

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED June 30, 2023

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NO. 001-13393

CHOICE HOTELS INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)
1 Choice Hotels Circle
Rockville, Maryland
(Address of Principal Executive Offices)

52-1209792
(I.R.S. Employer
Identification No.)

20850
(Zip Code)

(Registrant's telephone number, including area code): (301) 592-5000
(Former name, former address and former fiscal year, if changed since last report): N/A

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, Par Value \$0.01 per share	CHH	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of common stock outstanding on July 31, 2023 was 50,377,595.

CHOICE HOTELS INTERNATIONAL, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CHOICE HOTELS INTERNATIONAL, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF INCOME (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS) (UNAUDITED)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
REVENUES				
Royalty, licensing and management fees	\$ 140,499	\$ 121,449	\$ 247,991	\$ 212,188
Initial franchise fees	7,164	6,222	15,046	14,624
Platform and procurement services fees	28,801	21,803	42,644	33,486
Owned hotels	25,504	17,191	47,836	29,228
Other	11,148	11,927	21,775	20,156
Other revenues from franchised and managed properties	214,304	189,382	384,920	316,019
Total revenues	427,420	367,974	760,212	625,701
OPERATING EXPENSES				
Selling, general and administrative	67,804	43,888	127,087	74,212
Depreciation and amortization	9,812	5,479	19,835	11,710
Owned hotels	18,150	10,692	35,296	18,846
Other expenses from franchised and managed properties	207,265	153,846	375,754	267,496
Total operating expenses	303,031	213,905	557,972	372,264
Gain on sale of business and assets, net	—	3,280	—	3,309
Operating income	124,389	157,349	202,240	256,746
OTHER INCOME AND EXPENSES, NET				
Interest expense	16,270	11,252	30,354	22,722
Interest income	(2,056)	(1,628)	(3,939)	(2,908)
Other (gain) loss	(2,187)	5,559	(4,095)	7,275
Equity in net (gain) loss of affiliates	(185)	40	(122)	(204)
Total other income and expenses, net	11,842	15,223	22,198	26,885
Income before income taxes	112,547	142,126	180,042	229,861
Income tax expense	27,837	35,958	42,512	56,302
Net income	\$ 84,710	\$ 106,168	\$ 137,530	\$ 173,559
Basic earnings per share	\$ 1.66	\$ 1.90	\$ 2.68	\$ 3.11
Diluted earnings per share	\$ 1.65	\$ 1.89	\$ 2.66	\$ 3.08
Cash dividends declared per share	\$ 0.2875	\$ 0.2375	\$ 0.5750	\$ 0.4750

The accompanying notes are an integral part of these consolidated financial statements.

CHOICE HOTELS INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(IN THOUSANDS)
(UNAUDITED)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Net income	\$ 84,710	\$ 106,168	\$ 137,530	\$ 173,559
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	295	(103)	689	(237)
Other comprehensive income (loss), net of tax	295	(103)	689	(237)
Comprehensive income	\$ 85,005	\$ 106,065	\$ 138,219	\$ 173,322

The accompanying notes are an integral part of these consolidated financial statements.

CHOICE HOTELS INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)
(UNAUDITED)

	June 30, 2023	December 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents	\$ 36,167	\$ 41,566
Accounts receivable (net of allowance for credit losses of \$27,399 and \$23,435, respectively)	220,100	216,614
Income taxes receivable	5,141	4,759
Notes receivable (net of allowance for credit losses of \$2,331 and \$4,125, respectively)	52,909	52,466
Prepaid expenses and other current assets	33,817	32,517
Total current assets	348,134	347,922
Property and equipment, at cost (net of accumulated depreciation and amortization of \$280,298 and \$253,323, respectively)	449,313	427,306
Operating lease right-of-use assets	63,902	68,985
Goodwill	220,187	218,653
Intangible assets (net of accumulated amortization of \$216,678 and \$201,401, respectively)	764,377	742,190
Notes receivable (net of allowance for credit losses of \$6,183 and \$6,047, respectively)	50,022	55,577
Investments, employee benefit plans, at fair value	36,278	31,645
Investments in affiliates	44,946	30,647
Deferred income taxes	86,006	88,182
Other assets	87,158	91,068
Total assets	\$ 2,150,323	\$ 2,102,175
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 120,977	\$ 118,863
Accrued expenses and other current liabilities	98,791	131,410
Deferred revenue	95,658	92,695
Current portion of long-term debt	4,416	2,976
Liability for guest loyalty programs	86,844	89,954
Total current liabilities	406,686	435,898
Long-term debt	1,384,293	1,200,547
Long-term deferred revenue	131,873	134,149
Deferred compensation and retirement plan obligations	41,283	36,673
Income taxes payable	8,601	15,482
Operating lease liabilities	68,785	70,994
Liability for guest loyalty programs	46,316	47,381
Other liabilities	7,795	6,391
Total liabilities	2,095,632	1,947,515
Commitments and Contingencies		
Common stock, \$0.01 par value; 160,000,000 shares authorized; 95,065,638 shares issued at June 30, 2023 and December 31, 2022; 50,565,881 and 52,200,903 shares outstanding at June 30, 2023 and December 31, 2022, respectively	951	951
Additional paid-in-capital	311,288	298,053
Accumulated other comprehensive loss	(4,522)	(5,211)
Treasury stock, at cost; 44,499,757 and 42,864,735 shares at June 30, 2023 and December 31, 2022, respectively	(1,917,031)	(1,694,857)
Retained earnings	1,664,005	1,555,724
Total shareholders' equity	54,691	154,660
Total liabilities and shareholders' equity	\$ 2,150,323	\$ 2,102,175

The accompanying notes are an integral part of these consolidated financial statements.

CHOICE HOTELS INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	Six Months Ended	
	June 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 137,530	\$ 173,559
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	19,835	11,710
Depreciation and amortization – marketing and reservation system	18,581	14,608
Gain on sale and disposal of business and assets, net	—	(3,309)
Franchise agreement acquisition cost amortization	9,380	7,623
Non-cash stock compensation and other charges	23,689	17,770
Non-cash interest, investment, and affiliate (income) loss, net	(3,098)	7,459
Deferred income taxes	2,157	(5,493)
Equity in net gain of affiliates, less distributions received	637	745
Franchise agreement acquisition costs, net of reimbursements	(46,150)	(27,016)
Change in working capital and other	(36,822)	(38,307)
Net cash provided by operating activities	125,739	159,349
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in property and equipment	(45,684)	(49,866)
Investment in intangible assets	(1,385)	(1,824)
Proceeds from sale of assets and business	—	32,893
Asset acquisition, net of cash acquired	—	(856)
Contributions to investments in affiliates	(15,328)	(669)
Proceeds from sale of equity method investments	868	—
Purchases of investments, employee benefit plans	(3,206)	(3,294)
Proceeds from sales of investments, employee benefit plans	1,099	1,854
Issuance of notes receivable	(4,284)	(1,987)
Collections of notes receivable	9,296	63
Other items, net	(526)	(305)
Net cash used in investing activities	(59,150)	(23,991)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings pursuant to revolving credit facilities	185,000	—
Debt issuance costs	(755)	(24)
Purchases of treasury stock	(234,455)	(15,140)
Proceeds from exercise of stock options	5,616	2,359
Dividends paid	(27,534)	(26,453)
Net cash used in financing activities	(72,128)	(39,258)
Net change in cash and cash equivalents	(5,539)	96,100
Effect of foreign exchange rate changes on cash and cash equivalents	140	(520)
Cash and cash equivalents at beginning of period	41,566	511,605
Cash and cash equivalents at end of period	\$ 36,167	\$ 607,185
Supplemental disclosure of cash flow information:		
Cash payments during the period for		
Income taxes, net of refunds	\$ 32,204	\$ 40,144
Interest, net of capitalized interest	\$ 28,841	\$ 21,614
Non-cash investing and financing activities		
Dividends declared but not paid	\$ 15,136	\$ 13,249
Investment in property, equipment and intangibles acquired in accounts payable and accrued liabilities	\$ 8,716	\$ 5,715
Asset acquisition from extinguishment of note receivable	\$ —	\$ 20,446

The accompanying notes are an integral part of these consolidated financial statements.

CHOICE HOTELS INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)
(UNAUDITED)

	Common Stock - Shares Outstanding	Common Stock - Par Value	Additional Paid-in- Capital	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Retained Earnings	Total
Balance as of December 31, 2021	55,609,226	\$ 951	\$ 259,317	\$ (4,574)	\$ (1,265,032)	\$ 1,275,220	\$ 265,882
Net income	—	—	—	—	—	67,391	67,391
Other comprehensive income (loss), net of tax	—	—	—	(134)	—	—	(134)
Share-based payment activity ⁽¹⁾	262,008	—	6,068	—	3,486	4	9,558
Dividends declared (\$0.2375 per share)	—	—	—	—	—	(13,250)	(13,250)
Treasury purchases	(100,912)	—	—	—	(14,802)	—	(14,802)
Balance as of March 31, 2022	55,770,322	\$ 951	\$ 265,385	\$ (4,708)	\$ (1,276,348)	\$ 1,329,365	\$ 314,645
Net income	—	—	—	—	—	106,168	106,168
Other comprehensive income (loss), net of tax	—	—	—	(103)	—	—	(103)
Share based payment activity ⁽¹⁾	12,422	—	8,999	—	596	—	9,595
Dividends declared (\$0.2375 per share)	—	—	—	—	—	(13,242)	(13,242)
Treasury purchases	(2,422)	—	—	—	(338)	—	(338)
Balance as of June 30, 2022	55,780,322	\$ 951	\$ 274,384	\$ (4,811)	\$ (1,276,090)	\$ 1,422,291	\$ 416,725

	Common Stock - Shares Outstanding	Common Stock - Par Value	Additional Paid-in- Capital	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Retained Earnings	Total
Balance as of December 31, 2022	52,200,903	\$ 951	\$ 298,053	\$ (5,211)	\$ (1,694,857)	\$ 1,555,724	\$ 154,660
Net income	—	—	—	—	—	52,820	52,820
Other comprehensive income (loss), net of tax	—	—	—	394	—	—	394
Share-based payment activity ⁽¹⁾	315,049	—	1,899	—	13,497	—	15,396
Dividends declared (\$0.2875 per share)	—	—	—	—	—	(14,709)	(14,709)
Treasury purchases ⁽²⁾	(1,341,520)	—	—	—	(161,553)	—	(161,553)
Balance as of March 31, 2023	51,174,432	\$ 951	\$ 299,952	\$ (4,817)	\$ (1,842,913)	\$ 1,593,835	\$ 47,008
Net income	—	—	—	—	—	84,710	84,710
Other comprehensive income (loss), net of tax	—	—	—	295	—	—	295
Share based payment activity ⁽¹⁾	10,508	—	11,336	—	579	—	11,915
Dividends declared (\$0.2875 per share)	—	—	—	—	—	(14,540)	(14,540)
Treasury purchases ⁽²⁾	(619,059)	—	—	—	(74,697)	—	(74,697)
Balance as of June 30, 2023	50,565,881	\$ 951	\$ 311,288	\$ (4,522)	\$ (1,917,031)	\$ 1,664,005	\$ 54,691

⁽¹⁾ During certain periods presented, accumulated dividends were paid to certain shareholders upon vesting of performance vested restricted stock units ("PVRSU") which are captured in Share-based payment activity.

⁽²⁾ Beginning January 1, 2023, Treasury purchases include excise tax as imposed by the Inflation Reduction Act of 2022.

The accompanying notes are an integral part of these consolidated financial statements.

CHOICE HOTELS INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated financial statements of Choice Hotels International, Inc. and its subsidiaries (together "Choice" or the "Company") have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America ("GAAP") pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). All significant intercompany accounts and transactions between the Company and its subsidiaries have been eliminated in consolidation.

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments that are necessary to fairly present the Company's financial position and results of operations. Except as otherwise disclosed, all adjustments are of a normal recurring nature.

Certain information and footnote disclosures normally included in financial statements presented in accordance with GAAP have been omitted. Although we believe the disclosures made are adequate to prevent the information presented from being misleading, these financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2022 and notes thereto included in the Company's Annual Report on Form 10-K, filed with the SEC on March 1, 2023. Interim results are not necessarily indicative of the entire year results.

Acquisition of Radisson Hotels Americas

On August 11, 2022, the Company completed the acquisition (the "Transaction") of (1) all of the issued and outstanding shares of Radisson Hospitality, Inc. and (2) certain trademarks held by Radisson Hospitality Belgium BV/SRL (collectively referred to as "Radisson Hotels Americas").

The Company determined it is the accounting acquirer of Radisson Hotels Americas and accounted for the Transaction as a business combination using the acquisition method of accounting. Accordingly, assets acquired and liabilities assumed were recorded at their fair values as of the August 11, 2022 acquisition date, with the exception of certain asset and liabilities which were accounted for in accordance with provisions of ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* ("ASU 2021-08"). Refer to Note 14.

Accordingly, our consolidated statements of income include Radisson Hotels Americas' results of operations in the three and six months ended June 30, 2023, but exclude Radisson Hotels Americas' results of operations in the three and six months ended June 30, 2022, as this period was prior to the acquisition date of the Transaction.

Summary of Significant Accounting Policies

The Company's significant accounting policies are detailed in the "Summary of Significant Accounting Policies" section of Note 1 in the Annual Report on Form 10-K for the year ended December 31, 2022, inclusive of elements attributable to Radisson Hotels Americas balances and activity.

Recently Adopted Accounting Standards

In March 2022, the FASB issued ASU 2022-02, *Financial Instruments - Credit Losses* ("ASU 2022-02"). ASU 2022-02 eliminates the recognition and measurement guidance on troubled debt restructuring for creditors that have adopted ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326)* ("Topic 326"), requires enhanced disclosures about loan modifications for borrowers experiencing financial difficulty, and includes new guidance on current-period gross write-offs presentation. ASU 2022-02 is effective for annual reporting periods beginning after December 15, 2022 and interim periods within those fiscal years. The Company adopted ASU 2022-02 on a prospective basis effective January 1, 2023, and concluded there is no material impact to the consolidated financial statements or disclosures through the second quarter of 2023.

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2. Revenue

Contract Liabilities

Contract liabilities relate to (i) advance consideration received, such as initial franchise fees paid when a franchise agreement is executed and system implementation fees paid at time of installation, for services considered to be part of the brand intellectual property performance obligation and (ii) amounts received when loyalty points are issued, but for which revenue is not yet recognized since the related loyalty points have not been redeemed.

Deferred revenues from initial fees and system implementation fees are typically recognized over a five- to ten-year period, unless the franchise agreement is terminated and the hotel exits the franchise system whereby remaining deferred amounts are recognized to revenue in the period of termination. Loyalty points are typically redeemed within three years of issuance.

Significant changes in the contract liabilities balances during the period December 31, 2022 to June 30, 2023 are as follows:

(in thousands)		
Balance as of December 31, 2022	\$	209,359
Increases to the contract liability balance due to cash received		60,029
Revenue recognized in the period		(61,597)
Balance as of June 30, 2023	\$	207,791

Remaining Performance Obligations

The aggregate amount of transaction price allocated to unsatisfied or partially unsatisfied performance obligations is \$207.8 million as of June 30, 2023. This amount represents fixed transaction price that will be recognized as revenue in future periods, which is captured in the consolidated balance sheet as current and non-current deferred revenue.

Based on practical expedient elections permitted by ASU 2014-09, *Revenue From Contracts with Customers (Topic 606)* and subsequent amendments ("Topic 606"), the Company does not disclose the value of unsatisfied performance obligations for (i) variable consideration subject to the sales or usage-based royalty constraint or comprising a component of a series (including franchise, partnership, qualified vendor, and software as a service ("SaaS") agreements), (ii) variable consideration for which we recognize revenue at the amount to which we have the right to invoice for services performed, or (iii) contracts with an expected original duration of one year or less.

Disaggregation of Revenue

(in thousands)	Three Months Ended			Three Months Ended		
	June 30, 2023			June 30, 2022		
	Over time	Point in time	Total	Over time	Point in time	Total
Royalty, licensing and management fees	\$ 136,654	\$ 3,845	\$ 140,499	\$ 121,449	\$ —	\$ 121,449
Initial franchise fees	7,164	—	7,164	6,222	—	6,222
Platform and procurement services fees	27,997	804	28,801	20,744	1,059	21,803
Owned hotels	19,155	6,349	25,504	14,803	2,388	17,191
Other	11,148	—	11,148	11,927	—	11,927
Other revenues from franchised and managed properties	189,853	24,451	214,304	148,126	41,256	189,382
Total revenues	\$ 391,971	\$ 35,449	\$ 427,420	\$ 323,271	\$ 44,703	\$ 367,974

(in thousands)	Six Months Ended			Six Months Ended		
	June 30, 2023			June 30, 2022		
	Over time	Point in time	Total	Over time	Point in time	Total
Royalty, licensing and management fees	\$ 243,502	\$ 4,489	\$ 247,991	\$ 212,188	\$ —	\$ 212,188
Initial franchise fees	15,046	—	15,046	14,624	—	14,624
Platform and procurement services fees	41,237	1,407	42,644	31,876	1,610	33,486
Owned hotels	36,047	11,789	47,836	24,843	4,385	29,228
Other	21,775	—	21,775	20,156	—	20,156
Other revenues from franchised and managed properties	345,934	38,986	384,920	260,382	55,637	316,019
Total revenues	\$ 703,541	\$ 56,671	\$ 760,212	\$ 564,069	\$ 61,632	\$ 625,701

Owned hotels point in time revenues represent goods and services purchased independently of the hotel stay, such as food and beverage, incidentals, and parking fees. The remaining point in time revenues represent loyalty points redeemed by members for benefits (with both franchisees and third-party partners), net of the cost of redemptions.

As presented in Note 11, the Corporate & Other segment revenue amounts represent \$26.6 million and \$19.4 million for the three months ended June 30, 2023 and 2022, respectively, and \$52.6 million and \$33.7 million for the six months ended June 30, 2023 and 2022, respectively, and are included in the Over time column of Other revenue and the Owned hotels revenue row. The remaining revenues relate to the Hotel Franchising & Management reportable segment.

