.

Our focus has shifted on ECHO from the large multiunit developers to individuals. And we certainly had some progress. I think we executed three in the quarter, but we could have executed more. But look, we're thrilled with the tremendous success in selling through this uncertainty. I mean, it really began back in May with The Wall Street Journal leak. And we expect to continue to do the same in 2024.

Our franchise sales teams around the world, I could tell you are fired up. Fourth quarter, as you say, was a record of openings. But more deal noise to your point, certainly creates a more challenging sales environment, which really comes in two forms. Owners, as I said, moving more slowly on committing to deals with us and a second sort of increased competitive deal landscape to your point on DANs is becoming more prevalent as Choice pushes through really reverse its declining system. But yes, we know our record Q4 could have been better both domestically and internationally without the noise.

Michele Allen Chief Financial Officer, Wyndham Hotels & Resorts, Inc.	Δ
Yeah.	_
Joseph Greff Analyst, JPMorgan Securities LLC	C
Thanks very much.	

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Michele Allen

Chief Financial Officer, Wyndham Hotels & Resorts, Inc.

And to your last question, Joe, to the last part of your question, Joe, I would say pushing through Choice, is probably less than 10% of the total \$90 million budgeted for 2024.

Joseph Greff

Analyst, JPMorgan Securities LLC

Thank you.

Operator: Thank you. Our next question will come from David Katz with Jefferies. Please go ahead.

David Katz

Analyst, Jefferies LLC

Hi. Good morning, everyone. Thanks for taking the question. I do want to talk about sort of the nug environment in a broader sense. Obviously, there's a lot of discussion out there about conversions and conversion competitiveness. If you could color in for us just a little bit, sort of where you fit in that landscape. And obviously we look at this through a public company lens, but you know, give us a sense for just how competitive that conversion environment is, as you know, as well as sort of newbuilds like in your segments, given the Street's perception. Right. That it's become much more competitive.

Geoffrey A. Ballotti

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

Sure. You know, I think if you were talking to our Chairman, Steve Holmes would tell you, David, it's always been competitive. But, the biggest question, aside from the strength of our brands and how our franchisees are feeling about us? And they're certainly feeling great about us with our retention at record highs. We have a saying that people do business with us because they know us. They like us and they trust us. It's really when it comes down to competition, it's all about the size and the strength of our franchise sales team. And our franchise sales team has never been larger and it's never been stronger. And that's really around the world, whether we're in Europe, Africa, Middle East, Asia Pacific, down in Latin America. They are, as I said, putting up record numbers right now.

On the conversion front. We had a great year. We had a great quarter. We didn't slowdown, our quarter was up 60% versus 2019. And conversion signings when transaction volumes, as we pointed out in the script, were a lot lower. And on the new construction side, look, our pipeline grew 8% to prior year. We have a record 1,400 new construction hotels in our pipeline and we saw no slowdowns in new construction starts. Those were also up year-to-date. Developers are seeing very strong ROIs despite higher interest rates, our in-ground percentage improved. It was up I think 90 basis points from the third quarter. So projects are still getting built.

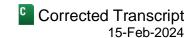
And yes, developer advance notes are being used on competitive deals, but we're really pleased with our brand offerings, how our brands are performing and from a competitive standpoint, just how our franchisees are feeling and our sales teams are selling our products.

David Katz

Analyst, Jefferies LLC

Thank you. And as my follow-up, yesterday Choice did put out a preliminary proxy, which, has some commentary in there just in an open ended way. Anything any thoughts or perspectives or comments you can share about that? I'm sure we'd all be interested in hearing.

