October 17, 2023

WYNDHAM BOARD OF DIRECTORS REJECTS UNSOLICITED PROPOSAL FROM CHOICE

Proposal Presents Unacceptable Risk to Wyndham Shareholders

PARSIPPANY, N.J., Oct. 17, 2023 /PRNewswire/ -- Wyndham Hotels & Resorts (NYSE: WH) ("Wyndham" or the "Company"), the world's largest hotel franchising company with approximately 9,100 hotels spanning more than 95 countries, announced that its Board of Directors unanimously rejected a highly conditional, unsolicited stock-and-cash proposal by Choice Hotels International, Inc. (NYSE: CHH) ("Choice") to acquire all outstanding shares of Wyndham.

Wyndham's Board of Directors, together with its financial and legal advisors, closely reviewed Choice's latest proposal with a nominal value of $90 per share, comprised of 45 percent in stock and 55 percent in cash and determined that it is not in the best interest of shareholders to accept the proposal.

In rejecting Choice's proposal, the Wyndham Board of Directors determined that:

- the proposed transaction involves significant business and execution risks, including an extended regulatory timeline and uncertainty of outcome, potential franchisee churn, and excessive leverage levels at the pro forma combined company
- the consideration mix includes a significant component of Choice stock, which the Board believes is fully valued relative to Choice's growth prospects, especially when compared to Wyndham
- the offer is opportunistic and undervalues Wyndham's future growth potential

"Choice's offer is underwhelming, highly conditional, and subject to significant business, regulatory and execution risk. Choice has been unwilling or unable to address our concerns," said Stephen P. Holmes, Chairman of the Wyndham Board of Directors. "While our Board would support a value-maximizing transaction, given the substantial, unmitigated embedded risks and value destruction potential presented by the proposed transaction, our Board determined it is not in the best interests of Wyndham shareholders. We have engaged with Choice and its advisors on multiple occasions to explore these risks. However, it became clear the proposed transaction likely would take more than a year to even determine if, and on what terms, it could clear antitrust review, and Choice was unable to address these long-term risks to Wyndham's business and shareholders. We are disappointed that Choice's description of our engagement disingenuously suggests that we were in alignment on core terms and omits to describe the true reasons we have consistently questioned the merits of this combination – Choice's inability and unwillingness to address our significant concerns about regulatory and execution risk and our deep concerns about the value of their stock."

Wyndham's Board believes that during the long period between announcement and closing or termination of the transaction, Wyndham shareholders would be exposed to the threat of significant long-term deterioration of Wyndham's brand equity, franchisee churn, and impaired integration execution at the combined company in which Wyndham shareholders would have significant interest.

In addition, the significant amount of debt required to fund the cash portion of the deal would result in the combined company's net leverage being over 6x adjusted EBITDA. This above-market leverage would increase execution risk and restrict the balance sheet flexibility of the combined company, putting downward pressure on future growth potential, share price and valuation multiples. As a result, the value creation from cost synergies may not be fully realized.

Wyndham's Board also has significant questions and concerns about the value of Choice's stock. Choice's latest offer includes 45% in Choice stock, which Wyndham's Board believes is fully valued. Industry experts unequivocally share the view of Choice being fully valued, with over three-quarters of research analysts having Choice at a Sell or Hold rating. Wyndham's Board sees Choice's offer as an attempt to mask their anemic organic growth and believes Wyndham shareholders are better positioned owning Wyndham's stock, which has significant upside relative to Choice's fully valued stock.

- **Net room growth:** Excluding the Radisson acquisition, Choice's organic total net rooms actually declined year-over-year by (2%), implying negative organic growth across Choice's broader brand portfolio for the seventh consecutive quarter. In contrast, Wyndham's organic total year-over-year net room growth was +3% as of June 30, 2023, which marks the seventh consecutive quarter of positive net room growth.
- **Revenue and EBITDA growth:** After adjusting for the Radisson acquisition, the organic Choice business displayed 1H 2023 growth in revenue of 0% and an increase in adjusted EBITDA of only 1%, compared to Wyndham's comparable revenue growth of 7% and comparable adjusted EBITDA growth of 9%.
- **EBITDA margin:** Wyndham's efficient operations result in an Adjusted EBITDA margin premium of ~800 basis points compared with Choice.
- **Free cash flow conversion:** Wyndham's more efficient business model results in significantly higher free cash flow conversion than Choice's.

Choice's offer is an opportunistic attempt to take advantage of point-in-time stock price fluctuations coinciding with a time period where the exchange ratio is favorable to Choice. Choice's offer is insufficient relative to Wyndham's recent trading levels, significant growth momentum and premiums paid in precedent change of control transactions. Wyndham's Board believes Wyndham can deliver long-term shareholder value in excess of Choice's offer by continuing to execute on its business plan.