Royalty, licensing and management fees and Other revenues from franchised and managed properties are presented net of intersegment revenues of \$1.0 million and \$1.3 million for the three months ended June 30, 2023 and 2022, respectively, and \$3.3 million and \$2.2 million for the six months ended June 30, 2023 and 2022, respectively.

3. Receivables and Allowance for Credit Losses

Notes Receivable

The Company has provided financing in the form of notes receivable loans to franchisees to support the development of properties in strategic markets. The Company's credit quality indicator is the level of security in the note receivable.

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The composition of notes receivable balances by credit quality indicator and the allowance for credit losses is as follows:

(in thousands)	June 30, 2023	December 31, 2022
Senior	\$ 86,417	\$ 95,466
Subordinated	20,028	17,075
Unsecured	5,000	5,674
Total notes receivable	\$ 111,445	\$ 118,215
Total allowance for notes receivable credit losses	8,514	10,172
Total notes receivable, net of allowance	\$ 102,931	\$ 108,043
Current portion, net of allowance	\$ 52,909	\$ 52,466
Long-term portion, net of allowance	\$ 50,022	\$ 55,577

Amortized cost basis by year of origination and credit quality indicator are as follows:

(in thousands)	2023	2022	2021	2020	2019	Prior	Total
Senior	\$ —	\$ —	\$ —	\$ —	\$ 28,849	\$ 57,568	\$ 86,417
Subordinated	3,491	—	1,957	—	—	14,580	20,028
Unsecured	—	254	1,290	938	208	2,310	5,000
Total notes receivable	\$ 3,491	\$ 254	\$ 3,247	\$ 938	\$ 29,057	\$ 74,458	\$ 111,445

The following table summarizes the activity related to the Company's notes receivable allowance for credit losses:

(in thousands)	June 30, 2023	December 31, 2022
Beginning balance	\$ 10,172	\$ 16,779
Provision for credit losses	154	(938)
Recoveries	(1,812)	(5,669)
Ending balance	\$ 8,514	\$ 10,172

As of both June 30, 2023 and December 31, 2022, one loan with a senior tranche met the definition of collateral-dependent and is collateralized by membership interests in the borrowing entities and the associated land parcel. The Company used a market approach via quoted market prices to value the underlying collateral. The Company reviewed the borrower's financial statements, economic trends, industry projections for the market, and comparable sales capitalization rates, which represent significant inputs to the cash flow projections. These nonrecurring fair value measurements are classified as level three of the fair value measurement hierarchy, as there are unobservable inputs which are significant to the overall fair value. Based on these analyses, the fair value of collateral secures substantially all of the carrying value of the loan. Allowances for credit losses attributable to collateral-dependent loans are \$0.9 million as of both June 30, 2023 and December 31, 2022, respectively.

Recoveries for the six months ended June 30, 2023 are primarily associated with cash collections pursuant to a settlement agreement with a borrower. Recoveries for the year ended December 31, 2022 are primarily associated with a loan previously classified as collateral-dependent that was settled in exchange for an operating hotel on April 14, 2022.

The Company considers loans past due and in default when payments are not made when due in accordance with then current loan provisions or terms extended to borrowers, including loans with concessions or interest deferral. The Company suspends the accrual of interest when payments on loans are more than 30 days past due or upon a loan being classified as collateral-dependent. The Company applies payments received for loans on non-accrual status first to interest and then to principal. The Company does not resume interest accrual until all delinquent payments are received based on then current loan provisions. The amortized cost basis of notes receivable on non-accrual status was \$16.6 million and \$18.7 million at June 30, 2023 and December 31, 2022, respectively.

The Company has identified loans totaling approximately \$4.6 million and \$4.8 million as of June 30, 2023 and December 31, 2022, respectively, with stated interest rates that are less than market rate, representing a total unamortized discount of \$0.1 million as of both June 30, 2023 and December 31, 2022, respectively. These discounts are reflected as a reduction of the outstanding loan amounts and are amortized over the life of the related loan.

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The past due balances by credit quality indicator of notes receivable are as follows:

(in thousands)	1- 30 days Past Due	31-89 days Past Due	> 90 days Past Due	Total Past Due	Current	Total Notes Receivable
As of June 30, 2023						
Senior	\$ —	\$ 15,950	\$ 28,099	\$ 44,049	\$ 42,368	\$ 86,417
Subordinated	—	—	396	396	19,632	20,028
Unsecured	—	—	400	400	4,600	5,000
	<u>\$ —</u>	<u>\$ 15,950</u>	<u>\$ 28,895</u>	<u>\$ 44,845</u>	<u>\$ 66,600</u>	<u>\$ 111,445</u>
As of December 31, 2022						
Senior	\$ —	\$ 15,200	\$ —	\$ 15,200	\$ 80,266	\$ 95,466
Subordinated	—	—	2,209	2,209	14,866	17,075
Unsecured	20	40	40	99	5,575	5,674
	<u>\$ 20</u>	<u>\$ 15,240</u>	<u>\$ 2,249</u>	<u>\$ 17,508</u>	<u>\$ 100,707</u>	<u>\$ 118,215</u>

Variable Interest through Notes Issued

The Company has issued notes receivables to certain entities that have created variable interests in these borrowers totaling \$98.7 million and \$103.2 million as of June 30, 2023 and December 31, 2022, respectively. The Company has determined that it is not the primary beneficiary of these variable interest entities ("VIEs").

Accounts Receivable

Accounts receivable consist primarily of franchise and related fees due from hotel franchisees and are recorded at the invoiced amount.

During the six months ended June 30, 2023, the Company recorded provisions for credit losses on accounts receivable of \$2.9 million in selling, general and administrative ("SG&A") expenses and \$3.4 million in marketing and reservation system expenses. During the six months ended June 30, 2022, the Company recorded reversal of provisions for credit losses on accounts receivable of \$1.1 million in SG&A expenses and provisions of \$0.3 million in marketing and reservation system expenses. During the six months ended June 30, 2023 and 2022, the Company recorded write-offs, net of recoveries, through the accounts receivable allowance for credit losses of \$5.3 million and \$11.2 million, respectively.

4. Investments in Affiliates

The Company maintains equity method investments in affiliates related to the Company's program to offer equity support to qualified franchisees to develop and operate Everhome Suites and Cambria Hotels in strategic markets. The Company has investments in affiliates that represent VIEs totaling \$37.0 million and \$24.5 million on the consolidated balance sheets at June 30, 2023 and December 31, 2022, respectively. The Company has determined that it is not the primary beneficiary of any of these VIEs, however it does exercise significant influence through its equity ownership and as a result the investment in these affiliates is accounted for under the equity method. For both the three months ended June 30, 2023 and 2022, the Company recognized losses totaling \$0.9 million from these investments that represent VIEs. For the six months ended June 30, 2023 and 2022, the Company recognized losses totaling \$2.3 million and \$1.7 million, respectively, from these investments that represent VIEs. The Company's maximum exposure to losses related to its investments in VIEs is limited to its equity investments as well as certain limited payment guaranties described in Note 12 of these financial statements.

The Company recognized no impairment charges related to equity method investments during the six months ended June 30, 2023 and 2022.

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5. Debt

Debt consists of the following:

	June 30, 2023	December 31, 2022
	(in thousands)	
\$450 million senior unsecured notes due 2031 ("2020 Senior Notes") with an effective interest rate of 3.86%, less a discount and deferred issuance costs of \$4.6 million and \$4.9 million at June 30, 2023 and December 31, 2022, respectively	\$ 445,385	\$ 445,080
\$400 million senior unsecured notes due 2029 ("2019 Senior Notes") with an effective interest rate of 3.88%, less a discount and deferred issuance costs of \$3.9 million and \$4.2 million at June 30, 2023 and December 31, 2022, respectively	396,139	395,838
\$850 million senior unsecured revolving credit facility with an effective interest rate of 6.27% less deferred issuance costs of \$2.2 million and \$1.8 million at June 30, 2023 and December 31, 2022, respectively ⁽¹⁾	542,769	358,189
Economic development loans with an effective interest rate of 3.00% at June 30, 2023 and December 31, 2022, respectively	4,416	4,416
Total debt	\$ 1,388,709	\$ 1,203,523
Less current portion	4,416	2,976
Long-term debt	\$ 1,384,293	\$ 1,200,547

⁽¹⁾ On February 14, 2023, the Company entered into a Third Amendment to the Amended and Restated Senior Unsecured Credit Agreement (the "Amendment"). The Amendment provides, among other things, for (i) an increase in the aggregate amount of commitments under the Company's existing \$600 million unsecured credit facility (the "Revolver") by \$250 million (the "Increased Commitments") to an aggregate amount of \$850 million and (ii) the replacement of the interest reference rate for U.S. dollar-denominated borrowings under the Revolver from LIBOR to an adjusted Secured Overnight Financing Rate. The pricing and other terms applicable to the Increased Commitments are the same as those applicable to the existing revolving loan commitments that were in effect prior to the Amendment. Except as amended by the Amendment, the remaining terms of the unsecured credit facility remain in full force and effect.

Refer to Note 12 and the Liquidity and Capital Resources header of "Management's Discussion and Analysis of Financial Condition and Results of Operations" for more information.

6. Accumulated Other Comprehensive Loss

The changes in accumulated other comprehensive loss, net of tax, for the six months ended June 30, 2023 and 2022 are as follows:

(in thousands)	
Balance as of December 31, 2022	\$ (5,211)
Other comprehensive income (loss) before reclassification	689
Balance as of June 30, 2023	\$ (4,522)
(in thousands)	
Balance as of December 31, 2021	\$ (4,574)
Other comprehensive income (loss) before reclassification	(237)
Balance as of June 30, 2022	\$ (4,811)

The other comprehensive income (loss) before reclassification for both the six months ended June 30, 2023 and 2022 relate to foreign currency items, and there were no amounts reclassified from accumulated other comprehensive loss during either period.

7. Fair Value Measurements

The Company estimates the fair value of its financial instruments utilizing a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The following summarizes the three levels of inputs, as well as the assets that the Company values using those levels of inputs on a recurring basis.

Level 1: Quoted prices in active markets for identical assets and liabilities. The Company's Level 1 assets consist of marketable securities (primarily mutual funds) held in the Deferred Compensation Plan.

Level 2: Observable inputs, other than quoted prices in active markets for identical assets and liabilities, such as quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable. The Company's Level 2 assets consist of money market funds held in the Company's Deferred Compensation Plan.

Level 3: Unobservable inputs, supported by little or no market data available, where the reporting entity is required to develop its own assumptions to determine the fair value of the instrument. The Company does not currently have any assets recorded at fair value whose fair value was determined using Level 3 inputs and there were no transfers of Level 3 assets during the six months ended June 30, 2023 and year ended December 31, 2022.

As of June 30, 2023 and December 31, 2022, the Company had the following assets recorded in the consolidated balance sheets measured at fair value on a recurring basis:

(in thousands)	Fair Value Measurements at Reporting Date Using			
	Total	Level 1	Level 2	Level 3
As of June 30, 2023				
Mutual funds ⁽¹⁾	\$ 33,943	\$ 33,943	\$ —	\$ —
Money market funds ⁽¹⁾	4,450	—	4,450	—
Total	\$ 38,393	\$ 33,943	\$ 4,450	\$ —
As of December 31, 2022				
Mutual funds ⁽¹⁾	\$ 29,143	\$ 29,143	\$ —	\$ —
Money market funds ⁽¹⁾	3,242	—	3,242	—
Total	\$ 32,385	\$ 29,143	\$ 3,242	\$ —

⁽¹⁾ Included in Investments, employee benefit plans, at fair value and Prepaid expenses and other current assets on the consolidated balance sheets.

Other financial instruments disclosure

The Company believes that the fair values of its current assets and current liabilities approximate their reported carrying amounts due to the short-term nature of these items. In addition, the interest rates of the senior unsecured revolving credit facility adjust frequently based on current market rates; accordingly, we believe its carrying amount approximates fair value.

The fair values of the Company's senior unsecured notes are classified as Level 2, as the significant inputs are observable in an active market. Refer to Note 5 for further information on debt. At June 30, 2023 and December 31, 2022, the carrying amounts and fair values are as follows:

(in thousands)	June 30, 2023		December 31, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
2020 Senior Notes	\$ 445,385	\$ 380,097	\$ 445,080	\$ 384,647
2019 Senior Notes	396,139	344,808	395,838	349,368

Fair value estimates are made at a specific point in time, are subjective in nature and involve uncertainties and matters of significant judgment. Settlement of such fair value amounts may not be possible or a prudent management decision.

8. Income Taxes

The effective income tax rates were 24.7% and 25.3% for the three months ended June 30, 2023 and 2022, respectively. The effective income tax rates were 23.6% and 24.5% for the six months ended June 30, 2023 and 2022, respectively.

The effective income tax rates for the three and six months ended June 30, 2023 and 2022, were higher than the U.S. federal income tax rate of 21% primarily due to the impact of state income taxes.

9. Share-Based Compensation and Capital Stock

The components of the Company's pretax share-based compensation activity are as follows for the three and six months ended June 30, 2023 and 2022:

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Stock options	\$ 1,752	\$ 1,177	\$ 3,140	\$ 2,229
Restricted stock awards	3,358	3,558	7,057	6,601
Performance vested restricted stock units	7,096	4,810	11,780	8,164
Total share-based compensation expense	<u>\$ 12,206</u>	<u>\$ 9,545</u>	<u>\$ 21,977</u>	<u>\$ 16,994</u>

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A summary of share-based award activity as of and changes during the six months ended June 30, 2023 are presented below:

	Stock Options			Restricted Stock		Performance Vested Restricted Stock Units	
	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2023	1,010,647	\$ 94.97		399,099	\$ 128.47	437,180	\$ 140.05
Granted	88,733	123.62		48,278	123.35	105,041	128.83
Performance-Based Leveraging ⁽¹⁾	—	—		—	—	54,166	141.00
Exercised/Vested	(108,322)	52.77		(82,822)	94.27	(119,751)	145.41
Expired	—	—		—	—	—	—
Forfeited	(6,731)	125.15		(7,851)	113.75	(5,986)	133.50
Outstanding at June 30, 2023	984,327	\$ 101.99	6.0	356,704	\$ 136.05	470,650	\$ 136.34
Options exercisable at June 30, 2023	595,927	\$ 90.02	4.5				

⁽¹⁾ Revision to PVRsUs outstanding in the six months ended June 30, 2023 is based on the Company's performance relative to the targeted performance conditions contained in PVRsUs.

The fair value of the restricted stock awards and the PVRsUs with performance conditions granted during the six months ended June 30, 2023 were equal to the market price of the Company's common stock on date of grant. The fair value of the PVRsUs with market conditions based on the Company's total shareholder return relative to a predetermined peer group was estimated using a Monte Carlo simulation method as of the grant date. The requisite service periods for restricted stock and PVRsUs granted was between 9 months and 48 months. PVRsU award vesting ranges between 0% and 230% of the initial units granted.

The stock options granted by the Company had an exercise price equal to the market price of the Company's common stock on the date of grant. The fair value of the options granted during the six months ended June 30, 2023 was estimated on the grant date using the Black-Scholes option-pricing model with the following weighted average assumptions:

Risk-free interest rate	4.10 %
Expected volatility	30.90 %
Expected life of stock option	6.0 years
Dividend yield	0.9 %
Requisite service period	4 years
Contractual life	10 years
Weighted average fair value of options granted (per option)	\$ 42.59

10. Earnings Per Share

The Company's shares of restricted stock contain rights to receive nonforfeitable dividends and thus are participating securities requiring the computation of basic Earnings per Share ("EPS") using the two-class method. As the shares of restricted stock are both potential shares of common stock and participating securities, the Company calculates diluted earnings per share by the more dilutive of the treasury stock method or the two-class method. The calculation of EPS for net income available to common shareholders excludes the distribution of dividends and undistributed earnings attributable to participating securities from the numerator. The diluted earnings weighted average shares of common stock outstanding includes stock options, PVRsUs and RSUs.

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The computation of basic and diluted earnings per share of common stock is as follows:

(in thousands, except per share amounts)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Numerator:				
Net income	\$ 84,710	\$ 106,168	\$ 137,530	\$ 173,559
Income allocated to participating securities	(437)	(622)	(750)	(919)
Net income available to common shareholders	<u>\$ 84,273</u>	<u>\$ 105,546</u>	<u>\$ 136,780</u>	<u>\$ 172,640</u>
Denominator:				
Weighted average shares of common stock outstanding – basic	50,626	55,446	50,946	55,429
Basic earnings per share	<u>\$ 1.66</u>	<u>\$ 1.90</u>	<u>\$ 2.68</u>	<u>\$ 3.11</u>
Numerator:				
Net income	\$ 84,710	\$ 106,168	\$ 137,530	\$ 173,559
Income allocated to participating securities	(437)	(622)	(750)	(919)
Net income available to common shareholders	<u>\$ 84,273</u>	<u>\$ 105,546</u>	<u>\$ 136,780</u>	<u>\$ 172,640</u>
Denominator:				
Weighted average shares of common stock outstanding – basic	50,626	55,446	50,946	55,429
Dilutive effect of stock options and PVRsUs	365	524	405	583
Weighted average shares of common stock outstanding – diluted	<u>50,991</u>	<u>55,970</u>	<u>51,351</u>	<u>56,012</u>
Diluted earnings per share	<u>\$ 1.65</u>	<u>\$ 1.89</u>	<u>\$ 2.66</u>	<u>\$ 3.08</u>

The following securities have been excluded from the calculation of diluted weighted average shares of common stock outstanding as the inclusion of these securities would have an anti-dilutive effect:

(in thousands)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Stock options	235	155	235	155
PVRsUs	—	76	—	76

11. Reportable Segment Information

The Hotel Franchising & Management reportable segment includes the Company's hotel franchising operations consisting of its 22 brands and brand extensions and hotel management operations of 13 Radisson Hotels Americas hotels (inclusive of 3 owned hotels). The 22 brands and brand extensions and hotel management operations are aggregated within this reportable segment considering their similar economic characteristics, types of customers, distribution channels and regulatory business environments. Revenues from the hotel franchising and management business include royalty fees, initial franchise fees and relicensing fees, cost reimbursement revenues, procurement services revenue, base and incentive management fees, and other hotel franchising and management related revenue. The Company provides certain services under its hotel franchise and management agreements which result in direct and indirect reimbursements. The cost reimbursement revenues received from franchisees are included in hotel franchising and management revenues and are offset by related expenses to calculate hotel franchising operating income. Equity in earnings or losses from hotel franchising related investment in affiliates is allocated to the Company's Hotel Franchising & Management reportable segment.