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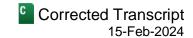
Geoffrey A. Ballotti

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

Yeah. No. No surprise to your question. It was completely expected by our team. And really just a procedural moment and a non-event. I mean, this was Choice's first step, of course, to hold a preliminary proxy for a special meeting of the shareholders required to approve the issuance of Choice, Choice's shares in connection with a deal that they believe they could do. The filing didn't change the offer. It didn't remove any of the numerous conditions to it, like the financing contingency or, I don't know, their due diligence out, or most importantly, their need for FTC clearance to name just a few. Their offer, David, remains highly conditional, and it still does not address adequately our board's three key issues that we talked about in the script.

David Katz Analyst, Jefferies LLC	Q
Got it. Thank you very much.	
Geoffrey A. Ballotti President, Chief Executive Officer & Director, Wyndham Hotels & Resorts, Inc.	A
Thanks, David.	
Operator: Our next question comes from Patrick Scholes with Truist Sec	urities. Please go ahead.
Patrick Scholes Analyst, Truist Securities, Inc.	Q
Hi, good morning, Geoff and Michele.	
Geoffrey A. Ballotti President, Chief Executive Officer & Director, Wyndham Hotels & Resorts, Inc.	A
Good morning, Patrick.	
Patrick Scholes Analyst, Truist Securities, Inc.	Q
Good morning. Two questions. My first one, Geoff, you briefly touched on from your large or top shareholders. Can you just give us a little bit more c been?	•
Geoffrey A. Ballotti President, Chief Executive Officer & Director, Wyndham Hotels & Resorts, Inc.	A
All right. I mean, we — Michele and I there's not a day that goes by we're not and the feedback consistently has been from them. And I'm sure we'll be a afternoon is that they're generally supportive of the risks, the asymmetrical talking about, that our board has objected to and certainly would want to so discussions.	on the phone with many of them this risks that are out there that we've been
Patrick Scholes Analyst Truist Securities Inc.	Q

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Okay. Secondly, question regarding the 2% to 3% RevPAR growth for this year, how would you break that out between international and domestic? And again, you noted you expect a sizable acceleration. Certainly I wouldn't say January for domestic and domestic hotels, especially economy, midscale has been spectacular. You know what? You know, I guess what you know, you mentioned about what would drive that acceleration domestically, but what's your expectations for international to get to those numbers? Thank you.

Michele Allen

Chief Financial Officer, Wyndham Hotels & Resorts, Inc.



Sure, Patrick. I would say international is definitely going to grow faster than the US in the full year. And we see that in January as well. Right. International is up about 4% and the domestic system is certainly down. January's results not a surprise for us given how difficult the comps were this year. January last year, RevPAR was up 6%, so it was always going to be our most difficult month to compare against. And then as you move throughout the quarters, the comp gets progressively easier by the end of, by the end of the quarter in March, I think RevPAR had only grown 1%. So we start at 6%, we go all the way down to 1%. And then obviously as you move out of the first quarter, the comps get tremendously easier for the remainder of the year.

So when we think about the full year forecast at 2% to 3%, specifically answering your question with respect to domestic, we're expecting really three movements. We're expecting to see some benefits from the infrastructure pickup. That's the continued momentum we have coming out of 2023. And we know projects, new projects are getting approved every day. We're also expecting to see some impact from occupancy tailwinds. We're still trailing 2019 levels by about 9 points. So we're only assuming a very, very small impact. Maybe a point a little bit, a little bit less of that coming back into the 2024 results.

And then from an ADR perspective, it's just really modest growth across the globe. We continue to see ADR trail the rate of inflation in the US by 3 points and a couple of points internationally as well. And we're still in this very limited new supply environment in economy and midscale, which generally favors pricing. And overall RevPAR growth is highly correlated to GDP and that's still expected to grow 2% to 3%. And then finally, I'd say fundamentals remain strong despite kind of the headlines we still see our middle income cohort consumers growing wages faster than the rate - than the ADR growth we're seeing [ph] stating, (00:39:16) so elevated probably about 30% versus their pre-pandemic levels. And unemployment still remains really low. And very importantly, I'd say the intent to travel and the prioritization of travel spend continues to increase. And we think we were just looking at a recent survey by ICs that showed 60% of our respondents are expecting to take 1 to 4 additional trips this year. So that's pretty meaningful. Of course, we're not seeing any of that in the January results. But like I said, that is the toughest comp we have year-over-year.