- **Consistent net room growth.** Wyndham has reported seven consecutive quarters of positive net room growth and anticipates continued strong system growth going forward that will continue to provide significant upside to adjusted EBITDA.
- **Rapidly growing pipeline.** Wyndham's hotel development pipeline growth continues to outpace peers – up 20% over the last two years – and, as of June 30, 2023, stood at an all-time high of approximately 228,000 rooms, which would contribute more than $120 million in incremental annual stabilized royalties.

- **Industry-leading new brands.** Wyndham's newly launched brand, ECHO Suites Extended Stay by Wyndham, has quickly established itself as the industry's fastest-growing brand with 265 contracts signed since its launch in March 2022.
- **International presence and growth.** Wyndham's global brand recognition presents significant upside growth potential in contrast to Choice's predominantly domestic portfolio. With more than 3,000 hotels in over 95 countries, the international segment experienced strong growth with system size increasing by 7% over the past two years and international royalty rate growing by over 30 basis points since 2019.
- **Significant embedded upside from ongoing retention strategy.** Wyndham's signature owner-first[SM] philosophy and ongoing enhancements to its franchisee value proposition have resulted in its industry-leading LTM franchisee retention rate improving from 93% at spin-off to over 95% as of June 30, 2023 with a go-forward target of greater than 96% (with each percentage point increase resulting in ~$4.7 million of incremental royalties and ~$3.9 million of incremental adjusted EBITDA).
- **Geographic footprint and value proposition align with prevailing secular growth trends.** Wyndham's industry-leading domestic footprint is expected to disproportionately benefit from $1.5 trillion Infrastructure Investment and Jobs Act and CHIPS and Science Act spending based on a significant overlap with allocated spend markets, resulting in incremental royalties of more than $150 million over the next eight years.

Comparison of Wyndham and Choice Growth Metrics

	Wyndham organic (actual)	Choice organic (excl. Radisson)	Choice (incl. Radisson)
1H 2023 performance			
Number of rooms	851,500	--	628,901
Q2' 23 TTM RevPAR (U.S.)	$51.05	--	$55.31
Total NRG (Y-o-Y growth)	3 %	(2%)[2]	9 %
Revenue ($mm)	$665[3]	$625	$760
Revenue growth (Y-o-Y growth)[4]	7 %	0 %	21 %
Adj. EBITDA ($mm)	$305[3]	$229	$260
Adj. EBITDA growth (Y-o-Y growth)[4]	9 %	1%[5]	15 %
Adj. EBITDA margin[6]	81 %	--	73 %
Free cash flow[7] conversion	52 %	--	31 %
2023 / 2024 performance			
2023 Net room growth (management guidance)	2 – 4%	--	~1%[8]
2023 RevPAR growth (management guidance)	4 – 6%	--	~2%[9]
2023 Adj. EBITDA ($mm) (management guidance)	$654 - $664	$468 - $478	$530 – $540
2024 Adj. EBITDA ($mm) (consensus estimate)	$700	$489	$569
'22 – '24 Adj. EBITDA CAGR (consensus estimate)	7 %	3 %	9 %
2024 Adj. EBITDA growth (consensus estimate)	8 %	6 %	8 %

Note: See appendix for detailed calculations and footnotes.

Background on Choice proposals

On April 28, 2023, Choice submitted to the Wyndham Board an unsolicited offer to acquire Wyndham for a nominal value of $80 per share at the time of the offer, with 40% of the consideration in cash and the remainder in Choice stock. The Wyndham Board reviewed this offer and deemed it insufficient. On May 9, 2023, the Wyndham Board responded to Choice that its offer substantially undervalued Wyndham relative to its standalone prospects.

On May 15, 2023, Choice submitted a second unsolicited offer to the Wyndham Board for a nominal value of $85 per share at the time of the offer, with 55% of the consideration in cash and the remainder in Choice stock. On May 29, 2023, the Wyndham Board responded to this revised proposal with its conclusion that the proposal continues to substantially undervalue Wyndham and puts the value of a combined company at risk given the high level of contemplated debt.

On June 22, 2023, Wyndham's Chairman and CEO met with Choice's Chairman and CEO in person to explain Wyndham's concerns about Choice's proposal, including the regulatory risks.

On August 14, 2023, Choice's Chairman called Wyndham's Chairman and provided a third unsolicited verbal offer for a nominal value of $90 per share at the time of the offer, with 55% of the consideration in cash and the remainder in Choice stock, with most of the increase in nominal value from the prior $85 per share offer coming from upward movement in Choice's share price during the intervening period.

On August 17, 2023, Wyndham's Chairman met with Choice's Chairman in person to again explain Wyndham's concerns about Choice's proposal, including the regulatory risks, none of which were addressed in Choice's latest proposal.