The Company evaluates its Hotel Franchising & Management reportable segment based primarily on the results of the segment without allocating corporate expenses, indirect general and administrative expenses, interest expense, interest income, other gains and losses or income taxes, which are included in the Corporate & Other column. Corporate & Other revenues include owned hotel revenues and revenues related to the Company's SaaS technology solutions division which provide cloud-based property management software to non-franchised hoteliers.

Intersegment revenue adjustment is from the elimination of Hotel Franchising & Management revenue which include royalty fees, management and cost reimbursement fees charged to our owned hotels against franchise and management fee expense recognized by our owned hotels in Corporate & Other operating income (loss).

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Our President and Chief Executive Officer, who is our chief operating decision maker, does not use assets by operating segment when assessing performance or making operating segment resource allocations decisions and therefore assets by segment are not disclosed below.

The following table presents the financial information for the Company's segments:

(in thousands)	Three Months Ended June 30, 2023				Three Months Ended June 30, 2022			
	Hotel Franchising & Management	Corporate & Other	Intersegment Eliminations	Consolidated	Hotel Franchising & Management	Corporate & Other	Intersegment Eliminations	Consolidated
Revenues	\$ 401,854	\$ 26,568	\$ (1,002)	\$ 427,420	\$ 349,857	\$ 19,411	\$ (1,294)	\$ 367,974
Operating income (loss)	\$ 149,931	\$ (25,542)	\$ —	\$ 124,389	\$ 165,448	\$ (8,099)	\$ —	\$ 157,349
Income (loss) before income taxes	\$ 150,116	\$ (37,569)	\$ —	\$ 112,547	\$ 165,405	\$ (23,279)	\$ —	\$ 142,126

(in thousands)	Six Months Ended June 30, 2023				Six Months Ended June 30, 2022			
	Hotel Franchising & Management	Corporate & Other	Intersegment Eliminations	Consolidated	Hotel Franchising & Management	Corporate & Other	Intersegment Eliminations	Consolidated
Revenues	\$ 710,901	\$ 52,632	\$ (3,321)	\$ 760,212	\$ 594,228	\$ 33,671	\$ (2,198)	\$ 625,701
Operating income (loss)	\$ 255,422	\$ (53,182)	\$ —	\$ 202,240	\$ 272,768	\$ (16,022)	\$ —	\$ 256,746
Income (loss) before income taxes	\$ 255,544	\$ (75,502)	\$ —	\$ 180,042	\$ 272,969	\$ (43,108)	\$ —	\$ 229,861

12. Commitments and Contingencies

The Company is not a party to any litigation other than litigation in the ordinary course of business. The Company's management and legal counsel do not expect that the ultimate outcome of any of its currently ongoing legal proceedings, individually or collectively, will have a material adverse effect on the Company's financial position, results of operations or cash flows.

Contingencies

The Company entered into various limited payment guaranties with regards to the Company's VIEs supporting their efforts to develop and own hotels franchised under the Company's brands. Under these limited payment guaranties, the Company has agreed to guarantee a portion of the outstanding debt until certain conditions are met such as (a) the loan matures, (b) certain debt covenants are achieved, (c) the maximum amount guaranteed by the Company is paid in full or (d) the Company, through its affiliates, ceases to be a member of the VIE. As of June 30, 2023, the maximum unrecorded exposure of principal incidental to these limited payment guaranties is \$4.1 million, plus unpaid expenses and accrued unpaid interest, and the Company believed the likelihood of having to perform under these guaranties was remote.

Commitments

The Company has the following commitments outstanding at June 30, 2023:

- The Company provides financing in the form of franchise agreement acquisition payments to franchisees for property improvements, hotel development efforts and other purposes. These payments are typically made at commencement of construction or hotel opening, in accordance with agreed upon provisions in individual franchise agreements. At June 30, 2023, the Company had commitments to extend an additional \$336.0 million for these purposes provided the conditions of the payment are met by its franchisees.
- As part of the acquisition of Radisson Hotels Americas, the Company entered into a long-term management arrangement, with an expiration date of July 31, 2031, to manage eight hotels owned by a third-party. In conjunction with the management arrangement, the Company entered into a guarantee with the third-party to fund any shortfalls in the payment of the third-party owner's priority stipulated in the management agreement. The maximum guarantee under the agreement is \$22 million. The Company believes the future performance of the hotels is expected to be sufficient on both an annual basis and over the duration of the agreement. Accordingly, no liability was recorded as of June 30, 2023 in accrued liabilities within the consolidated balance sheets.

- To the extent existing unconsolidated affiliates proceed to the hotel construction phase, the Company is committed to make capital contributions totaling \$15.7 million to support their efforts to construct Everhome Suites and Cambria hotels.
- The Company committed to provide financing in the form of loans or credit facilities to franchisees for Choice brand development efforts. At June 30, 2023, the Company has remaining commitments of less than \$0.1 million, upon certain conditions being met.
- The Company's legacy Choice franchise agreements require the payment of franchise fees, which include marketing and reservation system fees. In accordance with terms of our legacy Choice franchise agreements, the Company is obligated to use the marketing and reservation system revenues it collects from the current franchisees comprising its various hotel brands to provide marketing and reservation services appropriate to support the operation of the overall system. The legacy Radisson Hotels Americas franchise agreements have similar provisions regarding marketing fees to be used for marketing activities. To the extent revenues collected exceed expenditures incurred, the Company has a commitment to the franchisee system to make expenditures in future years. Conversely, to the extent expenditures incurred exceed revenues collected, the Company has the contractual enforceable right to assess and collect such amounts.

In the ordinary course of business, the Company enters into numerous agreements that contain standard indemnities whereby the Company indemnifies another party for breaches of representations and warranties. Such indemnifications are granted under various agreements, including those governing (i) purchases or sales of assets or businesses, (ii) leases of real estate, (iii) licensing of trademarks, (iv) access to credit facilities, (v) issuances of debt or equity securities, and (vi) certain operating agreements. The indemnifications issued are for the benefit of the (i) buyers in sale agreements and sellers in purchase agreements, (ii) landlords in lease contracts, (iii) franchisees in licensing agreements, (iv) financial institutions in credit facility arrangements, (v) underwriters in debt or equity security issuances and (vi) parties under certain operating agreements. In addition, these parties are also generally indemnified against any third-party claim resulting from the transaction that is contemplated in the underlying agreement. While some of these indemnities extend only for the duration of the underlying agreement, many survive the expiration of the term of the agreement or extend into perpetuity (unless subject to a legal statute of limitations). There are no specific limitations on the maximum potential amount of future payments that the Company could be required to make under these indemnities, nor is the Company able to develop an estimate of the maximum potential amount of future payments to be made under these indemnifications as the triggering events are not subject to predictability. With respect to certain of the aforementioned indemnities, such as indemnifications of landlords against third-party claims for the use of real estate property leased by the Company, the Company maintains insurance coverage that mitigates potential liability.

13. Transactions with Unconsolidated Affiliates

The Company has management fee arrangements with certain of the unconsolidated affiliates discussed in Note 4. The fees earned and payroll costs reimbursed under these arrangements totaled \$1.9 million and \$0.6 million for the three months ended June 30, 2023 and 2022, respectively, and \$3.7 million and \$0.9 million for the six months ended June 30, 2023 and 2022, respectively.

The Company has entered into franchise agreements with certain unconsolidated affiliates. Pursuant to these franchise agreements, for the three months ended June 30, 2023 and 2022, the Company recorded royalty and marketing reservation system fees of approximately \$7.8 million and \$6.4 million, respectively. For the six months ended June 30, 2023 and 2022, the Company recorded royalty and marketing reservation fees of approximately \$13.6 million and \$10.6 million, respectively. The Company recorded \$4.9 million and \$3.9 million as a receivable due from these affiliates as of June 30, 2023 and December 31, 2022, respectively.

14. Acquisitions

August 2022 Radisson Hotels Americas Acquisition

On August 11, 2022, the Company completed the acquisition of Radisson Hotels Americas. The accounting purchase price for the Transaction was \$673.9 million, which includes the base purchase price of \$675.2 million, adjusted for Disclosed Leakage (as defined in the Share Sale and Purchase Agreement) and certain other prepaid expenses. To fund the Transaction, Choice drew \$175.0 million on the Company's existing senior unsecured credit facility, and funded the remainder with cash on hand.

Additionally, in connection with the acquisition, we recorded \$9.4 million and \$19.7 million of transaction, transition, and severance expense, included within Selling, general and administrative, during the three and six months ended June 30, 2023, respectively.

Preliminary Fair Values of Assets Acquired and Liabilities Assumed

The Company allocated the purchase price based upon a preliminary assessment of the fair value of the assets acquired and liabilities assumed as of August 11, 2022. These preliminary fair values are based on management's estimates and assumptions, using the best information available at the time of this filing.

During the fourth quarter of 2022 and first quarter of 2023, the Company recorded net measurement period adjustments that revised goodwill by a \$9.1 million reduction and \$1.5 million increase, respectively, as presented in the table below. The Company made these measurement period adjustments to reflect facts and circumstances that existed as of the acquisition date and did not result from intervening events subsequent to such date. The measurement period adjustments resulted in no impact to our consolidated statements of income.

The final valuation and related allocation of the purchase price will be completed no later than 12 months after the closing date. The final acquisition accounting adjustments may be materially different and may include (1) changes in fair value of property and equipment and associated salvage values, (2) changes in allocations to intangible assets, such trade names, acquired franchise and management agreements, above and below market leases, as well as goodwill; and (3) other changes to assets and liabilities, such as working capital.

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The preliminary allocation of the purchase price, including measurement period adjustments, as presented in our consolidated balance sheets:

(in thousands)	August 11, 2022 - original	Measurement Period Adj - 4th quarter 2022	Measurement Period Adj - 1st quarter 2023	August 11, 2022 - as adjusted
Cash and cash equivalents	\$ 113,023	\$ —	\$ —	\$ 113,023
Restricted cash	10,403	—	—	10,403
Accounts receivable	32,972	8,752	(1,941)	39,783
Notes receivable - current	1,709	—	(860)	849
Prepaid expenses and other current assets	8,139	—	—	8,139
Property and equipment	125,441	—	—	125,441
Operating lease right-of-use of assets	42,315	(2,016)	—	40,299
Intangible assets	447,400	(300)	—	447,100
Notes receivable - noncurrent	2,592	—	—	2,592
Investment in affiliates	471	—	—	471
Other assets	2,129	—	—	2,129
Total assets acquired	\$ 786,594	\$ 6,436	\$ (2,801)	\$ 790,229
Accounts payable	\$ 8,295	\$ (1,566)	\$ (1,941)	\$ 4,788
Accrued expenses and other current liabilities	15,987	425	674	17,086
Deferred revenue - current ⁽¹⁾	5,745	1,566	—	7,311
Liability for guest loyalty program - current ⁽¹⁾	3,542	3,792	—	7,334
Long-term debt	55,975	—	—	55,975
Long-term deferred revenue ⁽¹⁾	26,499	(3,915)	—	22,584
Deferred compensation and retirement plan obligations	9,265	—	—	9,265
Operating lease liabilities	42,705	(2,016)	—	40,689
Liability for guest loyalty program - noncurrent ⁽¹⁾	10,180	(1,443)	—	8,737
Other liabilities	3,052	543	—	3,595
Total liabilities assumed	\$ 181,245	\$ (2,614)	\$ (1,267)	\$ 177,364
Fair value of net assets acquired	\$ 605,349	\$ 9,050	\$ (1,534)	\$ 612,865
Goodwill	68,507	(9,050)	1,534	60,991
Total purchase consideration	\$ 673,856	\$ —	\$ —	\$ 673,856

⁽¹⁾ The Deferred revenue (including deferred affiliation fees) and Liability for guest loyalty program balances were assumed at their carrying value at the date of the acquisition pursuant to the application of ASU 2021-08. Refer to Note 1.

Property and Equipment

The following table presents the preliminary estimates of fair value of the acquired property and equipment, which is primarily concentrated at three acquired hotel properties, and their estimated weighted average remaining useful lives.

	Estimated Useful Life (in years)	Estimated Fair Value (in thousands)
Land	N/A	\$ 7,159
Construction in progress	N/A	3,190
Building and leasehold improvements	24.4	93,934
Site improvements	23.1	586
Furniture, fixtures and equipment	3.9	8,334
Computer equipment and software	2.0	12,238
Total		\$ 125,441

We provisionally estimated the value of the property and equipment through a combination of income, cost and market approaches, which are primarily based on significant Level 2 and Level 3 assumptions, such as estimates of future income growth, discount rates, capitalization rates and capital expenditure needs of the hotels. We are continuing to assess the marketplace assumptions and property conditions, which could result in changes to these provisional values.

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Identified Intangible Assets

The following table presents our preliminary estimates of the fair value of the acquired identified intangible assets and their estimated useful lives:

	Estimated Useful Life (in years)	Estimated Fair Value (in thousands)
Trade names	N/A	\$ 223,700
Franchise agreements	15.5	220,100
Management agreements	15.5	3,300
Total		\$ 447,100

The fair value of the trade names was provisionally estimated using the relief-from-royalty method. This method applies an estimated royalty rate to forecasted future cash flows, discounted to present value. The fair value of the franchise and management agreements was preliminarily estimated using a multi-period excess earnings method, a variation of the income approach. This method uses the present value of incremental after-tax cash flows attributable to the intangible asset to estimate fair value. These valuation methodologies utilize Level 3 assumptions, and we are continuing to assess the assumptions used in estimating these values as well as the respective useful lives, which could result in changes to these provisional values.

Debt Assumed

As part of the Transaction, we assumed a mortgage related to an acquired hotel property. The mortgage had an associated interest rate cap agreement with an effective date of July 30, 2021 through August 6, 2024. Subsequent to the acquisition closing date, the mortgage, inclusive of the outstanding interest and fees, was repaid in full in the amount of \$56.0 million using cash we acquired. Additionally, the interest rate cap agreement was terminated, which resulted in a payment to Choice in the amount of \$1.9 million. Related to the mortgage, we acquired \$10.4 million in restricted cash, for which restrictions were lifted upon repayment.

Operating Leases

The Company measured operating lease liabilities assumed at the present value of remaining payments as of the acquisition date, discounted using Choice's applicable incremental borrowing rate, in accordance with *Leases (Topic 842)*. The corresponding right-of-use assets acquired were measured at the value of the lease liabilities, further adjusted for favorable or unfavorable lease terms as compared to market terms. We are continuing to assess market assumptions, which could change our preliminary estimate.

Income Taxes

Pursuant to the terms of the Transaction, the parties agree to jointly make a valid, timely election under Section 338(h)(10) of the U.S. Internal Revenue Code and under any similar provisions of state or local law with respect to the purchase of the shares of Radisson Hotels Americas. Under this election, the parties agreed to treat the Transaction for federal income tax purposes as if it had been structured as an asset sale and purchase. As a result of this election, the tax basis of the assets acquired and liabilities assumed by Choice were reset to fair value at the time of the acquisition, which results in the elimination of previously established deferred income tax balances and the establishment of new balances that reflect the new tax basis, including tax deductible goodwill. Because the accounting for the Transaction is ongoing, the resulting deferred tax balances are still being finalized.

Pro Forma Results of Operations

The following unaudited pro forma information presents the combined results of operations of Choice and Radisson Hotels Americas as if we had completed the Transaction on January 1, 2021, but using our preliminary fair values of assets acquired and liabilities assumed as of the acquisition date. The unaudited pro forma information reflects adjustments relating to (i) the allocation of purchase price and related adjustments, including incremental depreciation and amortization expense based on the preliminary fair values of the property and equipment assets and intangible assets acquired; (ii) the incremental impact of the

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Revolver draw on interest expense and amortization of financing costs; (iii) nonrecurring transaction costs; and (iv) income tax impact of the aforementioned pro forma adjustments.

As required by GAAP, these unaudited pro forma results do not reflect any cost saving synergies from operating efficiencies. Accordingly, these unaudited pro forma results are presented for informational purposes only and are not necessarily indicative of what the actual results of operations of the combined company would have been if the transaction had occurred at the beginning of the period presented, nor are they indicative of future results of operations.

(in thousands)	Six Months Ended	
	June 30, 2022	
Revenues	\$	745,238
Net income		176,420

Radisson Hotels Americas Results of Operations

The results of Radisson Hotels Americas have been consolidated with the Company since August 11, 2022 and are included in the Company's Consolidated Statement of Income for the three and six months ended June 30, 2023. The following table presents these results.

(in thousands)	Three Months Ended		Six Months Ended	
	June 30, 2023		June 30, 2023	
Revenues	\$	73,113	\$	135,496
Net income		7,713		10,981

Goodwill

The \$61.0 million excess value recorded in goodwill is primarily attributable to value we expect to realize from the existing customer base, improvements in Revenue per Available Room ("RevPAR"), cost synergies and new agreements signed with new franchisees and developers. Goodwill for the Transaction is fully attributable to the Hotel Franchising & Management reportable segment and is fully deductible for tax purposes.

The following table details the carrying amount of the Company's goodwill, including goodwill arising from the acquisition of Radisson Hotels Americas, as of June 30, 2023.

(in thousands)		
Goodwill, excluding goodwill arising from Radisson Hotels Americas acquisition	\$	166,774
Accumulated impairment losses		(7,578)
Goodwill arising from Radisson Hotels Americas acquisition		60,991
Goodwill, net carrying amount	\$	220,187

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help the reader understand the consolidated financial condition and results of operations of Choice Hotels International, Inc. and its subsidiaries (together "Choice" or the "Company", "we", "us", or "our") contained in this report. MD&A is provided as a supplement to — and should be read in conjunction with — our consolidated financial statements and the accompanying notes.