When we put it all together. And with the international, we see multiple paths to that two to three full year assumption, 2% to 3% full year assumption.

Patrick Scholes	P	at	ric	k S	ch	0	les
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Analyst, Truist Securities, Inc.

Okay, Michele, thank you for the detail. I'm all set.

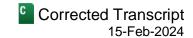
Michele Allen

Chief Financial Officer, Wyndham Hotels & Resorts, Inc.

Thank you.

Operator: Thank you. Our next question comes from Michael Bellisario with Baird. Please go ahead.

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Michael J. Bellisario

Analyst, Robert W. Baird & Co., Inc.

Thanks, everyone. Good morning. First question, just can you help us understand, what is the FTC asking for? How long is the list? Maybe any examples on customer facing or franchisee facing type questions or requests would be helpful.

Geoffrey A. Ballotti

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

Sure. The list is long, Michael. We are complying expeditiously with this second request which we predicted all along would occur and which happens in less than, as we said, 1% of FTC reviews. And of course, we're also working with four state attorney generals who we mentioned who are also now investigating. And it is a tremendous effort. It has over 300 different work streams and data requests generated by a 44-page letter that we've received from them.

Boy, in terms of examples, Michele, can you think of a good one from your side?

Michele Allen

Chief Financial Officer, Wyndham Hotels & Resorts, Inc.

Yeah, I most certainly can. I'm living it every day, maybe just to give some flavor. One of the 300 workstreams is asking for a listing of every bid we've ever provided for any franchisee – franchise service. And that would be they want it over the past five years. They want it by brand. It must include a bunch of details, including whether there was a prior brand affiliation across the industry. The details of each stage of the negotiation. So the initial interim and final bids for each deal. It's so broad, it's asking for all factors considered in establishing the pricing for those bids and then our cost around those negotiating activities, whether those costs are fixed or variable. The part of the chain scale that the hotels switch to who we were competing against, on and on and on, that's one of the 300 workstreams. So multiple parts in that one request. So as Geoff pointed out, it's a tremendous effort.

Michael J. Bellisario

Analyst, Robert W. Baird & Co., Inc.

Helpful. And then just my follow up, maybe a clarification on sort of the spending commentary. Are you putting more dollars into the same number of deals or are you having to put more dollars into more deals? And then is it really just ECHO or is that across the brand portfolio? Thank you.

Michele Allen

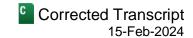
Chief Financial Officer, Wyndham Hotels & Resorts, Inc.

Sure. When we look at the 2024 budget versus 2023, it really is ECHO and – but we did see the increase in 2023 versus our budget. And that's where we saw an opportunity to invest more heavily in the business. We did have we did have over 500 hotels that we opened this year. But I would say more importantly, it's the type of hotels we're bringing into the system and the type of hotels that we're bringing into the pipeline. You know that we grew our midscale and above pipeline another 6% this year. A good part of that is the ability to use key money to attract those hotel owners into the system. We're also getting more exposure to top 25 MSAs in line with our strategy of increasing our footprint in higher RevPAR and [ph] Fee-PAR (00:43:30) markets and brands. And so, this year we added cities like Chicago, San Diego, Phoenix, for example. And we're able to do that because we're deploying more dollars per key in those high RevPAR markets.

And then I'd also say we are putting a little bit of money to work in the existing system to improve the quality of the product and franchisee engagement and franchisee retention. One example, if we doubled the number of



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renovated rooms through our capital support programs, including Days Inn, where we've renovated nearly 5,000 rooms. So we're doing all of this while targeting above WACC returns. So more hotels but probably more impactful the higher [ph] Fee-PAR (00:44:20) hotels coming into the system.