On August 21, 2023, Choice submitted a third, written unsolicited offer to the Wyndham Board, reiterating the nominal value of $90 per share verbally offered on August 14, 2023, with 55% of the consideration in cash and the remainder in Choice stock. On August 22, 2023, the Wyndham Board responded to this revised proposal with its conclusion that the proposal continues to substantially undervalue Wyndham relative to its future growth prospects, includes a substantial stock component which the Board believes is fully valued relative to Choice's growth prospects, and involves significant business and execution risks for Wyndham shareholders.

Wyndham offered to enter into a customary mutual confidentiality agreement to facilitate discussions around the proposed transaction and the related risks. Choice refused to sign a mutual confidentiality agreement, thereby limiting the extent of engagement between the parties.

On September 5, 2023, Wyndham's Chairman held a telephonic meeting with Choice's Chairman to again discuss Wyndham's concerns about Choice's proposal, but those issues remain unaddressed by Choice as of today.

During the course of September 2023, Wyndham's counsel held multiple conversations with Choice's counsel to discuss regulatory and execution considerations, but Choice was unwilling to propose any mitigations to address Wyndham's concerns about these risks and was unable to provide any convincing evidence of a pathway to resolve concerns raised by

Wyndham.

As a result, on September 27, 2023, Wyndham's Chairman informed Choice's Chairman of the Wyndham Board's decision to reject the Choice offer and the reasons for that determination.

Deutsche Bank Securities Inc. and PJT Partners are serving as financial advisors and Kirkland & Ellis LLP is legal advisor to Wyndham.

About Wyndham Hotels & Resorts

Wyndham Hotels & Resorts (NYSE: WH) is the world's largest hotel franchising company by the number of properties, with approximately 9,100 hotels across more than 95 countries on six continents. Through its network of approximately 852,000 rooms appealing to the everyday traveler, Wyndham commands a leading presence in the economy and midscale segments of the lodging industry. The Company operates a portfolio of 24 hotel brands, including Super 8®, Days Inn®, Ramada®, Microtel®, La Quinta®, Baymont®, Wingate®, AmericInn®, Hawthorn Suites®, Trademark Collection® and Wyndham®. The Company's award-winning Wyndham Rewards loyalty program offers over 103 million enrolled members the opportunity to redeem points at thousands of hotels, vacation club resorts and vacation rentals globally.

Forward-Looking Statements

This press release contains "forward-looking statements" within the meaning of federal securities laws, including statements related to our rejection of Choice's unsolicited proposal. The Company claims the protection of the Safe Harbor contained in the Private Securities Litigation Reform Act of 1995 for forward-looking statements. Forward-looking statements include those that convey management's expectations as to the future based on plans, estimates and projections at the time the Company makes the statements and may be identified by words such as "will," "expect," "believe," "plan," "anticipate," "intend," "goal," "future," "outlook," "guidance," "target," "objective," "estimate," "projection" and similar words or expressions, including the negative version of such words and expressions. Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release.

Factors that could cause actual results to differ materially from those in the forward-looking statements include, without limitation, general economic conditions, including inflation, higher interest rates and potential recessionary pressures; the worsening of the effects from the coronavirus pandemic ("COVID-19"); COVID-19's scope, duration, resurgence and impact on the Company's business operations, financial results, cash flows and liquidity, as well as the impact on the Company's franchisees, guests and team members, the hospitality industry and overall demand for and restrictions on travel the Company's continued performance during the recovery from COVID-19 and any resurgence or mutations of the virus concerns with or threats of other pandemics, contagious diseases or health epidemics, including the effects of COVID-19; the performance of the financial and credit markets; the economic environment for the hospitality industry; operating risks associated with the hotel franchising businesses; the Company's relationships with franchisees; the impact of war, terrorist activity, political instability or political strife, including the ongoing conflict between

Russia and Ukraine; the Company's ability to satisfy obligations and agreements under its outstanding indebtedness, including the payment of principal and interest and compliance with the covenants thereunder; risks related to the Company's ability to obtain financing and the terms of such financing, including access to liquidity and capital; and the Company's ability to make or pay, plans for and the timing and amount of any future share repurchases and/or dividends, as well as the risks described in the Company's most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission and any subsequent reports filed with the Securities and Exchange Commission. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, subsequent events or otherwise, except as required by law.