Overview

We are primarily a hotel franchisor operating in 50 states, the District of Columbia and over 45 countries and territories. At June 30, 2023, we had 7,472 hotels with 628,901 rooms open and operating, and 960 hotels with 93,646 rooms under construction, awaiting conversion, approved for development or committed to future franchise development on outstanding master development agreements (collectively, "pipeline") in its global system. Our brand names include Comfort Inn®, Comfort Suites®, Quality®, Clarion®, Clarion Pointe™, Ascend Hotel Collection®, Sleep Inn®, Econo Lodge®, Rodeway Inn®, MainStay Suites®, Suburban Studios™, WoodSpring Suites®, Everhome Suites®, and Cambria® Hotels (collectively, the "legacy Choice brands"). Additionally, through the Radisson Hotels Americas acquisition completed on August 11, 2022, our brands expanded to include Radisson Blu®, Radisson RED®, Radisson®, Park Plaza®, Country Inn & Suites® by Radisson, Radisson Inn & Suites™, Park Inn by Radisson®, Radisson Individuals®, and Radisson Collection® (collectively, the "legacy Radisson brands"), which are located across the United States, Canada, the Caribbean and Latin America.

The hotel franchising business represents the Company's primary operations. The Company's domestic operations are conducted through direct franchising relationships, the ownership of six Cambria and three legacy Radisson Hotels Americas open and operating hotels, and the management of 13 legacy Radisson Hotels Americas hotels (inclusive of the Radisson Hotels Americas owned hotels), while its international franchise operations are conducted through a combination of direct franchising and master franchising relationships. Master franchising relationships are governed by master franchising agreements which generally provide the master franchisee with the right to use our brands and sub-license the use of our brands in a specific geographic region, usually for a fee. As a result of master franchise relationships and international market conditions, our revenues are primarily concentrated in the United States. Therefore, our description of our business is primarily focused on the domestic operations, which encompasses the United States.

Our Company generates revenues, income and cash flows primarily from our hotel franchising operations. Revenues are also generated from partnerships with qualified vendors and travel partners that provide value-added solutions to our platform of guests hotels, owned hotels, and other sources. Historically, the hotel industry has been seasonal in nature. For most hotels, demand is ordinarily lower in November through February than during the remainder of the year. Our principal source of revenue is franchise fees based on the gross room revenues or number of rooms of our franchised properties. The Company's franchise and managed fees, as well as its owned hotels revenues, normally reflect the industry's seasonality and historically have been lower in the first and fourth quarters than in the second and third quarters.

With a primary focus on hotel franchising, we benefit from the economies of scale inherent in the franchising business. The fee and cost structure of our franchising business provides opportunities to improve operating results by increasing the number of franchised hotel rooms and effective royalty rates of our franchise contracts resulting in increased initial fee revenue, ongoing royalty fees, procurement services and licensing revenues. In addition, our operating results can also be improved through our company-wide efforts related to improving property-level performance and expanding the number of partnerships with travel-related and other companies with product and services that appeal to our guests.

The principal factors that affect the Company's results are: the number and relative mix of hotel rooms in the various hotel lodging price categories; growth in the number of hotel rooms owned and under franchise; occupancy and room rates achieved by the hotels in our system; the effective royalty rate achieved on our franchise agreements; the level of franchise sales and relicensing activity; the number of qualified vendor arrangements and partnerships and the level of engagement with these partners by our franchisees and guests; and our ability to manage costs. The number of rooms in our hotel system and the occupancy and room rates at those properties significantly affect the Company's results because our fees are based upon room revenues or the number of rooms at owned and franchised hotels. The key industry standard for measuring hotel-operating performance is Revenue per Available Room ("RevPAR"), which is calculated by multiplying the percentage of occupied rooms by the average daily room rate realized. Our variable overhead costs associated with franchise system growth of our established brands have historically been less than incremental royalty fees generated from new franchises. Accordingly, over the long-term, continued growth of our franchise business should enable us to realize benefits from the operating leverage in place and improve operating results.

We are required by our legacy Choice franchise agreements to use marketing and reservation system fees we collect for system-wide marketing and reservation system activities. These expenditures, which include advertising costs and costs to maintain our central reservations systems, enhance awareness and consumer preference for our brands and deliver guests to our franchisees. Greater awareness and preference promotes long-term growth in business delivery to our franchisees and increases the desirability of our brands to hotel owners and developers, which ultimately increases franchise fees earned by the Company. The legacy Radisson Hotels Americas franchise agreements have similar provisions regarding marketing fees to be used for marketing activities. Additionally, the legacy Radisson Hotels Americas management agreements include cost reimbursements, primarily related to payroll costs at managed hotels where the Company is the employer.

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Our Company articulates its mission as a commitment to our franchisees' profitability by providing our franchisees with hotel franchises that strive to generate the highest return on investment of any hotel franchise. We have developed an operating system dedicated to our franchisees' success that focuses on delivering guests to hotels and reducing hotel operating costs.

We believe that executing our strategic priorities creates value for our shareholders. Our Company focuses on the following strategic priorities:

Profitable Growth. Our success is dependent on improving the performance of our hotels, increasing our system size by selling additional hotel franchises with a focus on revenue-intense chain scales and markets, improving our effective royalty rate, expanding our qualified vendor and partnership platform programs and maintaining a disciplined cost structure. We attempt to improve our revenues and overall profitability by providing a variety of products and services designed to increase business delivery and/or reduce operating and development costs. These products and services include national marketing campaigns, a guest loyalty program, a central reservation system, property and yield management programs and systems, revenue management services, quality assurance standards, qualified vendor relationships and partnerships with companies that provide services to our franchisees and guests. We believe that healthy brands, which deliver a compelling return on investment, will enable us to sell additional hotel franchises and raise royalty rates. We have multiple brands that meet the needs of many types of guests, and can be developed at various price points and applied to both new and existing hotels. This ensures that we have brands suitable for creating growth in a variety of market conditions. Improving the performance of the hotels in our system, strategically growing the system through additional franchise sales, and improving franchise agreement pricing while maintaining a disciplined cost structure are the keys to profitable growth. The addition of the legacy Radisson brands in the Americas increased Choice's footprint in the upper midscale and upscale chain scales and introduced presence in the upper upscale chain scale. We expect that the Radisson Americas acquisition will enable us to strengthen our presence in the upper midscale chain scale, expand our market presence in certain geographies in the United States and further build on our momentum in the upscale chain scale, accelerating the growth of our Cambria Hotels and Ascend Hotel Collection brands and allowing us to expand the Radisson portfolio.

Maximizing Financial Returns and Creating Value for Shareholders. Our capital allocation decisions, including capital structure and uses of capital, are intended to maximize our return on invested capital and create value for our shareholders. Since our business has not historically required significant reinvestment of capital, we typically utilize cash in ways that management believes provides the greatest returns to our shareholders, which include acquisitions, share repurchases and dividends. Refer to the Liquidity and Capital Resources header of MD&A for more information regarding capital returns to shareholders.

In addition to our hotel franchising business, we have also developed or acquired six Cambria and three legacy Radisson Hotels Americas open and operating hotels. We intend to continue to strategically develop hotels to increase the presence of our newly introduced brands in the United States, drive greater guest satisfaction and brand preference, and ultimately increase the number of franchise agreements awarded. When developing hotels, we seek key markets with strong growth potential that will deliver strong operating performance and improve the recognition of our brands. Our hotel development and ownership efforts currently focus on the Cambria Hotels and Everhome Suites brands. We believe our owned hotels provide us the opportunity to support and accelerate growth of these brands. We do not anticipate owning hotels on a permanent basis and expect to target dispositions to a franchisee encumbered with a long-term Choice franchise agreement in the future.

The Company also allocates capital to financing, investment and guaranty support to incentivize franchise development for certain brands in strategic markets; and to explore growth opportunities in business areas that are adjacent or complementary to our core hotel franchising business, which leverage our core competencies and are additive to our franchising business model. The timing and amount of these investments are subject to market and other conditions.

We believe our growth investments and strategic priorities, when properly implemented, will enhance our profitability, maximize our financial returns and continue to generate value for our shareholders. The ultimate measure of our success will be reflected in the items below.

Results of Operations: Royalty fees, licensing and management fees, operating income, net income and diluted Earnings per Share ("EPS") represent key measurements of our financial performance. These measurements are primarily driven by the operations of our hotel franchise system and therefore, our analysis of the Company's operations is primarily focused on the size, performance and potential growth of the hotel franchise system as well as our variable overhead costs.

Our discussion of results generally excludes the Company's other revenues and expenses from franchised and managed properties, which reflect franchise marketing and reservation system revenues and expenses and management agreement cost reimbursements. The Company's legacy Choice franchise agreements require the payment of marketing and reservation system fees to be used exclusively by the Company for expenses associated with providing franchise services such as national marketing, media advertising, and central reservation systems. The Company is obligated to expend the marketing and

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reservation system fees it collects from franchisees in accordance with the franchise agreements. Furthermore, franchisees are required to reimburse the Company for any deficits generated by these marketing and reservation system activities. Over time, the Company expects cumulative revenues and expenses to break even and, therefore, no income or loss will be generated from marketing and reservation system activities. The franchised and management contracts acquired in the Radisson Hotels Americas acquisition have similar terms as those described above with the exceptions of certain contractual elements concerning reservation fees, which are not required to breakeven over time and which are insignificant to overall operating net income. As a result, the Company generally excludes the other revenues and expenses from franchised and managed properties from the analysis of its operations.

Due to the seasonal nature of the Company's hotel franchising and management business and the multi-year investments required to support franchise operations, quarterly and/or annual deficits may be generated. During the three months ended June 30, 2023 and 2022, other franchised and managed revenues exceeded expenses by \$7.0 million and \$35.5 million, respectively. During the six months ended June 30, 2023 and 2022, other franchised and managed revenues exceeded expenses by \$9.1 million and \$48.5 million, respectively.

Refer to the Operations Review header of MD&A for additional analysis of our results.

Liquidity and Capital Resources: Historically, the Company has generated significant cash flows from operations. Since our business has not historically required significant reinvestment of capital, we typically utilize cash in ways that management believes provide the greatest returns to our shareholders, which include acquisitions, share repurchases and dividends.

We believe the Company's cash flow from operations and available financing capacity is sufficient to meet the expected future operating, investing and financing needs of the business. Refer to Liquidity and Capital Resources header of MD&A for additional analysis.

Inflation: We believe that moderate increases in the rate of inflation will generally result in comparable or greater increases in hotel room rates. We are monitoring future inflation trends and any resulting impacts on our business.

Non-GAAP Financial Statement Measurements

The Company utilizes certain measures which do not conform to generally accepted accounting principles accepted in the United States ("GAAP") when analyzing and discussing its results with the investment community. This information should not be considered as an alternative to any measure of performance as promulgated under GAAP. The Company's calculation of these measurements may be different from the calculations used by other companies and therefore, comparability may be limited. We have included a reconciliation of these measures to the comparable GAAP measurement below as well as our reasons for reporting these non-GAAP measures.

Revenues excluding reimbursable revenue from franchised and managed properties. The Company's other revenues from franchised and managed properties financial statement line item reflect franchise marketing and reservation system revenues and management agreement cost reimbursements. The legacy Choice franchise marketing and reservation activities and legacy Radisson Hotels Americas franchise marketing activities and management agreement cost reimbursements operate at break-even based on the Company's contractual commitments regarding the manner such fees will be utilized. The legacy Radisson Hotels Americas reservation revenue, which is also recorded in the other revenues from franchised and managed properties, does not break even, based on the legacy Radisson Hotels Americas franchise contracts.

As a result, the Company excludes reimbursable revenue from franchised and managed properties when analyzing the performance of the business.

A similar non-GAAP measure is a commonly used measure of performance in our industry and facilitates comparisons between the Company and its competitors.

Calculation of Revenues excluding reimbursable revenue from franchised and managed properties

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Total revenues	\$ 427,420	\$ 367,974	\$ 760,212	\$ 625,701
Adjustments:				
Reimbursable revenue from franchised and managed properties	(199,645)	(189,382)	(357,427)	(316,019)
Revenues excluding reimbursable revenue from franchised and managed properties	\$ 227,775	\$ 178,592	\$ 402,785	\$ 309,682

Operations Review

Comparison of financial results for the three and six months ended June 30, 2023 and 2022 are set forth in the sections below. In accordance with GAAP, our income statements include Radisson Hotels Americas' results of operations in the three and six months ended June 30, 2023, but do not include Radisson Hotels Americas' results of operations in the three and six months ended June 30, 2022, as we did not acquire Radisson Hotels America until August 11, 2022.

Comparison of Operating Results for the Three-Month Periods Ended June 30, 2023 and 2022

(in thousands)	Three Months Ended	
	June 30,	
	2023	2022
REVENUES		
Royalty, licensing and management fees	\$ 140,499	\$ 121,449
Initial franchise fees	7,164	6,222
Platform and procurement services fees	28,801	21,803
Owned hotels	25,504	17,191
Other	11,148	11,927
Other revenues from franchised and managed properties	214,304	189,382
Total revenues	427,420	367,974
OPERATING EXPENSES		
Selling, general and administrative	67,804	43,888
Depreciation and amortization	9,812	5,479
Owned hotels	18,150	10,692
Other expenses from franchised and managed properties	207,265	153,846
Total operating expenses	303,031	213,905
Gain on sale of business and assets, net	—	3,280
Operating income	124,389	157,349
OTHER INCOME AND EXPENSES, NET		
Interest expense	16,270	11,252
Interest income	(2,056)	(1,628)
Other (gain) loss	(2,187)	5,559
Equity in net (gain) loss of affiliates	(185)	40
Total other income and expenses, net	11,842	15,223
Income before income taxes	112,547	142,126
Income tax expense	27,837	35,958
Net income	\$ 84,710	\$ 106,168

Results of Operations

The Company recorded income before income taxes of \$112.5 million for the three-month period ended June 30, 2023, a \$29.6 million decrease from the same period of the prior year. The decrease in income before income taxes primarily reflects a \$33.0 million decrease in operating income.

Operating income decreased \$33.0 million primarily due to a \$28.6 million decrease in the net surplus generated from other franchised and managed properties activities, a \$3.1 million increase in selling, general and administrative ("SG&A") expense related to operational restructuring charges, consisting primarily of salary and benefit continuation payments, and \$4.3 million of transition costs in SG&A expenses related to integration of the Radisson Hotels Americas business acquired in August 2022. In addition, SG&A expenses increased \$6.9 million related to increases in the Company's deferred compensation assets based on increases in the underlying investments. This increase as well as a \$4.3 million increase in depreciation and amortization expense due to the acquisition of three hotels and identifiable intangible assets as part of the Radisson Hotels Americas transaction was partially offset by growth of the legacy Choice business and the operations of the newly acquired Radisson Hotels Americas business.

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The primary reasons for these fluctuations, inclusive of the impact from the legacy Radisson brands acquired on August 11, 2022, are described in more detail below.

Royalty, licensing and management fees

Domestic royalty fees increased \$8.4 million to \$125.1 million for the three months ended June 30, 2023 from \$116.7 million for the three months ended June 30, 2022. The increase in domestic royalties is attributable to an 8.8% increase in the number of domestic franchised hotel rooms as compared to the corresponding period in 2022 and a system-wide 6 basis point increase in the effective royalty rate from 4.93% for the three months ended June 30, 2022 to 4.99% for the three months ended June 30, 2023, with \$11.7 million of fees attributed to legacy Radisson brands in the three months ended June 30, 2023. The domestic system experienced a RevPAR increase of 0.5% due to a 2.8% increase in average daily rates, partially offset by a 130 basis point decrease in occupancy.

A summary of the Company's domestic franchised hotels operating performance organized by chain scale is as follows.

	Three Months Ended			Three Months Ended			Change		
	June 30, 2023			June 30, 2022					
	Average Daily Rate	Occupancy	RevPAR	Average Daily Rate	Occupancy	RevPAR	Average Daily Rate	Occupancy	RevPAR
Upscale & Above⁽¹⁾	\$ 155.07	59.9 %	\$ 92.94	\$ 149.60	58.0 %	\$ 86.84	3.7 %	190 bps	7.0 %
Midscale & Upper Midscale⁽²⁾	104.50	60.5 %	63.18	103.42	61.2 %	63.33	1.0 %	(70) bps	(0.2)%
Extended Stay⁽³⁾	65.24	74.6 %	48.64	62.44	78.8 %	49.23	4.5 %	(420) bps	(1.2)%
Economy⁽⁴⁾	72.72	50.5 %	36.74	72.94	53.0 %	38.67	(0.3)%	(250) bps	(5.0)%
Total⁽⁵⁾	\$ 100.10	60.3 %	\$ 60.32	\$ 97.42	61.6 %	\$ 60.04	2.8 %	(130) bps	0.5 %

⁽¹⁾ Includes Cambria, Ascend, Radisson Blu, Radisson Red, Park Plaza, Radisson Individuals and Radisson brands.

⁽²⁾ Includes Country, Comfort, Clarion, Sleep, Quality and Park brands.

⁽³⁾ Includes WoodSpring, Mainstay, Suburban and Everhome brands.

⁽⁴⁾ Includes Econo Lodge and Rodeway brands.

⁽⁵⁾ Radisson Hotels Americas was acquired on August 11, 2022. To enhance comparability, ADR, Occupancy, and RevPAR reflect operating performance for the three months ended June 30, 2022 as if the legacy Radisson brands were acquired on January 1, 2022.

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A summary of domestic hotels and rooms in our franchise system at June 30, 2023 and 2022 by brand is as follows:

	June 30, 2023		June 30, 2022		Variance			
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	%	%
Ascend Hotel Collection	200	22,665	197	20,381	3	2,284	1.5 %	11.2 %
Cambria Hotels	69	9,399	60	8,303	9	1,096	15.0 %	13.2 %
Radisson⁽¹⁾	68	15,887	—	—	68	15,887	NM	NM
Comfort⁽²⁾	1,688	132,572	1,659	130,637	29	1,935	1.7 %	1.5 %
Country⁽³⁾	430	34,326	—	—	430	34,326	NM	NM
Clarion⁽⁴⁾	176	19,329	188	21,100	(12)	(1,771)	(6.4)%	(8.4)%
Quality	1,618	119,590	1,630	121,149	(12)	(1,559)	(0.7)%	(1.3)%
Sleep	427	30,149	418	29,419	9	730	2.2 %	2.5 %
Park	4	363	—	—	4	363	NM	NM
Everhome	1	98	—	—	1	98	NM	NM
MainStay	119	8,152	107	7,549	12	603	11.2 %	8.0 %
WoodSpring⁽⁶⁾	224	27,005	312	37,586	(88)	(10,581)	(28.2)%	(28.2)%
Suburban	83	7,408	70	6,246	13	1,162	18.6 %	18.6 %
Econo Lodge	676	39,906	718	43,161	(42)	(3,255)	(5.8)%	(7.5)%
Rodeway	484	27,286	505	28,783	(21)	(1,497)	(4.2)%	(5.2)%
Total Domestic Franchises^{(5), (6)}	6,267	494,135	5,864	454,314	403	39,821	6.9 %	8.8 %

⁽¹⁾ Includes Radisson Blu, Radisson Red, Radisson Individuals and Radisson brands.