Michael J. Bellisario Analyst, Robert W. Baird & Co., Inc.	Q
Helpful. Thank you.	
Michele Allen Chief Financial Officer, Wyndham Hotels & Resorts, Inc.	A
Thank you.	
Geoffrey A. Ballotti President, Chief Executive Officer & Director, Wyndham Hotels & Resorts, Inc.	A
Thanks, Mike.	
Operator: Thank you. Our next question comes from Dany Asad with Bank of America. Please go ahead.	
Dany Asad	

Hi. Good morning, Geoff and Michele. I just wanted to touch on the three-year EBITDA CAGR target of 7% to 10% through 2026. So if EBITDA is going to grow, let's call it 5% to 6% for this year. Can you help us piece the parts of the business that would help drive the acceleration from the 5% to 6% to 7% to 10% kind of for the full three-year period?

Michele Allen

Analyst, BofA Securities, Inc.

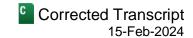
Chief Financial Officer, Wyndham Hotels & Resorts, Inc.

Sure. So we ended 2023 with 6%. I think we're expecting to get to 6% to 8% in 2024. And then that 6% to 8% moved to 7% to 10% over the planned period. So if you just think about where we ended in 2023, it's really only one additional point at the low end, 6% to 7% and then 2.5% probably at the midpoint, moving from 6% in 2023 to 8.5% at the midpoint of the 7% to 10% growth.

Again, three categories, Dany. The first one we'll start with is net room growth. We have a high degree of visibility into this number, we know the pipeline has been expanding up 10% year-over-year. We've got ECHO starting to come into the system this year. You can see in our IP some of the progress that we're making there and we've got momentum now for three consecutive years on the retention rate having improved a total of 80 basis points over those three years. So we feel confident that we're going to continue to be able to improve retention. Yet we're only assuming another half a point of net room growth at the midpoint of the CAGR, right? So net room growth in 2023 was 3.5%. And in the 7% to 10% CAGR, it's moving to 4% at the midpoint, right at the 3% to 5%. So that's a pretty conservative estimate, giving me multiple avenues of growth I just laid out there.

On the RevPAR side, our assumption is 2% to 3% growth over the planned period, that's consistent with industry projections and with historical performance. But that growth might not be linear over the years. It will – we are expecting it would average out over the planned period. And then there's additional opportunity when you put that assumption into the context of 9 points of occupancy still to be recovered versus pre-COVID levels, the fact that

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ADR in our segments lag the rate of inflation, the fact that our segments have limited new supply coming in and that generally favors good pricing power.

And then at the 2% to 3% assumption, you can see that not all of that upside is reflected, against a pretty conservative approach that built in cushion. And at least right next our pipeline to concentrate more heavily on the higher chain scale so those properties are coming in at higher RevPAR both in the US and internationally. And then third, apart from the standard drivers, there's upside from royalty rate expansion and that's going to come from ECHO from the pipeline we just talked about. It's going to come from scaling our footprint internationally, including some COVID fee discounts for on-boarded properties back in the thick of the pandemic that are start to expire last year. And you can already see some of that in the 30-basis point improvement we're seeing internationally in 2023 in the royalty rate. And we've also made large investments that Geoff mentioned to capture the infrastructure opportunity that we're already seeing benefits from with that category up double digits.

On the ancillary side of the house, we're coming into the plan having grown those fee streams 6% in 2023. So there's not too much of a stretch here to get to the 8% we're expecting in the plan. And there are multiple opportunities there as well. So all of these initiatives are already underway. So we have a good line of sight into each of them. And because there's so many levers, we're really not dependent on any one single opportunity. And therefore we have a high degree of confidence that enough will align with our predictions and so that the midpoint is not beyond our reach, even if the fee don't work out as expected.