Appendix
FOOTNOTES

1. Reconciliations of non-GAAP financial measures to the most-directly comparable GAAP financial measures can be found in the Appendix. Choice metrics are sourced from public filings unless stated otherwise.
2. Choice Q2 2023 room count adjusted for ~67k rooms acquired from Radisson.
3. Includes contribution from Vienna House brand acquisition, which impacts Y-o-Y growth rates by $\leq$ 50 basis points.
4. Represents a comparison eliminating the contribution from Wyndham's owned hotels and select-service management business, both of which were exited in the first half of 2022, as well as the variability in its marketing fund, which aligns with Choice's treatment.
5. Radisson's 1H 2023 adjusted EBITDA is calculated as assuming pro rata share of Radisson 2023E contribution of $60 - $65mm per earnings transcript based on Q2 2023 reported Choice adjusted EBITDA as a percentage of FY 2023E adjusted EBITDA guidance midpoint of $535mm.
6. Normalizes results for both companies so that the impacts from marketing, reservation and loyalty funds and owned hotels are on a comparable basis.
7. Free cash flow is calculated as net cash from operating activities less capital expenditures.
8. Domestic upscale, extended-stay and midscale segments.
9. Domestic segment only.

Appendix
FREE CASH FLOW

The following table reconciles certain non-GAAP financial measures. We define free cash flow to be net cash provided by operating activities less property and equipment additions, which we also refer to as capital expenditures. We believe free cash flow to be a useful operating performance measure to us and investors to evaluate the ability of our operations to generate cash for uses other than capital expenditures and, after debt service and other obligations, our ability to grow our business through acquisitions and investments, as well as our ability to return cash to shareholders through dividends and share repurchases, to the extent permitted. We believe free cash flow conversion to be a useful liquidity measure to us and investors to evaluate our ability to convert our earnings to cash. These non-GAAP measures are not necessarily a representation of how we will use excess cash. A limitation of using free cash flow versus the GAAP measure of net cash provided by operating

activities as a means for evaluating Wyndham Hotels is that free cash flow does not represent the total cash movement for the period as detailed in the consolidated statement of cash flows.

	1H 2023
Net cash provided by operating activities	$ 176
Less: Property and equipment additions	(18)
Free cash flow	$ 158

Appendix

ADJUSTED EBITDA

The table below reconciles a non-GAAP financial measure. The presentation of these adjustments is intended to permit the comparison of particular adjustments in order to assist investors' understanding of the overall impact of such adjustments. We believe that adjusted EBITDA provides useful information to investors about us and our financial condition and results of operations because the measure is used by our management team to evaluate our operating performance and make day-to-day operating decisions and 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. The measures also assists our investors in evaluating our ongoing operating performance for reporting periods and, where provided, over different reporting periods, by adjusting for certain items which may be recurring or non-recurring and which in our view do not necessarily reflect ongoing performance. We also internally use this measure to assess our operating performance, both absolutely and in comparison to other companies, and in evaluating or making selected compensation decisions. These supplemental disclosures are in addition to GAAP reported measures. These non-GAAP reconciliation tables should not be considered a substitute for, nor superior to, financial results and measures determined or calculated in accordance with GAAP.

The Company is providing certain financial metrics only on a non-GAAP basis because, without unreasonable efforts, it is unable to predict with reasonable certainty the occurrence or amount of all of the adjustments or other potential adjustments that may arise in the future during the forward-looking period, which can be dependent on future events that may not be reliably predicted. 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.

	First Quarter	Second Quarter
2023		
Net income	$ 67	$ 70
Provision for income taxes	24	26
Depreciation and amortization	19	19
Interest expense, net	22	24
Early extinguishment of debt	—	3
Stock-based compensation	9	9
Development advance notes amortization	3	4
Transaction-related	—	4
Separation-related	2	(2)
Foreign currency impact of highly inflationary countries	1	1
Adjusted EBITDA	$ 147	$ 158

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
2022					
Net income	$ 106	$ 92	$ 101	$ 56	$ 355
Provision for income taxes	34	31	38	16	121
Depreciation and amortization	24	17	18	19	77
Interest expense, net	20	20	21	21	80
Early extinguishment of debt	—	2	—	—	2
Stock-based compensation	8	9	8	8	33
Development advance notes amortization	3	3	3	3	12
(Gain)/loss on asset sale, net	(36)	1	—	—	(35)
Separation-related	—	(1)	1	1	1
Foreign currency impact of highly inflationary countries	—	1	1	2	4
Adjusted EBITDA	$ 159	$ 175	$ 191	$ 126	$ 650

Appendix

QUARTERLY FINANCIAL IMPACT OF SELECT-SERVICE MANAGEMENT BUSINESS AND OWNED ASSETS

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Adjusted EBITDA contribution					
2022	**$ 15**	**$ 3**	**$ -**	**$ -**	**$ 18**
2021	**3**	**11**	**10**	**12**	**37**
2020	**12**	**(4)**	**-**	**(5)**	**3**
2019	**11**	**11**	**9**	**12**	**42**

Appendix

ADJUSTED EBITDA MARGIN

	1H 2023
Operating income margin	35 %
Depreciation and amortization	6 %
Adjusted EBITDA adjustments	5 %
Marketing fund impact	35 %
Adjusted EBITDA margin	81 %

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