⁽²⁾ Includes Comfort family of brand extensions including Comfort and Comfort Suites.

⁽³⁾ Includes Country Inn & Suites and Park Plaza brands.

⁽⁴⁾ Includes Clarion family of brand extensions including Clarion and Clarion Pointe.

⁽⁵⁾ The Company reclassified six properties located in the Caribbean from Domestic Franchises to International Franchises as of June 30, 2022 to conform to current year presentation.

⁽⁶⁾ In July 2022, the Company received notice from an ownership group of its intent to exit 110 WoodSpring properties from the Choice system, which occurred in September 2022.

International royalty fees increased \$2.7 million to \$7.5 million for the three months ended June 30, 2023 from \$4.8 million three months ended June 30, 2022. The increase in international royalty fees is attributable to \$2.0 million of fees from the newly acquired Radisson brands in the three months ended June 30, 2023 and as a result of improvements in RevPAR performance and an increase of international franchise system size. Inclusive of the Radisson brands, the international hotel system increased by 99 hotels (from 1,106 as of June 30, 2022 to 1,205 as of June 30, 2023) and 14,192 rooms (from 120,574 as of June 30, 2022 to 134,766 as of June 30, 2023).

Initial franchise fees: Initial franchise fee revenue increased \$1.0 million from \$6.2 million to \$7.2 million for the three months ended June 30, 2022 and June 30, 2023, respectively. The increase is primarily attributable to the quantity of domestic franchise agreements awards, openings, and terminations compared to the prior year.

Initial franchise fees are generally paid to the Company when a franchisee executes a franchise agreement for a new property entering the system or an existing franchised property at the time of an ownership change (referred to as a relicensing) or agreement renewal, however, the recognition of revenue is deferred until the hotel associated with the franchise agreement is open or the franchise agreement is terminated. Upon hotel opening, revenue is recognized ratably as services are provided over the enforceable period of the franchise license agreement. Upon the termination of a franchise agreement, previously deferred initial franchise fees are recognized immediately in the period the agreement is terminated.

At June 30, 2023, the Company had 960 hotels with 93,646 rooms in its global pipeline, as compared to 930 hotels and 85,314 rooms at June 30, 2022. Approximately 94% of our pipeline is located in the United States and approximately 71% of the domestic pipeline is new construction. After the execution of a franchise agreement, new construction hotels typically average 18 to 36 months to open, while conversion hotels typically average three to six months to open.

Fluctuations in the Company's pipeline are primarily due to the timing of hotel openings and the timing of awarding new franchise agreements. While the Company's hotel pipeline provides a strong platform for growth, a hotel in the pipeline does not always result in an open and operating hotel due to various macroeconomic factors which could impact items such as access to liquidity, availability of construction labor and materials, and local governmental approvals and entitlements.

Platform and procurement services fees: Revenues increased \$7.0 million from \$21.8 million for the three months ended June 30, 2022 to \$28.8 million the three months ended June 30, 2023. These results reflect an increase in fees generated from travel-related partnerships and qualified vendors, and fees generated from the Company's convention, inclusive of activity from the newly acquired Radisson brand hotels.

Selling, general and administrative expenses: The cost to operate the business is reflected in SG&A on the consolidated statements of income. SG&A expenses increased \$23.9 million from \$43.9 million for the three months ended June 30, 2022 to \$67.8 million for the three months ended June 30, 2023.

SG&A expenses increased \$3.1 million related to operational restructuring charges, consisting primarily of salary and benefit continuation payments, and \$4.3 million of transition costs related to integration of the Radisson Hotels Americas business acquired in August 2022; \$1.6 million accrued for costs related to potential performance under a financial guaranty; and for general corporate purposes, including compensation, benefits, professional fees, travel, and conventions and meeting related expenses. SG&A expenses also reflect a \$6.9 million increase in the Company's deferred compensation liabilities based on increases in the underlying investments, compared to declines in the comparable period of the prior year.

Depreciation and amortization: Depreciation and amortization expense was \$9.8 million and \$5.5 million for the three months ended June 30, 2023 and 2022, respectively, increasing primarily due to the acquisition of Radisson Hotels Americas and associated amortization from the portion of the purchase price allocated to contract asset acquisition costs as well as the three hotels acquired in the transaction.

Interest expense: The Company recorded interest expense of \$16.3 million for the three months ended June 30, 2023, an increase of \$5.0 million from the comparable 2022 period. The increase in interest expense is a result of increased borrowings and interest rates on the Company's revolving credit facility; refer to discussion under the Liquidity and Capital Resources header of MD&A.

Other (gain) loss: The Company recorded other net gain of \$2.2 million for the three months ended June 30, 2023, compared to other net loss of \$5.6 million for the three months ended June 30, 2022. The current period gains relate to increases in the Company's deferred compensation assets based on increases in the underlying investments and foreign currency transaction gains.

Income tax expense: The effective income tax rates were 24.7% and 25.3% for the three months ended June 30, 2023 and 2022, respectively.

The effective income tax rates for the three months ended June 30, 2023 and 2022 were higher than the U.S. federal income tax rate of 21.0% primarily due to the impact of state income taxes.

Comparison of Operating Results for the Six-Month Periods Ended June 30, 2023 and 2022

(in thousands)	Six Months Ended	
	June 30,	
	2023	2022
REVENUES		
Royalty, licensing and management fees	\$ 247,991	\$ 212,188
Initial franchise fees	15,046	14,624
Platform and procurement services fees	42,644	33,486
Owned hotels	47,836	29,228
Other	21,775	20,156
Other revenues from franchised and managed properties	384,920	316,019
Total revenues	760,212	625,701
OPERATING EXPENSES		
Selling, general and administrative	127,087	74,212
Depreciation and amortization	19,835	11,710
Owned hotels	35,296	18,846
Other expenses from franchised and managed properties	375,754	267,496
Total operating expenses	557,972	372,264
Gain on sale of business and assets, net	—	3,309
Operating income	202,240	256,746
OTHER INCOME AND EXPENSES, NET		
Interest expense	30,354	22,722
Interest income	(3,939)	(2,908)
Other (gain) loss	(4,095)	7,275
Equity in net (gain) loss of affiliates	(122)	(204)
Total other income and expenses, net	22,198	26,885
Income before income taxes	180,042	229,861
Income tax expense	42,512	56,302
Net income	\$ 137,530	\$ 173,559

Results of Operations

The Company recorded income before income taxes of \$180.0 million for the six-month period ended June 30, 2023, a \$49.9 million decrease from the same period of the prior year. The decrease in income before income taxes primarily reflects a \$54.5 million decrease in operating income.

Operating income decreased \$54.5 million primarily due to a \$39.4 million decrease in the net surplus generated from other franchised and managed activities, and a \$5.3 million increase in SG&A expenses related to operational restructuring charges, consisting primarily of salary and benefit continuation payments, and \$12.0 million of transition costs in SG&A expenses related to integration of the Radisson Hotels Americas business acquired in August 2022. In addition SG&A expenses increased \$10.4 million related to increases in the Company's deferred compensation assets based on increases in underlying investments. This increase as well as a \$8.1 million increase in depreciation and amortization expense due to the acquisition of three hotels and identifiable intangible assets as part of the Radisson Hotels Americas transaction was partially offset by growth of the legacy Choice business and the operations of the newly acquired Radisson Hotels Americas business.

The primary reasons for these fluctuations, inclusive of the impact from the legacy Radisson brands acquired on August 11, 2022, are described in more detail below.
Royalty fees, licensing and management fees

Domestic royalty fees increased \$19.6 million to \$223.2 million for the six months ended June 30, 2023 from \$203.6 million for the six months ended June 30, 2022.

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The increase in domestic royalties is attributable to an 8.8% increase in the number of domestic franchised hotel rooms as compared to the corresponding period in 2022 and a system-wide 6 basis point increase in the effective royalty rate from 4.93% for the six months ended June 30, 2022 to 4.99% for the six months ended June 30, 2023, with \$21.1 million of fees attributed to legacy Radisson brands in the six months ended June 30, 2023. The Choice system experienced a domestic RevPAR increase of 2.8% due to a 4.0% increase in average daily rates, partially offset by a 60 basis point decrease in occupancy.

A summary of the Company's domestic franchised hotels operating performance organized by chain scale is as follows.

	Six Months Ended			Six Months Ended			Change		
	June 30, 2023			June 30, 2022					
	Average Daily Rate	Occupancy	RevPAR	Average Daily Rate	Occupancy	RevPAR	Average Daily Rate	Occupancy	RevPAR
Upscale & Above⁽¹⁾	\$ 148.02	55.6 %	\$ 82.34	\$ 141.20	52.6 %	\$ 74.32	4.8 %	300 bps	10.8 %
Midscale & Upper Midscale⁽²⁾	100.19	56.4 %	56.46	98.06	56.3 %	55.24	2.2 %	10 bps	2.2 %
Extended Stay⁽³⁾	64.07	72.9 %	46.73	60.88	76.7 %	46.67	5.2 %	(380) bps	0.1 %
Economy⁽⁴⁾	70.35	47.7 %	33.53	69.69	49.4 %	34.40	0.9 %	(170) bps	(2.5)%
Total⁽⁵⁾	\$ 95.97	56.5 %	\$ 54.22	\$ 92.30	57.1 %	\$ 52.73	4.0 %	(60) bps	2.8 %

⁽¹⁾ Includes Cambria, Ascend, Radisson Blu, Radisson Red, Park Plaza, Radisson Individuals and Radisson brands.

⁽²⁾ Includes Country, Comfort, Clarion, Sleep, Quality and Park brands.

⁽³⁾ Includes WoodSpring, Mainstay, Suburban and Everhome brands.

⁽⁴⁾ Includes Econo Lodge and Rodeway brands.

⁽⁵⁾ Radisson Hotels Americas was acquired on August 11, 2022. To enhance comparability, ADR, Occupancy, and RevPAR reflect operating performance for the six months ended June 30, 2022 as if the legacy Radisson brands were acquired on January 1, 2022.

International royalty fees for the six months ended June 30, 2023 increased \$5.3 million to \$13.9 million compared to the six months ended June 30, 2022. The increase in international royalty fees is attributable to \$3.8 million of fees from the newly acquired Radisson brands in the six months ended June 30, 2023 and as a result of increases in RevPAR performance and an increase of international franchise system size.

Initial franchise fees: Initial franchise fee revenue increased \$0.4 million from \$14.6 million during the six months ended June 30, 2022 to \$15.0 million during six months ended June 30, 2023. The increase is primarily attributable to the quantity of domestic franchise agreements awards, openings, and terminations compared to the prior year.

Platform and procurement services fees: Revenues increased \$9.1 million from \$33.5 million for the six months ended June 30, 2022 to \$42.6 million for the six months ended June 30, 2023. These results reflect an increase in fees generated from travel-related partnerships and qualified vendors, and fees generated from the Company's convention, inclusive of activity from the newly acquired Radisson brand hotels.

Selling, general and administrative expenses: The cost to operate the business is reflected in SG&A on the consolidated statements of income. SG&A expenses increased \$52.9 million from \$74.2 million for the six months ended June 30, 2022 to \$127.1 million for the six months ended June 30, 2023.

SG&A expenses increased \$5.3 million related to operational restructuring charges, consisting primarily of salary and benefit continuation payments, and a \$12.0 million increase in transition costs related to integration of the Radisson Hotels Americas business acquired in August 2022; \$1.6 million accrued for costs related to the performance under a financial guaranty; and for general corporate purposes, including compensation, benefits, professional fees, travel, and conventions and meeting related expenses. SG&A expenses reflect a \$10.4 million increase in the Company's deferred compensation liabilities based on increase in the underlying investments compared, to a decline in the comparable period of the prior year.

Depreciation and amortization: Depreciation and amortization expense was \$19.8 million and \$11.7 million for the six months ended June 30, 2023 and 2022, respectively, increasing primarily due to the acquisition of Radisson Hotels Americas and associated amortization from the portion of the purchase price allocated to contract asset acquisition costs as well as the three hotels acquired in the transaction.

Interest expense: The Company recorded interest expense of \$30.4 million for the six months ended June 30, 2023, an increase of \$7.7 million from the comparable 2022 period. The increase in interest expense is a result of increased borrowings and interest rates on the Company's revolving credit facility; refer to discussion under the Liquidity and Capital Resources header of MD&A.

Other (gain) loss: The Company recorded other net gains of \$4.1 million for the six months ended June 30, 2023, compared to other net losses of \$7.3 million, a decrease of \$11.4 million for the six months ended June 30, 2022. The gains relate to increases in the Company's deferred compensation assets based on increases in the underlying investments.

Income tax expense: The effective income tax rates were 23.6% and 24.5% for the six months ended June 30, 2023 and 2022, respectively.

The effective income tax rates for the six months ended June 30, 2023 and 2022 were higher than the U.S. federal income tax rate of 21.0% primarily due to the impact of state income taxes.

Liquidity and Capital Resources

Our Company historically generates strong and predictable operating cash flows primarily from our hotel franchising operations. Our capital allocation decisions, including capital structure and uses of capital, are intended to maximize our return on invested capital and create value for our shareholders, while maintaining a strong balance sheet and financial flexibility. The Company's short-term and long-term liquidity requirements primarily arise from working capital needs, debt obligations, income tax payments, dividend payments, share repurchases, capital expenditures and investments in growth opportunities.

The Company's primary sources of liquidity as of June 30, 2023 consisted of \$341.2 million in cash and available borrowing capacity through its senior unsecured revolving credit facility. As of June 30, 2023, the Company was in compliance with the financial covenants of its credit agreements and expects to remain in such compliance. Based on our business model and information known at this time, the Company believes that cash and available borrowing capacity and cash flows from operations provide sufficient liquidity to meet the expected future operating, investing and financing needs of the business.

Our board of directors authorized a program which permits us to offer financing, investment, and guaranty support to qualified franchisees, and allows us to acquire or develop and resell hotels to incentivize franchise development of our brands in strategic markets. With respect to these activities, the Company had approximately \$414.0 million in support of the Cambria Hotels and Everhome Suites brands currently reflected on the balance sheet as of June 30, 2023, which it generally targets to recycle within a five year period, and expects our outstanding investment to not exceed \$975 million at any point in time based on current board of directors' authorization.

The Company also strategically deploys capital in the form of franchise agreement acquisition payments across our brands to incentivize franchise development. As of June 30, 2023, the Company had commitments to extend an additional \$336.0 million for these purposes provided the conditions of the payment are met by its franchisees.

The Company has historically generated cash flow from operating activities in excess of capital needed to invest in growth opportunities and service debt obligations. As a result, the Company maintains a share repurchase program and pays a quarterly dividend. As of June 30, 2023, the Company had 2.8 million shares remaining under the current share repurchase authorization. In addition, in March 2023, the Company's board of directors approved a 21% increase in the quarterly cash dividend to \$0.2875 per share, effective with the dividend payable on April 18, 2023 to shareholders of record on April 3, 2023. The Company's quarterly dividend rate remained unchanged for the second quarter 2023, with the dividend payable on July 19, 2023 to shareholders of record on July 5, 2023. This increase will result in a projected 2023 annual dividend rate of \$1.15 per share or approximately \$56.6 million in aggregate dividend payments, subject to future declarations by our board of directors.

Operating Activities

During the six months ended June 30, 2023 and 2022, net cash provided by operating activities totaled \$125.7 million and \$159.3 million, respectively. Operating cash flows decreased \$33.6 million primarily due to a decrease in the net surplus generated from other franchised and managed properties activities; an increase in SG&A expenses related to operational restructuring charges; due diligence and transition costs related to the integration of the Radisson Hotels Americas business acquired in August 2022; an increase in franchise agreement acquisition cost payments; an increase in borrowing costs; and timing of working capital items.

In conjunction with brand and development programs, we strategically make certain payments to franchisees as an incentive to enter into new franchise agreements or perform designated improvements to properties under existing franchise agreements ("franchise agreement acquisition costs"). If the franchisee remains in the franchise system in good standing over the term specified in the incentive agreement, the Company forgives the incentive ratably. If the franchisee exits our franchise system or is not operating their franchise in accordance with our quality or credit standards and is terminated, the franchisee must repay the unamortized incentive payment plus interest. During the six months ended June 30, 2023 and 2022, the Company's net advances for these purposes totaled \$46.2 million and \$27.0 million, respectively. The timing and amount of these cash flows are dependent on various factors including the implementation of various development and brand incentive programs, the level of franchise sales and the ability of our franchisees to complete construction or convert their hotels to one of the Company's

brands. At June 30, 2023, the Company had commitments to extend an additional \$336.0 million for these purposes provided the conditions of the payment are met by its franchisees.

The Company's legacy Choice franchise agreements require the payment of marketing and reservation system fees. In accordance with the terms of our franchise agreements, the Company is obligated to use these marketing and reservation system fees to provide marketing and reservation services. To the extent revenues collected exceed expenditures incurred, the Company has a commitment to the franchisee system to make expenditures in future years. Conversely, to the extent expenditures incurred exceed revenues collected, the Company has the contractual enforceable right to recover such advances in future periods through additional fee assessments or reduced spending. The franchised and management contracts acquired in the Radisson Hotels Americas acquisition have similar terms as those described above with the exceptions of certain contractual elements concerning reservation fees, which are not required to breakeven over time and which are insignificant to overall net income. During the six months ended June 30, 2023 and 2022, net surplus generated from other franchised and managed properties activities was \$9.1 million and \$48.5 million, respectively.