Dany Asad Analyst, BofA Securities, Inc.	C
That's super helpful. Thank you so much.	
Michele Allen Chief Financial Officer, Wyndham Hotels & Resorts, Inc.	Δ
Thank you.	
Operator: Thank you. Our next question comes from Ian Zaffino with Oppenheimer. Please go ahead.	
lan Zaffino Analyst, Oppenheimer & Co., Inc.	C

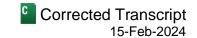
Hi. Thank you. I picked up a lot of the comments on the infrastructure bill. Can you maybe tell us how that plays out? Have you started to see anything yet? What areas is it mainly extending? Is it select? Where are you seeing that? And then are you also may be seeing some trends in leisure related to that as well? Or is it pretty kind of predominantly midweek? Thanks.

Geoffrey A. Ballotti

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

It is predominantly midweek, Ian. And we're absolutely seeing benefit. And it's not only extended, it's also transient. I mean, that is when you look at the top six states of where this infrastructure spending will be spent. And you think about a state like Texas where we have 700 hotels. I mean, those are our Days Inn. Those are our Super 8s. So those are locators that are really beginning to benefit and gain share. When you look at some of the CHIPS Acts in terms of how that spending is being spent, I mean, there are dozens of hotels and they're not only extended stay hotels around the Intel site at Chandler, Arizona or the Samsung plant being built we've talked about in Taylor, Texas, which is a \$17 billion bill with 2,000 jobs over the next five or so years. And we're placing

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millions of dollars of contracted business into both transient hotels and newbuild hotels like our Hawthorn Suites, which is extended in the [indiscernible] (00:50:20) nearby.

But I mean, the investment that we're making that we're so excited about is first and foremost, we've got we feel the best field sales team out there. We've increased our salesforce that's selling to these infrastructure accounts by 25%. So that's first and foremost. Secondly, we are doing a lot on the technology front. We've got – we think the best IT team out there. Our teams have rolled out some really robust technology that's identified 3,600 projects within 10 miles of markets which have multiple transient and extended stay Wyndham Hotels so far, and that's just a sliver of the 40,000 infrastructure projects that have been announced to-date by the federal government, including what we're really big on the federal rail infrastructure bill that our teams are following. That's estimated at a \$26 billion spend, dozens of new accounts already and growing both on the East Coast and the West Coast. And we're excited today about the announcement on the airport terminal grants. I think it's 40 plus states.

So yeah, we're excited. It's early days and – but we are seeing a double-digit uptick not only in infrastructure bookings, but more importantly leads from those projects with a 20% increase in new accounts so far this year.

Ian Zaffino

Analyst, Oppenheimer & Co., Inc.

Okay. Thank you. And then just as a follow up, maybe a little bit higher level, but you know, we're hearing a lot about ECHO, but then we're hearing a lot about sort of moving upscale, a little bit. So, as we look out three years or something along those lines, how does the portfolio mix look, and what type of either M&A that you need to get there or maybe just broadly speaking. Thank you.

Michele Allen

Chief Financial Officer, Wyndham Hotels & Resorts, Inc.

Yeah, sure. So ECHO obviously will make up a bigger portion of the system as it comes in. Remember, though, it is coming in at a – at an accretive RevPAR to where we are today. So when we think about our 70% pipeline in the midscale and above and how that's going to come into the system and then how ECHO comes into the system obviously will be a lot less dependent on just the economy itself, which has been in a very limited new supply environment for quite a long time.

Ian Zaffino

Analyst, Oppenheimer & Co., Inc.

All right. Thank you very much.

Geoffrey A. Ballotti

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

Thanks, lan.

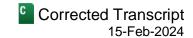
Operator: Thank you. Our last question comes from Meredith Jensen with HSBC.

Meredith Prichard Jensen

Analyst, HSBC Securities (USA), Inc.

Good morning. Thanks for taking my question. I wondered, I know you've spoken about the growth possibilities and in the ancillary fee streams, I think on page 19, there's a nice discussion of it. Could you talk just a little bit

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about the co-brand credit card opportunity and some of the other partnerships you're looking into? So maybe we can build that out a little bit more because I know there's a lot, a lot in there. Thanks.