Investing Activities

Our board of directors authorized a program which permits us to offer financing, investment, and guaranty support to qualified franchisees, and allows us to acquire or develop and resell hotels to incentivize franchise development of our brands in strategic markets. We are currently engaged in these financial support activities to encourage acceleration of the growth of our Cambria Hotels and Everhome Suites brands, primarily in strategic markets and locations. With respect to our hotel development and ownership, affiliate investments, and lending, the Company had approximately \$414.0 million outstanding in support of the Cambria Hotels and Everhome Suites brands currently reflected on the balance sheet as of June 30, 2023, which it generally targets to recycle within a five year period, and expects our outstanding investment to not exceed \$975 million at any point of time based on current board of directors' authorization. We expect to continue to deploy capital in these manners in support of our brands. The deployment and annual pace of future financial support activities will depend upon market and other conditions, including among others, our franchise sales results, the environment for new construction hotel development and the hotel lending environment.

Cash utilized for investing activities totaled \$59.2 million and \$24.0 million for the six months ended June 30, 2023 and 2022, respectively. The change in cash utilized for investing activities for the six months ended June 30, 2023 primarily reflects the following:

During the six months ended June 30, 2023 and 2022, capital expenditures in property and equipment totaled \$45.7 million and \$49.9 million, respectively. These capital expenditures primarily reflect costs incurred to support the continued growth of the Cambria Hotels and Everhome Suites brands, including ongoing construction and acquisition of land parcels for hotel development.

During the six months ended June 30, 2022, the Company realized net proceeds of \$32.9 million from the sale of one Cambria hotel, one parcel of land, and a sale and conversion of an international direct franchising market to a master franchising market.

The Company maintains equity method investments in affiliates related to the Company's program to offer equity support to qualified franchisees to develop and operate Cambria Hotels and Everhome Suites in strategic markets. During the six months ended June 30, 2023 and 2022, the Company invested \$15.3 million and \$0.7 million, respectively, to support these efforts. In addition, during the six months ended June 30, 2023, the Company received distributions and sales proceeds from these affiliates totaling \$0.9 million. The Company received no distribution and sales proceeds from these affiliates for the six months ended June 30, 2022. To the extent that existing unconsolidated affiliates proceed to the hotel construction phase, the Company is committed to make additional capital contributions totaling \$15.7 million to support these efforts.

The Company provides financing to franchisees for hotel development efforts and other purposes in the form of notes receivable. These loans bear interest and are expected to be repaid in accordance with the terms of the loan arrangements. During the six months ended June 30, 2023, the Company advanced \$4.3 million and received repayments totaling \$9.3 million for these purposes. For the six months ended June 30, 2022, the Company advanced \$2.0 million amounts and received repayments totaling \$0.1 million for these purposes. At June 30, 2023, the Company had commitments to extend less than \$0.1 million for these purposes provided certain conditions are met by its franchisees.

Financing Activities

Financing cash flows relate primarily to the Company's borrowings, open market treasury stock repurchases, acquisition of shares in connection with the exercise or vesting of equity awards, and dividends.

Debt

Restated Senior Unsecured Credit Facility

On August 20, 2018, the Company entered into the Restated Senior Unsecured Credit Agreement (the "Restated Credit Agreement"), which amended and restated the Company's existing senior unsecured revolving credit agreement, dated July 21, 2015. The Restated Credit Agreement provided for a \$600 million unsecured credit facility with an original maturity date of August 20, 2023, subject to optional one-year extensions that could be requested by the Company prior to each of the first, second and third anniversaries of the closing date of the Restated Credit Agreement in exchange for fees. The Company has exercised multiple one-year extension options on the Restated Credit Agreement resulting in a new maturity date of August 20, 2026. The Restated Credit Agreement also provides that up to \$35 million of borrowings under the Restated Credit Agreement may be used for alternative currency loans and up to \$25 million of borrowings under the Restated Credit Agreement may be used for swingline loans. The Company may from time to time designate one or more wholly owned subsidiaries of the Company as additional borrowers under the Restated Credit Agreement, subject to the consent of the lenders and certain customary conditions.

There are no subsidiary guarantors under the Restated Credit Agreement. On February 18, 2020, the Company entered into the First Amendment to the Amended and Restated Senior Unsecured Credit Agreement which, among other things, removed a springing guarantee (requiring subsidiaries to guarantee the Company's obligations under the Restated Credit Agreement if the subsidiary incurs certain recourse debt) and other provisions and references in the Restated Credit Agreement related to the potential existence of subsidiary guarantors.

On February 14, 2023, the Company entered into a Third Amendment to the Amended and Restated Senior Unsecured Credit Agreement. This amendment provides, among other things, for (i) an increase in the aggregate amount of commitments under the Company's existing \$600 million unsecured credit facility (the "Revolver") by \$250 million (the "Increased Commitments") to an aggregate amount of \$850 million and (ii) the replacement of the interest reference rate for U.S. dollar-denominated borrowings under the Revolver from LIBOR to an adjusted Secured Overnight Financing Rate.

The Restated Credit Agreement requires the Company to pay a fee on the total commitments, calculated on the basis of the actual daily amount of the commitments (regardless of usage) times a percentage per annum ranging from 0.075% to 0.25% (depending on the Company's senior unsecured long-term debt rating or under circumstances as set forth in the Restated Credit Agreement, the Company's total leverage ratio in the event that such total leverage ratio is less than 2.5 to 1.0).

The Restated Credit Agreement requires that the Company and its restricted subsidiaries comply with various covenants, including with respect to restrictions on liens, incurring indebtedness, making investments and effecting mergers and/or asset sales. With respect to dividends, the Company may not declare or make any payment if there is an existing event of default or if the payment would create an event of default.

The Restated Credit Agreement imposes financial maintenance covenants requiring the Company to maintain a consolidated fixed charge coverage ratio of at least 2.5 to 1.0 and a total leverage ratio of not more than 4.5 to 1.0 or, on up to two nonconsecutive occasions, 5.5 to 1.0 for up to three consecutive quarters following a material acquisition commencing with the fiscal quarter in which such material acquisition occurred. The Company maintains an Investment Grade Rating, as defined in the Restated Credit Agreement, and therefore is not currently required to comply with the consolidated fixed charge coverage ratio covenant.

The Restated Credit Agreement includes customary events of default, the occurrence of which, following any applicable cure period, would permit the lenders to, among other things, declare the principal, accrued interest and other obligations of the Company under the Restated Credit Agreement to be immediately due and payable. At June 30, 2023, the Company maintained a total leverage ratio of 2.36x, including outstanding debt of approximately \$542.8 million on the senior unsecured revolving credit facility, and was in compliance with all financial covenants under the Restated Credit Agreement.

Debt issuance costs incurred in connection with the Restated Credit Agreement are amortized on a straight-line basis, which is not materially different than the effective interest method, through maturity. Amortization of these costs is included in interest expense in the consolidated statements of income.

The proceeds of the Restated Credit Agreement are generally expected to be used for general corporate purposes, including working capital, debt repayment, stock repurchases, dividends, investments and other permitted uses set forth in the Restated Credit Agreement.

Senior Unsecured Notes Due 2031

On July 23, 2020, the Company issued unsecured senior notes in the principal amount of \$450 million (the "2020 Senior Notes") bearing a coupon of 3.70%. The 2020 Senior Notes will mature on January 15, 2031, with interest to be paid semi-annually on January 15th and July 15th beginning January 15, 2021. The Company used the net proceeds of the 2020 Senior Notes, after deducting underwriting discounts, commissions and other offering expenses, to repay in full the \$250 million Term Loan entered in April 2020 and fund the purchase price of the 2012 Senior Notes tendered and accepted by the Company for purchase pursuant to the tender offer (discussed below under "Senior Unsecured Notes due 2022").

The interest rate payable on the 2020 Senior Notes will be subject to adjustment based on certain rating events. The Company may redeem the 2020 Senior Notes, in whole or in part, at its option at the applicable redemption price before maturity. If the Company redeems the 2020 Senior Notes prior to October 15, 2030 (three months prior to the maturity date) (the "2020 Notes Par Call Date"), the redemption price will be equal to the greater of (a) 100% of the principal amount of the notes to be redeemed, or (b) the sum of the present values of the remaining scheduled principal and interest payments that would have been payable had the 2020 Senior Notes matured on the 2020 Notes Par Call Date, discounted to the redemption date on a semi-annual basis at the applicable Treasury Rate plus 50 basis points, plus accrued and unpaid interest. If the Company redeems the 2020 Senior Notes on or after the 2020 Notes Par Call Date, the redemption price will equal 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest. Additionally, at the option of the holders of the 2020 Senior Notes, the Company may be required to repurchase all or a portion of the 2020 Senior Notes of a holder upon the occurrence of a change of control event at a price equal to 101% of their aggregate principal amount, plus accrued and unpaid interest, to the date of repurchase.

Senior Unsecured Notes Due 2029

On November 27, 2019, the Company issued unsecured senior notes in the principal amount of \$400 million (the "2019 Senior Notes") at a discount of \$2.4 million, bearing a coupon of 3.70% with an effective rate of 3.88%. The 2019 Senior Notes will mature on December 1, 2029, with interest to be paid semi-annually on December 1st and June 1st. The Company used the net proceeds of this offering, after deducting underwriting discounts, commissions and other offering expenses, to repay the previously outstanding senior notes in the principal amount of \$250 million due August 28, 2020, and for working capital and other general corporate purposes.

The Company may redeem the 2019 Senior Notes, in whole or in part, at its option at the applicable redemption price before maturity. If the Company redeems the 2019 Senior Notes prior to September 1, 2029 (three months prior to the maturity date) (the "2019 Notes Par Call Date"), the redemption price will be equal to the greater of (a) 100% of the principal amount of the notes to be redeemed, or (b) the sum of the present values of the remaining scheduled principal and interest payments that would have been payable had the 2019 Senior Notes matured on the 2019 Notes Par Call Date, discounted to the redemption date on a semi-annual basis at the applicable Treasury Rate plus 30 basis points, plus accrued and unpaid interest. If the Company redeems the 2019 Senior Notes on or after the 2019 Notes Par Call Date, the redemption price will equal 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest. Additionally, at the option of the holders of the 2019 Senior Notes, the Company may be required to repurchase all or a portion of the 2019 Senior Notes of a holder upon the occurrence of a change of control event at a price equal to 101% of their aggregate principal amount, plus accrued and unpaid interest, to the date of repurchase.

Senior Unsecured Notes Due 2022

On June 27, 2012, the Company issued unsecured senior notes with a principal amount of \$400 million (the "2012 Senior Notes") at par, bearing a coupon of 5.75% with an effective rate of 6.00%. The Company utilized the net proceeds of this offering, after deducting underwriting discounts, commissions and other offering expenses, together with borrowings under the Company's senior unsecured senior credit facility, to pay a special cash dividend to shareholders totaling approximately \$600.7 million paid on August 23, 2012.

On July 9, 2020, the Company commenced the tender offer (the "Tender Offer") to purchase up to \$160.0 million aggregate principal amount of the 2012 Senior Notes subject to increase or decrease. The Tender Offer was subsequently upsized to \$180.0 million aggregate principal amount of the 2012 Notes. On July 23, 2020, the Company amended the Tender Offer by increasing the aggregate principal maximum tender amount from \$180.0 million to \$183.4 million. The Tender Offer settled on July 24, 2020 for \$197.8 million, including an early tender premium, settlement fees, and accrued interest paid. In combination with the early pay off of the Term Loan, the Company recorded a loss on extinguishment of debt of \$16.0 million in the third quarter of 2020.

The 2012 Senior Notes matured on July 1, 2022. The outstanding principal of \$216.6 million was re-paid at maturity.

Economic Development Loans

The Company entered into economic development agreements with various governmental entities in conjunction with the relocation of its corporate headquarters in April 2013. In accordance with these agreements, the governmental entities agreed to advance approximately \$4.4 million to the Company to offset a portion of the corporate headquarters relocation and tenant improvement costs in consideration of the employment of permanent, full-time employees within the jurisdictions. At June 30, 2023, the Company had been fully advanced the amounts due pursuant to these agreements. These advances bear interest at a rate of 3% per annum.

Repayment of the advances is contingent upon the Company achieving certain performance conditions. Performance conditions are measured annually on December 31st and primarily relate to maintaining certain levels of employment within the various jurisdictions. If the Company fails to meet an annual performance condition, the Company may be required to repay a portion or all of the advances including accrued interest by April 30th following the measurement date. Any outstanding advances at the expiration in 2023 of the Company's current ten-year corporate headquarters lease will be forgiven in full. The advances will be included in debt in the Company's consolidated balance sheets until the Company determines that the future performance conditions will be met over the entire term of the agreement and the Company will not be required to repay the advances. The Company accrues interest on the portion of the advances that it expects to repay. The Company was in material compliance with all applicable current performance conditions as of June 30, 2023.

Dividends

During the year ended December 31, 2022, the Company declared cash dividends at a quarterly rate of \$0.2375 per share of common stock. In March 2023, the Company's board of directors approved a 21% increase in the quarterly cash dividend to \$0.2875 per share, with the dividend payable on April 18, 2023 to shareholders of record on April 3, 2023. The Company's quarterly dividend rate remained unchanged for the second quarter 2023, with the dividend payable on July 19, 2023 to shareholders of record on July 5, 2023.

During the six months ended June 30, 2023, the Company paid \$27.5 million in cash dividends. We expect that cash dividends will continue to be paid in the future, subject to declaration by our board of directors, future business performance, economic conditions, changes in tax regulations and other matters. Based on our present dividend rate and outstanding share count, aggregate annual regular dividends for 2023 are projected to be \$1.15 per share or approximately \$56.6 million in aggregate dividend payments.

The Company may not declare or make any payment if there is an existing event of default under the Restated Credit Agreement or if the payment would create an event of default.

Share Repurchases and Redemptions

In 1998, we instituted a share repurchase program. Treasury stock activity is recorded at cost in the consolidated balance sheets.

During the six months ended June 30, 2023, the Company repurchased 1.8 million shares of its common stock under the share repurchase program at a total cost, including accrued excise tax, of \$222.4 million. In total through June 30, 2023, the Company repurchased 57.2 million shares of its common stock (including 33.0 million prior to the two-for-one stock split effected in October 2005) under the program at a total cost of \$2.1 billion. Considering the effect of the two-for-one stock split, the Company has repurchased 90.2 million shares at an average price of \$23.76 per share. As of June 30, 2023, the Company had 2.8 million shares remaining under the current share repurchase authorization.

During the six months ended June 30, 2023, the Company redeemed 0.1 million shares of common stock at a total cost of \$14.0 million from employees to satisfy the option exercise price and statutory minimum tax-withholding requirements related to the exercising of stock options and vesting of PVRsUs and restricted stock grants. These redemptions were outside the share repurchase program. During the six months ended June 30, 2023, the Company received proceeds of \$5.6 million from stock options exercised by employees.

Critical Accounting Policies

Our accounting policies comply with principles generally accepted in the United States. Discussion of these policies is included in Note 1 to our consolidated financial statements as of and for the year ended December 31, 2022 included in our Annual Report on Form 10-K, which incorporates description of our critical accounting policies that involve subjective and complex judgments that could potentially affect reported results.

New Accounting Standards

Refer to Note 1 for information related to our evaluation of new accounting standards.

FORWARD-LOOKING STATEMENTS

Certain matters discussed in this quarterly report constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Certain, but not necessarily all, of such forward-looking statements can be identified by the use of forward-looking terminology, such as "expect," "estimate," "believe," "anticipate," "should," "will," "forecast," "plan," "project," "assume" or similar words of futurity. All statements other than historical facts are forward-looking statements. These forward-looking statements are based on management's current beliefs, assumptions and expectations regarding future events, which in turn are based on information currently available to management. Such statements may relate to projections of the Company's revenue, expenses, Adjusted EBITDA, earnings, debt levels, ability to repay outstanding indebtedness, payment of dividends, repurchases of common stock, and other financial and operational measures, including occupancy and open hotels, RevPAR, our ability to benefit from any rebound in travel demand, and our liquidity, among other matters. We caution you not to place undue reliance on any such forward-looking statements. Forward-looking statements do not guarantee future performance and involve known and unknown risks, uncertainties and other factors.

Several factors could cause our actual results, performance or achievements to differ materially from those expressed in or contemplated by the forward-looking statements. Such risks include, but are not limited to, changes to general, domestic and foreign economic conditions, including access to liquidity and capital; the Company's ability to successfully integrate Radisson Hotels Americas' employees and operations; the ability to realize the anticipated benefits and synergies of the acquisition of Radisson Hotels Americas as rapidly or to the extent anticipated; the resurgence of the COVID-19 pandemic, including with respect to new strains or variants, and the related impact on the global hospitality industry, particularly but not exclusively the U.S. travel market; changes in consumer demand and confidence, including consumer discretionary spending and the demand for travel, transient and group business; the timing and amount of future dividends and share repurchases; future domestic or global outbreaks of epidemics, pandemics or contagious diseases or fear of such outbreaks; changes in law and regulation applicable to the travel, lodging or franchising industries, including with respect to the status of our relationship with employees of our franchisees; foreign currency fluctuations; impairments or declines in the value of our assets; operating risks common in the travel, lodging or franchising industries; changes to the desirability of our brands as viewed by hotel operators and customers; changes to the terms or termination of our contracts with franchisees and our relationships with our franchisees; our ability to keep pace with improvements in technology utilized for marketing and reservations systems and other operating systems; the commercial acceptance of our SaaS technology solutions division's products and services; our ability to grow our franchise system; exposure to risks related to our hotel development, financing, and ownership activities; exposures to risks associated with our investments in new businesses; fluctuations in the supply and demand for hotel rooms; our ability to realize anticipated benefits from acquired businesses; impairments or losses relating to acquired businesses; the level of acceptance of alternative growth strategies we may implement; the impact of inflation; cyber security and data breach risks; climate change and sustainability related concerns; ownership and financing activities; hotel closures or financial difficulties of our franchisees; operating risks associated with our international operations; labor shortages; the outcome of litigation; and our ability to effectively manage our indebtedness and secure our indebtedness, including additional indebtedness incurred as a result of the acquisition of Radisson Hotels Americas. These and other risk factors are discussed in detail in the Risk Factors section of this Quarterly Report on Form 10-Q and of the Company's Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on March 1, 2023. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk from changes in interest rates and the impact of fluctuations in foreign currencies on the Company's foreign investments and operations. The Company manages its exposure to these market risks through the monitoring of its available financing alternatives including, in certain circumstances, the use of derivative financial instruments. We are also subject to risk from changes in debt and equity prices from our non-qualified retirement savings plan investments in debt securities and common stock, which have a carrying value of \$38.4 million and \$32.4 million at June 30, 2023 and December 31, 2022, respectively, which we account for as trading securities. The Company will continue to monitor the exposure in these areas and make the appropriate adjustments as market conditions dictate.

At June 30, 2023, the Company had \$545 million of variable interest rate debt instruments outstanding at an effective rate of 6.27%. A hypothetical change of 10% in the Company's effective interest rate from June 30, 2023 levels would increase or decrease annual interest expense by \$3.4 million. The Company expects to refinance its fixed and variable long-term debt obligations prior to their scheduled maturities.

The Company does not presently have any derivative financial instruments.

ITEM 4. CONTROLS AND PROCEDURES

Management's Evaluation of Disclosure Controls and Procedures

The Company has a disclosure review committee whose membership includes the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), among others. The disclosure review committee's procedures are considered by the CEO and CFO in performing their evaluations of the Company's disclosure controls and procedures and in assessing the accuracy and completeness of the Company's disclosures.

Our management, with the participation of our CEO and CFO, has evaluated the effectiveness of our disclosure controls and procedures, as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, (the "Exchange Act"), as of the end of the period covered by this quarterly report as required by Rules 13a-15(b) or 15d-15(b) under the Exchange Act. Our management, including our CEO and CFO, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met.

An evaluation was performed under the supervision and with the participation of the Company's CEO and CFO, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures were effective as of June 30, 2023.

Changes in internal control over financial reporting

There have been no changes in the Company's internal control over financial reporting that occurred during the quarter ended June 30, 2023, that materially affected, or is reasonably likely to materially affect the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is not a party to any material litigation other than litigation in the ordinary course of business. The Company's management and legal counsel do not expect that the ultimate outcome of any of its currently ongoing legal proceedings, individually or collectively, will have a material adverse effect on the Company's financial position, results of operations or cash flows.

ITEM 1A. RISK FACTORS

There have been no material changes in our risk factors from those disclosed in Part I, "Item 1A. Risk Factors" to our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, all of which could materially affect our business, financial condition or future results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

The following table sets forth purchases and redemptions of Choice Hotels International, Inc. common stock made by the Company during the six months ended June 30, 2023. Refer to the Liquidity and Capital Resources header of "Management's Discussion and Analysis of Financial Condition and Results of Operations" for more information.

Month Ending	Total Number of Shares Purchased or Redeemed	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽¹⁾	Maximum Number of Shares that may yet be Purchased Under the Plans or Programs, End of Period
January 31, 2023	554,622	\$ 118.66	554,622	4,120,542
February 28, 2023	404,509	124.03	404,509	3,716,033
March 31, 2023	382,389	119.44	272,089	3,443,944
April 30, 2023	183,083	122.85	182,949	3,260,995
May 31, 2023	207,507	123.84	206,009	3,054,986
June 30, 2023	228,469	116.03	228,469	2,826,517
Total	1,960,579	\$ 120.55	1,848,647	2,826,517

⁽¹⁾ During the six months ended June 30, 2023, the Company redeemed 111,932 shares of common stock from employees to satisfy the option price and minimum tax-withholding requirements related to the exercising of options and vesting of restricted stock and performance vested restricted stock unit grants. These redemptions were not part of the board repurchase authorization.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

Director and Officer Trading Arrangements

None of our directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K) during the quarterly period covered by this quarterly report.

ITEM 6. EXHIBITS

Exhibit Number and Description

Exhibit Number	Description
3.01(a)	Restated Certificate of Incorporation of Choice Hotels Franchising, Inc. (renamed Choice Hotels International, Inc.)
3.02(b)	Amendment to the Restated Certificate of Incorporation of Choice Hotels International, Inc.
3.03(c)	Amended and Restated Bylaws of Choice Hotels International, Inc.
3.04(d)	Amendment to the Amended and Restated Bylaws of Choice Hotels International, Inc.
3.05(e)	Amendment to the Amended and Restated Bylaws of Choice Hotels International, Inc.
10.01*	2023 Form of Non-Competition, Non-Solicitation & Severance Benefit Agreement
31.1*	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a)
31.2*	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a)
32*	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350
101.INS*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith

- (a) Incorporated by reference to the identical document filed as an exhibit to Choice Hotels International, Inc.'s Registration Statement on Form S-4, filed August 31, 1998 (Reg. No. 333-62543).
- (b) Incorporated by reference to the identical document filed as an exhibit to Choice Hotels International, Inc.'s Current Report on Form 8-K filed May 1, 2013.
- (c) Incorporated by reference to the identical document filed as an exhibit to Choice Hotels International, Inc.'s Current Report on Form 8-K filed February 16, 2010.
- (d) Incorporated by reference to the identical document filed as an exhibit to Choice Hotels International, Inc.'s Current Report on Form 8-K filed April 29, 2015.
- (e) Incorporated by reference to the identical document filed as an exhibit to Choice Hotels International, Inc.'s Current Report on Form 8-K filed on January 13, 2016.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CHOICE HOTELS INTERNATIONAL, INC.

August 8, 2023

By: /s/ PATRICK S. PACIOUS
Patrick S. Pacious
President & Chief Executive Officer

CHOICE HOTELS INTERNATIONAL, INC.

August 8, 2023

By: /s/ DOMINIC E. DRAGISICH
Dominic E. Dragisich
Chief Financial Officer

Non-Competition, Non-Solicitation & Severance Benefit Agreement

This Non-Competition, Non-Solicitation & Severance Benefit Agreement ("Agreement") is entered into this ____ day of _____, 20__ between Choice Hotels International, Inc. ("Choice"), a Delaware corporation with principal offices at 1 Choice Hotels Circle, Rockville, Maryland 20850, and _____ ("Employee").

Recitals

A. Employee is a management-level employee of Choice and/or a subsidiary of Choice (collectively, "Choice");

B. Choice devotes significant time, resources and effort to the training and advancement of its management employees, and its management team constitutes a significant asset and important competitive edge;

C. Choice has determined that it is in the best interest of the company and its shareholders to enter into an agreement with Employee whereby Employee agrees to certain non-competition, non-solicitation and confidentiality restrictions in consideration of, among other things, certain severance benefits.

NOW, THEREFORE, in consideration of the promises contained in this Agreement, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree to the following terms:

1. **Definitions.** As used in this Agreement, the following terms shall have the ascribed meaning:

(a) "Board" means the Board of Directors of Choice.

(b) "Cause" means any one or more of the following, whether occurring before or after the date hereof: (i) Employee's deliberate and continued refusal to carry out duties and instructions of the Board and CEO consistent with the position following written notice by Choice to Employee and a five business days cure period; (ii) Employee's commission of an act materially detrimental to the financial condition, operations and/or goodwill of Choice; (iii) Employee's gross negligence or willful misconduct in the performance of duties to Choice; (iv) Employee's commission of any act of theft, fraud, dishonesty, breach of trust or breach of fiduciary duty involving Choice; (v) Employee's conviction of, or plea of guilty or nolo contendere to, a felony or any crime involving moral turpitude, fraud or embezzlement; (vi) any breach by Employee of the covenants contained in this Agreement, or (vii) the material violation by Employee of any Choice policy or any statutory or common law duty to Choice.

(c) "Change in Control" means the happening of the earliest of the following to occur:

(i) Any "person" as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (other than (i) Choice, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of Choice, (iii) any corporations owned, directly or indirectly, by the stockholders of Choice in substantially the same proportions as their ownership of stock, or (iv) any Existing Shareholder) becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of Choice representing 33% or more of the combined voting power of Choice's then outstanding voting securities. An "Existing Stockholder" means:

(A) (i) all the lineal descendants of Stewart Bainum, Sr., and his wife, and their spouses (so long as they remain spouses) and adopted children of such descendants; (ii) all trusts for the benefit of any persons described in clause (i) and trustees of such trusts; (iii) all legal representatives of any person or trust described in clauses (i) and (ii) in their respective capacities as such; and (iv) all partnerships, corporations, limited liability companies or other entities controlled by the persons described in clauses (i), (ii) or (iii) (such persons referred to in this clause (A) collectively, "Bainum Affiliates"); and

(B) any other stockholder of Choice which, together with such stockholder's affiliates, owns more than 5% of the common stock of Choice Hotels International, Inc. as of the date of this Agreement so long as the Bainum Affiliates continue to own more common stock of Choice Hotels International, Inc. than such stockholder.

(ii) Individuals constituting the Board on the date of this Agreement and the successors of such individuals ("Continuing Directors") cease to constitute a majority of the Board. For this purpose, a director shall be a successor if and only if he or she was nominated by a Board (or a Nominating Committee thereof) on which individuals constituting the Board on the date of this Agreement and their successors (determined by prior application of this sentence) constituted a majority.

(iii) The stockholders of Choice approve a plan of merger or consolidation ("Combination") with any other corporation or legal person, other than a Combination which would result in stockholders of Choice immediately prior to the Combination owning, immediately thereafter, more than sixty-five percent (65%) of the combined voting power of either the surviving entity or the entity owning directly or indirectly all of the common stock, or its equivalent, of the surviving entity; provided, however, that if stockholder approval is not required for such Combination, the Change in Control shall occur upon the consummation of such Combination.

(iv) The stockholders of Choice approve a plan of complete liquidation of Choice or an agreement for the sale or disposition by Choice of all or substantially all of Choice's stock and/or assets, or accept a tender offer for substantially all of Choice's stock (or any transaction having a similar effect); provided, however, that if stockholder approval is not required for such transaction, the Change in Control shall occur upon consummation of such transaction.

(d) "Change in Control Termination" means and includes the termination of Employee's employment with Choice at any time during the twelve (12) month period after a Change in Control if such termination is (i) by Choice for any reason other than Cause, (ii) by Employee for Good Reason.

(e) "Competing Business" means any business or enterprise that: (i) is engaged in the mid-market or economy hotel franchising business, (ii) competes in the same upscale, select service segment as Cambria Hotels and Suites or any successor or substantially similar Choice brand, or (iii) competes in any other line of business in which Choice is materially engaged at the time of the Termination Date.

(f) "Confidential Information" means any non-public information, in any format, relating to the business of Choice, including, but not limited to, present or prospective operating, marketing and development plans, training manuals, training policies and procedures, financial and technical information, passwords, source codes, personnel information, franchisee information, business systems, trade secrets, pricing and cost information, contact lists, strategic plans or strategies, operating data or Choice policies.

(g) "Disability" means if Employee is unable to perform the essential functions of Employee's position, after any legally required reasonable accommodation, for more than 180 days (whether or not consecutive) in any period of 365 consecutive days.

(h) "Good Reason" means a voluntary termination by Employee following a material, substantial change in either Employee's compensation or position and responsibilities, provided such termination occurs within forty-five (45) days of the change in compensation or position. Employee must provide Choice with at least thirty (30) days' prior written notice of electing a Good Reason termination. Notwithstanding the foregoing, a change in reporting structure (for example, from reporting to the CEO to reporting to an EVP or SVP, etc.) does not, on its own (ipso facto), constitute a "material, substantial change" in position and responsibilities.

(i) "Non-Renewal" shall have the meaning set forth in Section 2.

(j) "Release Agreement" means the release of claims attached as Exhibit A.

(k) "Severance Benefits" means the benefits specified in Section 6.

(l) "Severance Benefit Period" means the seventy (70) week period following the Termination Date.

(m) "Termination Date" means the date Employee's employment with Choice ends.

(n) "Works" means any ideas, concepts, methods of operation, processes, programs or other materials (including training manuals, policies and procedures) that Employee conceived, created, developed or wrote while employed by Choice that relate in any manner to the business of Choice.

2. **Term.** The initial term of this Agreement shall be for a period of three (3) years commencing on _____ and will remain in effect until _____. The term of this Agreement shall be automatically extended for an additional three year period on _____ and each subsequent three year anniversary thereafter, unless and until Choice or the Employee provides written notice to the other party in accordance with Section 10 hereof not less than one hundred eighty (180) days before such date that such party is electing not to extend the term of this Agreement ("Non-Renewal"). Anything herein to the contrary notwithstanding, if on the date of a Change in Control, the remaining term of this Agreement is less than twelve (12) months, the term of the Agreement shall be automatically extended to the end of the twelve-month period following such Change in Control. References herein to the term of this Agreement shall include the initial term and any additional period for which this Agreement is extended.

3. **Confidentiality.** Employee acknowledges that Confidential Information and Works are valuable and unique assets belonging to Choice. During employment and after the Termination Date, Employee shall not, except as required by law or by Employee's duties for Choice and for the benefit of Choice, directly or indirectly, or cause others to, make use of or disclose to others any Confidential Information or Works. Notwithstanding the foregoing, Confidential Information does not include information which was or becomes generally available to the public other than as a result of a disclosure by Employee. Works constitute works made for hire and in all circumstances shall be and remain the sole and exclusive property of Choice, whether or not protectable under any laws, including patent, trademark, copyright or trade secret laws.

4. **Non-Solicitation.** During employment and for the Severance Benefit Period, Employee agrees, except as required by Employee's duties for Choice and for the benefit of Choice or with the prior written consent of Choice, not to solicit or attempt to solicit, directly or indirectly, on Employee's behalf or on behalf of any other person or entity, any person or entity who then is or who was as of the Termination Date, an employee, business partner or franchisee of Choice, or was actively solicited to have such a relationship with Choice within six (6) months prior to the Termination Date, to cease, curtail or refrain from entering into such a relationship with Choice. Nothing in the foregoing shall be construed as preventing Employee from otherwise lawfully soliciting business from any then current or prospective business partner or franchisee that is for a line of business other than any Competing Business.

5. **Non-Competition.**

(a) During employment and for the Severance Benefit Period, regardless of whether such termination is voluntary or involuntary and regardless of the reason for the termination, Employee shall not directly or indirectly in any capacity: (a) engage in any Competitive Activity (as defined below) for a Competitor (as defined below) within the Prohibited Territory (as defined below); or (b) assist anyone else in engaging in Competitive Activity within the Prohibited Territory. The provisions of this Section 5 shall not preclude Employee, during the Severance Benefit Period, from being employed by a Competitor so long as such employment is not engaged in Competitive Activities.

(b) Employee acknowledges and agrees that the scope, duration and terms of the restrictions set forth in Section 5(a) of this Agreement are reasonable and necessary to protect Choice's legitimate business interests, including by not limited to, Confidential Information, trade secrets and business know-how and relationships of Choice. Employee also acknowledges and agrees that the law concerning restrictive covenants is based on facts and circumstances. Therefore, Employee specifically agrees that if any of these restrictions shall be found overbroad or unreasonable, then these restrictions shall be enforced to the greatest extent deemed reasonable by a court of competent jurisdiction.

(c) **"Competitor"** means the following U.S. based companies including their respective corporate affiliates and subsidiaries operating in the U.S.:

ESH Strategies Branding LLC aka Extended Stay America
Hilton Worldwide Holdings Inc.
Hyatt Hotels Corporation
InterContinental Hotels Group PLC aka IHG Hotels & Resorts
Marriott International, Inc.
Wyndham Hotel Group, LLC aka Wyndham Hotels & Resorts

(d) **"Competitive Activity"** means competing against Choice by doing any of the following directly or indirectly in a Prohibited Territory for a Competitor: (a) performing the same or similar work as Employee performed on behalf of Choice at any time during Employee's last twelve (12) months of employment with Choice (the **"Similar Work"**); (b) performing or overseeing Similar Work in any executive or upper management capacity or performing work which involves the management or oversight of others who perform Similar Work; and/or (c) performing work in any capacity that would be reasonably likely to risk the disclosure and/or use of Confidential Information. Notwithstanding the foregoing, owning the stock or options to acquire stock totaling less than five percent (5%) of the outstanding shares in a public company shall not constitute, by itself, Competitive Activity.

(e) **"Prohibited Territory"** means the United States.

6. Severance Benefits. If Employee terminates with Good Reason or is terminated by Choice for any reason other than Cause, Change in Control Termination, Disability or death and Employee executes the Release Agreement within twenty-one (21) days of the Termination Date (or forty-five (45) days if such longer review period is required by the ADEA) and has not revoked the Release Agreement as permitted therein, Choice shall provide to Employee, in consideration of Employee's promises and covenants contained in this Agreement and the Release Agreement, a Severance Benefit equal to:

(a) During the Severance Benefit Period, a bi-weekly payment equal to Employee's bi-weekly base salary rate on the Termination Date, less standard deductions, payable in installments in accordance with Choice's normal payroll practices ("Discretionary Pay");

(b) If the Termination Date occurs after June 30 in a given year, then Employee shall be eligible for full payout of the bonus for that fiscal year based on the actual attainment level for the company objectives and at a deemed 100% achievement of the individual Management Bonus Objectives. The bonus will be paid out, if at all, at such time as the other corporate officers receive their bonus.

(c) Stock option, stock awards, and performance-based stock unit awards granted under Choice's Long-Term Incentive Plan on or after the date of this Agreement shall continue to vest pursuant to their applicable terms during the Severance Benefit Period and vested stock options shall be exercisable during the Severance Benefit Period. At the end of the Severance Benefit Period, vesting shall cease and Employee shall have 90 days thereafter to exercise all stock options that are vested at the end of the Severance Benefit Period.

(d) During the Severance Benefit Period, Choice will provide Employee at its expense with its standard outplacement services for executive level employees. Upon obtaining other employment, Employee will be ineligible to continue receiving these outplacement services at Choice's expense.

(e) During the Severance Benefit Period, (i) Employee may continue deductions for medical, dental, and pre-tax spending accounts while receiving Discretionary Pay, and Employee consents to the customary deductions for such benefits from Discretionary Pay, and (ii) Choice will continue to pay employer contributions to Employee's medical and dental insurance, but not pre-tax spending accounts, while Employee is receiving Discretionary Pay. Choice will stop optional deductions for items such as retirement plans and life insurance with Employee's last paycheck for regular hours worked through the Termination Date. After the Severance Benefit Period, Employee will be eligible to continue group health and dental benefits at Employee's own expense in accordance with and to the extent required by the federal COBRA law.