Michele Allen

Chief Financial Officer, Wyndham Hotels & Resorts, Inc.

A

Sure. Meredith, we see multiple opportunities that are currently underway for which, again, we have a really good line of sight for ancillary fee streams. To name a few, we're working to tap the significant potential in the credit card suite of products. And that's going to include new products. It's going to include expansion internationally. Right now, the card is US centric. So there's a lot of opportunity as we think about the potential to leverage Wyndham Rewards and the Wyndham Rewards loyalty across the 95 countries in which we operate.

On the partnership opportunity side, I won't go into specifics for competitive reasons, but again, we're working to leverage our global footprint and going to expand beyond just again, the US centric partnerships that we have in the house today. And then, of course, we're going to continue to focus on our relationship with T&L and helping them grow their business, including through the use of the Wyndham Rewards Points currency. So there's many levers here on the ancillary side.

Meredith Prichard Jensen

Analyst, HSBC Securities (USA), Inc.



Super. Thanks. One quick expansion on the international side in terms of the direct franchise business, which I see again, the presentation is great. On page 13, it talks about the increase in the direct franchise business rising again. Is there more to be done there or how much last of the transition from the master franchise to direct and should we build in any particular changes list to fees there and maybe just a little on China too, if you don't mind. Thanks so much.

Geoffrey A. Ballotti





Yeah, I'll start with China and then maybe you could talk about how to model it, Michele. I mean, we are going to continue, Meredith, to be seeing more direct franchising in terms of percentage growth. And remember, it is a, I think Michele could correct me here, but it's about a third of our China system. But it has been growing double-digit as it did this quarter, as it did this year. And it's growing as Michele has pointed out at 3 times the license fees of our master. So, going forward, I think we'll continue. We're not selling master license agreements any longer. I mean, that was something that we did 15, 20 years ago. Our growth and if you take China's example is much faster on the direct franchising basis than it is on the master. I think our overall net room growth in China was 6%. It was something like 2% from the master and 13% from the direct. And that's consistent elsewhere. And we don't have a lot of masters left, but our focus is really direct.

What would you add to that, Michele?

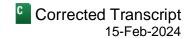
Michele Allen

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Chief Financial Officer, Wyndham Hotels & Resorts, Inc.

Yeah, Geoff. I think you've covered it all. I mean, at 3 times the royalty rate coming out of the direct franchising business versus the master franchising business and the vast majority of the growth in China coming out of that direct franchising business, we are going to see royalty rate expansion for sure. You can see that already showing up in some of the 30 basis point improvement in 2023. And we'll continue to see that show up as we move forward.

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Overall, I'd say in addition to moving from masters to direct, the other thing we're benefiting from in international is just that is just scaling the footprint so that we can continue to take advantage of pricing opportunity for brands that have scale in specific regions.

Meredith Prichard Jensen Analyst, HSBC Securities (USA), Inc.	
That's super helpful. Thanks again for the color.	
Geoffrey A. Ballotti President, Chief Executive Officer & Director, Wyndham Hotels & Resorts, Inc.	A
Thanks, Meredith.	
Michele Allen Chief Financial Officer, Wyndham Hotels & Resorts, Inc.	A
Thank you, Meredith.	

Geoffrey A. Ballotti

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

Thank you, Todd, and thanks everyone for your questions for your interest in Wyndham Hotels & Resorts and for most importantly, your support in our ability to realize our future growth potential. Michele, Matt and I look forward to talking to and seeing many of you in the weeks in the months ahead. We wish everyone a happy President's Day weekend coming up. And we look forward to seeing you soon.

Operator: Thank you. This does conclude today's Wyndham Hotels & Resorts fourth quarter and full year 2023 earnings conference call. Please disconnect your line at this time and have a wonderful day.

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