The Release Agreement must be irrevocably effective within sixty (60) days following the Termination Date. Subject to the six month delay referenced in Section 9(f), the payments shall begin or be made on the sixtieth day following the Termination Date.

7. Re-employment. After the Termination Date, Employee shall not be required to mitigate damages as a condition to receiving Severance Benefits, but nevertheless shall be entitled to pursue other employment as permitted by this Agreement. If Employee chooses to pursue and accept other employment or consulting during the Severance Benefit Period, Choice shall be entitled to receive as an offset, and thereby reduce its payment under Sections 6(a) and (b), the amounts received by Employee from any other active employment. Employee agrees to notify Choice within seven (7) business days of accepting such employment by sending such notice to Choice Hotels International, 1 Choice Hotels Circle, Rockville, Maryland 20850, Attention: Chief Human Resources Officer. As a condition to Employee receiving the Severance Benefits from Choice, Employee agrees to permit verification of Employee's employment records and Federal income tax returns by an independent attorney or accountant, selected by Choice but reasonably acceptable to Employee, who agrees to preserve the confidentiality of the information disclosed by Employee except to the extent required to permit Choice to verify

the amounts received by Employee from other active employment. Choice shall receive credit for unemployment insurance benefits, social security insurance or like amounts actually received by Employee.

8. Change in Control.

(a) If, within twelve (12) months after a Change in Control, there occurs a Change in Control Termination, Employee shall receive as severance compensation a lump sum payment in an amount equal to 200% of Employee's base salary at the rate in effect as of the Termination Date, plus 200% of the amount of Employee's eligible full year bonus for that fiscal year based on a 100% attainment level for the company objectives and a 100% attainment level for the individual Management Bonus Objectives. Additionally, all unvested restricted stock, performance vested restricted stock units and stock option awards granted after the date of this Agreement and then held by Employee shall automatically become fully vested as of the date of the Change of Control Termination.

(b) Employee's right to receive the benefits described in Section 8(a) shall be conditioned upon Employee executing the Release Agreement. The Release Agreement must be irrevocably effective within sixty (60) days following the Termination Date. Subject to the six-month delay referenced in Section 9(f), the payments shall begin or be made on the sixtieth day following the Termination Date.

9. Acknowledgments. Employee and Choice acknowledge and agree as follows:

(a) The restrictions contained in Sections 3, 4 and 5 are reasonable and necessary to protect and preserve the legitimate interests, properties, goodwill and business of Choice, that Choice would not have entered into this Agreement in the absence of such restrictions and that irreparable injury will be suffered by Choice should the Employee breach any of those provisions. Employee represents and acknowledges that (i) the Employee has been advised by Choice to consult Employee's own legal counsel at Employee's expense prior to executing this Agreement, and (ii) that the Employee has had full opportunity, prior to execution of this Agreement, to review thoroughly this Agreement with the Employee's counsel.

(b) A breach of any of the restrictions in this Agreement cannot be adequately compensated by monetary damages and Choice shall be entitled to seek preliminary and permanent injunctive relief, without the necessity of proving actual damages, as well as any other appropriate equitable relief, which rights shall be cumulative and in addition to any other rights or remedies to which Choice may be entitled.

(c) In the event that any of the provisions of this Agreement should ever be adjudicated to exceed the time, geographic, service, or other limitations permitted by applicable law in any jurisdiction, it is the intention of the parties that the provision shall be amended to the extent of the maximum time, geographic, service, or other limitations permitted by applicable law, that such amendment shall apply only within the jurisdiction of the court that made such adjudication and that the provision otherwise be enforced to the maximum extent permitted by law. The invalidity of any provision of this Agreement shall not affect the validity of the remaining provisions of this Agreement.

(d) This Agreement supersedes and extinguishes any rights Employee may have under Choice's standard Severance Benefit Plan.

(e) This Agreement shall not be construed as giving the Employee the right to be retained in the service of Choice for any definite period or otherwise to change Employee's status as an at-will employee.

(f) If required under Section 409A of the Internal Revenue Code, any Severance Benefit or Change of Control payment will be made six (6) months following the Termination Date.

(g) Employee agrees that Employee is not entitled to any unemployment benefits, and, to the extent permitted by law, that Employee does not intend to seek any unemployment benefits, during the Severance Benefit Period. Choice will not contest Employee's claim for unemployment benefits after the Severance Benefit Period.

10. Notices. For purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when hand delivered, sent by overnight courier, or mailed by first-class, registered or certified mail, return receipt requested, postage prepaid, or transmitted fax, addressed as follows:

If to Choice:

Choice Hotels International, Inc.
1 Choice Hotels Circle
Rockville, Maryland 20850
Attn.: General Counsel
Fax: 301-592-6206

If to the Employee:

or to such other address as either party may have furnished to the other party in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

11. Arbitration.

(a) In the event of any dispute or claim relating to or arising out of, directly or indirectly, of Employee's employment relationship with Choice, this Agreement, or the termination of employment with Choice for any reason (including, but not limited to, any claims of breach of contract, tort, wrongful termination, violation of any law, or unlawful discrimination, harassment or retaliation), Employee and Choice agree that all such disputes shall be fully resolved by private, binding arbitration conducted by the American Arbitration Association ("AAA") before a single arbitrator in Montgomery County, Maryland under the AAA's Employment Arbitration Rules then in effect, which rules are available online at the AAA's website at www.adr.org or by requesting a copy from Choice's Human Resources Department. The arbitrator shall be a currently licensed attorney with at least ten (10) years experience in employment law in the United States. This arbitration provision shall apply to any and all claims asserted by Employee against Choice or any of its affiliates, and each of their respective employees,

officers, agents, attorneys, owners, directors, or affiliates, and any and all claims against Employee by those entities.

(b) The arbitrator shall permit the parties to conduct reasonable discovery and is empowered to award all remedies otherwise available in a court of competent jurisdiction and any judgment rendered by the arbitrator may be entered by any court of competent jurisdiction. The arbitrator shall issue an award in writing and state the essential findings and conclusions on which the award is based. This arbitration agreement shall provide the exclusive remedy of the parties to seek redress of claims, and each party knowingly and voluntarily waives the right to a trial before a judge or jury, and any right he, she, or it might have to seek redress in any other forum, except for the right to file a charge with applicable administrative agencies (including, but not limited to the National Labor Relations Board, Equal Employment Opportunity Commission, the Maryland Workers' Compensation Commission or Division of Unemployment Insurance). If Employee still has the right to and chooses to pursue such administrative claim after exhausting all administrative remedies, such claim would be subject to arbitration under this arbitration agreement to the extent permitted by applicable law.

(c) In any arbitration conducted under this provision, each party will bear his, her or its own fees, expenses and costs associated with the arbitration, provided that, to the extent applicable law requires Choice to pay any of Employee's portion of the fees, expenses and costs of the AAA and the arbitrator to make the arbitration agreement enforceable, Choice will pay or reimburse Employee for such fees, expenses and costs; and provided further, to the extent applicable law provides for the award of reasonable attorneys' fees and costs to the prevailing party, the arbitrator may award such fees and costs.

(d) In the event any provision of this arbitration agreement is found to be unenforceable by an arbitrator or court, such provision shall be deemed modified to the extent necessary to allow enforceability of the provision or deleted such that the enforceability of the remaining provisions remain unaffected. If the court or arbitrator declines to modify this arbitration agreement to render it enforceable, the parties agree to do so. This arbitration agreement shall be interpreted and construed under the Federal Arbitration Act and the Maryland Uniform Arbitration Act.

(e) By agreeing to arbitration, Choice and Employee do not intend to deprive any court of its jurisdiction to issue a pre-arbitral injunction, pre-arbitral attachment, or other order in aid of arbitration proceedings and the enforcement of any award. In any such judicial action: (a) each of the parties irrevocably and unconditionally consents to the exclusive jurisdiction and venue of the federal or state courts located in Montgomery County, Maryland (the "Maryland Courts") for the purpose of any pre-arbitral injunction, pre-arbitral attachment, or other order in aid of arbitration proceedings, and to the non-exclusive jurisdiction of such courts for the enforcement of any judgment on any award; (b) each of the parties irrevocably waives, to the fullest extent they may effectively do so, any objection, including any objection to the laying of venue or based on the grounds of forum non conveniens or any right of objection to jurisdiction on account of its place of incorporation or domicile, which it may now or hereafter have to the bringing of any such action or proceeding in any Maryland Court.

12. Preservation of NLRA Rights. Nothing in this Agreement prohibits or restricts Employee from exercising Employee's rights under the National Labor Relations Act, including rights under Section 7 of that Act.

13. Miscellaneous.

(a) This Agreement contains the entire agreement of the parties, and supersedes all other agreements, discussions or understandings concerning the subject matter. It may be changed only by an agreement in writing signed by both parties.

(b) This Agreement shall be governed by the laws of the State of Maryland.

(c) No failure by either party hereto at any time to give notice of any breach by the other party of, or to require compliance with, any condition or provision of this Agreement shall be deemed a waiver.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first set forth above.
CHOICE HOTELS INTERNATIONAL, INC.

By: _____

Employee:

[Name]

EXHIBIT A
EXHIBIT A

RELEASE AGREEMENT

This Release Agreement ("Release Agreement") is made as of _____, 20__ by _____ ("Employee") in favor of Choice Hotels International, Inc. and its subsidiaries (collectively "Choice").

WHEREAS, Employee and Choice have previously entered into a Non-Competition, Non-Solicitation and Severance Benefit Agreement dated _____ ("Agreement"); and

WHEREAS, in consideration for certain covenants and benefits under the Agreement, Employee is obligated to execute this Release Agreement upon termination of employment;

NOW, THEREFORE, in consideration of the promises contained in this Agreement, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree to the following terms:

1. **Last Day Worked.** Employee's employment terminated, or will terminate, on _____, 20__ ("Termination Date"). Employee will return to Choice, no later than the

close of business on the Termination Date, any Choice property, including original and copied computer hardware or software, credit cards, long distance telephone cards, and keys or passcards to Choice buildings, and all other property in Employee's possession, custody or control.

2. Release. Employee agrees, in exchange for the benefits set forth in the Agreement, to irrevocably and unconditionally release Choice and its parents, subsidiaries and affiliated entities, and each of their respective officers, directors, shareholders, employees, agents, representatives, insurers, attorneys, employee welfare benefit plans and pension or deferred compensation plans under Section 401 of the Internal Revenue Code of 1954, as amended, and their trustees, administrators and other fiduciaries; and all persons acting by, through, under or in concert with them, and each of their predecessors, successors and assigns or any of them (collectively "Choice Releasees"), of and from any and all manner of action or actions, cause or causes of action, in law or equity, suits, debts, liens, contracts, agreements, promises, liability, claims, demands, grievances, damages, loss, cost or expense, of any nature, known or unknown, fixed or contingent, which Employee now has or may later have against the Choice Releasees, or any one of them, by reason of any matter, cause, or thing from the beginning of time to the Effective Date of this Agreement, including without limitation those arising out of, based on, or relating to the hire, employment, termination, remuneration (including any severance, salary, bonus, incentive or other compensation; vacation sick leave or medical insurance benefits; or any benefits from any employee stock ownership, profit-sharing and/or any deferred compensation plan under Section 401 of the Internal Revenue Code of 1954 ("Claims")). The Claims that Employee is releasing include, but are not limited to, a release of any rights or claims Employee may have under:

- a. the Age Discrimination in Employment Act, which prohibits age discrimination in employment;
- b. Title VII of the Civil Rights Act of 1964, which prohibits discrimination in employment based on race, color, national origin, religion or sex;
- c. the Civil Rights Act of 1991;
- d. the Equal Pay Act, which prohibits paying men and women unequal pay for equal work;
- e. the Americans with Disabilities Act;
- f. the Family and Medical Leave Act;
- g. and any other federal, state or local laws or regulations prohibiting employment discrimination, harassment or retaliation.

Employee also releases any Claims for wrongful discharge or breach of contract, Claims for any personal injury or tort, Claims for any compensation, benefits, expenses, bonuses, or any other employee rights or benefits, Claims for employment or reinstatement, Claims for attorneys' fees and costs, and all other Claims under any applicable statute, contract or other cause of action. This Agreement covers both Claims Employee knows about and those Employee may not know about. Employee assumes the risk of any and all unknown Claims which may exist at the time Employee signs this Agreement, and Employee agrees that this Agreement shall apply to any and all known and unknown Claims.

3. No Release of Rights Under Agreement. By signing this Release Agreement, Employee does not waive or release Employee's right to enforce the Agreement. Employee does not release claims for or rights to earned compensation, vested benefits or indemnification under Choice's bylaws.

4. Lawsuits. To the fullest extent permitted by law, Employee promises never to file a lawsuit, claim, complaint, charge, demand, administrative proceeding, agency action or any other legal proceeding (collectively "Lawsuit") asserting any Claims that are released in this Agreement. Employee agrees to withdraw with prejudice all Lawsuits, if any, Employee has filed against any Choice Releasee asserting any Claims with any agency or court. Employee also waives the right to seek or receive any monetary benefits with respect to Lawsuits asserted by administrative agencies or other third parties on Employee's behalf. Employee further agrees not to assist any other person in bringing any Lawsuit against any Choice Releasee, unless compelled to do so pursuant to a valid court order or subpoena. Employee agrees not to make any derogatory remarks or provide and disparaging information about any Choice Releasee. Employee agrees to reasonably assist Choice in any Lawsuit arising from circumstances that took place during Employee's employment, to the extent reasonably necessary to protect Choice's interests. Choice will reimburse Employee for all reasonable and necessary expenses Employee incurs in complying with the foregoing sentence, provided they are approved by Choice in writing prior to being incurred.

Protected Rights. Employee understands that nothing contained in this Agreement limits Employee's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission ("Government Agencies"). Employee further understands that this Agreement does not limit Employee's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. This Agreement does not limit Employee's right to receive an award for information provided to any Government Agencies.

5. No Admission. Employee agrees that this Release Agreement is not an admission of guilt or wrongdoing by the Choice Releasees, and Employee acknowledges that the Choice Releasees do not believe or admit that they have done anything wrong. Employee acknowledges that Employee has not suffered any wrongful treatment by any Choice Releasee.

6. Breach. If Employee breaches this Release Agreement and files a Lawsuit against any Choice Releasee on Claims that Employee released in this Release Agreement, Employee agrees to pay for all costs incurred by the Choice Releasee, including reasonable attorneys' fees, in defending against Employee's Lawsuit. Employee further agrees not to assist any other person in bringing any Lawsuit against any Choice Releasee, unless compelled to do so pursuant to a valid subpoena or court order. If Employee breaches the promises in this Release Agreement, Choice may terminate all Severance Benefits under the Agreement that are still owed to Employee.

7. Governing Law. This Agreement is governed by Maryland law, without regard to the principles of conflicts of laws. If a dispute arises under this Agreement, any Lawsuit must be brought exclusively in the courts for Montgomery County, Maryland. Employee and Choice voluntarily submit to the jurisdiction and venue of said court.

8. Binding. Employee agrees and acknowledges this Release Agreement binds Employee's heirs, administrators, representatives, executors, successors, and assigns, and will inure to the benefit of all Choice Releasees and their respective heirs, administrators, representatives, executors, successors, and assigns.

9. **Severability.** Any invalidity, in whole or in part, of any provision of this Release Agreement shall not affect the validity of any other of its provisions.

10. **Period for Review and Consideration.** Employee has 21 days from the date Employee receives this Release Agreement to review and consider this document before signing it. Employee may use as much of this 21 day period as Employee wishes before signing this Release Agreement. Choice advises Employee to consult with an attorney at Employee's own expense before signing this Release Agreement; whether to do so is Employee's decision. If Employee wishes to sign this Release Agreement and thereafter be eligible to receive the Severance Benefits under the Agreement, Employee must deliver one fully executed original of this Release Agreement, to Choice Hotels International, 1 Choice Hotels Circle, Rockville, Maryland 20850, Chief Human Resources Officer, no later than the close of business on the 21st day after Employee receives this Release Agreement. Employee's failure to deliver timely the executed Release Agreement will nullify the Agreement, and Employee will not be entitled to receive the Severance Benefits.

11. **Revocation of Release Agreement.** Employee may revoke this Release Agreement within 7 days after signing it (not counting the date Employee signs) (the "Revocation Period"). If Employee wishes to revoke this Release Agreement after signing it, Employee must deliver a written notice of revocation to Choice Hotels International, 1 Choice Hotels Circle, Rockville, Maryland 20850, Attention: Chief Human Resources Officer. Choice must receive this revocation no later than the close of business on the 7th day after Employee signs this Release Agreement. If Employee revokes this Release Agreement, it shall not be effective or enforceable and Employee will not receive the Severance Benefits under the Agreement.] This Agreement will not become effective or enforceable until such date that is is signed by both parties and the Revocation Period expires without Employee exercising Employee's right of revocation (the "Effective Date").

EMPLOYEE ACKNOWLEDGES THAT EMPLOYEE HAS HAD AN OPPORTUNITY TO REVIEW AND CONSIDER THIS RELEASE AGREEMENT WITH AN ATTORNEY, AND THAT EMPLOYEE HAS HAD SUFFICIENT TIME TO CONSIDER IT. AFTER SUCH CAREFUL CONSIDERATION, EMPLOYEE KNOWINGLY AND VOLUNTARILY ENTERS INTO THIS RELEASE AGREEMENT WITH FULL UNDERSTANDING OF ITS MEANING AND EFFECT.

Employee:

CERTIFICATION

I, Patrick S. Pacious, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Choice Hotels International, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - (d) Disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 8, 2023

/s/ PATRICK S. PACIOUS

Patrick S. Pacious
President & Chief Executive Officer

**WRITTEN STATEMENT
OF
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER**

The undersigned hereby certify that the Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 filed by Choice Hotels International, Inc. with the Securities and Exchange Commission fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the issuer.

August 8, 2023

/s/ PATRICK S. PACIOUS

Patrick S. Pacious
President & Chief Executive Officer

August 8, 2023

/s/ DOMINIC E. DRAGISICH

Dominic E. Dragisich
Chief Financial Officer

CERTIFICATION

I, Dominic E. Dragisich, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Choice Hotels International, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - (d) Disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 8, 2023

/s/ DOMINIC E. DRAGISICH

Dominic E. Dragisich
Chief Financial Officer